

Institutional Handbook of Operating Procedures
Policy 04.05.08

Section: Fiscal Policies	Responsible Vice President: Executive Vice President and Provost
Subject: Cost Accounting	Responsible Entity: Office of Sponsored Programs

I. Title

Effort Reporting Policy

II. Background

As a recipient of federal funding, UTMB is required to comply with federal regulations including 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), as well as other federal requirements for certifying effort expended on sponsored awards. Uniform Guidance Subpart E §200.430 contains the specific federal regulatory requirements for internal controls over certifying time expended on sponsored projects.

UTMB must assure federal, state agencies, private foundations, organizations, and other sponsors that the assignment of time and associated salary and fringe benefit costs to the sponsored project is fair, consistent, and timely. UTMB accomplishes this requirement through the effort reporting process. UTMB requires all individuals who receive sponsored funding to comply with university policies, UT System policies, and federal regulations regarding proposing, charging, and reporting effort on those awards. UTMB faculty and staff are required to charge their time to sponsored awards commensurate with their committed effort. UTMB’s effort certification process provides verification that salaries and wages charged to these projects have been performed as proposed and funded to include mandatory and committed cost share.

Adherence to this policy is necessary to prevent cost disallowances and penalties by the Federal government and other sponsoring agencies.

III. Policy

- A. UTMB utilizes an after-the-fact effort reporting system to certify that salaries charged or cost shared to sponsored awards are reasonable and consistent with the work performed. Actual effort expended on each project is certified by a responsible person with suitable means of verification that the work was performed. This policy and any related requirements for internal controls over certifying time expended on sponsored projects must comply with Uniform Guidance Subpart E §200.430 that contains the specific federal regulatory requirements for internal controls over certifying time expended on sponsored projects.

- B. Uniform Guidance Section §200.430(C) states, “It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs (Institutes of Higher Education) a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.” Therefore, while UTMB strives to obtain an accurate reflection of the time devoted to sponsored programs, effort certification is considered a reasonable estimate of how time was expended as opposed to an exact accounting of time.

- C. UTMB is responsible for maintaining a system to track all cost sharing related to sponsored projects. (See the Cost Sharing IHOP Policy 4-5-7 for further details). UTMB's effort reporting system will be the system used to track and report cost sharing of salaries.

IV. Frequency of Reports

UTMB has four effort reporting periods: September 1 through November 30, December 1 through February 28, March 1 through May 31, and June 1 through August 31. For bi-weekly paid employees, the effort reporting periods begin and end shortly before and after the quarterly report dates, depending on the annual pay period schedule.

In order to comply with the close-out regulations of 2 CFR 200, primary individuals are responsible for submitting all of the manual effort reports for the closed sponsored project within -30 days of the sponsored project's budget period end date.

V. Procedures

- A. Effort reports must account for 100% of an employee's total university effort. Total university effort includes research, teaching, administration. Effort is not based upon a 40-hour work week, but rather on all activities within the institutional responsibilities of the individual. Each percentage must reasonably agree with actual effort devoted to each activity in relation to the employee's total university effort. The verified effort report documents the allocability of payroll charges for each activity listed on the effort report for the period being verified. Payroll charges to sponsored awards, and cost sharing recorded for faculty and staff, serve as the initial data points for UTMB's effort reporting system, which generates reports on a quarterly basis.
- B. Primary individual and key personnel are responsible for communicating with their supervisor and departmental staff regarding current and planned effort commitments. Management of effort commitments for a primary individual and key personnel require ongoing communication between the primary individual/key personnel, the individual's department and several other administrative functional areas. Departmental staffs involved in allocating salaries to sponsored projects or completing effort reports are responsible for understanding the principles of accurate effort reporting and salary allocation. Departmental staffs are responsible for monitoring and making any necessary changes to the allocation of salaries. All are also responsible for remaining current on any mandatory training. All departments must complete and submit effort reports on a timely basis and in the correct format for all employees who are subject to effort reporting requirements.
- C. Primary individuals are responsible for reporting and confirming their own effort allocations. They are also responsible for confirming the effort of the supporting individual on the projects for which they are the primary individual. Primary individuals are not responsible for confirming effort for other primary individuals, nor are they responsible for confirming effort on activities for others where they are not considered the primary individual.
- D. An effort report must be completed for any UTMB employee who meets either of the following criteria:
- The employee's salary is charged directly, in whole or in part, to a sponsored project.
 - The employee expends actual effort on a sponsored project for which a commitment was made, even though no part of the employee's salary is charged to the project. (Cost Sharing).

