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# UNIVERSITY OF MASSACHUSETTS GUIDANCE ON EFFORT REPORTING POLICIES

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## **1. GUIDANCE STATEMENT**

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The University of Massachusetts is required to comply with federal guidelines and regulations regarding compensation for personal services on sponsored projects. In addition, state agencies, private foundations, non-profit organizations, and for profit companies provide significant grant funding to enable UMass faculty and staff to conduct instruction, public service, research, and training activities. This Guidance statement provides guidelines to ensure that the salaries and wages charged to sponsored projects are allocable, allowable, reasonable, and consistently applied. These guidelines are intended as a tool for developing more detailed procedures by the campuses and to ensure full compliance with regulations. The University of Massachusetts internal control system currently incorporates the Employee Compensation Compliance tool (ecrt) to provide the required after the fact verification of employee compensation charges. Campus procedures should include implementation of training activities, independent internal evaluations, and timely electronic-based certification in ecrt. These guidelines and procedures may include online instructions, FAQs, manuals, and other resources. All campus guidelines and procedures must comply with all applicable rules and regulations.

## **2. RATIONALE**

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2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) outlines the federal government's cost principles for receiving funding via a federally sponsored grant, contract, or cooperative agreement to perform a certain scope of work. It sets forth regulatory requirements to which institutions of higher education must adhere regarding the expenditure of federally sponsored program funds. More specifically, Section 200.430.h.8.(i).1.(i) stipulates that salaries and wages charged to federal awards must be supported by a system of internal controls that provide reasonable assurance of accurate, allowable, and allocable distribution among specific activities or cost objectives. This includes effort directly charged to sponsored projects, cost sharing, and any other statutory-funded activities

## **3. SCOPE**

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All campuses and central administration.

## **4. RELATED STATUTES, POLICIES, REQUIREMENTS, OR STANDARDS**

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### **UMass-Wide Policies and Guidance**

- DOC. T94-034, *Policy for the Development and Administration of Grants, Contracts and Cooperative Agreements for Sponsored Programs*

- DOC T01-012 *Policy on Additional Faculty Compensation*
- [UMass Board of Trustees – Policies & Guidelines](#)

### Other Policies & Standards

- [2 CFR Part 200 Uniform, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- [NIH Grants Policy Statement](#)
- [NSF Proposal & Award Policies & Procedures Guide \(PAPPG\)](#)

## 5. DEFINITIONS

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

**Cost Sharing:** A portion of total project or program costs related to a sponsored agreement that is contributed to a sponsored project or program by an entity other than the primary sponsor and usually consists of the mandatory commitment of institutional resources contained in a proposal or award.

*It is important to note that when a notice of grant award is received in which cost sharing was proposed, the cost sharing becomes a binding commitment that must be provided and tracked across each campus. Additionally, this cost sharing must be included in the appropriate direct cost base in the facilities and administrative (F&A) rate proposal.*

The concept of matching is synonymous with cost sharing. *This Guidance only pertains to cost sharing as it relates to time commitments made by individuals listed in a proposal or award.*

There are various types of cost sharing; these include:

- **Mandatory Committed Cost Sharing** 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.
- **Voluntary Committed Cost Sharing** represents effort proposed that was not originally required by the sponsor and that is in excess of effort paid by the sponsor and/or mandatory cost sharing. Any Cost Sharing once proposed and accepted in the contract or grant, whether originally required by the sponsor or not, must then be tracked and treated as mandatory.

*NOTE* – Voluntary Effort represents time worked that may benefit a project but was not committed in the proposal or award. Voluntary Effort not charged to the award is not required to be tracked, and does not require certification.

**Cost Transfer:** An after-the-fact reallocation of the cost associated with a transaction. It is the moving of a previously recorded expenditure to a sponsored project from another sponsored project or other account *This Guidance only pertains to and addresses salary cost transfers related to effort commitments.*

**Designated Responsible Party:** Each campus must name a designated responsible party to manage and be responsible for the effort reporting compliance program. It is acknowledged the designated responsible party will work closely with appropriate campus offices (e.g., the controller's office) to ensure all specific risks are adequately mitigated and effectively monitored.

