



UT System Administration Policy Library – Policy UTS163 **Guidance on Effort Reporting Policies**

Responsible Officer: Vice Chancellor for Research & Technology Transfer
Sponsoring Office: Office of Research & Technology Transfer
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CONTENTS

Policy Statement

Rationale

Scope

Website Address For This Policy

Related Statutes, Policies, Requirements Or Standards

Contacts

Definitions

Responsibilities

Procedures

Forms Tools/Online Processes

Appendix

POLICY STATEMENT

It is the policy of UT System to comply with federal guidelines and regulations regarding Effort Certification of Individuals on Sponsored Programs. In addition, state agencies, private foundations, organizations, and industry provide significant funding to enable the UT System to conduct instruction, public service, research and training grants.

Consequently, effort reporting policies, supported by detailed procedures, are necessary to ensure that the salaries and wages charged to these Sponsored Programs are allocable, allowable, consistently treated, and reasonable.

RATIONALE

This policy identifies the fundamentals of The University of Texas System (“UT System”) Guidance on Effort Reporting Policies by stipulating the critical policy areas and the minimum requirements for each policy area. If a UT Institution already has extensive, existing effort reporting policies, this policy should serve as a useful tool to assess the existing policies to ensure the UT Institution is meeting the minimum requirements.

The Office of Management and Budget (“OMB”) Circular A-21, *Cost Principles for Educational Institutions*, sets forth the cost principles that institutions of higher education must follow in expenditures of federally sponsored program funds. Section J.10 stipulates that institutions must have a payroll distribution system that allows salaries paid under federal grants to be properly allocated and that confirmation is made by the institution that Individual salaries paid under federal awards are appropriate to that award. Such confirmation is to be made by either the Individual or a responsible official using suitable means of verification. The after-the-fact confirmation method used by many UT Institutions requires that reports for faculty and professional staff be done each academic terms but no less frequently than every six months and monthly for support staff. The plan confirmation method must be adjusted as effort commitments change and requires a confirmation at least annually. The OMB A-21 Clarification Memo of January 5, 2001, further emphasized the effort confirmation requirements as they relate to committed (on the proposal) effort that may or may not be paid on the resultant award. Alternatively, a UT Institution may be required to comply with the Department of Health and Human Services’ OASC-3¹, *A Guide for Hospitals*. Therefore, each UT Institution must determine which federal guidelines, either OMB A-21 or OASC-3, are applicable to their specific institution. As of the issuance date of this policy only M. D. Anderson Cancer Center is required to comply with OASC-3.

Recent settlements by higher education institutions with the Department of Justice have cost millions of dollars to remedy whistleblower lawsuits, which alleged (in part) improper accounting of salaries and wages charged to federal awards. These lawsuits were filed under the Federal False Claims Act. There have also been significant instances where higher education institutions have had millions of dollars of research expenditures, principally salaries and wages, disallowed as a result of a federal audit.

SCOPE

All institutions and UT System Administration.

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts163.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
	<ul style="list-style-type: none"> • Code of Federal Regulations, Part 74, Appendix E, Uniform Administrative Requirements for Organizations, and Commercial Organizations, and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments; • Department of Health and Human Services' OASC-3, A Guide for Hospitals • OMB Circular A-21, Cost Principles for Educational Institutions; • OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education,

	<p><u>Hospitals, and Other Non-Profit Organizations;</u></p> <ul style="list-style-type: none"> • <u>Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs dated January 5, 2001;</u> • <u>OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations;</u> • <u>NIH Grants Policy Statement dated December 2003; and</u> • <u>NIH IBS Statement NOT-OD-05-061 dated August 4, 2005</u>
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CONTACTS

If you have any questions about UT System Administration Policy UTS 163, Guidance of Effort Reporting Policies, contact the following offices:

Subject	Office Name	Telephone Number	Email/URL
	Office of Research & Technology Transfer	(512) 499-4546	http://www.utsystem.edu/rtt/

DEFINITIONS

Committed Effort: The amount of Effort proposed in a grant or other project application that is accepted by a sponsor, regardless of whether salary support is requested for the effort.

