



Title: Effort Certification Requirement

**Purpose and Scope:**

This procedure establishes the university's policy for obtaining effort certifications for employees whose salaries are paid under sponsored agreements. Personnel costs typically represent the single largest expense charged to federally sponsored awards. Accordingly, the government requires that institutions receiving federal funds for sponsored agreements maintain an effort certification process that complies with the requirements set forth in the Code of Federal Regulations 2 CFR Part 220 (Office of Management and Budget (OMB) Circular A-21, Cost Principles for Higher Educational Institutions). 2 CFR 220 is the authoritative source regarding allowable and allocable costs for federal grants and other "assistance" agreements.

**General:**

Federal regulations require a periodic certification, by employees or persons having direct knowledge of the employee's activity, to confirm reported effort. Faculty and exempt employees are asked to complete a Leave and Effort Report on a bi-weekly basis since work can fluctuate from pay period to pay period. Federal regulations and the university's procedures recognize that effort reporting is not precise, therefore both require that the effort reported (and hence the allocation of costs) be reasonable. The allocation of faculty compensation, including amounts for periods of time off under collective bargaining agreements and leave benefit costs, to various activities and funding sources is consistent with accounting standards adopted by the university as well as negotiated agreements with the Office of Naval Research. Although different methodologies are used to allocate various components of the compensation package to activities and funding sources, these methodologies will result in reasonable allocation of costs and will be applied consistently, regardless of funding source.

Federal regulations require that universities substantiate direct salary costs charged to sponsored projects and committed cost sharing effort devoted to sponsored projects. Although 2 CFR 220 does not use the term "effort reporting" or explicitly state that effort certifications are required for commitments of time funded from other resources that were proposed and awarded in project budgets (i.e., committed cost shared effort), other statements from OMB (e.g., OMB Memorandum M-06-01, dated January 5, 2001) convey that the Federal government expects effort to be certified when an individual is compensated from or has made a commitment to contribute time to a federally sponsored project.



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**Requirements:**

2 CFR 220, Section J.10, sets forth criteria for acceptable methods of charging salaries and wages to federally sponsored projects. 2 CFR 220 also requires that institutions develop a mechanism to determine how individuals actually expend effort and prescribes criteria for acceptable methods of documentation.

The university uses a bi-weekly certification period to accomplish its effort certification requirement. Certifications require verification and signature. See responsibilities section for signature requirements.

The effort reporting system used by the University is modeled on the "After-the-fact Activity Records" system described in Paragraph J.10.c (2) of 2 CFR 220. Other relevant federal regulations are identified below:

*2 CFR 215 (A-110), Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*

*US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*

*US Office of Management and Budget Memorandum M-01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs (January 5, 2001)*

**Application of Requirements:**

**Tolerance Threshold**

2 CFR 220 acknowledges that the process of allocation (of costs and effort) cannot always be exact. Section J.10.b (1) (c) provides the following acknowledgement: "In the use of any methods for apportioning salaries, it is recognized that, 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." UA seeks to certify effort within +/-10% accuracy. For example, if an employee's effort contributed to a project is 30%, then certification may be within +/-3% either way, between 27% and 33%.



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**Implications:**

Upon review of the labor distribution, a redistribution may be necessary to transfer labor charges from one account string (fund/org/acct/program code) to another. If an employee receives a Leave and Effort Report indicating that 30% of his/her effort will be charged to a sponsored project, he/she can certify that percentage if between 27% and 33% of his/her time was spent on that project. However, if upon subsequent review of the labor distribution, a redistribution is deemed necessary because the actual effort is less than 27% or more than 33%, the employee should correct the percentage of effort from the 30% reported on the Leave and Effort Report.

**Responsibilities:**

A designated department/institute officer has the responsibility for validating the labor distribution for faculty and staff involved on sponsored projects. Deans/directors will assign this responsibility according to their administrative staffing capability.

Principal Investigators (PI), faculty and staff are responsible for timely certification of their leave and effort reports on a bi-weekly basis. They are required to review, adjust if necessary and certify their own Leave and Effort Reports. PI's, faculty and staff are also required to certify the Leave and Effort reports of their research staff working on their sponsored projects (graduate students, post doctoral fellows, and other similar persons). PI's, faculty and staff are not required to include non-service payroll in the Leave and Effort Reports. (See definition below)

**Definitions:**

Committed Cost Sharing - Mandatory or voluntary cost sharing that is pledged in the proposal budget, budget justification, or stated in award documents.

Cost Sharing - The terms "cost sharing," "matching," and "in-kind" refer to that portion of the total project costs not borne by the sponsor.

Effort - Work or the proportion of time spent on all compensated university activities, including restricted and matching fund sources and expressed as a percentage of total time. Total effort for an employee must equal 100%. The appointment serves as the basis for an individual's total effort. In other words, for a 50% appointment, 100% effort is the 50% appointment. Likewise, for a 75% appointment, 100% effort is the 75% appointment.



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Labor Redistribution - An adjusting or correcting internal accounting transaction to transfer salary and fringe benefit charges from past pay periods from one account string (fund/org/acct/program code) to another.

Mandatory Cost Sharing - Cost sharing that is required by the sponsor as a condition for proposal submission.

Non-Service Payroll - All non-activity based payroll items which appear in gross earnings for eligible employees and are not to be included when certifying effort. Non-service payroll includes employee benefit accounts, trainee job class codes, overload payments, and bonus payments.

Overload Payments - Compensation for additional and separate instructional or other work assignments during the base academic year appointment.

Principal Investigator - A Principal Investigator (PI) is the head of a research project. Generally, MAU policy requires that a research project proposal may be submitted only by academic appointees (singly or jointly) who will personally participate in the project in a significant manner and also serve as the Principal Investigator. By exception, the University may approve the submission of a contract and grant proposal by other appointees when it is in the best interest of the University to do so. Certain federal agencies now permit co-PIs at the same university.

Sponsored Projects - An externally-funded activity that is governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for, subject to terms of the sponsoring organization. Sponsored projects may include grants, contracts, and cooperative agreements for research, training, and other public service activities.

Uncommitted Cost Sharing - Voluntary cost sharing funds not pledged in the proposal and subsequently not stated on award documents. This type of cost sharing is above that agreed to as part of the award. This is commonly referred to as voluntary uncommitted cost sharing and does not have to be documented or reported.

Voluntary Cost Sharing - Cost sharing funds are *not required* by the sponsor as a condition for proposal submission (i.e., Principal Investigator-driven). (MAUs may have their own policy as to whether voluntary cost sharing is permitted or not.)

Work Study - A Financial Aid program in which the state or federal government pays a percentage of a student's wages.