- E.** Effort reporting for all employees meeting the above criteria will be performed for each effort reporting Period. This includes faculty, administrative & professional, non-teaching and classified employees.
- F.** UTMB uses an electronic effort reporting system. Primary individuals will receive an electronic notice when the current effort confirmation period is open and the effort reports are available on-line. The effort confirmation period will remain open for 30 days from the date the report is made available for effort entry and confirmation.
- G.** UTMB has established minimum and maximum levels of effort commitments on sponsored programs, commensurate with an individual's roles and responsibilities at the institution. The following guidelines are established for the allocation of effort for primary individual.
- A maximum of 97% of total effort that can be committed to sponsored projects
 - A maximum of 90% of total effort that can be committed to sponsored projects for faculty with administrative / clinical / teaching duties such as medical school course director / clinical program advisor / significant clinical responsibilities
 - A maximum of 85% of total effort that can be committed to sponsored projects for basic science chairs, center directors and clinical department division chiefs
 - A maximum of 80% of total effort that can be committed to sponsored projects for clinical department chairs
 - A minimum of 1% minimum effort on clinical trials
 - A minimum of 1% minimum effort on other sponsored projects
- H.** Exceptions to these minimums and maximums include, but are not limited to, equipment and instrumentation grants, doctoral dissertation grants, and augmentation grants. Exceptions for specific individuals may be requested if it is deemed that these individuals do not have any responsibilities (including the development of new sponsored proposals) that would prevent them from allocating 100% of their effort towards sponsored projects. A request for exemption, approved by the department chair, can be made to UTMB's Designated Responsible Party or the individual's designee.
- I.** Cost transfers may become necessary as a result of effort confirmations. Any cost transfers necessary as a consequence of effort reports must be initiated during the effort Reconciliation Period, which is defined as the 30 days following the end of the reports during and after the effort confirmation period, and make appropriate payroll reallocations and transfers. Research Services will coordinate with Grants and Contracts Accounting to ensure the financial status report or final invoice has not been filed. The effort report includes the percentage of salary paid from specific accounts for the effort reporting period. In some cases, these salary percentages may not reflect the employee's actual effort attributable to that project.
- J.** Training in effort reporting is required for all primary and supporting individual and effort coordinators. A primary or supporting individual may enter and confirm effort for one effort confirmation period prior to passing the mandatory training. If the training has not been satisfactorily completed, effort may not be entered after the first reporting period. Any salary distributions to sponsored projects for that subsequent period will be removed and transferred to another departmental source.
- K.** After the effort confirmation period, in cases where effort reports do not support the salary expense charged to a sponsored project, Research Services or other institutional offices may

initiate a transfer of expenses from the sponsored projects to another departmental non-sponsored project or class.

- L.** Compliance with this policy is mandatory; UTMB has a legal obligation under federal regulations and by the terms and conditions of our sponsored projects. Disciplinary action for non-compliance with this policy including, but not limited to, failure to file an effort report or knowingly filing an erroneous effort report, will be administered according to UTMB Institutional Handbook of Operating Procedures in accordance with the University of Texas Board of Regent's Rules and Regulations and UTMB's Standard of Conduct Policy. In case of a violation of civil or criminal law, violators may be subject to civil or criminal penalties. If UTMB becomes aware of alleged criminal violation(s), UTMB may report such conduct to the appropriate oversight agencies.

VI. Definitions

Actual effort: The effort that an employee estimates to have devoted to a particular sponsored project or other professional activity, even if no salary is paid by the project or activity, including effort pledged to a sponsor as mandatory or voluntary committed Cost Sharing, expressed as a percentage of total effort during the confirmation period.

Committed effort: The amount of effort proposed in a grant or other project application and accepted by a sponsor, regardless of whether salary support is requested for the effort.

