

Valdosta State University
Effort Reporting FAQs

FAQs Summary:

1. What is "effort reporting?"
2. How does VSU do effort reporting?
3. What is considered "compensated effort?"
4. How is extra compensation handled in the effort reporting system?
5. How are effort reports distributed?
6. What happens if the effort for the institution to certify to agencies providing grant or contract funding that direct labor charges allocated to sponsored projects are reasonable and reflect the actual work performed.

Circular A

21: Cost Principles for Educational Institutions issued by the Office of Management and Budgets (OMB) requires that an individual's effort on a particular sponsored project, whether compensated by grant/contract funds or committed as cost share, be reported as a percentage of the individual's total effort for the institution ("total institutional effort") during a discreet reporting period. This percentage, which must "reasonably reflect the activity for which the employee is compensated by the institution," is derived from a fraction in which the numerator represents the employee's time on the sponsored project and the denominator encompasses time spent on both sponsored and all other activities, including teaching, non externally funded research, scholarly activities, mentoring undergraduate and graduate students, service on departmental, college, or university committees or panels; etc. These activities included in the denominator constitute the employee's "total institutional effort." Separately compensated external (private) consulting and other outside professional activities are not included in "total institutional effort."

2. How does VSU do effort reporting?

VSU employs an "after the fact" effort certification method, one of three methods approved by the federal government. The portion of effort to be charged or committed to the grant or contract is initially estimated in the project proposal. Upon award, the Grants & Contracts Accountant completes the paperwork necessary to charge the proposed effort to either the grant/contract account or its associated cost share account for Fall and Spring semesters for regular faculty and all semesters for twelve month employees. Summer grant compensation for faculty is accomplished by including the faculty member on the summer roster. As the project progresses, proposed effort is

the beginning of each semester. Adjustments are also made as necessary during the semester, including when

compensation, no effort report is generated for that individual. However, if an individual has other regular effort on a grant/contract in addition to the extra compensation that causes generation of an effort report, the extra compensation is included.

5. How are effort reports distributed?

VSU distributes and collects effort reports on a semester basis. Each full time employee who has been paid from or contributed cost share to a sponsored project during the reporting period will receive his/her own effort report form via email. Effort reports for part time and student employees will be sent to the Principal Investigator via email. It is the PI's responsibility to secure the certification from these individuals and then return signed reports to the Office of Grants & Contracts. If an individual is no longer employed or enrolled at VSU, which is often the case with part time and student employees, someone else with firsthand knowledge of the effort paid by the grant/contract or committed as cost share may certify the effort. Generally, this alternate certification is made by the Principal Investigator or the Project Director. However, in some cases it may be another staff member who supervised the part time or student employee who has the firsthand knowledge.

6. What happens if the effort report is inaccurate?

The employee should individually review the report to determine if the distribution of salary during the reporting period provides a reasonable representation of compensated effort during that period. "Reasonable" is defined as no more than $\pm 5\%$ variance in effort from the salary distribution percentages reported. If the salary distribution is not a reasonable representation of effort, the employee should make corrections below the printed percentages to indicate actual effort distribution, and then sign the certification statement. The employee should keep in mind that total effort must always equal 100%. If the employee changes one percentage figure to reflect a different level of effort, a corresponding change must be made in another category to keep total effort at 100%

In all cases, if the salary distribution presented on the effort report form is not a reasonable representation of the individual's total compensated effort performed for VSU during the reporting period (within $\pm 5\%$ in any category), the individual should make appropriate changes before certifying. In the event the proportion of the effort on the sponsored project significantly exceeds the proportion of compensated time charged to the sponsored project account, no change in the charges to the sponsored project are generally required. If, however, the individual's actual effort is significantly less than the proportion of his/her compensation that is charged to the sponsored project, reduction of the personnel costs charged to the sponsored project account during the reporting period will likely be necessary.

7. What are the "trouble spots" in effort reporting?

There are a number of specific practices or deficiencies in an institution's effort reporting system that auditors and inspectors generally look for. Any effort report that totals to something other than 100% automatically invites detailed scrutiny. Thinking that a standard "40 hour work week" has application to effort reporting can lead to this kind of miscalculation of total effort. An employee is improperly reporting effort if, proceeding on this assumption, he/she reports an allocation of 50% of his/her total

effort to a sponsored research project based on having devoted 20 hours per week to the project, when the 20 hours actually reflects a smaller proportion of his/her overall work. Likewise, a researcher who has spent many hours mentoring a promising graduate student erroneously thinks, "I do that on my own time." These well intentioned beliefs can result in costly mistakes because they fail to recognize that effort on a sponsored project must be measured against "total institutional effort" as described earlier.

Other "red flag" areas for auditors are completeness and timeliness of reporting. Late, unsigned, or missing effort reports will likely raise questions. Effort reports that appear to have been signed in batches can be problematic. "Corrected" effort reports may draw an auditor's attention; this is especially

system and ensuring that the federal government is not overbilled for effort that did not occur. Auditors may elect to review the effort reporting system of any institution at any time, regardless of the type of institution or the size of its sponsored programs portfolio. Although the small size of an institution or a relatively modest volume of federally funded research may lower the probability of an effort reporting audit, if it should occur, the magnitude of the impact of audit disallowances or a False Claims Act suit would be substantially greater, as small institutions generally do not have large monetary reserves from which to pay for disallowances, fines, settlements, and attorneys' fees. Thus, every institution, regardless of size, is remiss if effort reporting is not taken seriously and is not done in a way that satisfies federal regulations and ensures occur.