

Memo

To: Dr. Milton Glick, President of the University of Nevada, Reno
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From: Dr. Mark Brenner, Vice President for Research and Dean of Graduate School
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CC: Tammy Freeman, Effort Reporting and Systems Implementation Specialist
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Date: February 26, 2008

Re: Approval of Effort Reporting Policy

I am requesting your approval of the Effort Reporting Policy. It was recommended for approval by the Faculty Senate on December 17, 2007. The Effort Reporting Policy is attached for your review.

OK
[Signature]
3/1/08

VP RESEARCH

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University of Nevada, Reno

Effort Reporting Policy

I) Policy Sections

- a) Policy Statement
- b) Background
- c) Who Must Know This Policy
- d) Related Information
- e) Key Principals of Effort Reporting
- f) Policy Elements and Definitions
 - i) Effort Reporting System Roles and Responsibilities
 - ii) Miscellaneous Policies
 - iii) Use of Memo Accounts
 - iv) Deadline to file Overload PAFs
 - v) Non-Compliance
 - vi) Payroll Cost Transfers (PR-45 form)

II) Policy Statement

Effort Reporting is the process of confirming that an employee's payroll distribution reflects a reasonable estimate of the employee's effort on all Institutional Activities.

Faculty, staff, and students working on sponsored projects are required by federal law to report effort on sponsored projects on a systematic and reasonable allocation basis. This includes all permanent and some temporary employees, depending on their employment contract type.

Each individual working on a sponsored project is the primary person responsible for the timely and accurate completion of their own effort report. Principal Investigators (PI) are equally responsible to be certain that every individual working on their sponsored project has completed an effort report. Administrative units are expected to facilitate sponsored project management in order to enable the timely and accurate submission of effort reports. Additionally, administrative units should ensure that employees receive the appropriate training for their specific role in the Effort Reporting System.

III) Background

The United States Office of Management and Budget's (OMB) Circular A-21 outlines the requirements for the reporting and certification of faculty and staff effort associated with sponsored projects and other activities. According to this regulation, the University can initially charge salaries to sponsored project accounts based on reasonable estimates of how an

employee plans on spending his or her time in the future. The mechanism UNR uses for distributing salaries based on the estimates of activity to be performed on sponsored project and other institutional accounts is the Payroll Activity Form, ("PAF"). Because the PAF is reliant on the estimates of an individual's planned activities in the future, the regulations require the institution to verify whether the estimated plan did or did not occur after-the-fact. This after-the-fact verification is accomplished at UNR through the web-based Effort Reporting System ("ERS"). In the ERS, each individual certifies how he or she actually spent his or her time during each reporting term.

Fortunately, the federal government recognizes that teaching, research, service and administration are intermingled in the daily activities of personnel. Thus, personnel working on sponsored projects are not expected to precisely report via timecards how they spend their time; instead a reasonable estimate over a specified period of time based on a percentage of effort is acceptable. Nonetheless, the federal government requires that salary charges are consistent with an individual's effort in order to ensure that a sponsor is only charged for the amount of effort that directly benefited the scope of work identified for that particular sponsor. A cost transfer is required if the difference between what was paid and actual effort is more than 5% of an employee's salary over the effort reporting term.

IV) Who Must Know This Policy

- a) Senior Administration
- b) Deans, Directors, & Department Chairs
- c) Principal Investigators & Co-Principal Investigators
- d) Finance Personnel
- e) Payroll Personnel
- f) Sponsored Projects Personnel
- g) All Employees including faculty and other research personnel paid from or working with Sponsored Accounts

V) Related Information

- a) Federal Office of Management and Budget Circulars
A-21 – Cost Principles for Educational Institutions
<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

A-110 – Uniform Administrative Requirements for Sponsored projects and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

A-133 – Audits of States, Local Governments, and Non-Profit Organizations

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

b) University of Nevada, Reno Administrative Manual

http://www.unr.edu/business_finance/forms/uam.pdf

Payroll Policy - Sections 1,301-1,332

Cost Transfer Policy – Section 1,116

UNR Consulting Policy - Section 2,609

PAF Guidelines - Section 2,611

c) Cost Accounting Standards

<http://www.unr.edu/vpaf/controller/documents/CASB.pdf>

d) Cost Sharing Procedures and Requirements

e) Sponsored Projects Manual

<http://www.unr.edu/ospa/website4/content/documents/guide/OSP%20Manual.pdf>

VI) Key Principles of Effort Reporting

The following Key Principles of Effort Reporting should be understood and reviewed as individual decisions are made on how to report and expend salary funds on sponsored projects or when allocating cost shared effort on a project.

