

Subject: Effort Certification

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1. Purpose

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. The university receives significant funding for sponsored projects from federal and state agencies, private foundations, organizations, and industry, and it must comply with federal regulations and other sponsor conditions requiring sound internal controls over compensation charged to sponsored awards. Specifically, as a condition of accepting such funding, Virginia Tech must assure that the effort expended on sponsored projects justifies the salary charged to them. Failure to comply may result in significant financial penalties, expenditure disallowances, and loss of the opportunity for future grants from federal sponsors. The same internal controls and accountability for effort reporting and certification also apply to non-federal grants and contracts.

Salary costs for faculty, staff, and graduate students are one of the largest cost categories for sponsored projects. Internal controls over salary costs include procedures to ensure that salary costs are in compliance with federal regulations and Policy 3240, Costing Principles for Sponsored Projects, (<http://www.policies.vt.edu/3240.pdf>). That is, all salary costs charged to a sponsored project must be **reasonable** for the work performed, **necessary** for the performance of the project, **allowable** per sponsor and university policies, and **allocable** to the project.

The university assures expenditures charged to a sponsored project reflect a reasonable estimate of the individual's share of total effort dedicated to the sponsored project(s) and other university activities by requiring the certification of periodic effort reports or Personnel Activity Reports (PARs). The PAR documents the allocation of employee compensation between direct activities (such as Instruction, Organized Research, Public Service, Agriculture Experiment Station and Other Activity) and indirect activities (Departmental Administration). Teaching, research, outreach, and administration are often inextricably intermingled, and a precise assessment of effort on sponsored awards is not always feasible or expected. Certification of an effort report or PAR represents an employee's agreement that the salary charges shown on the report reasonably reflect the effort expended on sponsored projects and other activity for which they were compensated by Virginia Tech.

PARs are required for all employees and students having any part of their effort funded by externally sponsored activity or university funded cost sharing. Timely effort certification verifies funds are properly expended for salaries and wages of faculty, staff, and students who work on these awards. This information is a vital component of the university's facilities and administrative cost proposal submitted periodically to the university's cognizant agency and of research expenditures reported to the National Science Foundation for the Higher Education Research and Development (HERD) survey.

IMPORTANT: The award date and contractual modifications of federal awards/subawards determine which regulations are applicable. For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, [2 CFR Part 215 \(OMB Circular A-110\)](#) and [2 CFR Part 220 \(OMB Circular A-21\)](#) apply. New funding (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, are subject to [2 CFR Part 200](#) (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards but hereinafter referred to as “[2 CFR Part 200](#)”).

2. Policy

The university requires effort certification for faculty, staff and students funded by projects sponsored through federal and state agencies, private foundations, organizations, and industry. In addition, university funding of faculty, staff or student effort committed to a project as cost sharing is included in the effort certification process as well as all other university funds. Certification is documented on the individual's PAR.

PARs are issued to faculty, extension personnel, professional staff (pay band four and above) and graduate students each semester. University personnel in pay bands three and below who are required to certify direct effort receive a PAR on a monthly basis. Documentation and approval of hours worked for employees paid by the hour is accomplished within TimeClock Plus, the university's timekeeping system of record. Employees using TimeClock Plus will not receive a PAR. Each college, department or organizational unit is responsible for ensuring PARs are completed and submitted in a timely manner as described in the procedures section below.

Certification of effort and the allocation of effort should be completed by the individual faculty, staff or student performing the effort or by the Principal Investigator (PI). Only under exceptional circumstances, such as an employee leaving the university or on extended leave, should a responsible official (i.e. supervisor, department head, or business manager) certify effort on behalf of faculty or staff. Should this be necessary, federal regulations require that responsible officials maintain documentation of suitable means of verification that the work was performed. Generally such responsible officials will not have detailed or direct knowledge of an employee's total work effort and should not certify the PAR unless written after-the-fact confirmation from an individual having direct knowledge of the employee's total work effort is provided.

The PAR must reflect all activities for which compensation is paid by Virginia Tech, including voluntary activities for nonprofit or governmental organizations related to one's work for the university. The chart in section 3.3 “Components of Effort” provides additional details and examples. 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 his or her employment regardless of how many or how few hours an employee works and regardless of the percent full time equivalency (FTE) listed on the appointment is considered 100 percent of their effort for PARs.

All faculty and staff who are involved in allocating salaries and wages to sponsored projects, managing sponsored projects, or completing effort reports (PARs) are responsible for understanding the principles of accurate and timely effort reporting and internal control processes related to such charges to sponsored projects. As outlined in the Faculty Handbook, (http://provost.vt.edu/faculty_affairs/faculty_handbook.html), certification of PARs that are known to be materially inaccurate may result in personal disciplinary actions. Delinquent or improperly completed PARs may result in departmental penalties (e.g. transfer of salary cost from grant to departmental fund, delays in submitting

grant proposals, preventing the posting of expenditures to sponsored projects, delay in the establishment of grant funds) until delinquent PARs are properly completed and delivered to the Office of Sponsored Programs (OSP).