**Effort:** Time spent on any activity expressed as a percentage of total institutional activities for which an individual is compensated by the campus.

**Effort Certification:** A process of verifying a principal investigator's or an employee's allocation of time to various activities for which they receive compensation from the campus. In relation to sponsored projects, it represents those procedures used to document and verify effort supported or paid by the sponsor. Effort reporting also extends to committed effort expended in support of a project (but not paid by the sponsor). It does not include commitments to external activities such as consulting or activities associated with non-university professional committees.

**Fiscal Year:** The fiscal year for the University is July 1st through June 30th.

**[Sponsored] Individual:** A sponsored individual is anyone who has paid effort and/or committed effort on a sponsored project. Where appropriate in this Guidance, the following subcategories will be utilized:

- **Primary [Sponsored] Individual:** A person listed as principal investigator, 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.
- **Supporting [Sponsored] Individual:** An employee other than a primary individual who has expended effort on a sponsored project. 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 project.

**Institutional Base Salary (IBS):** The total base compensation an individual receives annually from the campus, whether the individual's time is spent on research, teaching, or other

activities. IBS includes: compensation for instruction, public service, research, and/or other activities. IBS excludes: fringe benefit 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 or may not include additional payment for administrative duties per each campus' written policy.

**No Cost Extension:** Gives the principal investigator additional time to complete the scope and objectives of the project without additional funds being provided by the sponsor. During a no cost extension, the funding agency may expect that effort will be commensurate with the previous budget period.

**Salary-cap:** A ceiling imposed by a federal entity where the salary above that ceiling is an unallowable expense. Direct salary amounts must be based on IBS prorated for the commitment on the project. In situations where an individual's IBS exceeds a sponsor's salary cap, the prorated excess must be funded by an appropriate and allowable source.

[Example of federal agency salary cap \(NIH\)](#)

**Sponsored Programs:** Can be either: (a) externally funded activities in which a written agreement, such as a cooperative agreement, contract, or grant, is entered into by the campus and by a sponsor for research, training, and other public service activities; or (b) internally funded for which the activities are separately budgeted and accounted for by the campus as a result of a formal application and approval process within the campus. For externally funded programs, the commitment of time can either be paid or unpaid by the sponsor (see cost sharing definitions).

**Total Institutional Activities:** Total institutional activities are those activities for which an individual is paid by his/her campus. Common activities include administrative duties, instruction, patient care, public service, and research.

## 6. PROCEDURES

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### Guidance Implementation

Each campus shall establish an effort reporting action plan that provides guidance in the following areas: management of effort commitments, cost sharing, cost transfers related to effort, and effort certification. Each area must be supported by procedures and monitoring activities to ensure this Guidance is implemented as intended. Each campus should adopt the most suitable methodology to ensure effective implementation for its culture and community.

## **Training and Evaluations**

Each campus Designated Responsible Party shall develop and implement education and training programs to assist all administrators, faculty, and staff to fully understand the intent and implications of effort certification. Each campus should conduct periodic independent internal evaluations to determine compliance with effort reporting requirements.

## **Management of Effort Commitments**

*It is important to understand that effort is not calculated on a 40-hour work week or any other standard work week. Effort reports in order to be accurately reflective of total effort, account for all effort for which the campus compensates the individual and, as such, should equal 100%.*

The management of effort commitments for a Primary Individual requires ongoing communication between the Primary Individual, his/her department, and several other administrative functional areas within each campus. This communication is critical because the Primary Individual may be fully committed (100%) and when a new award is received, this typically causes other commitment(s) to be reduced. Depending on the extent of the changes to expected effort, notification or prior approval requests to the sponsors of the awards impacted may be required.