- a) Allocability: Only salary paid for time that benefits a project can be charged to a project.
- b) Consistency: The University and employees must treat all costs for various institutional activities or for various sponsors in a similar manner regardless of the source of funds.

- c) Timeliness:
 - i) PAFs for activity during non-contract days (overload) must be processed in a timely manner to reflect work performed during the overload period.
 - ii) Cost Transfers must be processed and/or PAF revisions must occur as soon as possible when there is a change in effort.
 - iii) Effort reports must be certified in a timely manner.
- d) Reasonableness: The regulations require a reasonable allocation of effort and salary charges over an academic term or monthly reporting period based on how an individual actually spent his or her time.
- e) 100%: Generally, for each contract period for salaried employees, an individual can not work more than 100% or 1 FTE for the University.
- f) Workweek: Federal laws related to salaried employees specify that a workweek includes all hours worked on institutional activities during that workweek.
- g) Effort confirmation drives payroll, not the other way around.
- h) Salary Supplementation: Generally speaking, you can supplant (replace) existing base salary amounts but you may not supplement base salary amounts solely due to receipt of or because of an increase in grant or contract funding. You can pay additional amounts of funding for a separate and distinct employment contract. However, pay during this additional contract period must be reasonable and use a calculation based on what the employee makes during his/her normal contract period. Incentive pay programs can be utilized only if the basis for the additional pay is not solely due to receipt of federal grant/contract funds.
- i) Significant Changes in Effort for Key Personnel on a Sponsored Project Require Sponsor Approval.

VII) Policy Elements and Definitions

- a) **University of Nevada, Reno Certifiable Effort** – In the Effort Reporting process, faculty, staff and graduate students certify their effort on sponsored projects as a percentage of their total effort on their Institutional Activities.

Faculty, department administrators, department chairs and Dean's office administration must be careful to assure that a faculty

member who devotes 100% effort to sponsored programs does not have responsibility for non-sponsored activities such as non-sponsored research, instruction, administration, service or clinical activity. Normally, salary for non-sponsored teaching, administration, service, clinical activity, institutional governance and proposal preparation effort must come from non-sponsored funds.

At the University of Nevada, Reno proposal preparation for new and competing renewals is normally an unallowable charge to an existing sponsored project. There may be exceptions to this general rule if the primary purpose of the project is to pay for the generation of new proposals or if the award explicitly authorizes payment for this activity. Proposal preparation is calculated in the Base Amount used to determine our Facilities and Administrative costs. Per the Fair Labor Standards Act, personnel may not volunteer their time for activities that benefit the Institution and for which they would normally be compensated.

Although all university activities must be included in a faculty member's effort for reporting purposes, not all of a faculty member's professional activities must necessarily be considered university activities. For example, outside professional work and volunteer community or public service conducted in accordance with the University's consulting policy are types of activities that would normally be deemed non-university activities and would not be considered within the 100%/1FTE of a faculty member's University time.

Additionally, interdepartmental consulting for which supplemental compensation is paid for activity which is outside the scope of an employee's regular job duties and service on review panels or other advisory activities for federal or other non-profit sponsors that include an honorarium and/or travel reimbursement are also considered outside of total University effort.

- b) **Committed Effort** – Committed Effort is the amount of effort proposed in a sponsored project proposal or other project application that is accepted by a sponsor. Committed effort not paid by the sponsor is mandatory cost share and must be reported and met in the same manner as paid effort. Volunteered commitment in proposals become mandatory requirements at the time of award, regardless of whether it was required by the sponsor in the Request for Proposal. Key personnel must be careful to follow sponsor requirements regarding when the key personnel

must notify the sponsor of significant changes in effort levels as defined by the sponsor.

- c) **Cost Shared Effort** – Cost sharing represents the portion of the total project costs related to a sponsored agreement that is contributed by someone other than the sponsor. In most cases, the cost sharing of direct expenditures is borne by the University and consists of departmental or institutional resources that are redirected to the support of the sponsored project. There are three types of cost share:
- Mandatory cost share is required by the Sponsor in the proposal stage.
 - Voluntarily Committed cost share is offered by the PI in the proposal stage and is accepted by the sponsor at the time of the award. Once it is accepted by the sponsor it is included in the sponsored project budget
 - Voluntary Uncommitted cost share is activity which benefits the project but is paid by Institution.