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 University Policy 1040, Reporting and Investigating Suspected Fraudulent Activities Policy 1040, Reporting and Investigating Suspected Fraudulent Activities, (<http://www.policies.vt.edu/1040.pdf>).

3. Procedures

3.1 General Procedures

The Controller's Office will produce the PARs based on payroll data for the reporting period. An initial review of the data will be conducted to ensure the PARs program correctly extracted the data from the payroll system and that all PARs have been successfully printed. The initial uncertified PARs are distributed by OSP. Once certified (or completed if funding changes are required), PARs are returned by the college, department or organizational unit to OSP. The Office of Sponsored Programs receives the certified PARs and records the certification data into the report tracking system. The certified PAR documents will be filed and archived by OSP.

The PARs should be completed using the instructions accompanying the reports. A copy of these instructions and other relevant information can be accessed from the Office of Sponsored Programs' web site (https://osp.vt.edu/content/dam/osp_vt_edu/policies/par_instructions.pdf) and the Controller's Office web site (http://www.controller.vt.edu/content/dam/controller_vt_edu/procedures/costaccounting/effort_reporting_instructions.pdf). Marking 'YES' on the PAR and signing the certification statement confirms the distribution of activity represents a reasonable estimate of the effort expended by the employee during the reporting period. If changes are needed to the funding distribution prior to final certification, the 'NO' statement should be marked and a payroll funding change initiated, but the PAR should still be signed and returned in a timely manner to avoid non-compliance, as outlined in the schedule in 3.4. When such funding changes are needed, the certification process is not complete until a Retro-PAR is created (reflecting the necessary funding changes) and certified as being correct by the employee or PI.

For further guidance see Frequently Asked Questions Regarding Compensation & Effort Reporting on Sponsored Awards (<http://osp.vt.edu/resources/faqs/effort-reporting-faqs.html>) on the Office of Sponsored Program's website.

3.2 Personnel Activity Report (PAR) Activities and Effort

The PAR must reflect all activities for which compensation is paid by Virginia Tech. The total work effort expended cannot be more or less than 100 percent. Under [2 CFR Part 200](#), 100 percent effort is an employee's total hours actually spent on work within the scope of his or her employment regardless of how many or how few hours an employee works and regardless of the percent full time equivalency (FTE) listed on the appointment.

Because of the numerous types of activities performed by faculty (teaching classes, serving on committees, preparing proposals to seek new funding) in addition to actual work performed on sponsored projects it would be unusual for teaching and research faculty to have 100 percent of their effort charged to externally sponsored projects. All activities such as administration, teaching, mentoring graduate students, and writing proposals must be allocated a percentage of effort, and these cannot be allocated to a sponsored project. Accordingly, unless the circumstances of a particular faculty member demonstrably warrant otherwise, the total effort and total salary of a faculty member should normally not be assigned to sponsored projects in a given effort period. Non-project related effort and salary charges should be assigned to appropriate non-sponsored funds such as departmental salary or operating funds, or recovered overhead funds. Factors such as the availability of funds or the level of committed effort should not influence the certification.

The PAR documents the proportion of time devoted to sponsored projects, departmental research, teaching, and other activities, 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 PAR. 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.

It is acceptable to provide effort to the project in excess of the percent of salary charged (voluntary cost sharing). **Performing a lesser percentage of effort than the percentage of salary charged to a grant is fraudulent and is a prohibited practice.**

3.3 Components of Effort

Most instructional faculty members are engaged in teaching, administrative tasks, or other duties in addition to their work on sponsored projects. Just as an employee’s total effort is not defined by regular business hours of the employer or by the percent FTE of the appointment, research effort does not necessarily take place only in the research facility/lab or only on university premises. Research effort can occur at home, at a conference or in off-site research-related meetings, etc. If these hours are included in calculating research effort, they must also be included in the calculation of total effort. Although the components of total university effort may differ somewhat among faculty, the following table illustrates the kinds of activities that would typically be considered part of the total university effort of a faculty member:

