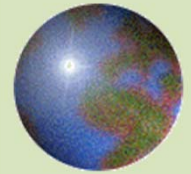


*Implementation of the New Effort
Reporting Policy and Process, &
Regulations from Uniform
Guidance (2 CFR PART 200)*

Jennifer Mitchell, CRA

What We Will Discuss Today



Effort Reporting Workshop, August 2015

Overview

- Update on Federal regulations – Uniform Guidance
- Documentations for Personal Services – new requirements
- Audit experiences

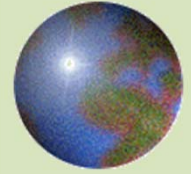
Requirements

- Effort Reporting Policy at SUAGM
- Key topics
- Exercises

New Effort Reporting Process

- New procedure of the Effort Reporting process
- Q&As

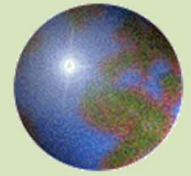
Background of Uniform Guidance



Effort Reporting Workshop, August 2015

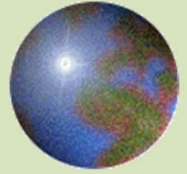
- “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” became effective December 26, 2014 (except Subpart F)
 - Subpart F, Audit Requirements, effective the first FY beginning after 12/26/14 per Section 200.110
- In general, UG will be applicable for new awards and for incremental funding awarded on or after 12/26/14
- Supersedes 8 circulars
 - Including OMB Circular A-21, A-110, and A-133
- Reference:
www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Organization of Uniform Guidance



Effort Reporting Workshop, August 2015

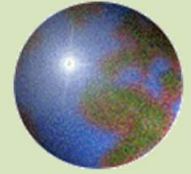
	Title and Emphasis	Section No.	Predominate Sources
Subpart A	Acronyms & Definitions	200.0 to 200.99	New
Subpart B	General Provisions	200.1xx	
Subpart C	Pre-Federal Award	200.2xx	
Subpart D	Post-Federal Award - including Procurement, Standards for Financial and Program Management, and Subrecipients Monitoring	200.3xx	A-110, A-102
Subpart E	Cost Principles – including Direct & Indirect (F&A) Costs, and Compensation-Personal Services	200.4xx	A-21, A-87, A-122
Subpart F	Audit Requirements	200.5xx	A-133
Appendices	Combination of all 8 circulars; III – F&A for Educational Institutions	I to XI	



Section 200.430 Compensation for Personal Services

- Replaces A-21, Section J.10 (regulations for Effort Reporting)

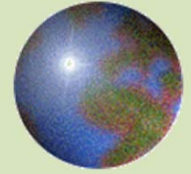
Before we begin diving into Section 200.430... Some New or Key Acronyms



Effort Reporting Workshop, August 2015

Acronym /Key Word	
IHE	Institutions of Higher Education (universities)
COFAR	Council on Financial Assistance Reform <ul style="list-style-type: none">• Consists of OMB & several Federal agencies such as HHS and NSF
IBS	Institutional Base Salary
CFR	Code of Federal Regulations <ul style="list-style-type: none">• Uniform Guidance is 2 CFR PART 200
COSO	Committee of Sponsoring Organizations of the Treadway Commission <ul style="list-style-type: none">• Established a common internal control model

§ 200.430 Compensation – Personal Services vs. A-21, Section J.10



Effort Reporting Workshop, August 2015

Overall Comparison

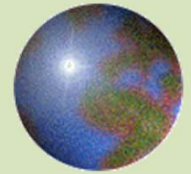
- Internal Controls emphasized – *“records must be supported by a system of internal control...”*
- Written Policies and Procedures, or Definitions emphasized
- (i) Standards for Documentation - *“accurately reflect the work performed”* emphasized
- “IBS” introduced
- Specific guidance for IHEs in (h)
- 3 examples removed
- Reporting frequency removed

Assessment

More flexibility BUT traded off with...

- Internal control(s) mentioned at least 34 times
- § 400.430 alone:*
- “written” policies or definitions mentioned 13 times.
 - “prior” approval mentioned twice

Documentation Requirements – § 200.430 vs. A-21, Section J.10



Effort Reporting Workshop, August 2015

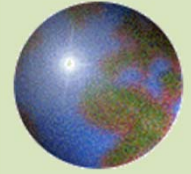
A21

- J10b – Payroll Distribution
- Specifically requires signed statements attesting that the work was performed
- Lists “Criteria for Acceptable Methods”
- Other methods were allowable IF they met the same criteria specified in the Acceptable Methods

Uniform Guidance

- §200.430(i)
- Requires a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated
- The system must be incorporated into the official records
- Includes all activities for each employee – 100% is recorded in the system

