

# **RSP Effort Allocation and Certification Guidance (DRAFT)**

Effective Date: April 1, 2014

Updated TBD

## **1.0 Purpose**

This policy outlines the University of Northern Iowa's obligations for allocating and certifying effort on sponsored programs as set forth by the 2 CFR 200.430 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

**The University of Northern Iowa follows best management practices and interpretations of federal effort.**

It is the policy of the University of Northern Iowa that all faculty and staff working on sponsored programs comply with all applicable regulations regarding the proposing, allocating and reporting of effort on a sponsored program(s).

This policy applies to all University of Northern Iowa administered sponsored grants, contracts, cooperative agreements, and memorandums of agreement, collectively referred to as “the sponsor” or a “sponsored program” here forward.

## **2.0 Risk of Non-Compliance**

Documentation on how individuals spend time on federally sponsored projects is subject to federal audit and may result in 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 time;
2. The effort report does not encompass all of the activities performed by the employee under the terms of their employment;
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.

In recent years, a number of universities have received large audit disallowances as a result.

Cases of audit disallowances due to problems with effort reporting include:

- Northwestern University (2003) paid \$5.5 million
- Columbia University (2014) paid \$9.0 million
- University of California-Los Angeles (2014) paid \$2.1 million

Federal audit disallowances due to problems with effort reporting can result in serious financial penalties for institutions as well as criminal charges against the individual.

## **3.0 Definitions**

**Effort** is defined as the amount of time spent on a particular activity for which an individual is employed at UNI (e.g., teaching, research, and service). Individual Effort is expressed as a percentage of time spent on work related activities regardless of the actual number of hours expended on those activities, for which UNI compensates an individual.

Reported effort must equal 100%, regardless of the number of hours worked, as defined by 2 CFR 200.430. Whether a faculty/staff spends 40 hours or 60 hours a week completing the duties, the sum of time spent completing the duties is 100% effort.

The addition of effort from the sponsored project does not change the 100% effort available to work; the sponsored project effort should fit into the person's 100% workload by having the faculty/staff be relieved of some of their existing duties.

**Institutional Base Salary** is defined as the annual compensation that the institutions pays for an employee's appointment, whether that individual's time is spent on instruction, research, administration, committee work, service work or other activities not listed here.

- **Institutional base salary is not to be increased as a result of replacing institution funds with grant funds (2 CFR 200.430).**

**Effort Reporting** is the mandated method of certifying to the granting agencies that the effort charged or cost shared to each award has actually been completed (2 CFR 200.430 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

**Cost Sharing** is a requirement of many sponsored programs that UNI contribute a portion of the funds required to implement the overall program. Effort on behalf of UNI Project Staff is commonly used as cost share. Cost share effort must be certified. RSP documents and certifies a Project Staff's cost shared effort to a sponsored program using the Cost Share Sheet. For more information on cost sharing, please see the RSP website.

**Personnel Action Form (PAF)** allocates effort to the accounts from which the faculty/staff will be paid. PAFs at UNI reflect the faculty/staff's *anticipated* level of effort that will be allocated to each program within the period of time indicated on the PAF. The effort allocations indicated on the PAF(s) are what faculty and staff certify during effort certification.

**Academic year compensation** is the compensation paid to a UNI faculty for performing all of their UNI duties during the fall and spring semesters of the school year. At UNI the academic year is defined as a 9-month period generally beginning in mid/late-August and ending in early/mid-May. The academic year consists of two 17-week semesters and includes roughly 3 weeks of winter break in late December and early January. For UNI faculty the first day of compensation in an academic year begins two working days before the first day of fall classes, usually in late August. The last day of compensation in the academic year is on the date of spring commencement, generally in early May. For the purposes of calculating monthly compensation for a UNI faculty who has a standard academic year appointment, the faculty's 9-month Institutional Base Salary is divided by 9 to develop a standard 1/9 monthly salary rate.

**Summer compensation** is the compensation paid to a UNI faculty member for performing UNI work duties during the 3-month summer period beginning on the first working day after spring commencement, generally in early May, and ending two days before the beginning of the fall semester, usually in mid/late August. Summer compensation may be earned for up to 3/9 of the faculty's 9-month Institutional Base Salary without exceeding 1/9 of the faculty's Institutional Base Salary pay in a single month. 1/9 salary compensation for performing University duties in a single month is considered 100% total effort.

#### **4.0 Effort Allocation and Certification Reporting Cycle**

##### **Step 1. Preaward Effort Allocation**

A Project Staff anticipates that a specific percentage of effort will be spent directly working on a sponsored project during the sponsored project proposal or contract negotiation process. Working with a RSP Preaward staff member, other Project Staff, the Project Staff Supervisor, and others central to determining how much effort to propose, the Project Staff should fully consider how much effort the project will require and whether there is a need for a release of some existing duties or room to add the sponsored program duties to the Project Staff's existing workload.

Once the effort allocation to a sponsored program has been officially proposed, UNI and the sponsor fully expect that the proposed effort will be allocated to the sponsored award and will not change.

When allocating effort during the proposal phase, Program Staff are allowed to average their time over several months to account for likely fluctuations between what is predicted and what actually occurs during program implementation. In some cases, the average effort allocation may be proposed in a single percentage for an entire project period, however, during the implementation phase of the project the effort may vary from month to month, depending on the nature of the project.