Cost Sharing: The mandatory or voluntary commitment of institutional resources contained in the proposal or award. The concept of matching is synonymous with Cost Sharing. This policy only pertains to Cost Sharing as it relates to time commitments made by Individuals listed in the proposal or award. There are different types of Cost Sharing:

- **Mandatory Committed Cost Sharing** is required by the sponsor as a condition of obtaining an award. It must be included in the contract or grant proposal to receive consideration from the sponsor.
- **Salary-cap Cost Sharing** results when an Individual's Institutional Base Salary exceeds a sponsor's salary cap. The prorated excess is a form of mandatory Cost Sharing that must be funded by an appropriate and allowable source.
- **Voluntary Committed Cost Sharing** represents Effort proposed that was not required by the sponsor and that is in excess of Effort paid by the sponsor and/or mandatory Cost Sharing.
- **Voluntary Uncommitted Cost Sharing** represents Effort that may benefit a project but was not committed in the proposal or award.

For both Mandatory and Voluntary Committed Cost Sharing, when a notice of grant award is received in which Cost Sharing was proposed, the Cost Sharing becomes a binding commitment that must be provided and tracked in a consistent manner across each UT Institution. Additionally, these forms of Cost Sharing must be included in the appropriate direct cost base in the facilities and administrative rate proposal.

Cost Transfers: Transfers to or from a sponsored account of a charge that was previously recorded on another account or to another funding source. This policy only addresses Cost Transfers related to effort commitments.

Designated Responsible Party: A person at each UT Institution shall manage and be responsible for the effort reporting compliance program. The person must possess exclusive responsibility for managing the risk, including the appropriate knowledge and necessary authority to manage the risk. Therefore, the chief research officer (or equivalent) shall be the Designated Responsible Party. It is acknowledged the Designated Responsible Party will work closely with the chief business officer and the institutional compliance officer to ensure all specific risks are adequately mitigated and effectively monitored.

Effort: The amount of time spent on any activity expressed as a percentage of Total Institutional Activities for which an Individual is compensated by a UT Institution. **It is extremely important to understand that Effort is not calculated on a 40-hour workweek or any other standard workweek.** In addition, total Effort must equal 100%. For example, if an Individual averages 60 hours per week during the reporting period and spends an average of 15 hours on a Sponsored Program that represents 25% Effort and the other 45 hours, allocated to other institutional activities, represents 75% Effort.

OMB Circular A-21 Section J10b(1)(c) states "in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance,

therefore, is placed on estimates in which a degree of tolerance is appropriate.” Moreover, OMB Circular A-21 Section J10b(2)(a) states “The payroll distribution system will ... (ii) reasonably reflect the activity for which the employee is compensated by the institution; ... ”

Effort Certification: A means of confirming that the Effort supported or paid by the sponsor has been performed and Effort expended in support of a project (but not paid by the sponsor) has been performed. It is important to note payroll distributions and Effort Certifications are not the same thing. Payroll distributions describe the allocation of an Individual’s salary; whereas, Effort Certification describes the allocation of an Individual’s Effort.

Fiscal Year: The fiscal year for each UT Institution is September 1st through August 31st.

Individual: An Individual is anyone who has paid Effort and/or Committed Effort on a Sponsored Program. Where appropriate in this policy the following subcategories will be utilized:

- A Primary Individual is a person listed as principal investigator, project director, co-investigator, co-project director, or those with comparable responsibilities on a sponsored project application. A Primary Individual typically, but not always, carries an academic (i.e. faculty) appointment.
- A Supporting Individual is an employee other than a Primary Individual who has expended Effort on a Sponsored Program. The Supporting Individual may or may not have been identified on the funded application and typically does not have Committed Effort greater than the amount paid on a specific Sponsored Program.

Institutional Base Salary (IBS): The total guaranteed annual compensation an Individual receives from a UT Institution, whether the Individual’s time is spent on research, teaching, patient care or other activities. The IBS shall be used to compute salaries charged to Sponsored Programs unless sponsored policies further limit salary charges. IBS includes compensation for instruction, public service, research, and/or other activities. IBS excludes: fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk. IBS may or may not include additional payment for administrative duties per each UT Institution’s written policy.

Sponsored Programs: Involve a specific commitment of time and can be either: 1) externally funded activities in which a formal written agreement, such as a cooperative agreement, contract, or grant is entered into by a UT Institution and by a sponsor for research, training, and other public service activities; or 2) internally funded for which the activities are separately budgeted and accounted for by the UT Institution as a result of a formal application and approval process within a UT Institution. For externally

funded programs, the commitment of time can either be paid or unpaid by the sponsor (see Mandatory and Voluntary Committed Cost Sharing definitions). A Sponsored Program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

Total Institutional Activities: Total Institutional Activities are those activities for which an Individual is paid by the UT Institution. Common activities include administrative duties, instruction, patient care, public service, and research.