§ 200.430, (i) Standards for Documentation

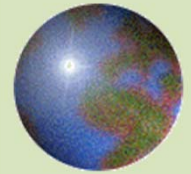


Effort Reporting Workshop, August 2015

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed
- Be supported by a system of internal control which provides reasonable assurance that the 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 (for IHE, this per the IHE's definition of IBS)
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis
- Comply with the established accounting policies and practices of the non-Federal entity

Requirements –

§ 200.430, (i) Standards for documentation

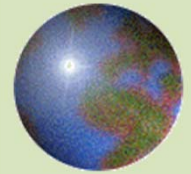


Effort Reporting Workshop, August 2015

(i)(1)(viii) Budget Estimates

- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards
- Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be ...
- Internal controls includes processes to review after-the-fact interim charges
- All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated

Requirements – § 200.430, (i) Standards for documentation

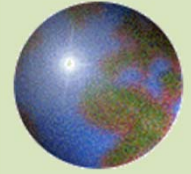


Effort Reporting Workshop, August 2015

(i)(1)(ix) to (i)(1)(x)

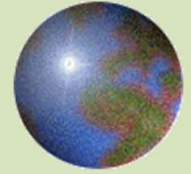
- May reflect categories of activities expressed as a percentage distribution of total activities
- “teaching, research, service, and administration are often **inextricably intermingled** in an academic setting. ...a precise assessment of factors that contribute to costs is therefore **not always feasible, nor is it expected**”

Section 200.303 Internal Controls



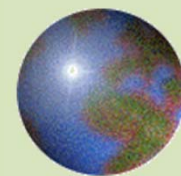
Effort Reporting Workshop, August 2015

- Must maintain effective internal control over the federal award that provides reasonable assurance...
- Should be in compliance with *COSO and Standards for Internal Control in the Federal Government (the "Green Book")*.
- Must comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
- Must take prompt action when non-compliance is identified
- Must take reasonable measures to safeguard personally identifiable information and other information designated as sensitive



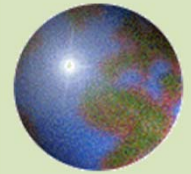
AUDIT EXPERIENCES & KEY ISSUES

Effort Reporting Related Settlements



<u>Institution</u>	<u>Date Settled/Agency</u>	<u>Issues</u>	<u>Settlement</u>
Institute of International Education	Jun 2011/U.S. Dept of State	Effort reporting: budgeted vs. actual, cost allocation	\$1 million
Fort Valley State Univ	Jan 2010/NSF	Effort reporting, cost sharing	\$0.5 million
Yale University	Dec 2008 / multiple agencies	Cost transfers, summer salary charges, effort reporting	\$7.6 million
St. Louis University	Jul 2008 / NIH, CDC, HUD	Supplemental compensation, Effort reporting	\$1 million
Cornell University's Weill Medical College	Jun 2005/NIH	Effort reporting, payroll distribution, cost allocation, double billing Medicaid	\$4.38 million
The Mayo Clinic	May 2005/NIH, others	Cost allocation, cost transfers, inadequate accounting system	\$6.5 million
University of Alabama at Birmingham	Apr 2005/NIH	Research work overstated; Medicare billed for research	\$3.9 million
Harvard University	Jul 2004/NIH	Government billed for salaries & expenses unrelated to federal grants; self reported	\$3.3 million
Johns Hopkins Univ	Feb 2004/ NIH	Faculty time & effort overstated	\$2.6 million
Florida International U.	Feb 2005/Dept of Energy	Effort reporting, cost transfers, payroll dist.	\$11.5 million
Northwestern	Feb 2003/NIH	Institutional Base Salary; K award; certifier	\$5.5 million

NSF Effort Reporting Reviews



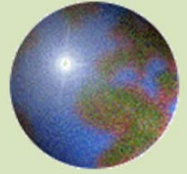
Effort Reporting Workshop, August 2015

Starting with the University of Pennsylvania in 2004, NSF conducted Effort Reporting Reviews (audits) at nearly 30 institutions.

Areas reviewed included:

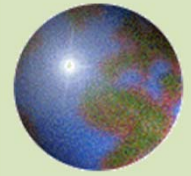
- Who certified?
- Timeliness of effort certifications
- Consideration of cost transfers (salary adjustments, journals)
- Summer salary calculations and totals
- Consideration of effort commitments
- How effort-related cost sharing was accounted for
- Policies and procedures
- Training

Specific Effort Reporting Issues



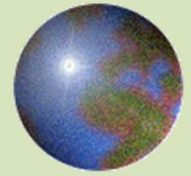
Effort Reporting Workshop, August 2015

- Who needs to have an effort report?
- Who certifies?
- Definition of “100%” Effort
- 100% funding from sponsored projects
- Managing effort commitments
- Cost transfers (salary adjustments) and effort certification
- Cost share and effort certification
- Summer effort and summer salary