**UNI follows the commonly accepted best management practice of assigning effort under 100% towards a sponsored program, unless unique circumstances apply.**

##### **Step 2. Sponsored Project is Awarded and PAF is Created**

Once a sponsored project is funded, the proposed effort allocation should be used to create the PAF. The proposed effort allocation should be used to determine the total effort over the project's implementation period.

Because effort allocation using the PAF is a predictive practice, the Program Staff should consider how much time during specific periods of the project implementation phase will be needed to complete the project and create the PAF accordingly. The actual anticipated effort per month may or may not be the same as the averaged effort over the project's implementation period. For example, some projects may require a higher percent of effort during the spring and less during other times of the year. This variable effort requirement should be reflected in the PAF and would result in needing to create at least two PAFs allocating two different levels of effort to the sponsored project. Project Staff should allocate effort according to the actual anticipated effort so long as the average effort does not exceed the originally proposed and agreed upon effort allocation. When the Project Staff is reviewing the effort report, it is

acceptable to average effort for all months in the effort reporting period in lieu of the actual effort for each month listed on the effort certification report.

### *Viewing Current PAF Effort Allocation*

Program Staff can review their current PAF effort allocation at any time by logging onto UNI's MyUniverse web application from the UNI homepage and navigating to the "Work at UNI" tab and then the "d-Business Resources" pagelet. All current and historical PAFs are located at the "My Personnel Action Forms (PAF)" link.

### **Step 3. Effort Certification Report**

Effort Certification Report is the after-the-fact verification that the PAF effort allocation matches the actual effort tracked by the PI/PD. The report contains the percent of time allocated to each account and the institutional base salary paid to the project staff by month during the reporting period. The procedures for effort certification reporting can be found in the Effort Certification Reporting Procedure document.

Once the effort certification process has been completed, including any changes that were made to the Effort Certification Report, the effort is considered to be certified as correct

Payments made as special compensation or miscellaneous payments which were intended to be paid in addition to the faculty or staff member's regular salary should not be considered when certifying effort. UNI's Special Compensation Policy 4.16 can be found on UNI's website.

If a Project Staff does not certify effort prior to leaving the university, the Project Staff Supervisor or Department Head/Unit Director must certify the Project Staff's effort. If the Project Staff Supervisor and Department Head/Unit Director cannot accurately certify effort, the Department Head/Unit Director must identify a person who has suitable means of verifying that the work was performed, when, and at what level to certify the effort.

### **5.0 Maximum Allowed Effort on Sponsored Projects**

No one can ever have commitments to sponsored projects that total more than 100%. Faculty members generally have academic or administrative responsibilities in addition to their work on sponsored projects. Consequently, a faculty member's commitments to sponsored projects generally cannot total 100% for any consecutive 12-month period. UNI follows the commonly accepted best management practice of assigning effort under 100% towards a sponsored program.

### **6.0 Changing Effort Allocation**

As the project is implemented, the actual effort needed to complete the project may be different from the predicted effort allocated on the PAF. When a change occurs it is the Project Staff's responsibility to inform the PI/PD (if applicable) and work with the PAF Preparer to change the effort allocation on the PAF.

**Predictive change to effort allocation**

When the change in effort is minimal, and the effort allocation change is predictive, the PAF adjustment can occur without involving the RSP office prior to making the change.

**Retroactive change to effort allocation**

When effort changes significantly and/or the change is retroactive the Project Staff and PI/PD (if applicable) should contact the RSP office. Significant changes in effort often require UNI to seek prior approval from the sponsor and may require a project budget revision. Changing incorrect effort allocations retroactively, even when the correction impacts previously certified effort, is always the correct course of action.

***Retroactive change to effort allocation and effort is NOT certified.*** When changes to effort allocation are retroactive, the Program Staff should make sure that the PAF change is made within 90 days of when the need to change the effort allocation is first noticed and, very importantly, ensure that the retroactive effort allocation does not extend into a period when the effort has already been certified. Retroactive changes to effort allocation within 90 days are low risk.

If a retroactive effort allocation is needed and the change will impact a period when effort has already been certified the Project Staff must contact the RSP office.

***Retroactive change to effort allocation when effort is certified.*** A change to certified effort must be considered carefully. Changes to certified effort are an institutional audit risk. Significant fines and/or sanctions from the federal government can result if it is determined that effort was fraudulently certified or recertified. Thus, once the effort certification process is completed and the effort is considered certified, a significant level of justification must accompany a change in certified effort. The reason is, obviously, because certified effort has already been reviewed and deemed correct. However, making changes to certified effort is preferable to allowing incorrectly certified effort to remain “certified”. If a Project Staff, or any other individual, has reason to believe that certified effort is incorrect, taking corrective measures is always the proper course of action and in doing so the institutional audit risk is reduced.

A retroactive PAF would likely result and the effort certification process using a reissued Effort Certification Report for the previously, and erroneously, certified effort period would be required. The original and incorrect Effort Certification Report, the recertified Effort Certification Report, and a RSP-approved justification would be filed and retained for audit purposes.

If corrections to the Effort Certification Report are necessary, the Project Staff should contact RSP and her/his Project Staff Supervisor. Changes to the Effort Certification Report may result in the need for a revised PAF or have other implications for the sponsored project, such as triggering a budget revision. Regardless of the implications to the PAF, project budget, etc. it is critical that the Project Staff identify and rectify an incorrect Effort Certification Report rather than certify the incorrect effort.

**Figure 1. Risk associated with retroactive change to effort**

