Effort Certification

No. 3105

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Faculty
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1.0 Purpose

The purpose of this policy is to document university requirements for ensuring that salaries charged to sponsored awards are based on the records that reasonably reflect the work performed; effort is certified by authorized personnel accurately and timely; and effort certifications comply with sponsor requirements and federal regulations.

# 2.0 Policy

2.1 Federal Requirements

The university receives significant funding for sponsored projects from federal and pass-through entities, and must comply with the standards for documenting personnel expenses to federal awards, which are found in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (§200.430(h)8), frequently referred to as the Uniform Guidance (2 CFR Part 200). To satisfy this federal requirement, the university maintains a system of internal controls that provide reasonable assurance that charges to federally sponsored projects are accurate, allowable and properly allocated (Policy 3240, Costing Principles for Sponsored Projects). The university's effort reporting process is a primary component of this system of internal controls and provides evidence that committed effort occurs and is a reasonable approximation of employee effort devoted directly to sponsored projects. The same internal controls and accountability for effort reporting and certification also apply to most non-federal grants and contracts.

The university utilizes a web-based effort reporting system (ERS) to certify that salaries charged, or cost shared to sponsored awards, reasonably reflect the individual's share of total effort dedicated to the sponsored project(s).

2.2 Applicability

Each semester, the university requires effort certification for faculty, staff, and students at least partially funded by sponsored projects (e.g., federal, state, private organizations, industries, etc.). In addition, university funding of faculty, staff, or student effort committed to a project as cost sharing is included in the effort certification process and recorded in designated university funds. The effect of cost sharing (required by the sponsor or voluntarily committed to in the project proposal) must be considered and properly documented and/or adjusted when completing an effort report. This includes cost sharing requirements related to the NIH salary cap (Policy 3245, Cost Sharing on Sponsored Projects).

Wage employees will not receive an effort report. Documentation and approval of hours worked for wage employees is accomplished within the university's timecard system.
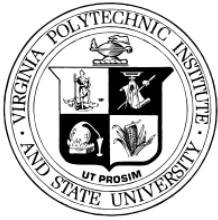
2.3 Certifiers

Certification of effort and the allocation of effort must be completed by the individual faculty, staff or graduate student performing the effort, however, Principal Investigators (PI/Co-PI) may certify for the staff working on their sponsored projects (graduate students, post-doctoral associates, and other similar persons). Only in exceptional circumstances when the employee, PI/CoPI is not available, may a responsible official (e.g. supervisor, department head, or business manager) certify the effort providing they can document the basis for verifying that the actual work was performed. Should this be necessary, federal regulations require that responsible officials maintain documentation of suitable means of verification that the work was performed.

2.4 Explanation of Compensated Effort

The effort report must reflect all activities for which compensation is paid by Virginia Tech, for an employee's appointment or position, whether that individual's time is spent on organized research, teaching, extension, outreach, agricultural experiment station, or other activities. Compensation is the institutional base salary (IBS) which includes regular salary and administrative supplements, eminent scholar appointments, and voluntary activities for nonprofit or governmental organizations related to one's work for the university. It does not include Extra Service Pay (e.g., honoraria, awards and overload payments) and any income that an individual earns outside of duties performed for the university (e.g., hospitals, medical systems, and independent consulting with limits set in the Faculty Handbook). Additional information regarding IBS is available in the Faculty Handbook and OSP Procedure 10013.

The total work effort expended cannot be more or less than 100 percent. An employee's total hours actually spent on work within the scope of their employment regardless of how many or how few hours an employee works and regardless of the percent full time equivalency (FTE) listed on their appointment is considered 100 percent of their effort. The effort report documents the proportion of time devoted to sponsored projects, and other activities including Instruction and Departmental Research, Public Service/Outreach, Virginia Agricultural Experiment Station, and Department Administration, expressed as a percentage of total university effort. It does not matter if these activities occur on nights or weekends or how many hours are worked by an employee in an average week. All effort expended on university- related tasks is included in the 100 percent allocated on the effort report. For example, if a faculty member works an average of 50 hours per week during an effort reporting period and works an average of 10 hours per week on a particular sponsored project, the correct effort percentage for that project would be 20 percent.