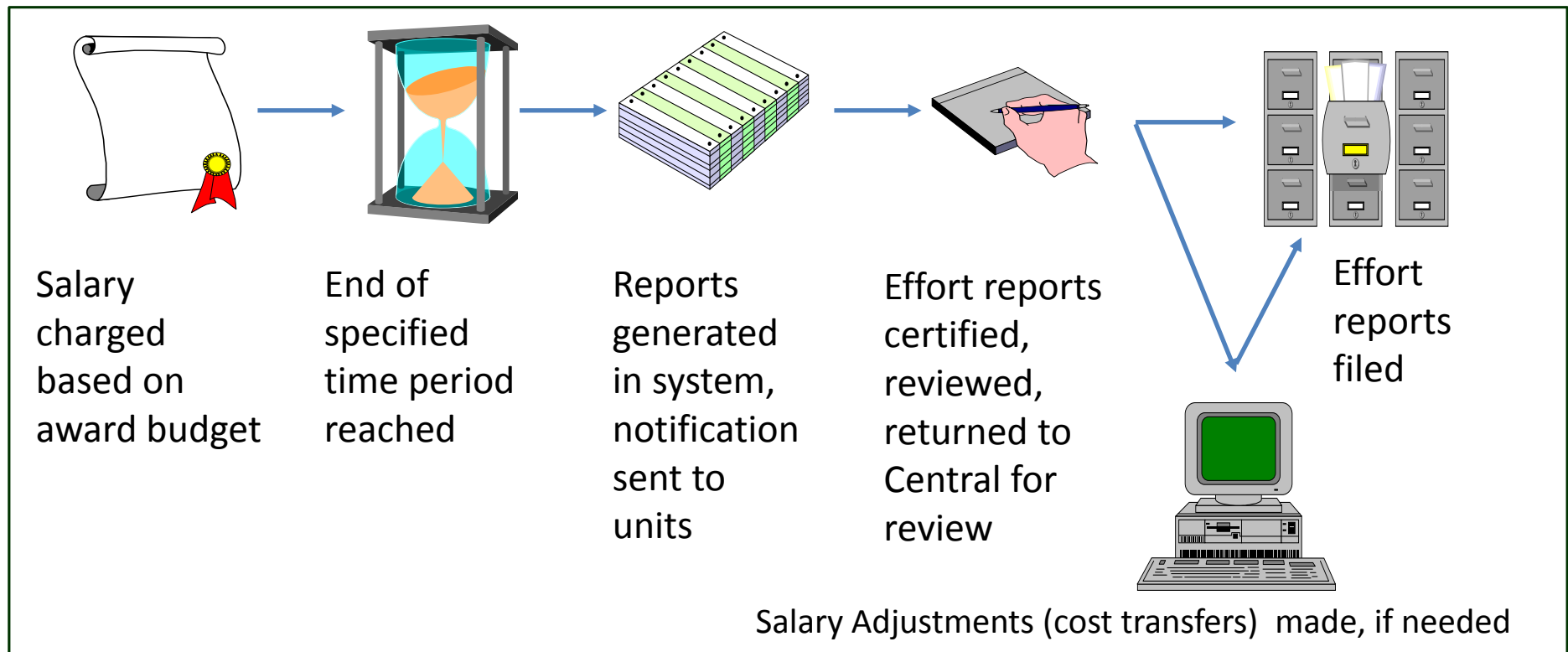
EFFORT REPORTING POLICY AND PROCESS AT SUAGM

Effort Certification Process

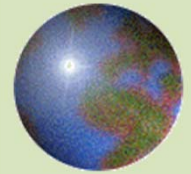


Effort Reporting Workshop, August 2015

Effort Certification is the individual's confirmation that the percentages of effort reported on the form accurately reflect the work performed.



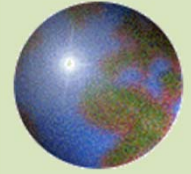
Effort Reporting Principles



Effort Reporting Workshop, August 2015

- Charge salary based on estimate of how effort will be expended and must then verify how effort was actually expended so that charges are appropriate
- Effort Reporting Verifies:
 - Salaries/wages were charged to sponsored projects appropriately
 - Cost share was performed as promised
 - Commitment (Effort promised in the award document) was met

