Effort Certification

I. Background and Significance

In recent years, the federal government and its auditors have become much more active in their review of effort reporting requirements, and a number of colleges and universities have received large audit disallowances as a result. An audit disallowance means that after review of expenses for which the federal government reimbursed the institution, some of those expenses were determined to be inappropriate or improperly documented. The institution is then required to return the disallowed funds to the federal government, and may also be assessed significant financial penalties. In addition, criminal charges may be brought against an individual certifying to falsified effort.

An effort reporting system must provide records on how individuals participating in federally funded sponsored agreements actually spend their effort. Because the federal government mandates effort reporting, it is incumbent upon institutions that receive federal funding to maintain accurate and auditable systems and records.

II. Policy

Agnes Scott College uses an after-the-fact effort reporting system to account for an employee’s effort in compliance with the federal Office of Management and Budget’s Circular A-21. This policy applies to anyone performing work on a project that receives federal funding, even when they are not paid from grant funds. The federal government requires an effort report when an individual is compensated by or has contributed effort to a federally sponsored project. All faculty and staff who serve as investigators on sponsored agreements are personally responsible for documenting the effort that they and their project staff (including students) spent on sponsored activities during a reporting period. This includes time spent working on a sponsored project for which salary is either directly charged or contributed (cost-shared effort).

This policy establishes institutional requirements for reporting and certifying effort on sponsored projects. The Office of Sponsored Programs serves as the office of record for reporting effort. Under federal regulations on effort reporting, 100% effort represents the employee’s total work within the scope of his or her assignment—regardless of how many or how few hours an employee works, or on what project(s).

A. Employee Workload

Agnes Scott College recognizes four workload areas to which employees devote their effort: teaching (instructional/institutional activities), research (scholarly and creative activities), service (campus, professional and community), and academic administration. The percent effort among these workload areas will vary among employees and across a given employee's career, but regardless of this distribution the sum of these efforts will equal 100%. An employee receives an
Institutional Base Salary (IBS) as compensation for activities performed within his or her primary appointment (sometimes referred to as “contract” or “job description” or “workload”).

In addition to their IBS, faculty members may receive summer salaries from sponsored and non-sponsored funds. The total amount may not exceed 2.5 ninths of the faculty member's IBS, and must abide by any lower limit imposed by a funding agency.

B. Definitions and Reporting Requirements

- **Percent effort**: The proportion of effort an employee spends on each workload area, expressed as a percentage of that employee’s total workload.

- **Contributed or cost-shared effort**: That amount of the total project costs of a sponsored agreement that is not borne by the sponsor or sponsors of the project, but by the College or other non-federal third parties.

- **Effort reporting vs. payroll distribution**: Payroll distributions allocate an individual’s salary to one or more accounts. Effort reports allocate an individual’s actual effort spent on specific projects, whether or not these are reimbursed by the sponsor. Effort reporting and payroll distribution are thus not the same thing.

- **Individuals required to complete an effort report**: Employees who perform work on sponsored projects funded by federal, state and local government entities, and federal pass-through organizations, whether or not the effort is paid or unpaid, are required to complete an effort report for the period in which the work was performed. Non-exempt employees who complete auditable timesheets report and certify their effort by completing an auditable timesheet.

Consequences of not complying with Circular A-21’s effort reporting requirement—

Documentation on how individuals spend effort on federally sponsored projects is subject to federal audit and can be cause for institutional or individual disallowances.

**Institutional disallowances** can result if:

1. The effort report was certified by an individual other than the employee or someone who has ‘first-hand’ knowledge of 100 percent of the employee’s effort;
2. The effort report does not encompass all of the activities performed by the employee under the terms of their employment; or
3. The levels of effort reported do not appear reasonable, given the responsibilities of the individual.

**Individual disallowances** can result if:

1. The effort report certified by the individual is found to be falsified;
2. The levels of effort reported do not appear reasonable.

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1 A timesheet is auditable only if the hours worked are allocated by project. This is generally only possible when an individual works exclusively on one project and 100% of his or her pay comes from the sponsored account that supports that project.
III. Guiding Regulations

OMB Circular A-21 - “Cost Principles for Educational Institutions”

OMB Circular A-133 - “Audits of States, Local Governments, and Non-Profit Organizations”

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”