Cost Sharing: The mandatory or voluntary commitment of institutional resources contained in the proposal or award. The concept of cost matching is synonymous with Cost Sharing. Cost Sharing may be made up of either labor or non-labor costs. This policy only pertains to Cost Sharing as it relates to effort commitments made by individual listed in the proposal or award. There are different types of Cost Sharing:

- *Mandatory Committed Cost Sharing* refers to costs in excess of what the sponsor is going to fund where a requirement for the grantee to fund some portion of the cost is required by the sponsor as a condition of obtaining an award. It must be included in the contract or grant proposal to receive consideration from the sponsor.
- *Salary-cap Cost Sharing* results when an individual's Institutional Base Salary exceeds a sponsor's salary cap. The prorated excess is a form of mandatory Cost Sharing that must be funded by an appropriate and allowable source.
- *Voluntary Committed Cost Sharing* refers to costs in excess of what we are asking the sponsor to fund that are included in the proposal budget where cost sharing was not required by the sponsor.
- *Voluntary Uncommitted Cost Sharing* refers to costs of a project not funded by the sponsor and which were not committed in the proposal or award.

Cost Transfer: A Cost Transfer occurs when an expense is transferred from one PeopleSoft project or class to another when a necessary adjustment has been identified. Transfers between PeopleSoft accounts are considered coding corrections, not cost transfers, under this policy. Cost Transfers for purposes of this policy include all costs, e.g. salaries, benefits, M&O (maintenance and operation) etc. Labor transfers typically occur via payroll transfer and may be initiated within the records of UTMB by Office of Accounting, Payroll, Research Services, UTMB Hospitals or other authorized units. The guidelines for the timeliness of the initiation of Cost Transfers are contained in the Cost Transfer Policy (IHOP 4.5.9). For labor cost transfers required to properly align salary charged to a sponsored project with the effort reported on the project, the date of discovery is deemed to be the last day of the effort confirmation period and will be the date used to determine the timeliness of cost transfers.

Date of Discovery: The date on which the need for a cost transfer is acknowledged.

Departmental Business Operation- The department, center or hospital office that is responsible for the stewardship of institutional resources within the policies, practices and procedures of the institution.

Designated Responsible Party: The Designated Responsible Party (DRP) is the senior administrative executive for the research operation who will manage and be responsible for the effort reporting compliance program. This individual possesses exclusive responsibility for managing the risk, including the appropriate knowledge and necessary authority to manage the risk. The Associate Vice President for Research Administration is the DRP at UTMB. It is acknowledged the DRP will work closely with the Provost, Chief Research Officer and the Institutional Compliance Officer to ensure all specific risks are adequately mitigated and effectively monitored.

Effort: Sometimes referred to as level of effort, effort is the amount of time spent by an individual on any activity expressed as a percentage of total professional effort for which an individual is compensated by a UTMB. **It is extremely important to understand that effort is not calculated on a 40-hour workweek or any other standard workweek.** In addition, total effort must equal 100%. For example, if an individual with a full-time appointment averages working 60 hours per week during the effort reporting period and estimates that he/she spends an average of 15 hours each week on a sponsored program, 25% of that individual's effort is spent on the sponsored program and the other 45 hours, allocated to other institutional activities, represents 75% effort.

Effort Confirmation (Also, referred to as effort certification): A primary individual's representation that the effort supported by the sponsor has been performed and/or effort expended in support of a project (but not paid by the sponsor) has been performed. It is important to note that payroll distributions and effort confirmations are not the same thing. Payroll distributions describe the allocation of an individual's salary; whereas, effort confirmation describes the allocation of an individual's effort.

Effort confirmation period: The designated period of time for individuals to enter and for primary individual to confirm estimates of actual effort in the official UTMB effort system. The end of the effort confirmation period is deemed to be the initializing transaction date as referenced in the Cost Transfer Policy with regard to timeliness.

Effort Coordinator: The individual at the department level that manages and oversees the effort reporting process for a particular department or group departments. This individual is responsible for monitoring whether effort has been reported and that the necessary salary adjustments resulting from effort reporting (or lack thereof) are made.

Effort Reconciliation Period: The designated period of time, after the effort confirmation period, in which salary paid should be reconciled to the effort confirmed and any adjustments submitted.

Effort report: This is also known as the **effort card**. A form used by UTMB to document the proportion of total effort devoted by an employee to each activity with which he or she is involved, including sponsored projects, administration, teaching and service. This document becomes UTMB's official verification that the IBS charged to a sponsored project is consistent with the actual effort expended on the project. The sum of all reported actual effort percentages on the effort report represents the employee's total effort. By definition, total effort must always equal 100%.

An effort report must be completed for all individuals with effort on sponsored projects. This may be the individual or it may be the direct supervisor. Confirmation of the effort expended must be made in

accordance with this policy. A supporting individual may not confirm the effort expended on the effort report.