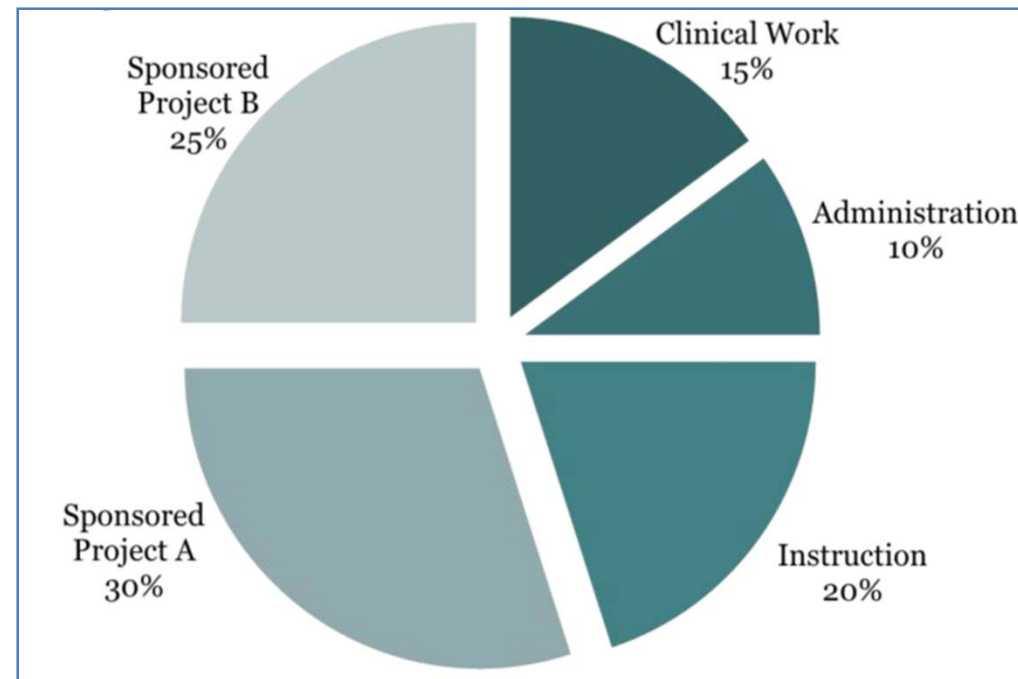
Effort Allocation



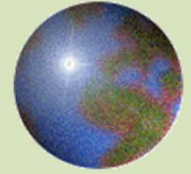
Effort Reporting Workshop, August 2015

- Effort is expressed in the percentage of time spent towards particular work-related activities; such as: sponsored projects, teaching, research or other administrative duties.

Example:



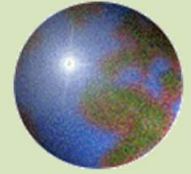
Effort Allocation



Effort Reporting Workshop, August 2015

- 100% Effort \neq 40 \neq 60 \neq 80 hours per week
- 100% Effort represents estimated total number of hours worked on the institutional compensated activities for that period
- Practices vary among institutions and within institutions as to the activity constituting a full workload. Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.

Who Needs to have an Effort Report?

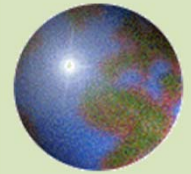


Effort Reporting Workshop, August 2015

Any person paid by, or with a commitment to, a sponsored program

- Most institutions include all sponsored programs (not just federal) in the criteria
- Commitment includes both paid and promised cost shared effort

What is the \$ Base of 100% Effort?

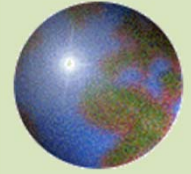


Effort Reporting Workshop, August 2015

Institutional Base Salary (IBS):

- Annual compensation paid by the University for an employee's appointment (10 or 12 months), whether that individual's time is spent on research, teaching, or other activities
- Compensation should be documented in writing, generally letters come from Faculty Affairs or comparable offices
- IBS must be used as the base salary on all grant proposals

IBS Examples:



Effort Reporting Workshop, August 2015

Example 1:

Monthly salary is \$10,000 and the contract period is 12 months



- IBS is \$120,000 (Annual)
- The employee cannot earn summer salary

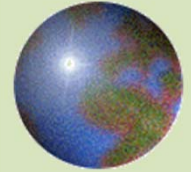
Example 2:

Monthly salary is \$5,000 and the contract period is 10 months



- IBS is \$50,000 (Annual per contract period)
- The employee may earn additional summer salary up to 2 months
- Maximum earning for the year would be \$60,000

Institutional Base Salary (IBS)