Mandatory and Voluntary Committed cost share effort must be reported on the effort reports during the term in which the work was performed. The Federal Office of Management and Budget does not currently require reporting of Voluntary Uncommitted cost share.

- d) **Data Capture** – For every effort reporting term, HR and Financial (Payroll) Data is captured in the University Data Warehouse and then imported to the Effort Reporting System (ERS). The data for each term can only be imported once into ERS. Payroll transactions processed after the Capture Date for an effort reporting term will not be reflected in the effort reports. Required payroll corrections must be processed in ERS after the data capture for each Effort Reporting Term.
- e) **Effort** - Effort is the total activity or work for which an employee is compensated for all Institutional Activities regardless of number of hours worked.
- f) **Effort Reporting System** – The Effort Reporting System replaced the Personal Activity Report system in January 2007. ERS is a web-based application with electronic routing and e-mail notification for updating and certifying effort and is accessible by using an employee's NetID/MedID and password.

- g) **Effort Reporting Term:** The Effort Reporting Term is the period of time for which an employee is certifying effort. For hourly employees the term is one month. Salaried employees will report based on Academic semesters. A Contract Faculty will report twice a year. B Contract Faculty will have two additional terms, one for work performed during the non-contract period in December, January, and Spring Break and a second term for the Summer non contract period.
- h) **Full Time Equivalent (“fte”)** – A measurement equal to one employee working a full-time work schedule for their term of appointment.
- i) **Institutional Activities** – Institutional Activities include all job duties or assignments that benefit the Institution. Generally, expected roles are defined in a role statement. These activities could include, but are not limited to, these general areas:
- Conducting Research
 - Writing Proposals
 - Instruction
 - Advising Students
 - Supervising Employees
 - Serving on Internal Committees
 - Attending Required Training
 - Clinical Activity
 - Institutional/Unit Governance
 - Work on other scholarly activities that directly benefit the Institution
- j) **Leave** – In accordance with UNR’s Cost Accounting Standards, the charging of vacation, sick and other leave time and certification of effort related to leave is accomplished in the following manner: Paid leave benefit costs are charged to sponsored agreements or similar cost objectives when the leave is actually taken. Payment of unused earned vacation/annual leave and sick leave (for classified employees only) upon separation is charged when actually paid and is distributed based on the accounts charged for salary when the leave was accrued. Therefore, paid leave will appear as actual payroll charges and will be included on the employee’s effort report. B Contract faculty under non-contract day summer time appointments are not eligible for annual leave.
- k) **Payroll Action Form (PAF)** – The PAF is completed by a hiring unit for new hires and any changes to pay status. The PAF directs

an employee's payroll distribution. Certifiers and pre-reviewers should be certain that any payroll changes made by PAFs processed close to the data capture date are included in the effort report.

- i) Retroactive PAFs - Payroll Activity Forms (PAFs) should be processed as soon it is identified that future effort will not match the planned payroll distribution. From time to time, it is necessary to process Retroactive PAFs to increase fte, add accounts, or increase pay. Careful attention must be given to the effect a Retroactive PAF will have on an effort report. PAFs to pay for work performed in a period which has already been certified will not be approved if the PAF is presented for processing more than 30 days after effort is certified.
- ii) Overload PAFs - All Effort expended during the non contract period must be confirmed via the effort reporting process. It is the responsibility of the PI to submit a PAF in a timely manner to ensure that Human Resources has sufficient time to process the PAF in order to create a payroll transaction that will be included in the data capture. Payroll charges posted for overload activity after the data capture date must be certified by using the Retroactive Effort Form. Please see the section on Deadlines to Submit Overload PAFs below.

- l) **Payroll Distribution** – Salaries are charged to sponsored projects by using an estimate of the Total Institutional Salary and based on the employee's fte as directed by the PAF.

- m) **Separate Employment Contract Terms** – Employees hired to perform work outside his/her department that is in addition to his/her primary job and in accordance with University personnel and consulting policies via a separate employment agreement with the University will report effort on the secondary job separately from the effort expended on the primary job. Such pay must also meet the requirements of federal regulations and must be approved in writing by any Sponsors supporting the salary of the employee requesting such secondary additional pay.

- n) **Sponsor** – A sponsor is any entity providing external funding for research, scholarly and/or other activities conducted at UNR.

- o) **Suitable Means of Verification** – Suitable Means of Verification is the standard of documentation required by the federal government in the event that someone other than the employee is certifying the

employee's effort. An individual certifying his/her own effort does NOT need to have Suitable Means of Verification.

