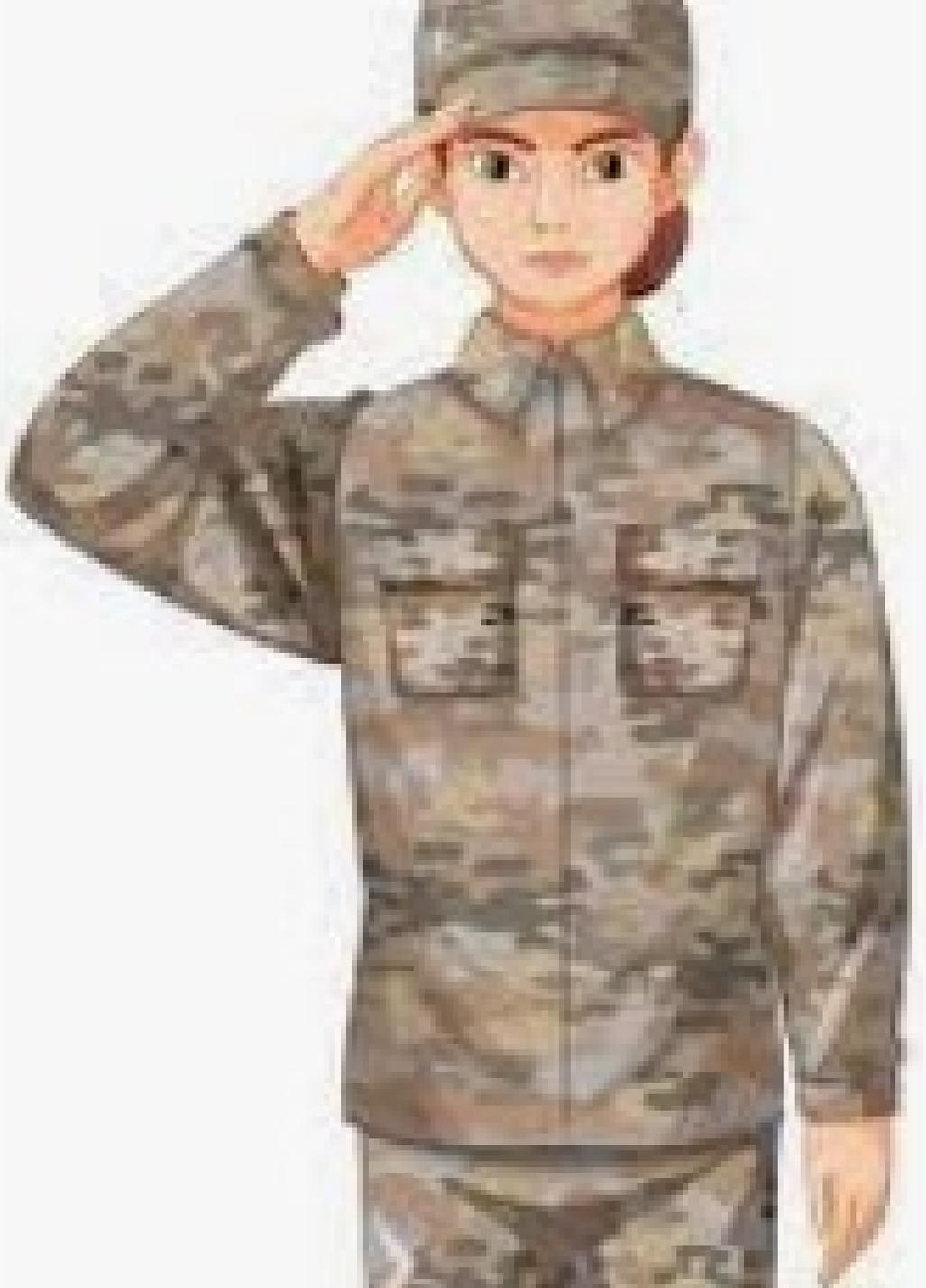




Effort Reporting - Basics

October 2024



Ground Rules

- This is a guided dialog – not a lecture
- Ask questions throughout the presentation
- Your participation is strongly encouraged

Target For Discussion

- Effort & Effort Reporting
- Core Components
- Federal Regulations



Effort & Effort Reporting



What is Effort? What is Effort Reporting?

Effort is the time spent on any activity by an individual, expressed as a percentage of the individual's total professional effort

Effort reporting is simply the method used to confirm that the effort or time spent on sponsored awards reasonably reflects the salary and wages charged to that agreement