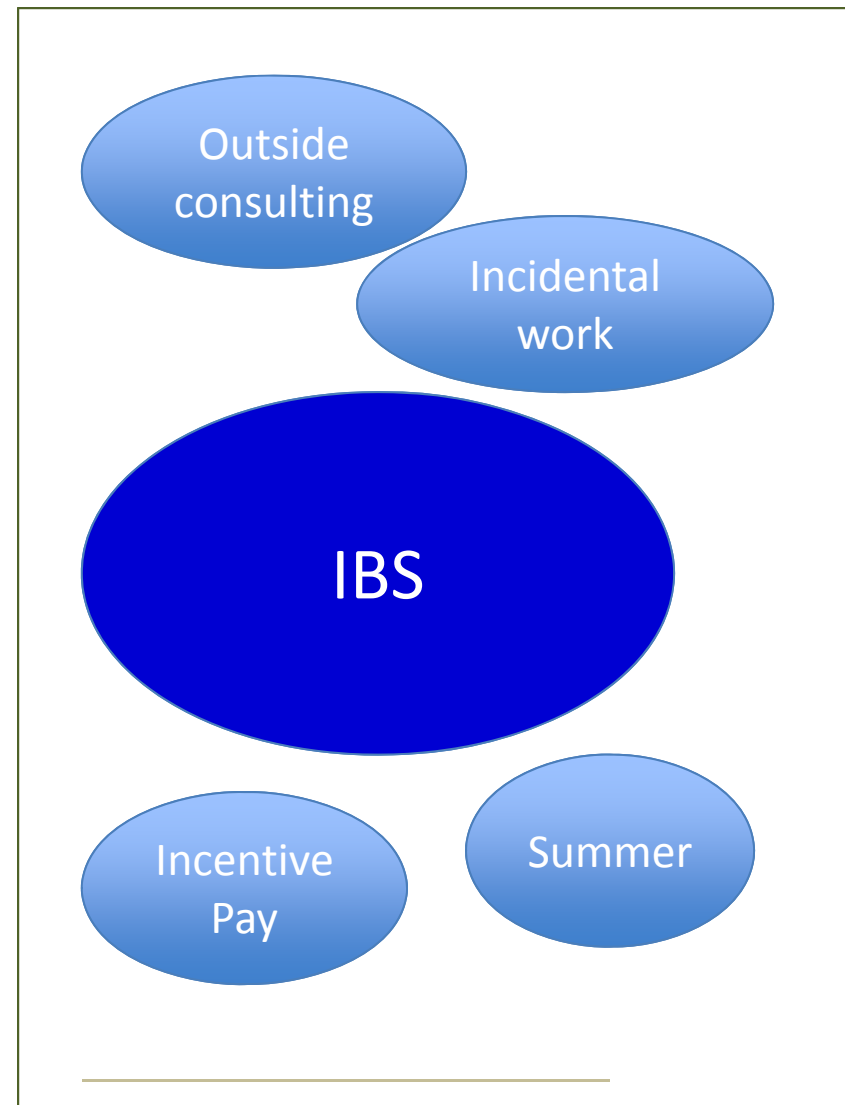
Effort Reporting Workshop, August 2015

IBS includes:

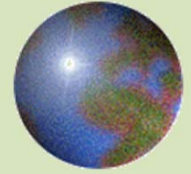
- Guaranteed salary
 - Base salary
 - Chairmanships, director's pay, paid committee work and any other committed recurring payments

IBS does not include:

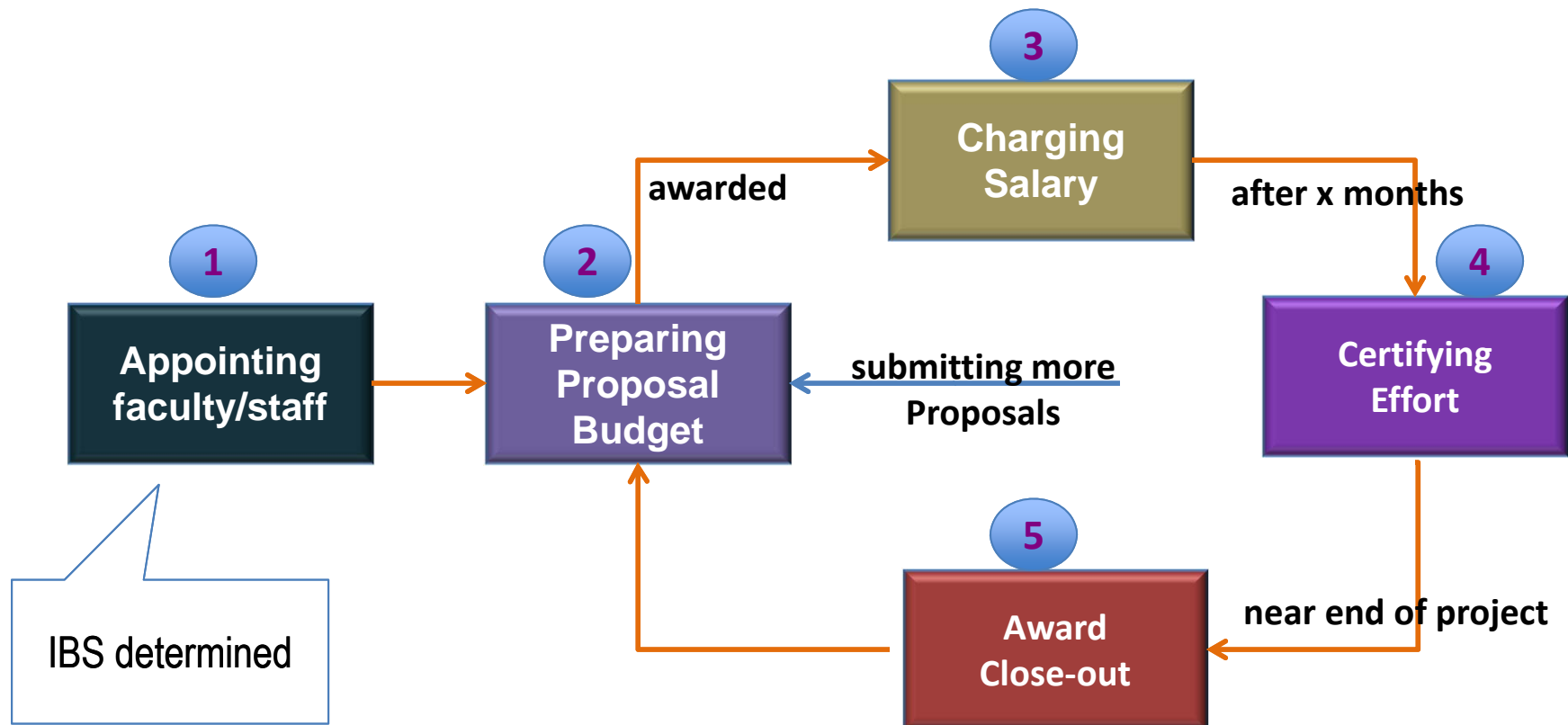
- Bonuses
- Incidental work (not included in the regular workload)
- Incentive pay (not guaranteed)
- Payments from other organizations (not through SUAGM)
- Income that individuals are permitted to earn outside of their University responsibilities, such as consulting