All non-sponsored activities such as administration, teaching, mentoring graduate students, and writing proposals are included in the 100 percent of effort and must be charged to non-sponsored funds such as a departmental salary operating funds, operating funds, recovered overhead funds, etc. Accordingly, unless the circumstances of a particular faculty member demonstrably warrant otherwise, the total effort and total salary (i.e. 100 percent) of a faculty member should normally **not** be assigned to sponsored projects in a given effort period.

It is acceptable to provide effort to the project more than the percent of salary charged (this is called voluntary uncommitted cost sharing, VUCS). *Factors such as the availability of funds or the level of committed effort should not influence the certification. However, p*erforming a lesser percentage of effort than the percentage of salary charged to a grant is fraudulent and may result in potential disallowed costs, penalties and/or actions under the federal False Claims Act. Certification of effort known to be materially inaccurate may result in personal disciplinary actions, as outlined in the Faculty Handbook. Any salary charges to sponsored projects in excess of effort should be corrected on a timely basis by requesting a retroactive salary funding change.

2.5 Minimum Required Effort

It is the expectation of most sponsors and the university that the PI and other named key personnel have at least a minimal commitment to each sponsored project. It is crucial that PIs be aware that some federal sponsors may require that all key personnel have measurable commitment to a sponsored project, and be reflected in effort performed on the project and salaries charged to the project or to a related cost-sharing fund.

2.6 Degree of Tolerance

Federal regulations (2 CFR Part 200) provides for "a degree of tolerance" in the preciseness of effort reporting. It is recognized that, in an academic setting, teaching, organized research, service, and administration are often inextricably intermingled. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate. Virginia Tech defines the preciseness at +/- five percent. Therefore, individuals may certify a level of effort for an award or activity that is within five percentage points of their best estimate of the actual effort expended during the reporting period.

While the precision tolerance is five percent, this does not mean activities at or below five percent do not need to be reported. Virginia Tech records effort in whole percentage points. Accordingly, the minimum amount of work on a project should be reflected as no less than one percent, irrespective of the precision tolerance. The activity must be documented in the effort certification report before the report is certified.

2.7 Departing Principal Investigator (PI)/Faculty Member

Before a faculty member's separation from university employment, they should review Banner payroll salary reports for themselves and those for which they are directly responsible to assure effort has been properly charged. Necessary changes should be initiated in writing to the appropriate departmental official to provide justification for any required retroactive payroll funding changes. If the PI is transferring awards to another institution, documented verification of payroll charges and effort should be submitted to the responsible OSP Post Award Associate before the university relinquishes or transfers the award or issues a subaward to the new institution.

2.8 Non-Compliance

Shortly after the completion of the effort reporting cycle, OSP will generate a Non-Compliance Report that includes all uncertified effort reports, including pending retroactive labor redistributions. Department Heads receive summary Non-Compliance Reports. Failure to certify effort on a timely basis may result in removing payroll expenditures from the sponsored project and charging to a department fund.

2.9 Fiscal Responsibility

As circumstances dictate, all employees are responsible for reporting questionable practices and reoccurring problems to the provost, deans, department heads, and/or the University Internal Audit in accordance with Policy 1040, Reporting and Investigating Suspected Fraudulent Activities.

All faculty and staff who are involved in allocating salaries and wages to sponsored projects, managing sponsored projects, or completing effort reports are responsible for understanding the principles of accurate and timely effort reporting and internal control processes related to such charges to sponsored projects. Examples of internal controls include, but are not limited to:

- Comparing expected and actual efforts levels with committed levels to ensure they are in accordance with the terms of the award agreement.
- Monitoring committed effort levels throughout the semester and communicating with faculty when at risk for over-commitments.
- Monitoring payroll activity against actual effort to allow for the timely processing of salary adjustments in accordance Policy 3255, Cost Transfers on Sponsored Projects.