- p) **Total Institutional Salary ("TIS")** – Total Institutional Salary is the compensation paid by the University of Nevada, Reno to an employee for all Institutional Activities. Total Institutional Salary does not include any income that an individual is permitted to earn outside of duties for the University of Nevada, Reno and that do not use significant University resources such as individual consulting or community service efforts.

TIS includes compensation from these sources:

- Sponsored Projects
- Time on Funded Projects
- Cost Share on Funded Projects
- Institutional Accounts
- Instruction
- Administrative Stipends
- Proposal Preparation
- Gifts and Endowments
- Other UNR Funds
- Clinical Practice Plans
- Hatch Funds
- Hospitals except Veterans Administration

- q) **Work Week** –

- i) **For Salaried Personnel** - a work week is the total amount of time spent conducting University business irrespective of normal work schedules. Please see the definition of Institutional Activities for additional information.
- ii) **For Hourly Personnel** - a work week is limited to the number of hours per week as indicated in their employment contract. Overtime on research sponsored projects should be included in proposal budgets or be pre-approved by the sponsor and must be in accordance with the federal Fair Labor Standards Act and State of Nevada regulations. Failure to have approval could result in disallowed costs.

- r) **Effort Reporting Roles and Responsibilities**

The principles of assigning roles in the Effort Reporting System are:

- Foster a high level of integrity in the process via a system of checks and balances

- Spread the workload among personnel who have the skills, knowledge, and authority to ensure compliant sponsored project management
- i) **Office of Sponsored Projects (OSP):** OSP is responsible for providing oversight of the University's effort reporting system, and designing and implementing the effort reporting policies and procedures. OSP will conduct training on the effort reporting system and the related policies and procedures.

The Effort Reporting Specialist serves as the campus' main contact for effort reporting. This position will initiate the reporting period for each term and notify all participants of the capture date of an effort reporting term. The Specialist will conduct training, provide assistance to personnel during the reporting period, monitor the process for compliance, and oversee the post notification procedures and/or suspensions if necessary.

- ii) **Departmental Coordinator:** The Departmental Coordinator (DC) bears the responsibility for facilitating the effort reporting process within their department/unit. DC's can serve as the pre-reviewer for all reports or delegate that duty to other employees. The DC's are responsible for all post reviewing duties and the subsequent submission of salary cost transfers where appropriate. The DC can produce reports for Departmental review, e.g., completion status, high risk, cost transfers or other reports requested by a Department Head or Unit Director.

The Departmental Coordinator should have knowledge of unit budgeting and funding and sponsored project management including applicable cost sharing requirements. The DC should be familiar with UNR accounting systems and University policies and be able to complete cost transfers within the financial system.

- iii) **College Administrator:** The College Administrator has oversight of the process including the designation and support of the Departmental Coordinators and Pre-reviewers. They can also create reports for their college unit as requested or needed for purposes of following up on late or missing effort certifications or for other purposes defined by a College/Unit Head.

- iv) **Pre-reviewer:** The Pre-reviewer is responsible for pre-reviewing assigned effort reports before they are certified. The purpose of the pre-review is to verify the accuracy of the payroll data and/or cost sharing based on the actual effort of an employee. Changes to the payroll data (via a cost transfer) may be necessary if there has been a change in an employees' effort from what was originally planned and directed by the PAF. The pre-review responsibility should be delegated to an individual with direct knowledge of the management of a sponsored project. The pre-review is also an opportunity to manage salary cap issues, NIH K-award efforts, cost shared effort, or other unique reporting requirements for various sponsors. The effort form is not available for certification until the necessary Pre-review has been completed.
- v) **Principal Investigator:** The Principal Investigator (PI) works with the DC and the Pre-reviewer to ensure the appropriateness and accuracy of all effort expended on the sponsored project and compliance with the principals of Effort Reporting. The PI is primarily responsible for ensuring that all individuals who have worked on a project under the PI's direction complete their effort reports in a timely and accurate manner.
- vi) **Employees:** Generally, all graduate students, post-docs, temporary LOAs, PIs, and classified employees who work on a sponsored project are expected to certify his/her own effort report. Students and temporary hourly employees who submit timesheets to payroll prior to being paid are exempt from certifying effort in the Effort Reporting System. Employees must verify that their effort has been charged to the correct account name and/or number and communicate issues or errors to the PI and the DC or Pre-reviewer. However, there may be instances where a supervisor or PI may have a better understanding of how an individual spent his or her time on sponsored projects. In this circumstance it is allowable for a supervisor with Suitable Means of Verification to certify effort on behalf of the employee. In the event that an employee has more than one supervisor, the supervisor with knowledge of the greatest portion of the employee's fte will be responsible to confer with the other supervisor and mutually agree on the certifiable effort expended.