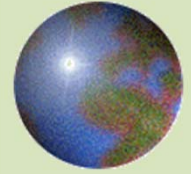
IBS and Effort Reporting Life Cycle



Effort Reporting Workshop, August 2015



Exercise 1



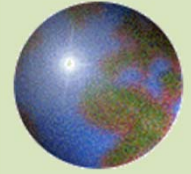
Effort Reporting Workshop, August 2015

Dr. Grant monthly salary is \$10,000 and he has a 10-month appointment. Dr. Grant will be reporting effort for the period from August 1st to January 31st (6 months).

Questions for this reporting period:

- What is his IBS?
- What is his base salary for this reporting period?
- What is the maximum summer salary he can earn?

Exercise 1



Effort Reporting Workshop, August 2015

Dr. Grant monthly salary is \$10,000 and he has a 10-month appointment. Dr. Grant will be reporting effort for the period from August 1st to January 31st (6 months).

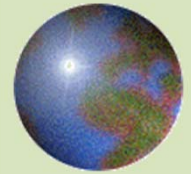
Questions for this reporting period:

- What is his IBS?
- What is his base salary for this reporting period?
- What is the maximum summer salary he can earn?

Responses:

- Aug 1 to Jan 31 – 6 Months
- His IBS: \$100,000
($\$10,000 * 10$ months)
- His base salary for period: \$60,000
($\$10,000 * 6$ months)
 - This is also his base salary for 100% effort during this period
- Maximum summer salary allowed: \$20,000

Exercise 2



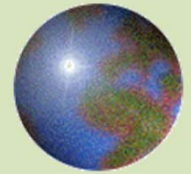
Effort Reporting Workshop, August 2015

Dr. Grant monthly salary is \$10,000 and he has a 10-month appointment. He has an existing NIH award that he commits 1 month effort during academic year. Dr. Grant has just received a DOD award and it requires 2 months academic effort and 1 month summer effort annually. Assuming he will distribute his effort evenly during the academic year, Dr. Grant will be reporting effort for the period from August 1st to January 31st (6 months).

Questions for this reporting period:

- What amount would you charge to the NIH award?
- What amount would you charge to the DOD award?
- What amount would you charge to the DOD award during the summer?

Exercise 2 – Awarded Commitment for Dr. Grant

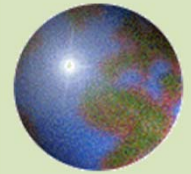


Effort Reporting Workshop, August 2015

	Effort per AY* (person months)	Contract (month)	Effort per Month (person months)	6-Month Effort (person months)	Monthly Rate (\$)	6-Month Charge (\$)
	A	B	C = A/B	D=C*6 months	E	F = D*E
NIH	1	10	10% (0.1)	0.6	10,000	\$6,000
DOD	2	10	20% (0.2)	1.2	10,000	\$12,000

- Assuming even distribution of commitment throughout the year

Exercise 2 - Effort Reporting for Dr. Grant



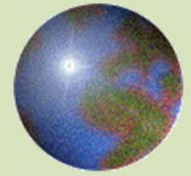
Effort Reporting Workshop, August 2015

Effort Reporting Consideration for Dr. Grant August 1 to January 31 (6 Months)

