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## **Effort Management and Reporting on Sponsored Awards**

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### **Policy Statement**

University employees shall provide sponsors reasonable estimates of the effort necessary to carry out proposed projects and meet these effort commitments in accordance with sponsor regulations. Further, University employees shall periodically review, adjust if necessary, and certify that their salary and wages charged to sponsored awards are reasonable in relation to the work performed.

### **Reason for the Policy**

The University must assure sponsors that the effort commitments in awarded sponsored agreements will be effectively managed within the parameters of sponsors' requirements.

A basic framework for effort reporting is provided by Federal regulations, principally the Office of Management and Budget (OMB) [\*Circular A-21 Cost Principles for Educational Institutions\*](#). As a recipient of sponsored funds, the University must assure U.S. Federal and other sponsors that the assignment of time and associated salary costs charged to their sponsored awards is equitable and distinguishable from those charged to other activities.

Financial penalties, expenditure disallowances, and harm to the University's reputation may result from an inadequate effort management and reporting methodology or from failure to comply with effort related policies and requirements. In addition, criminal charges may be brought against the individual certifying falsified effort.

### **Strategic Direction**

This policy supports the following goal in the University's Strategic Plan  
[http://www.uvm.edu/president/?Page=strategic\\_planning/strategicplan.html](http://www.uvm.edu/president/?Page=strategic_planning/strategicplan.html) :

- ***Institutional Efficacy***: As an institution, model the highest standard of ethical conduct, public service, and strong commitment to lifelong learning.

## **Applicability of the Policy**

This policy applies to all University employees whose compensation is charged directly or indirectly to sponsored awards.

## **Policy Elaboration**

Significant complexities and ambiguities exist in understanding and complying with key sponsors such as the Federal government. The following key elaborations on managing and reporting effort are articulated in the remaining body of this policy to provide important policy guidance and reduce the risk of non-compliance.

### **University's Payroll Distribution Methods**

The University shall utilize the following two acceptable methods from the Office of Management and Budget (OMB) [Circular A-21 Cost Principles for Educational Institutions](#).

- The University shall employ the *Plan Confirmation payroll distribution method* for faculty and salaried staff employees. The University shall use a prospective approach in planning, budgeting, committing and apportioning salaries to sponsored awards as a percentage of an employee's total compensated activities.
- The University shall employ the *after-the-fact certification payroll distribution method* for non-exempt hourly employees whose effort is certified during the submission of their bi-weekly record of hours.

### **Full workload (100% Effort) and Institutional Base Salary (IBS)**

The cumulative effort of the University compensated activities of an employee shall constitute the employee's 100% effort regardless of the time required to accomplish those activities.

The ***Institutional Base Salary (IBS)*** shall be consistently applied in determining the committed effort in the sponsored proposal, in apportioning salary charges to the sponsored award and in reviewing/certifying an employee's effort.

The IBS of a University employee shall not be increased as a result of replacing institutional salary funds with sponsored project funds. An employee's IBS may be increased in conjunction with an increase in the employee's FTE. An employee's FTE shall not exceed 1.0 FTE during any time period.

## Estimating Effort and Apportioning Salaries

In estimating effort, apportioning salaries and in reviewing/certifying effort, the University shall use the following Federal OMB A-21 Circular Section J.10 as guidance:

“In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.”

The University’s level of precision of estimating an employee’s effort on each sponsored award or activity shall be within 5% of an employee’s total effort.

## Effort and IBS during the Non-Academic Appointment Period

University faculty with 9 and 10 month appointments shall be permitted to expend up to an additional three and two months of effort/salary, respectively, on sponsor awards. In addition to the other requirements of this policy, faculty shall comply with the following:

- For purposes of committing effort, the faculty’s effort shall be consistent with the effort expended during a commensurate academic period.
- Non-academic appointment period salary rate shall not exceed the faculty’s previous appointment period salary rate.
- Effort expended during the academic year shall not satisfy a commitment related to the receipt of salary during the non-academic appointment period.
- Faculty shall certify that their expended effort on sponsored awards during the non-academic appointment period is reasonable in relation to the work performed on those awards during the same time period.

## Principles of Committing Effort to Sponsors

The committed effort to the sponsor in the award must be met in accordance with the sponsor’s regulations. Key principles in proposing effort are:

**Minimum Effort**– In general, the Principal Investigator (PI) and key personnel are expected to commit a reasonable amount of effort (always greater than 0%) for each sponsored award. For specific types of sponsored awards, such as career development awards, higher minimum commitments are required and shall be considered as the minimal effort commitment.

