Time & Effort Reporting

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AGENDA

- Definitions
- Two Types of Effort
- Mandatory Committed Effort
- Voluntary Committed Effort
- Voluntary Uncommitted Effort
- Certification
- Sanctions for Improper Effort Reporting
- Legal Implications of Erroneous Reporting
- Audit Disallowance
- Audit Red Flags
- Regulatory Requirements
- Payroll Distribution

DEFINITIONS

- Effort
  - Amount of time spent on a particular activity
  - Time spent working on a sponsored project in which salary is directly charged or contributed (cost shared effort)
  - Total amount of time spent on work related activities. (instruction, research, administrative, for which the university compensates an individual)

TWO TYPES OF EFFORT

- Mandatory committed effort- effort which is
  - Required by the program as a condition of the award
  - Included in the written award

- Voluntary committed effort- effort which is
  - Offered by the recipient, but not required by the sponsor
    - Voluntary committed effort
    - Voluntary uncommitted effort

MANDATORY COMMITTED EFFORT

- Must be
  - Required by sponsor as a condition of the award
  - Quantified and included in the proposed budget
  - Documented in the financial system and auditable

VOLUNTARY COMMITTED EFFORT

- Must be reported
- Not required by the sponsor but is offered by the university
- Once committed in a proposal it must be treated in the same manner as mandatory
  - Must be recorded in the financial system and be auditable
  - Must be quantified and included in the proposed budget

VOLUNTARY COMMITTED EFFORT (CONTINUED)

- Generally discouraged by institutional practice
  - Justified in unique situations
    - Sponsor may strongly encourage to strengthen a partnership
    - Investigator perceives greater likelihood of award
    - Recognition of a joint mission between the institution and the sponsor (eg: commodity groups)

VOLUNTARY UNCOMMITTED EFFORT

- Effort above and beyond committed and budgeted in award
- Treated differently from committed effort
  - Does not need to be documented, tracked, or certified.
  - Should not be a part of the organized research base for F & A calculations
  - Excluded from effort reporting requirements in 2 CFR Part 220 (OMB A-21)

CERTIFICATION EFFORT REPORTS

- Must be certified within 30 days of being issued
- Why Certify
  - University external auditors review effort reports for compliance with policy & procedure
  - Sponsoring agencies are also audited to comply with 2 CFR Part 220 (OMB A-21). Purpose is to determine
    - Timeliness
    - Accuracy
    - Completeness

WHO CERTIFIES?

- Key employees are required to certify their own effort
- Only those with first hand knowledge of work performed
- Certifier must have the ability to estimate the effort expended on each sponsored project
- Effort for non key employees must be certified by a responsible official with knowledge of effort expended.
- Other faculty effort reports must be certified by person with first hand knowledge of all the activities of the person for whom certification is made.

WHO CERTIFIES?

- Supervisory signatures are required when:
  - Employee assigned to work in a lab in which multiple projects are active
  - Employee assigned to multiple labs that conduct multiple projects

- When an employee is split between more than one unit, the responsible official for each unit should certify the effort for their project

SANCTIONS FOR IMPROPER EFFORT REPORTING

- Per se violation of award terms and conditions will require the sponsor to take enforcement action
- Placement of special condition on award requiring closer monitoring. Expanded oversight
- Banned from future awards for specified time
- Sanctions become public resulting in deterioration of institutional reputation

LEGAL IMPLICATIONS

- Violation of Federal False Claims Act (31 USC Sec 3729)
- Civil Penalties $5,000 to $10,000 per violation
- If willful criminal sanctions
  - Imprisonment up to 5 years and fines up to $25,000
  - Restitution three times actual damages
- Severable liability for PI's and University when willful intent is proven
  - Costly settlements
  - Debarment

AUDIT RED FLAGS

- Late, unsigned, or missing effort reports
- Effort reports that appear to have been signed in batches or stamped signatures
- Retroactive adjustments or retroactive cost transfers without justification or timely (90 days) made
- Corrected effort reports and large numbers of cost transfers
- Corrected effort reports near the end of a contract
- Small effort percentages on many grants
- Effort reports that don’t account for admin or teaching effort as a part of total effort

REGULATORY REQUIREMENTS

- 2 CFR Part 220 (OMB Circular A-21) Cost Principles for Colleges, Universities, and Institutions of Higher Education
  - Effort Reporting System
    - System must be considered official records
    - Time sheets-must document time worked and funding source
    - Components of system
      - Description and instructions to complete timesheet or personnel activity report.
      - Must incorporate institutional policy for compensated absences

REGULATORY REQUIREMENTS (CONTINUED)

- Must incorporate institutional policy for all forms of compensation
- Must describe approval process
- Must be consistent with payroll system to allow validation
- Must follow appropriate retention requirements
- Must produce consistent distribution for all employee activities

PAYROLL DISTRIBUTION

- Criteria for Reporting Effort
  - Must be part of official university record
  - Reflect all activity for which employee is compensated
  - May include use of subsidiary records
  - Must reflect after the fact confirmation or determination
    - Ensure distribution represents actual costs
    - Estimates may be used initially provided variances are later identified and entered into the system
    - Must provide for independent internal evaluations

ACCEPTABLE METHODS OF PAYROLL DISTRIBUTION/EFFORT REPORTING

- Plan confirmation
  - Costs initially distributed based on budgeted percentages
  - Estimates are later updated to reflect actual activity
  - At least annually a statement shall be signed by the employee or responsible official stating;
    - Reported work was performed
    - Charges are reasonable for work performed
- After the fact activity reports

ACCEPTABLE METHODS OF PAYROLL DISTRIBUTION/EFFORT REPORTING

- After the fact activity reports
  - Reports must reflect after the fact payroll distribution activity of employees
  - For faculty and professional staff reports shall be prepared at least each academic term, not no less frequently than six months
  - For all other employees shall be prepared at least monthly and will coincide with official pay periods
  - Shall be signed by employee and/or responsible official

ACCEPTABLE METHODS OF PAYROLL DISTRIBUTION/EFFORT REPORTING

- Federal regulations allow a special exception of effort reporting in special circumstance and on grant specific basis
- Smith Lever 3 b & c
  - If 100% extension paid from 3 b & c effort reporting not required

CHALLENGES GALORE

- I am a scientist not an accountant, this is your job. Just show me where to sign!
- They may not say it but if I don't offer up voluntary committed effort we won't be considered for project funding!
- I don't know how I am going to spend my time when I build a budget for a sponsored project so just put what ever you want into the budget and we will work it out later.
- Treat this percent of my effort like those receipts for supplies I gave you last week…just pay me from what ever account I have money.

CHALLENGES GALORE

- PI's responses to A 133 auditors:
  - Is my leave accurately reflected in my leave balances? I don't know. I never claim leave when I am gone, I just lose what ever hours over the max each year…that's all I claim as leave taken.
  - Don't ask me what those account numbers mean, I just come to the office and lab every day and work…they just tell me where to sign.

WE HAVE OUR WORK CUT OUT

- Questions
- Other stories from the trenches

- THANK YOU
- Y MUCHAS GRACIAS!