	<u>Commitment*</u> (person months)	<u>\$Payroll</u>	<u>%Payroll</u>	<u>Planned Effort</u> (minimum)
NIH Award	0.6	\$6,000	10%	10%
DOD Award	1.2	\$12,000	20%	20%
Other Activity 1		\$42,000	70%	
Other Activity 2				
Total		\$60,000	100%	100%

- For summer, Dr. Grant can charge 1 month salary to his DOD grant (\$10,000)

Exercise 2 - Effort Reporting for Dr. Grant



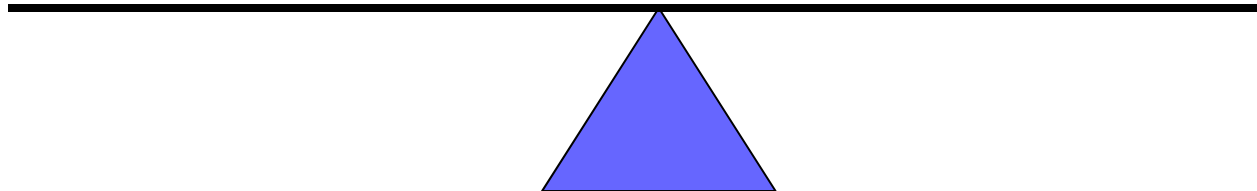
Effort Reporting Workshop, August 2015

Effort Reporting Consideration for Dr. Grant August 1 to January 31 (6 Months)

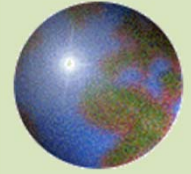
	<u>Commitment*</u> (person months)	<u>\$Payroll</u>	<u>%Payroll</u>	<u>Planned Effort</u> (minimum)
NIH Award	0.6	\$6,000	10%	10%
DOD Award	1.2	\$12,000	20%	20%
Other Activity 1		\$42,000	70%	
Other Activity 2				
Total		\$60,000	100%	100%

Payroll %

Effort %



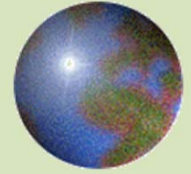
Summer Effort



Effort Reporting Workshop, August 2015

- Period outside of the contract period (June and July)
- Effort must be confirmed
- Salary rate cannot exceed the academic salary rate
- If 2 months are charged to the sponsored project, special attention to vacation, administrative work, etc. during the summer
- Employees with 12-month appointments cannot earn summer salary

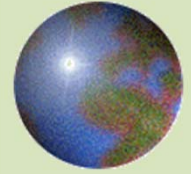
Effort Commitments



Effort Reporting Workshop, August 2015

- Effort commitments were proposed through proposal submission; once awarded, the commitments must be fulfilled
- Most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government
- January 5, 2001 Memorandum excerpt:
 - Most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the fiscal year (summer months, academic year, or both)
 - If no effort is reflected the university must compute an amount to include in the base.

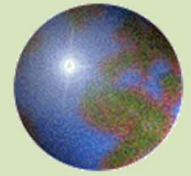
Effort Commitments (cont'd)



Effort Reporting Workshop, August 2015

- Prior approvals by the awarding agencies required for the key personnel (named in the award document):
 - Commitment reduction more than 25%
 - Absence more than 3 months
 - Exceptions: some awards (e.g., NIH Ks) do not allow any effort reductions; refer to the award terms and conditions for details
- Effort cannot be less than % of salary charged in a given effort reporting period
 - If effort will be reduced, payroll distribution must be adjusted accordingly

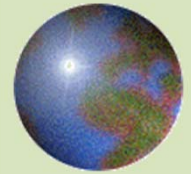
Salary Adjustments and Effort Certification



Effort Reporting Workshop, August 2015

- If Effort is certified lower than the payroll charged to the sponsored project, a salary adjustment (cost transfer), crediting sponsored project, must be made so the sponsored project is not over charged
 - Cost Transfer is one of the most cited issues relating to Effort Reporting
 - For internal control, important to ensure that a review/monitoring and follow-up procedure are in place

Cost Share and Effort Certification

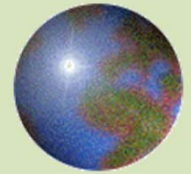


Effort Reporting Workshop, August 2015

Type	General Notes	Compliance	In F&A Base
Mandatory Cost Share (MCS)	Required by Sponsor	Must be tracked & reported	Yes
Voluntary Committed Cost Share (VCCS)	Pledged in Proposal <u>Budget</u>	Must be tracked & reported	Yes
Voluntary Uncommitted Cost Share (VUCS)	Donated time above & beyond the agreement	Tracking & reporting NOT required	No

- Promised Cost Share may be tracked in Effort Reporting
- Cost Share increases the F&A base & has a negative impact on F&A Rates
- Salary over-the-cap
 - Difference funded by Institution