| Activities included in total university effort | Activities outside of total university effort |
|---|--|
| <ul style="list-style-type: none"> ● 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 externally sponsored research. Effort expended on preparing proposals for sponsored projects (cannot be charged to existing externally funded projects). ● Organized (Externally Sponsored) Research - includes reasonable amounts of activities <u>contributing and directly related to work under a sponsored agreement</u>, including delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animal, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. ● Public Service /Outreach - effort on behalf of the university including working with community groups/organizations, businesses, or governmental entities or teaching non-credit professional continuing education. Voluntary service in external professional organizations and societies related to one’s work. | <ul style="list-style-type: none"> ● Consulting and other outside compensated professional work including service on Scientific Advisory boards or similar boards. ● Volunteer individual community or public service, not directly related to one’s work (serving on local parent teacher organizations or as a Boy Scout troop leader). ● Other activities over and above or separate from assigned responsibilities in the primary position (e.g. serving as a primary editor of a journal), particularly if one is directly compensated by an outside party |

| Activities included in total university effort | Activities outside of total university effort |
|--|---|
| <ul style="list-style-type: none"> • All activities coordinated through the Virginia Agricultural Experiment Station • 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.). | |

See Personnel Activity Reports (PARs) Instructions (http://www.controller.vt.edu/content/dam/controller_vt_edu/procedures/costaccounting/effort_reporting_instructions.pdf) for further definitions of the activities listed above and details on how they should be recorded on the PAR.

3.4 Personnel Activity Report Schedule

3.4.1 Semester, Extension and Graduate Student PARs

PARs will be issued to most salaried employees paid at least partially from sponsored funds approximately 45 days after the end of the reporting period (each semester). This waiting period is needed to ensure that the majority of retroactive funding transfers can be processed before PARs are issued. Departments and PIs must have certified PAR submitted to OSP no later than 40 days following its issuance. A typical schedule is illustrated in the chart below, but the actual date due to OSP may vary, and will be noted on the PARs when they are distributed.

Any change in the funding distribution for the current reporting period, subsequent to the initial PAR issuance, or funding changes to the preceding two years will generate a new PAR document (Retro-PAR). The Retro-PARs will be issued approximately five days following the original completion date established in the preceding paragraph. The Retro-PAR must be certified and returned to OSP no later than 25 days after its issuance.

The Controller’s Office, in conjunction with OSP, will issue a Non-Compliance Report fifteen days following the completion of the Retro-PAR cycle described above. A summary Non-Compliance Report will be sent to Senior Management with the number of uncertified PARs in each department in the senior manager’s area. Detail Non-Compliance Reports will be sent to department heads showing individual faculty and staff who have uncertified and unreturned PARs.

Illustrative Semester, Extension and Graduate Students PAR Schedule
(actual dates may vary due to holidays, weekends, or other contingencies)

| Semester | Regular Issued | Due to OSP | Retro Issued | Due to OSP | Issue Date |
|----------|----------------|-------------|--------------|--------------|--------------|
| Fall | February 15 | March 26 | April 1 | April 25 | May 10 |
| Spring | July 1 | August 10 | August 15 | September 10 | September 25 |
| Summer | October 1 | November 10 | November 15 | December 10 | January 5 |

3.4.2 Monthly PARS

PARs are generated approximately 35 days after the end of each month for salaried employees in pay band three or lower that are paid at least partially from sponsored funds. The certified PAR will be due to OSP no later than 40 days following its issuance. This establishes the PAR completion date for reporting purposes.

Any change in the funding distribution for the current reporting period, subsequent to the initial PAR issuance, or funding changes to the preceding year will generate a new PAR document (Retro-PAR) based on the same schedule for semester PARs.

3.5 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.

3.6 Responsibilities

3.6.1 Principal Investigator, Employee or Responsible Official Responsibilities:

As indicated in section 2.0, certification of effort and the allocation of effort should be completed by the individual faculty, staff or student performing the effort or by the PI. Only under exceptional circumstances, such as an employee leaving the university or is on extended leave, should a responsible official (i.e. supervisor, department head, business manager) certify effort on behalf of faculty or staff. Employees certifying PARs must determine if the salary charges shown reasonably reflect the effort expended on sponsored projects and other activity for which they were compensated by Virginia Tech. Implicit in this determination is that the salary costs are also **necessary** for the performance of the project, **allowable** per sponsor and university policies, and **allocable** to the project. If accurate, the PI must sign the PAR and return to OSP by deadline indicated on the PAR. If not accurate, the PI should initiate the necessary funding changes in the Banner Payroll system to change the payroll funding distribution aligning the amounts paid with the effort expended, sign the PAR, and return promptly to OSP to avoid non-compliance.

Principal Investigator, Employee or Responsible Official are responsible for submitting documented verification of current period payroll charges and effort to OSP before separating from university employment.

3.6.2 Vice Presidents', Deans', Department Heads' and Directors' Responsibilities:

- Establish effective processes and controls to ensure compliance with this policy and with Policy 3240, Costing Principles for Sponsored Projects, (<http://www.policies.vt.edu/3240.pdf>).
- Assign an administrator/responsible person to oversee the effort certification process.

