Effort Reporting: Policy and Procedures

Policy

I. Purpose

Effort Reporting is a process mandated by the Federal government to verify that direct labor charges to Federally sponsored projects are reasonable and reflect actual work performed. This document establishes procedures whereby faculty and staff members certify that the distribution of their salary represents their actual activity for the period.

II. Statement of Policy

A. Faculty and staff salaries charged to sponsored research projects should be commensurate with the direct effort provided to the project. Salary charges to sponsored research projects must not include administrative work or activities related solely to Instruction and Departmental Research.

   A.1 At the end of each semester [Fall, Spring, and Summer] (see Procedures items B.1. and B.2.) the effort distribution of each faculty and staff member will be certified for reasonableness. This after-the-fact certification is an attestation that the distribution of salaries to activities is reasonable in relation to the work performed. The principal investigator or responsible individual with suitable means of verification that the work was performed must sign the effort report certifying the distribution reasonably reflects actual activity.

B. Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, requires that the Penn Payroll/Personnel System:

   • Reasonably reflect all the activity for which an employee is compensated by the University, and
• Use a method that recognizes the principle of after-the-fact confirmation that the distribution of salary costs reasonably represents the actual activities performed for the University.

See web site: http://www.upenn.edu/researchservices/spmanual/effort.html.

C. The criteria for certification, as approved by the Department of Health and Human Services, cognizant federal agency for the University of Pennsylvania are:

• All Medical School Faculty [Form A21C],
• All other faculty with a salary distribution to a sponsored agreement [Form A21B],
• Exempt staff in academic units [Form A21B]; and
• Non-exempt staff in academic units [Nonexempt Employees Personnel Activity (Effort) Report].

D. Penn uses an after-the-fact certification system to meet the A-21 requirements for reporting faculty and staff effort. Under this method the salaries and wages of faculty and staff are distributed to activities based on estimates of the individual’s planned effort. The employee’s effort distribution will be adjusted for any significant changes in effort (i.e., changes that are 5% or more of the individual’s total workload).

E. Providing inaccurate effort estimates on the Effort Report form, whether knowingly or through carelessness or mismanagement, may result in mischarges of costs to the Federal government and other sponsors. Each individual with responsibility for effort reporting must thoroughly understand the proper method of completing Effort Report forms and ensure effort percentages reported on the forms reasonably reflect actual effort expended during the report period. (See Sponsored Projects Policy #2114 Personnel Activity [Sponsored Projects Manual – Effort Reports].

F. The Effort Report form must account for all effort for which the University compensates the individual. This normally includes all effort expended on University-compensated sponsored research, administration, instruction and unsponsored scholarly activity, clinical activity, and other activity. It does not include effort for which compensation is received directly from another entity (e.g., outside consulting work) [Sponsored Projects Manual – Effort Reports].

F.1. Even when the number of hours of effort the individual expends each week substantially exceeds the “normal” workweek of 35 or 40 hours, effort percentages must be based on total effort, rather than just “normal” effort [Sponsored Projects Manual – Effort Reports].

F.2. Since clinical faculty in the School of Medicine also receive compensation from CPUP, University-compensated effort includes all
research, teaching, administration, clinical activity, and any other activity for which an individual received compensation from the University and/or CPUP. At the end of each semester the University and CPUP payroll data is combined in order to produce an Effort Report based on an individual’s total compensation [Sponsored Projects Manual – Effort Reports].

F.3. Since all sponsored projects are awarded to the University, HUP employees do not receive an Effort Report. The salary expenses of HUP employees who do perform services on sponsored projects are charged to HUP cost centers and transferred to the sponsored project fund through the interfund [Sponsored Projects Manual – Effort Reports].

F.4. Where an individual’s University compensation for the Effort Report period exceeds the National Institutes of Health (NIH) compensation cap, effort percentages for all NIH sponsored research must reflect the total effort on such research, rather than just the percentage of salary reimbursed by NIH [Sponsored Projects Manual – Effort Reports].

F.5. Where some or all effort an individual expends on a specific sponsored research project is not funded by the project sponsor, that effort must be reported as unfunded activity (cost sharing) on the Effort Report form (line A.2). This applies only to unfunded effort expended on organized research (“5 funds”), rather than unfunded “departmental research”, or “school funded research” [Sponsored Projects Manual – Effort Reports].

F.6. In all cases, the total of the individual effort percentages reported on the Effort Report form must equal 100% [Sponsored Projects Manual – Effort Reports].

F.7. The Effort Report form must be completed by the individual whose effort is being reported or by a responsible person with access to reliable information on how the individual’s effort has been expended [Sponsored Projects Manual – Effort Reports].

F.8. Anytime pre-printed percentages are changed on the Effort Report form, a payroll reallocation must be done to change the actual payroll distribution in the Penn Payroll/Personnel System to match the change made on the Effort Report form [Sponsored Projects Manual – Effort Reports].

F.9. In no circumstance may the effort percentages reported on the Effort Report form be based on any consideration other than the actual effort expended by the individual during the report period.

G. Certified effort reports must be returned to Research Services within 45 days after they are distributed.
H. Effort reports shall be completed in accordance with the guidelines provided in the Sponsored Projects Manual, Effort Reports and Sponsored Projects Policy #2114.

III. Responsibilities:

A. The Vice President for Finance is responsible for overseeing the University’s compliance with the federal regulations.