RESPONSIBILITIES

UT Institution

- Establishes an action plan to implement each policy area in a steady and purposeful manner.
- Ensures a written, accessible policy exists for every policy area contained in this policy.

Designated Responsible Party for Effort Reporting Compliance

- Files a report assessing institutional progress towards full compliance with this policy.
- Ensures education and training programs are developed to assist all administrators, faculty, and staff to fully understand the intent and the implications of all policies.
- Ensures an effective monitoring process exists at each UT Institution.

Institutional Compliance Officer

- Files a report assessing institutional progress towards full compliance with this policy.

Internal Audit Department

- Performs an audit to determine compliance with this policy.

Primary Individual

- Communicates with his/her department, and several other administrative functional areas within each UT Institution about effort commitments.

Executive Vice Chancellor

- Approves any alternative oversight mechanism that adequately and effectively monitors the approval process.

PROCEDURES

1. Policy Implementation

Each UT Institution shall establish an action plan to implement each policy area in a steady and purposeful manner. Each policy area must be supported by procedures and monitoring activities to ensure the policy is implemented as intended.

The Designated Responsible Party for effort reporting compliance and the institutional compliance officer shall file a report assessing institutional progress towards full compliance with this policy. The report shall be submitted to the appropriate executive vice chancellor and the vice chancellor for research & technology transfer within 180 days of the approval of this policy.

In addition, each UT Institution's internal audit department shall perform an audit to determine compliance with this policy. The audit report shall be completed and submitted to the UT Institution's executive management, the appropriate executive vice chancellor, and the vice chancellor for research and technology transfer by the first anniversary date of this policy.

2. General

Each UT Institution shall ensure a written, accessible policy exists for every policy area contained in this policy. **A UT Institution may find it advantageous to incorporate multiple policy areas and / or requirements into a single policy, which is acceptable.** Each policy area shall also contain the following attributes:

- 2.1 A purpose statement and reference to federal requirements (i.e. OMBs A-21, A-110, etc.);
- 2.2 The office or department that is responsible for developing and monitoring the policy;
- 2.3 First issued and last revised dates of the policy;
- 2.4 Accessible via the internet or the intranet;
- 2.5 Definitions section for all key terminology;
- 2.6 Clearly stated roles and responsibilities of applicable departments and/or Individuals;
- 2.7 Reporting requirements (if applicable); and
- 2.8 Supported by procedures² and monitoring activities to ensure each policy area is implemented as intended.

The Designated Responsible Party shall ensure education and training programs are developed to assist all administrators, faculty, and staff to fully understand the intent and the implications of all policies. Each UT Institution should adopt the most effective methodology for its community and culture. See [Appendix A](#) for the education and training program criteria.

The Designated Responsible Party shall ensure an effective monitoring process exists at each UT Institution. The monitoring process should be based on a risk assessment, identify the internal controls to be relied upon, identify the monitoring strategies to be deployed, and how the results will be communicated to executive management at each UT Institution. See [Appendix B](#) for the monitoring plan criteria.

3. Institutional Base Salary

The following are requirements of Institutional Base Salary (IBS):

3.1 IBS for Health Institutions - The National Institutes of Health (“NIH”) has indicated³ if an institution chooses to include clinical practice compensation in IBS, clinical practice compensation must be set by the institution and be paid through or at the direction of the institution. In addition, the clinical practice activity must be shown on the institution’s payroll or salary appointment forms and records approved by the institution and be included and accounted for in the institution’s effort reporting and payroll distribution systems. Finally, the institution must assure all financial reports and supporting documents associated with the combined IBS and resulting charges to NIH grants are retained and made available to federal officials.

3.2 IBS for Academic Institutions – An Individual whose salary is based on a nine-month appointment shall be annualized to twelve months to determine IBS.

4. Management of Effort Commitments

The management of effort commitments for a Primary Individual requires ongoing communication between the Primary Individual, his/her department, and several other administrative functional areas within each UT Institution. This communication is critical because the Primary Individual may be fully committed (100%) and when a new award is received this typically causes other commitment(s) to be reduced. Moreover, if multiple reductions occur over time a sponsor might need to be notified in advance based on the cumulative effect of the most recent reduction. Online effort reporting systems being evaluated offer robust functionalities to manage effort commitments. As online systems are implemented at UT Institutions in the future this policy may be modified to require more formal processes.

4.1 Through appropriate means, each UT Institution shall ensure that a Primary Individual’s Total Institutional Activities shall not exceed 100% and shall be consistent with his/her other duties as agreed upon with his/her supervisor.