3.0 Procedures

3.1 General Procedures

Guidance on effort reporting processes and schedules are available on OSP's effort reporting website.

3.2 Responsibilities

3.2.1 Principal Investigator (PI), Employee or Responsible Official Responsibilities:

- Review salary charges on awards on a routine basis to ensure alignment of an employee's salary funding with the actual work performed and promptly communicate any necessary effort-related changes to department fiscal personnel who will process labor redistributions in the payroll system (See Policy 3255, Cost Transfers on Sponsored Projects). Suggested best practice is a monthly review.
- Ensure that effort devoted to sponsored projects is commensurate with commitments to sponsors.
- Certify accurate effort in compliance with established deadlines.

3.2.2 Vice Presidents', Deans', Department Heads', and Directors' Responsibilities

- Ensure the department complies with this policy and Policy 3240, Costing Principles for Sponsored Projects.
- Assign an effort coordinator to oversee the effort certification process to ensure effort reports are completed accurately and timely in accordance with established deadlines. Ensure the employees receive the appropriate training for their specific role in the ERS.
- Obtain and maintain documentation of suitable means from the PI/CoPI that the work was performed if certifying as a responsible official.
- Promptly establish personnel actions for salaried and graduate student employees in the university payroll system to ensure accurate payroll charges to sponsored projects based on planned work activities to be performed in consultation with the PI, especially as new awards are received and existing projects terminate.

3.2.3 Controller's Office Responsibilities

- Oversee the automated process of uploading accurate and complete payroll data into ERS.
- Maintain and update the software and reporting systems as changes occur in certification requirements to enhance the efficiency of the system and to keep up with advances in technology.
- Ensure the ERS is functioning in accordance with 2 CFR Part 200.

3.2.4 Office of Sponsored Programs Responsibilities

- Establish procedures for effort reporting which are consistent with the requirements of 2 CFR Part 200.

- Develop and provide appropriate training and instruction, in conjunction with the Controller's Office, to employees involved in the effort certification process.

- Release effort reports to departments for review and certification.

- Review requests for recertification and, if appropriate, re-open effort statements for recertification.

- Generate and distribute the Non-Compliance Reports.

4.0 Definitions

ALL OTHER ACTIVITIES

> **DEPARTMENTAL ADMINISTRATION** - includes a variety of administrative and service activities (e.g., Department Chair or Program Director; service on department, college or university committees; participation in searches or other departmental activities; faculty advisory boards; etc.).

> **INSTRUCTION AND DEPARTMENTAL RESEARCH -** Including teaching classes, presentations to students/trainee groups, mentoring students or trainees (unless specifically part of a sponsored project), student advising, teaching credit classes in special off-campus or distance learning program. Departmental research includes voluntary participation in study sections, peer review of manuscripts, or unfunded effort on research, and effort expended on preparing proposals for sponsored projects (which cannot be charged to existing externally funded projects).

> **PUBLIC SERVICE/OUTREACH -** effort on behalf of the university including working with community groups/organizations, businesses, or governmental entities or teaching noncredit professional continuing education. Voluntary service in external professional organizations and societies related to one's work.

> All activities coordinated through the **Virginia Agricultural Experiment Station**.

ALLOCATION means the process of assigning a cost in reasonable proportion to the benefit provided or other equitable relationship.

COST-SHARING means the portion of project costs not borne by the sponsor. Cost-sharing of effort is the provision of faculty and/or staff time and related fringe benefits that were committed and provided in support of a project but are paid for by other sources of funding.

EFFORT is the portion of time spent on a particular activity, expressed as a percentage of the individual's total activity for the institution over a specific period.