NOTE: When certifying his/her effort for a reporting period, an employee will represent the following:

I confirm that the distribution of activity represents a reasonable estimate of all work performed by me during the stated period or in the event that I am certifying effort for someone other than myself, that I have Suitable Means of Verification to certify on behalf of this employee.

I understand that falsification of effort statements may result in potential disallowed costs, penalties and/or actions under the federal False Claims Act.

s) **Miscellaneous Policies**

i) Use of Memo Accounts

Beginning work on a project prior to receipt of an official award is discouraged because such activity incurs costs that the sponsor has no obligation to reimburse. If an administrative unit is willing to accept the risk of the activity beginning prior to the receipt of award, a memo account must be established through the Office of Sponsored Projects.

The memo account is a temporary account that can be limited in both duration and budget. A memo account is necessary to ensure that effort on the project is captured in the effort report.

ii) Deadlines to file Overload PAFs

All Effort expended during non contract periods must be confirmed via the effort reporting process. It is the responsibility of the PI to submit a PAF in a timely manner to ensure that Human Resources has sufficient time to process the PAF in order to create a payroll transaction that will be included in the data capture for the overload reporting period. Payroll charged for overload activity after the applicable data capture date must be certified by using the Retroactive Effort Form.

- For the May Reporting Cycle - B Faculty working during their non-contract days in December, January, and Spring Break must have a PAF for this period through the financial

system by HR's May cut off date to ensure that a payroll transaction is processed for the May payroll.

- For the September Reporting Cycle - B Faculty working during their non contract days in May, June, July and/or August must have their PAF though the financial system by HR's September cut off date to ensure that a payroll transaction is processed for the September payroll.

iii) Employees working outside of his/her home department

The employee is the primary individual responsible for the certification of his/her own effort. However, if the employee is not available to certify his or her own effort and has charges on accounts outside his/her home department, the PI responsible for the project(s) showing the greatest percentage of salary for that employee on the effort form should be assigned to certify on behalf of the employee. Furthermore, it is the responsibility of the PI to discuss the effort expended by the employee and to obtain Suitable Means of Verification from any other supervisors with knowledge of charges on the effort form.

t) **Non-Compliance**

All effort reports must be certified thirty-days from date the pre-reviewers receive initial notification that the cycle has been initialized. Failure to certify within 30 days will result in the following:

- Late Notice: The employee, their supervisor, the Principal Investigator (PI), the Departmental Coordinator and the College Administrator responsible for the account will receive a Late Notice after the end of the reporting cycle.
- Delinquent Notice: Thirty days after the late notice, the PI, the Departmental Coordinator, the College Administrator and the PI's Dean or Director will receive a Delinquent Notice. The PI will be placed on the Office of Sponsored Projects' (OSP) suspension list and the sponsored project account will be frozen. Faculty on the OSP suspension list will be ineligible for all OSP services including, budget revisions, proposal preparation, and account set up.
- Final Notice: 14 days after the Delinquent Notice, the PI, the Departmental Coordinator, the College Administrator

and the PI's Dean or Director will receive a final notice and will be requested to provide an account to which the payroll charges on the sponsored accounts can be moved. Once the charges have been transferred off of the sponsored account, the PI can be removed from the suspension list and the sponsored account reopened upon approval from the Unit Dean or Director. Any project with uncertified salaries can not be closed out until all salaries are either certified or moved off of the project account.

u) Payroll Cost Transfer (PR-45) Policy

The Effort Reporting System is reliant on Institutional payroll transactions, including salary cost transfers to create an effort report. For each effort reporting cycle, the payroll data must be captured and uploaded into ERS. In order to ensure the reliability of the data, no paper salary cost transfers can be processed affecting sponsored project accounts for the effort reporting period after the capture date. Instead, all salary cost transfers must be completed in ERS after the capture date.

It is expected that all salary cost transfers are completed as soon as it is recognized that there is a discrepancy between the salary amount indicated on the PAF and the actual effort expended. Cost transfers completed within an effort reporting period will be incorporated with actual payroll charges in the Effort Reporting System. However, in the event that a discrepancy is discovered after the capture date and prior to certification, a salary cost transfer is permitted in the ERS.

In rare circumstances, a salary cost transfer might be needed for a previously certified period. The Cost Transfer Explanation Form must accompany such a request and it must be completed within 30 days following the end of the effort reporting cycle.