**Other Personnel Effort** – In sponsored award proposals, the PI shall propose effort which is consistent with the description of the individual's role on the project. In accordance with sponsor regulations, the effort for *other significant contributors* shall be listed “as needed” and not be considered as committed effort.

**Maximum Allowed Effort on Sponsored Awards** – Faculty and staff with University responsibilities for teaching, administration or patient care shall preclude them from committing 100% of their time to sponsored awards. The effort of Department Chairs, faculty and department research administrators on sponsored awards shall be adjusted to reflect their other University compensated activities.

**Voluntary Cost Share of Effort** – The University discourages *voluntary cost share* and expects the sponsors to bear the full cost of the award.

**Sponsored Imposed Salary Cap and Effort** – The effort associated with any salary above a sponsor imposed salary cap shall be considered *mandatory cost share* of effort and be considered a part of the employee's 100% effort.

**Committed Effort during the No-Cost Extension Time Period** – The PI shall comply with the committed effort as stated in the terms and conditions of the sponsored award during the no-cost extension time period. Specific funding agency guidelines should be consulted for additional guidance on sponsors' expectations with respect to changes in effort.

**Exceptions** - Faculty committed effort is not required for equipment and instrumentation grants, doctoral dissertation grants, student augmentation grants and individual fellowships.

## **Effort and Requesting Salary Support in Sponsored Award Proposals**

**Training** – All Principal Investigators (PI) submitting sponsored proposals and other University employees charged directly or indirectly to sponsored awards shall complete the required University training on this policy and associated procedures.

**Estimating Effort in Proposals** – Given the nature and complexity of the project, faculty and staff shall be reasonable and accurate in estimating effort. In addition, the proposed effort of the personnel in each sponsored award proposal shall be reasonable in relation to their other respective University compensated activities.

**Requesting Salary Support** – Unless sponsor regulations state otherwise, the amount of salary support requested shall be determined by multiplying the proposed level of effort by their Institutional Base Salary. The PI shall request a commensurate amount of salary funding to the extent allowed by the sponsor. Sponsor-uncompensated effort shall be considered a commitment of effort.

## **Managing Committed Effort on Sponsored Awards**

**Committed Effort upon Award Receipt**– The PI shall assess whether the committed effort in the award remains reasonable based on his/her other University compensated activities. The PI and other key personnel of each award shall meet the level of effort committed in the awarded terms and conditions.

**Reduction of Effort Commitments** – At award and during the life of the award, the PI shall obtain University and sponsor prior approval for absences or significant (25% or more) reduction of the PI or other Key Personnel’s effort.

### **Effort Planning, Charging and Verification on Sponsored Awards**

The Department Chair shall ensure that the efforts of his/her respective department personnel are integrated into the department’s planning and budgeting instruments, the basis used for distributing salary and charging wages and periodically verified for reasonableness in relation to work performed.

**Effort Planning and Budgeting** - University planning and budgeting instruments such as the annual record of work expectations for faculty and the Departmental Fiscal Year budget shall include the required committed/planned effort on sponsored awards for each upcoming academic year, fiscal year and sponsor budget time periods.

**Charging of Salaries and Wages to Sponsored Awards** – Salaries charged to sponsored awards shall be based on the planned or actual effort applied by employee(s) towards those respective sponsored awards. Wages shall be charged based on actual effort on sponsored awards.

**Verification of Effort** - On a quarterly basis, the Department Chair shall ensure that his/her respective department personnel verify their effort on sponsored awards and that any resulting changes are processed in a timely manner.

Each employee shall verify that his/her effort and associated salary charges has been and will continue to be reasonable in relation to the work performed and work planned respectively. Any anticipated or retroactive significant changes of effort shall be communicated by the employee to his/her appropriate *responsible official* in a timely manner.

### **Certification of Effort for Faculty and Salaried Staff**

The University shall conduct an annual effort reporting certification process for faculty and salaried staff. The Department Chair shall ensure that the effort certification process for his/her respective department is completed within the level of precision stated in this policy and within the University designated time frame.

**Faculty and Salaried Staff (Semi-Monthly Payroll)** - Faculty and salaried staff shall certify on an annual basis that their respective salaries charged to sponsored awards and other University activities is reasonable in relation to the work performed.