- 1.1. The Designated Responsible Party will work closely with appropriate campus offices (e.g., the controller's office) to ensure all specific risks are adequately mitigated and effectively monitored.
- 1.2. Each campus shall ensure that a Primary Individual's institutional activities shall not exceed 100% total effort and shall be consistent with his/her other duties as agreed upon with his/her supervisor.
- 1.3. Consistent with the established approval process for sponsored program proposals, the Primary Individual's supervisor must review and approve the committed effort in proposals, as well as ensure each Primary Individual listed in proposals with a specific committed effort is aware and has approved his/her participation in the activity.
- 1.4. Each campus shall ensure the Primary Individual's actual effort is commensurate with his/her responsibilities.
- 1.5. A Primary Individual's committed effort must not include activities whose costs are not allowable under the Uniform Guidance, including proposal writing, student advising, curriculum review, and professional development. Therefore commitments totaling 100% on sponsored projects would be rare, must be



reviewed critically, and may not be allowable. Each campus must establish guidelines controlling allowable commitment levels in line with their own internal controls.

### **Cost Sharing**

Mandatory or voluntary committed cost sharing that is contained in a funded sponsored program proposal becomes a binding commitment to the campus upon either formal acceptance of the award document or expenditure of funds if no formal acceptance is required. As a general rule, cost sharing commitments should be avoided unless they are required for application. Under extraordinary circumstances, cost sharing may be voluntarily offered to the sponsor with appropriate campus administration approval. Each campus shall have cost sharing guidelines and procedures that are consistent with this Guidance and with applicable federal regulations.

### **Cost Transfers**

Cost transfers are a reality of sponsored programs; however, a high volume of cost transfers, cost transfers that occur several months after the initial accounting transaction, cost transfers that occur after an effort certification report is completed, and/or a pattern of cost transfers to sponsored projects may indicate poor awards management. Each campus shall have cost transfer guidelines and procedures providing as follows:

- 1.6. Duties involved in the cost transfer process must be appropriately segregated to ensure no one individual has the ability to initiate, approve, and post a cost transfer into the official accounting records.
- 1.7. All cost transfers must have adequate supporting documentation as to the reason it is necessary. Indicating “to correct an error” or “to transfer to correct project” are insufficient reasons.
- 1.8. All cost transfers should occur in a timely manner as specified by campus.
- 1.9. Salary cost transfers are permitted after effort certification reports are completed and signed by the individual only if it benefits the sponsor (i.e., a transaction is moved off of a sponsored account) or to correct inaccurate allocations.

### **Effort Certification**

Each campus must develop a mechanism to determine and verify how individuals actually expend effort during a specified time period. Such confirmation is to be made by either the individual or a responsible official with reasonable knowledge of the employee’s

compensated activities. Each campus shall develop effort certification procedures that provide the following:

- 1.10. A definition of effort and effort certification, which should include a discussion that effort is based on total institutional activities and does not assume a 40-hour work week or any other standard work week; the effort certification report and payroll distribution records are not the same; and the effort certification report includes total institutional activities, including all committed cost sharing activities.
- 1.11. A discussion of why effort certification reports are required with references to the applicable federal requirements and resources.
- 1.12. A statement that identifies who is required to complete effort certification reports.
- 1.13. A statement that indicates effort certification reports are based on a reasonable estimate by recognizing that administration, patient care, research, service, and teaching are often inextricably intermingled.
- 1.14. A requirement that effort shown on the effort certification report must be reported in percentages and all effort must equal 100%.
- 1.15. A requirement for a Primary Individual to certify his/her own effort certification report.
- 1.16. A requirement for a Primary Individual (or designee) to certify effort certification reports for all Supporting Individuals who have expended effort on his/her sponsored project.
- 1.17. A requirement that each effort certification form contains an attestation statement that indicates the certifier (or their proxy) has suitable means of verification and the amounts shown are a reasonable estimate of actual work performed during the stated period.
- 1.18. A requirement for all effort certification reports to be completed in a timely manner that is to be further defined by each campus, including through implementation of electronic-based effort reporting review and certification systems (ecrt).