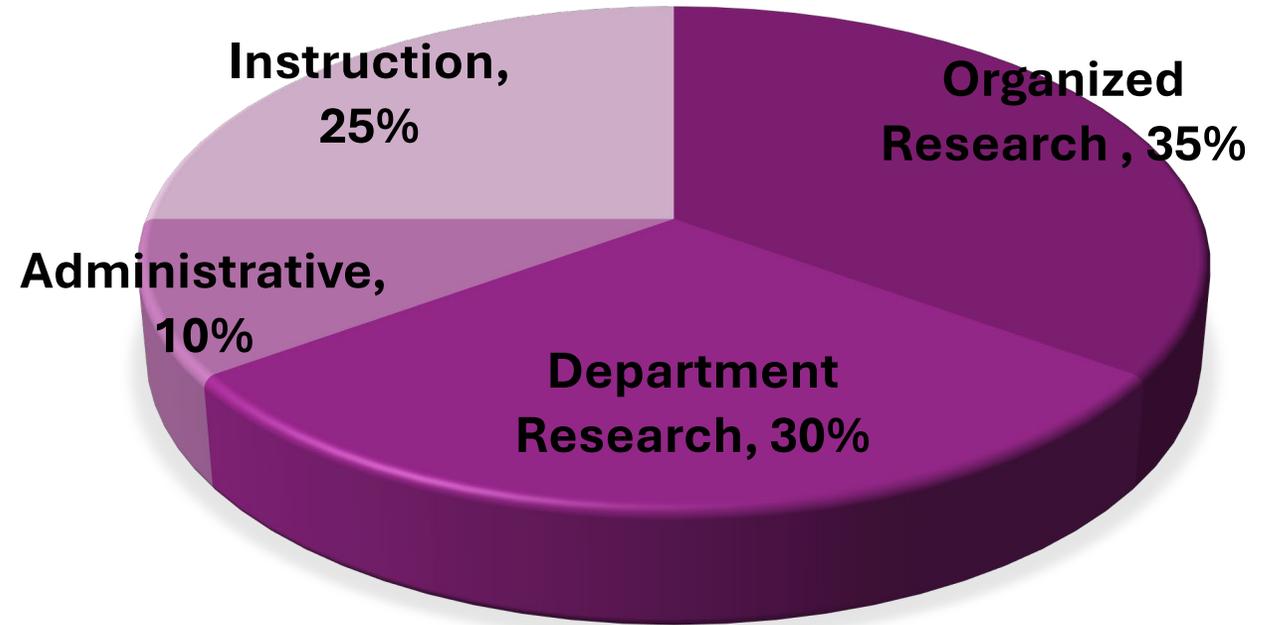


More specifically...

Effort is the portion of a person's total time spent on a sponsored award

Effort is typically expressed as a percentage of the individual's total professional effort

Total professional effort cannot exceed 100%



Core Components for Managing Effort



Institutional Base Salary (IBS)

Understanding institutional base salary, possible limitations, and cost share are core components for managing effort

IBS is the basis for proposing effort and determining amounts to cost share



More Specifically...

IBS is the total compensation paid by the university regardless of time spent (i.e. instruction, research, other activity)

IBS may or may not be the same as the total compensation earned and reported to the IRS. It should exclude:

- *Honoraria pay*
- *Bonus payments*
- *Pay from other institutions (VA, national labs, consultant fees)*

The NIH Salary Cap must be factored in (when applicable) to determine the appropriate amount of salary to be charged and actual effort committed since in these cases, committed effort will be less than the percent of salary charged

Cost Share

Cost share is the university's contribution towards a sponsored project

Cost share can also be referred to as:

- Donated time
- In-kind contribution
- Matched effort
- Contributed effort



More Specifically...

Mandatory committed effort must be reported. This is effort required by the sponsor as a condition of the award

Voluntary committed effort must also be reported. This is effort identified and specifically quantified in the project proposal or award documents, including the budget or narrative as effort that will be committed to the project but not charged to the sponsor

Voluntary uncommitted effort should not be documented, tracked, or certified. This is effort above and beyond that which is identified and specifically quantified in the project proposal or award documents

Things to Consider

- When new awards are granted, assess effort to see if adjustments are necessary
- Adjustments must be made within the guidelines of the sponsor
- When an award is received with a reduced budget, ask the following:
 - *Will the scope of work change?*
 - *Will the reduced budget require a reduction in effort?*
- What is the effort commitment during a no-cost extension?



Best Practices

- ✓ Allocate salary immediately upon receipt of a sponsored award
- ✓ Communicate regularly and clarify who will perform each task
- ✓ Avoid payroll transfers by indicating allocating and/or adjusting payroll as soon as possible
- ✓ Check salary cap allocations to ensure the federal award is not overcharged
- ✓ Review cost share commitments to ensure they are reflected appropriately
- ✓ Ensure effort reports are completed by the given due date



Federal
Regulations



Federal Requirements for Effort Reporting

The **Uniform Guidance** (2 CFR §200.430) implemented 10 years ago offer flexibilities for time and effort tracking with the intent to reduce burden, but requires a strong internal controls program to ensure accountability

It specifically states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed

The Uniform Guidance also state that records must:

- *Be supported by a system of internal controls which provides reasonable assurance that charges are accurate, allowable, and properly allocated*
- *Be incorporated into the official records of the non-Federal entity*
- *Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities*
- *Encompass both federally assisted and all other activities compensated by the institution on an integrated basis. i.e., reflect 100% of the employee's university activities*
- *Comply with the entity's established accounting policies and practices*
- *Support the distribution of the employee's salary and wages among specific activities or cost objectives if the employee works on multiple activities*

Northwestern's Audit Finding Regarding Effort Reporting

Received in 2004

University paid \$5.5M audit settlement

Compliance risks cited in audit:

- Inconsistent Institutional Base Salary (IBS) between proposal submission and reported effort
- Clinical and Northwestern appointments
- Commitments not met: 75% for NIH Career Awards
- Administrators certified effort reports

Corrective actions to mitigate compliance risks for items cited in previous audit finding

- Standard definition of IBS and application
- Inclusion of all formal appointments from NU and NMG
- Centralized monitoring of effort commitments for NIH career awards
- Defined certification requirements

Common Audit Findings Related to Effort Reporting

- Inaccurate reporting
- Insufficient documentation
- Failure to adhere to guidelines set by UG or specific agency requirements
- Incorrect salary allocations to federal projects
- Timeliness of reports



Questions

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