**Significant Changes of Effort during Certification**– Prior to certifying their effort, University employees are responsible to communicate any *significant changes of effort* to their designated responsible official. The responsible official shall ensure a salary

distribution change is processed in a timely manner and in accordance with University policies and procedures.

**Suitable Means of Verification** – On an exception basis, a responsible official with suitable means of verification shall certify an employee’s effort. In each exception, the responsible official shall maintain a written description of what was used as the suitable means of verification for future audit purposes.

**Re-certifications of Effort** - Retroactive salary adjustments are highly discouraged for periods for which effort has already been certified. Once effort has been certified for a given period, requesting a retroactive salary adjustment for that period calls into question the reliability of the certification process. Along with an amended effort certification and a proposed salary adjustment, a full explanation by the employee shall be submitted to Grant and Contract Administrative services for consideration.

### **Certification of Effort for Non-Exempt Hourly Employees**

**Non-Exempt Hourly Employees (Bi-weekly Payroll)** – During the time submission process, employees shall certify that their time charged to a sponsored award and other University activities is reasonable in relation to the work performed. Designated *responsible officials* shall review and approve all non-exempt hourly employees’ time submissions for reasonableness and accuracy. The responsible official shall maintain a written description of what was used as the suitable means of verification for future audit purposes.

### **Independent Internal Evaluation**

The University shall ensure that periodic testing and reporting on the integrity and compliance of the University’s effort management and reporting policy occurs.

## **Definitions**

*Departmental Administration* – Administrative and support services that benefit common or joint departmental activities or objectives in academic deans’ offices, academic departments and divisions, and organized research units.

*Facilities and Administrative Activities (F&A)* – Facility activities include depreciation expense, operation and maintenance and library support. Administrative activities include department administration, sponsored projects administration, general administration and student services.

*Full Workload (100% effort)* - A full workload (100% effort) shall include all effort expended to accomplish the set of activities encompassed by an individual University’s appointment(s), regardless of the actual number of hours expended on those activities.

*General Administration* – General executive and administrative offices which do not relate solely to any major function of the institution. Units such as the President’s office, Financial Analysis and Budgeting, Human Resources and Procurement services are included.

*Incidental Work* – A minor amount or a casual occurrence of work (that in excess of normal work for the individual) such as delivering special lectures, writing reports, participating in seminars, attending meetings, and consulting with colleagues and graduate students.

*Institutional Base Salary Determination (IBS)* - The Institutional Base Salary (IBS) of University personnel shall consist of the salary received for their University compensated activities. The IBS does not include any non-University activities such as professional work, service on peer review panels and leadership in professional organizations. In addition, any University incentive compensation or University *incidental work* compensation is not included in the IBS.

- **Faculty** - The effort which relates to and is required by the University’s appointment(s) include instruction, research, public service and administrative activities. The IBS shall be the annual salary amount associated with the University Appointment(s).
- **Clinical Faculty in the Faculty Practice Plan** - For University Faculty appointments that include activity in support of the separately organized Faculty Practice Plan, the effort which relates to and is required by the University’s appointment(s) includes instruction, research, public service, administrative activities and clinical activities. The IBS salary shall include both the University salary and the Faculty Practice Plan salary.

*Mandatory Cost Share* - Cost sharing that is required by statute or program requirements as a condition of the award. A sponsor may require that the University share in the cost of the project, either by individual award or by placing that requirement in the Request for Proposals (RFP) or on an institutional basis through overall sponsor requirements or by placing limits on allowable salary rates (salary caps).

*Other Institutional Activities* – Activities within this definition include auxiliary enterprises such as the operation of residence halls, the bookstore and the theatre. This definition also includes activities which costs are generally “unallowable” to sponsored agreements such as organized fund raising (development), lobbying and certain public relation activities (see OMB A-21 section J.1).

*Other Significant Contributors (OSCs)* - Individuals who have committed to contribute to the scientific development or execution of the project, but are not committing any specified measurable effort (in person months) to the sponsored award. These individuals effort are typically presented “as needed” (individuals with measurable effort cannot be

listed as Other Significant Contributors). OSC would also be an appropriate designation for mentors on Career awards.

*Responsible Official* - A responsible official is typically a Principal Investigator on a sponsored award, a Department Chair, a Director or an employee's direct supervisor.

*Significant Change of Effort* – A 5% or greater change in effort of an employee's total effort is considered a significant change. Examples of significant changes include:

- The beginning or ending of work on a sponsored award or an internal funded project.
- A material change in the scope of work on an award.
- An increase or decrease in the number or level of courses taught.
- A new committee or major administrative assignment or relief from a committee major administrative assignment.
- The beginning or ending of a sabbatical leave, a leave without pay, or a prolonged sick leave.
- Status changes from part-time to full-time or vice versa.