4.2 Each UT Institution shall establish an approval process for Sponsored Program proposals. The Primary Individual’s supervisor must review and approve the Committed

Effort in proposals, as well as ensure each Primary Individual listed in proposals with a specific Committed Effort is aware and has approved his/her participation in the activity.

4.2.1 An alternative oversight mechanism that adequately and effectively monitors the approval process may be approved by the appropriate executive vice chancellor.

4.3 Each UT Institution shall establish a policy that stipulates a minimum level of Committed Effort for a Primary Individual listed on every Sponsored Program he/she is involved. Exceptions to the minimum level of Effort are for equipment and instrumentation grants, doctoral dissertation grants, and augmentation grants. The minimum level and the Primary Individual's actual Effort should be commensurate with his/her responsibilities.

4.4 Each UT Institution shall establish a policy that stipulates the maximum level of Committed Effort for a Primary Individual who has effort commitments on Sponsored Programs. Primary Individuals could be segregated into groups with similar institutional activities. For example, a Primary Individual with Sponsored Program effort commitments who is also a department head might have a maximum level of 80%; whereas a Primary Individual with a non-tenure track research appointment might need a higher maximum level threshold. Each UT Institution's policy on maximum commitments should acknowledge there are rare occasions for a Primary Individual to be appointed 100% on Sponsored Programs. These occasions are rare due to the likelihood the Primary Individual will perform other activities whose costs are not allowable under OMB A-21. Therefore, nearly all Primary Individuals funded by Sponsored Programs would ultimately certify their level of Effort related to the Sponsored Program at something less than 100%.

4.5 A Primary Individual with a nine-month appointment for the fiscal year, primarily found at UT Academic Institutions, and who has Committed Effort on a Sponsored Program may be allowed a 100% appointment during the summer; however, care should be exercised to ensure the Primary Individual does not perform other activities during that period whose costs are not allowable under OMB A-21.

It is extremely important to understand that Effort is not calculated on a 40-hour workweek or any other standard workweek .

5. Cost Sharing

Mandatory or voluntary committed Cost Sharing that is contained in a funded Sponsored Program proposal becomes a binding commitment to the UT Institution upon either formal acceptance of the award document or expenditure of funds if no formal acceptance is required. This commitment creates the requirement for each UT Institution to track all Cost Sharing. Each UT Institution shall develop a Cost Sharing policy with the following attributes:

5.1 A statement on the philosophy of Cost Sharing;

5.2 A requirement that mandatory and voluntary committed Cost Sharing contained in proposals are part of the review and approval process by the Primary Individual's supervisor included in the Management of Effort Commitments (see **Section 4.2**) of this policy;

5.2.1 An alternative oversight mechanism that adequately and effectively monitors the approval process may be approved by the appropriate executive vice chancellor.

5.3 A requirement for each UT Institution to have a process in place to verify the Cost Sharing amounts remain available and are appropriate, especially when an awarded budget is less than the proposed budget;

5.4 A requirement that effort commitments used as mandatory or voluntary committed Cost Sharing must only be used once and not be used against multiple Sponsored Programs;

5.5 A requirement for a process to ensure each UT Institution adheres to salary caps established by sponsors; and

5.6 Each UT Institution shall establish a process to identify, monitor, and track all mandatory and voluntary committed Cost Sharing covered by this policy. An annual report shall be completed by each UT Institution for use by the institution's administration and to provide the information necessary to reclassify Cost Sharing to the appropriate direct cost base in the facilities and administrative rate proposal.

6 Cost Transfers

Cost Transfers are a reality of Sponsored Programs; however, a high volume of Cost Transfers, Cost Transfers that occur several months after the initial accounting transaction, Cost Transfers that occur after an Effort Certification report is completed, and / or a pattern of Cost Transfers from a Sponsored Program may indicate poor awards management. Each UT Institution shall develop a Cost Transfer policy with the following attributes:

6.1 The Cost Transfers process duties must be appropriately segregated to ensure no one Individual or academic department has the ability to initiate, approve, and post a Cost Transfer into the official accounting records;

6.2 All Cost Transfers should be tracked and Individuals or departments with excessive amounts or numbers of Cost Transfers shall receive training to address the root cause(s) of the Cost Transfers;

6.3 All Cost Transfers must have adequate support documentation as to the reason it is necessary. To indicate "to correct an error" or "to transfer to correct project" are insufficient reasons;

6.4 All Cost Transfers must occur timely. Cost Transfers occurring after 90 days of the original transaction and exceeding five percent (5%) of the annual award must be approved by the chief business officer;

6.5 No salary Cost Transfers are permitted after Effort Certification reports are completed and signed by the Individual unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account);

6.6 No Cost Transfers are permitted after the Sponsored Program closeout date unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account).