B. The Office of Research Services is responsible for distributing and collecting certified effort reports from all individuals required to certify under the federal guidelines.

C. The Department Business Administrator is responsible for distributing effort reports to affected individuals or to a responsible person with access to reliable information on how the individual’s effort has been expended, and the return of certified effort reports to the Office of Research Services.

D. Individuals are responsible for understanding the proper method of completing effort reporting forms, certifying that the distribution of their salary reasonably reflects their actual effort for the period, and return of certified effort reports to the Department Business Administrator. See web site: [http://www.finance.upenn.edu/vpfinance/fpm/2100/2100_pdf/2114.pdf](http://www.finance.upenn.edu/vpfinance/fpm/2100/2100_pdf/2114.pdf) and the Sponsored Projects Manual, Effort Reports, Responsibility for Accurate Reporting.

E. The Principal Investigator is responsible for monitoring the activities of individuals charging effort to their sponsored project accounts and ensuring that salary charged reflects the individual’s actual effort.

IV. Procedures:

A. The Department Business Administrator updates the Penn Payroll/Personnel System as needed for changes in salary distribution for department faculty and staff.

B. The Office for Research Services sends the printed forms Department Business Administrators for distribution to faculty and staff to certify that the salary distribution reasonably reflects actual effort for the period.

B.1. Effort reports are distributed to non-medical school faculty, with part of his/her salary distributed to a sponsored project, in January [for the July-December period], July [for the January-June period], and September [for faculty with nine-month appointments that also receive summer salaries in the June-August period].

B.2. Effort Reports are distributed to Medical School faculty and all monthly-paid staff in academic departments in January [for the July-December period], and July [for the January-June period].
B.3. **Effort reports for weekly paid employees (non-exempt) are distributed to Department Business Administrators quarterly**, in the month following the end of each calendar quarter.

C. **Prior to reviewing, distributing, and/or signing the effort reports, the Department Business Administrator** is responsible for clearing out the salary expense in anticipated resources and suspense accounts for the period being reported.

C.1. The Department Business Administrator is responsible for **running the A21E Report** from the Salary Management options in the Penn Payroll/Personnel System to review the actual salary distribution of each individual. Separate reports should be run for monthly paid and weekly paid employees.

C.2. The Department Business Administrator distributes the effort reports to the individual or other responsible person with firsthand knowledge of the staff member’s activity for the period. If changes to the pre-printed percentages are necessary, the individual must cross out the pre-printed percentages and write in the correct percentages. Then the Department Business Administrator must process a payroll reallocation to ensure the actual salary distribution matches the effort report.

C.2.1. Instructions on the reverse side of the Effort Report Form provide definitions for the classification of effort into the 5 effort categories (sponsored research, administration, instruction and unsponsored scholarly activity, clinical activity, and other University activity). These instructions should be followed to the extent possible for completing the Effort Report form. The definitions are also included in Appendix A of the Effort Reporting section of the Sponsored Projects Manual. Guidance and assistance is also available from the Office of Research Services.

C.2.2. In instances where individuals sign the Effort Report forms for other employees, the effort of individuals whose salary charges are distributed to sponsored project accounts must be confirmed with the Principal Investigator [Sponsored Projects Manual – Effort Reports].

C.3. When actual effort expended is significantly different (5% or more) than that shown on the pre-printed form, the Effort Report must be changed to reflect actual effort expended.

C.3.1. **If the pre-printed percentage is changed, the Department Business Administrator must process a payroll reallocation in the Penn Payroll/Personnel System** to ensure the actual distribution of salary matches...
the report. The sum of the effort percentages must total 100%.

C.4. For highly compensated employees, the National Institutes of Health (NIH) established a maximum rate (NIH Salary Cap) at which employees may be reimbursed from sponsored agreements. These regulations may result in the University contributing to the project by funding the prorata portion of the compensation over the allowable annual rate (cost sharing). The Department Business Administrator and Principal Investigator should refer to Appendix B of the Effort Reporting section of the Sponsored Projects Manual for detailed guidance on completing the effort certification form where compensation exceeds the NIH cap.

C.5. The Department Business Administrator must return certified effort reports to the Office of Research Services within 45 days after they are distributed. The originals of the effort reports are maintained in Research Services, in accordance with the University’s record retention policy.

C.6. Changes should not be made to salary distributions after effort is certified.

C.6.1. Where errors in certification have been discovered after certification, the Department Business Administrator must document the unusual circumstance why the effort was improperly certified and return a corrected certified effort report to Research Services with a memo describing the circumstances.

C.6.2. The Departmental Business Administrator is responsible for processing a payroll reallocation to correct the salary distribution in the Penn Payroll/Personnel System.

D. The Office of Research Services logs the return date for effort reports and reviews the certified forms to verify they are signed and the effort distribution totals 100% and files the reports.

D.1. The Office for Research Services contacts departments if effort reports are not returned in a timely manner.

D.2. After the end of the period for receiving certified Effort Reports, the Office of Research Services runs an exception report comparing the Penn Payroll/Personnel System distribution lines and the Effort Reporting System information. Where the distributions do not agree, the Department Business Administrator will be notified so proper action can be taken.

V. Related References:

B. Office of the Vice President for Finance, Research Services, Sponsored Projects Manual.