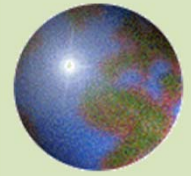
NIH Salary Cap



Effort Reporting Workshop, August 2015

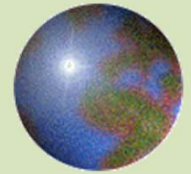
- Employees receiving more than the NIH Salary Cap and charging NIH awards are subject to NIH salary cap
 - The difference between actual salary and NIH salary cap must be funded by non-sponsored funds

<u>Federal FY</u>	<u>Salary Cap (Annual Rate)</u>	<u>Salary Cap (Monthly Rate)</u>	<u>Use for Salaries Earned During the Budget Period</u>
FY2015	\$183,300	\$15,275	01/01/15 - 12/31/15
FY2014	\$181,500	\$15,125	01/01/14 - 12/31/14



EFFORT REPORTING PROCEDURE IMPLEMENTATION FOR THE NEW FISCAL YEAR

Documentation



Effort Reporting Workshop, August 2015

Required Document:

Attachment III – Effort Report

Attachment III

SISTEMA UNIVERSITARIO ANA G. MENDEZ
VICE-PRESIDENCY OF FINANCIAL AFFAIRS
ASSISTANT VICE-PRESIDENCY OF
SPONSORED PROGRAMS FINANCIAL MANAGEMENT

EFFORT REPORT

Name of SUAGM Employee	Identification Number
[Type Employee Name]	S00#####
Institutional Position Title	Position Number
[Type Position Title]	#####
Institution	Department
[Type Institution]	[Type Department]

Do you receive COMPENSATION from multiple sources for work performed on multiple SPONSORED PROGRAMS?
Yes No

Has the value for your professional services been used to calculate IN-KIND CONTRIBUTIONS (cost share) for any proposed SPONSORED PROGRAM? Yes No

Period Certified: From [1/1/1] (mm/dd/yy) To [3/31/1] (mm/dd/yy)

PLEASE DISCLOSE THE DISTRIBUTION OF EFFORT DEDICATED TO ALL SPONSORED PROGRAMS AND INSTITUTIONAL ACTIVITIES

Activity or Sponsored Program	Sources of Funds (Agency)	Fund Code	Percent of Effort
			### %
			### %
			### %
			### %
			### %
The sum of Effort for work performed on Sponsored Programs and Institutional activities must equal 100%.			100%
The sum of compensation corresponding to the percent of Effort must not exceed the proportionate share of the employee's IBS.			

Effort Reporting excludes services for which an extra compensation or other bonus is received.

I CERTIFY to the best of my knowledge that the information provided on this report is COMPLETE, ACCURATE, and IN COMPLIANCE with SUAGM effort reporting policy (VFFA_13-003-005) and 2 CFR, Part 200, Section 200.430, Compensation Personal Services.

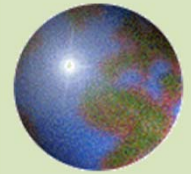
Employee Name	Signature	Date (mm/dd/yr)
[Type Name]		
Responsible Official	Signature	Date (mm/dd/yr)
[Type Name]		
Responsible Official (if applicable)	Signature	Date (mm/dd/yr)
[Type Name]		

Tools:

Two worksheets to assist you in completing Effort Reports (but NOT required for submission):

- T&E Activity Report Form
 - Used to estimate hours worked per sponsored project
- T&E Calculation Form
 - Used to estimate the % Effort by converting hours to %Effort (reference only)
- In very rare situations, if hours are required by award's terms/conditions, these tools may serve as documentations

Effort Reporting Periods at SUAGM



Effort Reporting Workshop, August 2015

- Employees with 12-month appointments:

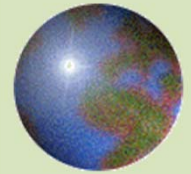
Period	Covered Period	Closing Date	Deadline
1	August 1 to January 31	January 31	February 15
2	February 1 to July 31	July 31	August 15

- Employees with 10-month appointments:

Period	Covered Period	Closing Date	Deadline
1	August 1 to January 31	January 31	February 15
2	February 1 to May 31	May 31	June 15
3	June 1 to July 31*	July 31	August 15

* *Summer*

Assigning Certifier and Approver at SUAGM



Effort Reporting Workshop, August 2015

Effort reports should be signed by each individual devoting effort on a sponsored project

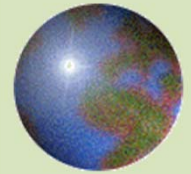


Principal Investigator or Sponsored Program Director (manager of the project) approves the effort report



In the event the PI is not available, a designated responsible official with the direct knowledge for the work performed can approve the effort report

Note: *An Effort Report certified by the Principal Investigator him/herself does not require additional certification approval as the PI is the sponsored program's project manager*



Questions?