7 Effort Certification

Effort is the amount of time spent on any activity expressed as a percentage of Total Institutional Activities for which an Individual is compensated by a UT Institution. **It is extremely important to understand that Effort is not calculated on a 40-hour workweek or any other standard workweek.** Each UT Institution shall develop an Effort Certification policy with the following attributes:

7.1 A definition of Effort and Effort Certification, which should include a discussion that: Effort is based on Total Institutional Activities and does not assume a 40-hour workweek or any other standard workweek; the Effort Certification report and payroll distribution records are not the same; and the Effort Certification report includes Total Institutional Activities, including all Cost Sharing activities;

7.2 A discussion of why Effort Certification reports are important and a reference to the federal statutory guidance as well as indicate that criminal charges may be brought against an Individual who certifies a falsified report;

7.3 A requirement which identifies who has to complete Effort Certification reports by segregating into professorial, professional⁴, and non-professional⁵ categories;

7.4 A statement indicating the frequency each employee category (See **Section 7.3**) must complete Effort Certification reports, meeting the minimum requirements in OMB Circular A-21, whether using the after-the-fact confirmation process or the planned confirmation process;

7.5 A statement that indicates Effort Certification reports are based on a reasonable estimate by recognizing that administration, patient care, research, service, and teaching are often inextricably intermingled;

7.6 A requirement that Effort shown on the Effort Certification report must be reported in percentages and all Effort must equal 100%;

7.7 A methodology on how to delineate Total Institutional Activities as shown on the Effort Certification form. There are two preferred methods:

7.7.1 Group Total Institutional Activities on the Effort Certification form into two categories: Sponsored Programs and non-sponsored programs. The line items within each category would be the accounts that are paying for a portion of the salary or for which there is Committed Effort with no salary paid. In this method, the non-sponsored programs category should not be further delineated into other "categories" such as administration, patient care, research, service, and teaching; or

7.7.2 Group Total Institutional Activities according to how a UT Institution classifies expenditures for the facilities and administrative rate proposal, such as organized research, instruction and departmental research, patient care, other institutional activities, etc. This approach allows the Individual to see how the various activities will be classified in the facilities and administrative rate proposal and should allow for a better classification of the space those activities are performed in when the institution updates its space usage survey. The categories at a minimum would be those defined in OMB Circular A-21, but if a UT Institution wants to identify unique direct cost objectives, an example being patient care, for internal management purposes, it may do so.

7.8 A requirement for a Primary Individual to certify his/her own Effort Certification report;

7.8.1 An alternative oversight mechanism that adequately and effectively monitors the Effort Certification process may be approved by the appropriate executive vice chancellor.

7.9 A requirement for a Primary Individual to certify Effort Certification reports for all Supporting Individuals who have expended Effort on his/her Sponsored Programs;

7.10 Each Effort Certification form contains an attestation statement which indicates the certifier has suitable means of verification and the amounts shown are a reasonable estimate of actual work performed during the stated period;

7.11 A requirement for all Effort Certification reports to be completed within 30 days of receipt of the forms. A UT Institution may define special circumstances where the interval is extended not to exceed 45 days; and

7.12 A statement on the consequences of not completing Effort Certification reports in a timely manner; a possible strategy includes moving all non-certified salary expenses off of the sponsored account and onto a departmental unrestricted account.

Failure to comply with the guidelines and regulations contained in the aforementioned authoritative guidance could result in expenditure disallowances, penalties and fines levied against the UT Institution, and damage to the UT Institution's research reputation. In addition, criminal charges may be brought against an Individual who certifies a falsified effort report.

Footnotes

¹OASC-3 has similar regulations to OMB A-21. When this Business Procedures Memorandum references OMB A-21 it also references similar sections of OASC-3.

²The detailed support should be included in the Handbook of Operating Procedures.

³Notice Number: NOT-OD-05-061, *Guidelines for Inclusion of Clinical Practice Compensation in Institutional Base Salary Charged to NIH Grants and Contracts*

⁴Professorial and professional employees are faculty, administrative & professional, and exempt employees.

⁵Non-professional employees are non-exempt employees.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDICES

[Appendix A - Education and Training Program Criteria](#)

[Appendix B - Monitoring Plan Criteria](#)

Keywords: reporting, salaries, wages, property