EFFORT CERTIFICATION is the mechanism used to confirm after the end of the reporting period that salaries and wages charged to sponsored projects are reasonable in relation to the actual work performed.

INSTITUTIONAL BASE SALARY (IBS) is the annual compensation paid by Virginia Tech for an employee's appointment or position, whether that individual's time is spent on organized research, teaching, extension, outreach or other activities. IBS includes regular salary and supplements such as a department head's administrative

supplement and honored faculty appointments as outlined in the Faculty Handbook and OSP Procedure 10013. It does not include Extra Service Pay (e.g. honoraria, awards and overload payments). IBS also excludes any income that an individual earns outside of duties performed for the university (e.g., hospitals, medical systems, and independent consulting with limits set in the Faculty Handbook).

LABOR REDISTRIBUTION process of transferring labor costs between funds to properly match an employee's salary funding with the actual work performed.

ORGANIZED RESEARCH is research and development activities of the institution that are separately budgeted and accounted for by the University.

PASS-THROUGH ENTITY means a non-Federal entity that receives federal funding and contracts a portion of the project to the university.

SALARY CAP occurs when sponsors have established maximum annual salary levels for university employees working on their projects. The Department of Health and Human Services (DHHS) Appropriation Act for each fiscal year contains language restricting the amount of direct salary an individual may charge to a National Institutes of Health (NIH) grant or contract. For example, the salary limit for grants issued after January 2, 2022, is set to Executive Level II of the Federal Executive Pay scale ($203,700). Faculty and staff working on NIH projects cannot be charged at a rate to exceed the annual salary maximum stated in the fiscal year appropriation act for DHHS, which is subject to change periodically. The difference between the maximum salary rate allowed by a federal agency and the employee's salary must be documented as cost sharing and identified in the accounting system.

VOLUNTARY UNCOMMITTED COST SHARING (VUCS) is any effort of university faculty (and possibly senior researchers) above and beyond the amounts committed and budgeted for in a sponsored agreement. Such expenses are not documented and/or quantified in any materials sent to a sponsor. The VUCS allocation allows voluntary effort to be contributed on a research project without requiring the time (effort) to be documented in a companion cost share fund.

5.0 References

2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
> https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.430

Policy 3240, Costing Principles for Sponsored Projects
> http://www.policies.vt.edu/3240.pdf

Policy 3245, Cost Sharing on Sponsored Projects
> http://www.policies.vt.edu/3245.pdf

Office of Sponsored Programs Procedure 10013, Institutional Base Salary for Sponsored Awards
> https://osp.vt.edu/content/dam/osp_vt_edu/policies/osp10013.pdf

Office of Sponsored Programs Procedure 40001, Effort Reporting Procedures
> https://osp.vt.edu/content/dam/osp_vt_edu/policies/osp40001.pdf

Virginia Tech Faculty Handbook
http://provost.vt.edu/faculty_affairs/faculty_handbook.html

Policy 1040, Reporting and Investigating Suspected Fraudulent Activities
http://www.policies.vt.edu/1040.pdf

Policy 3255, Cost Transfers on Sponsored Projects
http://www.policies.vt.edu/3255.pdf

6.0 Approval and Revisions

Approved February 10, 2003 by the Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.

- Revision 1
  Minor wording changes.

  Approved February 15, 2005 by the Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.

- Revision 2
  Policy underwent a complete revision and expansion in all significant areas. Key changes include revising to incorporate updates in federal regulations and clarifications, defining total university effort, and sanctions for non-compliance.

  Approved February 13, 2017, by Vice President for Finance & Chief Financial Officer, M. Dwight Shelton, Jr.

- Revision 3
  Policy underwent a complete revision and expansion in all significant areas. Key changes include eliminating monthly effort reports, transition from paper to electronic process, and moving components of effort and procedures from policy to OSP's website.

  Approved October 8, 2022 by Vice President for Finance, Kenneth E. Miller