Effort reporting Period: The designated period of time over which the effort is to be reported. UTMB reports effort quarterly or according to other timetables established and published by Research Services.

Effort Reporting Procedure Manual: A UTMB document that contains all the implementation and operational guidelines for effort reporting at UTMB.

Entity Business Operations: Entity Business Operations is charged with the oversight of policies and procedures for the Departmental Business Operations that report to them. Entity leaders and CFO's will ensure that each department has an appropriate review process in place.

Fiscal Year: The financial accounting period from September 1 through August 31.

Individual: An individual is anyone who has committed and/or reported effort on a sponsored project regardless of whether salary was charged to the project or not. Where appropriate in this policy the following subcategories will be utilized:

- A **primary individual** is a person listed as principal investigator (PI), project director, co-investigator, co-project director, or those with comparable responsibilities on a sponsored project application. A primary individual typically, but not always, carries an academic (i.e. faculty) appointment. Any faculty member with effort on a sponsored project will be identified as a primary individual.
- A **supporting individual** is an employee other than a primary individual who has expended effort on a sponsored program. The supporting individual may or may not have been identified on the funded application and typically does not have committed effort greater than the amount paid on a specific sponsored program.

An individual designated as Key Personnel (see definition below) may be either a primary individual or a Supporting individual based on the unique circumstances of a specific sponsored project.

Institutional Base Salary (IBS): The total guaranteed annual compensation an individual receives from UTMB, whether the individual's time is spent on research, instruction and teaching, patient care, public service, or other activities. The IBS shall be used to compute salaries charged to sponsored programs unless sponsor's policies further limit salary charges. IBS excludes: fringe benefit payments; non-recurring merit payments; incentive payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk. IBS may include additional payment, in special circumstances, by prior approval of Research Services.

Key Personnel: Key personnel is defined as an individual who contributes to the scientific development or execution of the project in a substantive, measurable way, whether or not salary is requested. Typically, these individual have doctoral or other professional degrees, although individuals at the masters or baccalaureate level should be included if their involvement meets the definition of key personnel. Consultants should also be included if they meet the same definition. Key personnel must devote measurable effort to the project whether or not salaries are requested. Key personnel are generally listed on the Notice of Award and they may be designated as primary or supporting individual within the effort reporting system.

Office of Sponsored Programs (OSP): OSP is responsible for ensuring that policies and procedures are in place for effort reporting.

Research Services: Research Services is UTMB’s institutional office charged with the administrative oversight of sponsored research.

Sponsored project: 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. Separately budgeted means that a project budget has been prepared to identify the costs necessary to meet the scientific objectives of the project. Sponsored projects may include grants, contracts, and cooperative agreements for research, instruction and training, and other public service activities. Sponsored programs involve a specific commitment of time of the principle investigator and other key personnel and can be either: 1) externally funded activities for which a formal written agreement, such as a cooperative agreement, contract, or grant is entered into by UTMB and by a sponsor; or 2) internally funded activities which are separately budgeted and accounted for by UTMB as a result of a formal application and approval process within UTMB. For externally funded programs, the commitment of time can either be paid or unpaid by the sponsor (see mandatory and voluntary committed Cost Sharing definitions). A sponsored program can be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

Tolerance: The amount by which salary percentage paid may vary from effort percentage reported. This tolerance is established by UTMB and is reflected in the Effort Reporting Procedures Manual.

Total effort: The effort that an individual devotes in the aggregate to the professional activities for which he or she receives IBS compensation from UTMB. Specifically excluded from total effort is time spent on outside consulting activities or other activities for which compensation is received from an entity other than UTMB.

Total Institutional Activities: Total Institutional Activities are those activities for which an individual is paid by the UTMB. Common activities include administrative duties, instruction, patient care, public service, and research.

VII. Relevant Federal and State Statutes

[2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")
 NIH Grants Policy Statement

VIII. Related UTMB Policies and Procedures

[IHOP - 04.05.07 - Cost Sharing Policy](#)
[IHOP – 04.05.09 - Cost Transfer Policy](#)

IX. Dates Approved or Amended

<i>Originated: 1/26/2006</i>	
<i>Reviewed with Changes</i>	<i>Reviewed without Changes</i>
02/10/2011	11/06/2018
03/22/2016	

X. Contact Information

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