3.6.3 Controller's Office Responsibilities:

- Capture data from payroll records to be used in the printing of the certification forms.
- Review output to verify accuracy and completeness of the data extraction process.
- Generate and distribute the Non-Compliance Reports.
- Maintain and update the software and reporting systems as changes occur in certification requirements, to enhance the efficiency of the system or to keep up with advances in technology.
- Assist in the training effort conducted to enhance the PAR certification process.

3.6.4 Office of Sponsored Programs Responsibilities:

- Develop and implement effort certification process to meet requirements set forth in [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.
- Distribute PARs to individuals, departments, and/or organizational units.

- Enter completed PARs into tracking system on a timely basis to ensure the accuracy of Non-Compliance Reports.
- Monitor the effort certification process to ensure compliance with this policy. Effectively communicate with departments, organizations and respective colleges in regards to the collection of certified PARs.

4. Definitions

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.

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

DIRECT ACTIVITY:

INSTRUCTION is an activity devoted to teaching and training activities whether they are offered for credits toward a degree or certificate or on a noncredit basis, and whether they are offered through regular academic departments or separate departments providing continuing education programs. Included in this category are departmental research and sponsored instruction.

DEPARTMENT RESEARCH – Research and development activities that are not organized research and, consequently, separately budgeted and accounted for and have an absence of formal protocols.

SPONSORED INSTRUCTION – Instructional or training activities established by a grant, contract or corporate agreement.

ORGANIZED RESEARCH is research and development activities of the institution that are separately budgeted and accounted for by the University. This category is further subdivided into Sponsored Research and University Research as defined below.

SPONSORED RESEARCH – All research and development activities that are sponsored by federal and non-federal agencies and organizations, excluding Agriculture Experiment Station research. This includes activities involving the training of individuals in research techniques (commonly called research training) where such activities share the same facilities as other research and development activities and where such activities are not included in the instruction function.

UNIVERSITY RESEARCH - All research and development activities that are separately budgeted by the institution under an internal application of institutional funds, excluding Agriculture Experiment Station research.

OTHER SPONSORED ACTIVITIES (PUBLIC SERVICE/OUTREACH) are activities devoted to programs financed by federal and non-federal agencies which involve the performance of work other than sponsored research, sponsored training, instruction, Agriculture Experiment Station, and department research (e.g. Virginia Cooperative Extension, health service projects, community service programs, data base construction and data collection, data dissemination or education of the community on issues for public interest, etc.).

AGRICULTURE EXPERIMENT STATION includes all core research activities coordinated through the Virginia Agriculture Experiment Station, including USDA formula-funded programs and matching state-appropriated funds. Agriculture Experiment Station programs include funds provided under the Hatch Formula,

McIntire-Stennis, Title V of the Rural Development Act, and Section 1433 of Public Law 95-113-Animal Health. This includes activities performed at the Agriculture Research and Extension Centers (ARECS) located throughout the Commonwealth.

OTHER INSTITUTIONAL ACTIVITIES (OTHER ACTIVITY) – Activities of residence halls, the operation of student housing, dining halls, hospitals, clinics, student unions, intercollegiate athletics, chapels, public museums, and other similar auxiliary enterprises and ancillary enterprises. Also included in this category are costs that are “unallowable” to sponsored agreements, such as fund raising or alumni activities, unless specifically agreed to under the terms of the contract or grant.

INDIRECT ACTIVITY:

DEPARTMENT ADMINISTRATION consists of the administrative and supporting services that benefits common or joint departmental activities. This includes such activities associated with deans, assistant deans, administrative staff, and department chairs (to the extent their effort supports departmental administration).

5. References

Policy 3240, Costing Principles for Sponsored Projects

<http://www.policies.vt.edu/3240.pdf>

2 CFR Parts 215, 200 and 220 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 CFR Part 215 (OMB Circular A-110)

<https://www.gpo.gov/fdsys/pkg/FR-2004-05-11/pdf/04-10352.pdf>

2 CFR Part 200

<http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1>

2 CFR Part 220 (OMB Circular A-21)

<https://www.gpo.gov/fdsys/pkg/FR-2005-08-31/pdf/05-16648.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>

Effort Reporting or Personnel Activity Report (PAR) Instructions

https://osp.vt.edu/content/dam/osp_vt_edu/policies/par_instructions.pdf

http://www.controller.vt.edu/content/dam/controller_vt_edu/procedures/costaccounting/effort_reporting_instructions.pdf

Frequently Asked Questions Regarding Compensation & Effort Reporting on Sponsored Awards

<http://osp.vt.edu/resources/faqs/effort-reporting-faqs.html>

6. 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.