*Sponsored Administration* – Organizational units primarily administering sponsored projects, including such organizations as the Office of Sponsored Programs (OSP) and Grant and Contract Administrative services (GCA).

*Student Services Administration* – Activities administering student affairs and students services including such units as admissions, registrar, counseling and placement services, student advisers, student health services and commencements/convocations.

*Voluntary Cost Share*- Cost sharing that is offered by the grantee when not specifically required by the sponsor. Per OMB clarification letter dated 1/5/2001, when no cost share is required by the agency and the Principal Investigator chooses to enter cost sharing in the proposal, in either the budget or narrative, and the proposal is awarded; then the cost share is considered voluntary committed and must be treated the same as mandatory cost share.

*Voluntary Uncommitted Cost Share* - The expended effort that is over the committed effort in the sponsored award. For example, the PI's committed cost share effort on an award is 10% but the PI works 15% of her effort on the award. The 5% effort difference is considered voluntary uncommitted cost share and shall be included in the effort as part of the faculty's instruction and departmental research activity.

## **Procedures**

### **1.0 Departmental Effort Administrators**

Each department with personnel charged directly or indirectly to sponsored awards shall designate a person whose responsibilities include departmental effort administration support. Each department shall communicate to Cost Accounting Services (CAS) the

name and correct information of their designated “effort administrator”. CAS shall maintain a University wide database of departmental effort administrators.

## **2.0 Planning Effort for the next Fiscal/Academic Year**

As part of the faculty annual record of work expectations discussions, faculty and the Department Chairs shall verify that the committed effort on sponsored awards are consistent with the faculty member committed effort in the sponsored award documentation.

Faculty and Department chairs shall include all University compensated activities in projecting effort. For example, University *department administration* activities such as department planning and budgeting, preparing grant proposals, participating on University committees/councils and recruiting faculty/staff shall be treated as a University compensated activity in effort planning.

Department Chairs shall verify that their respective budgeted department personnel salaries are distributed to sponsored awards consistent with the planned/committed effort on sponsored awards.

Annual records of work expectations for faculty are subject to external audits. Accordingly, departments shall retain these records for three years from the last day of each fiscal year (June 30).

## **3.0 Effort Inclusion in Proposals**

The PI of a proposal shall include effort as a percent of time or person months for all listed personnel in the proposal. Regardless of whether a corresponding person's salary is included in the budget, each employee or unassigned position on the award shall have their projected level of effort included.

## **4.0 Committed Effort Confirmation**

When funds are awarded by a sponsor and the amount awarded is significantly less than the amount requested, Pre-Award Services (PAS) will work with Principal Investigators and sponsors to address any reduction in the proposed level of key personnel effort as required.

If funding is anticipated to be less than requested, a PI shall evaluate how the work will be conducted with less funding, including the impact on effort commitments. If the original effort commitments are determined to be maintained, the appropriate Department Chair(s) shall approve the associated voluntary cost share.

Upon award acceptance, GCA shall be responsible for entering the committed effort for PI and key personnel in the University's grants module in Peoplesoft.

## **5.0 Effort Verification**

When required by University policies and procedures, employees charged to sponsored awards shall verify that the information on University effort related plans, forms and reports is reasonable in relation to the work performed on and planned for their University compensated activities.

Periodically, the PI shall assess whether the salary and wages charged to their sponsored award(s) is reasonable in relation to the work performed by all of the University personnel associated with their sponsored awards. If applicable, the PI shall validate whether the projected effort in a future budget period is reasonable for the planned work. The PI shall ensure a timely salary distribution change occurs to address any identified significant change of effort.

On a quarterly basis, CAS shall communicate to departments to perform the verification of effort process. Relevant reports of effort shall be made available to departments to conduct their review in a timely manner.

## **6.0 Effort Certification (Semi-monthly Payroll only)**

Cost Accounting Services (CAS) shall initiate the annual effort certification process via a communication to the departments. Designated department administrators shall print the effort reports for their respective departmental personnel and ensure the information is consistent with their department records. Upon verification, department administrators shall facilitate the effort report review and certification process within their respective department.

Each employee shall review and certify his or her effort report. Any revisions shall be noted on the effort report by the employee and returned to the department administrator. The department administrator shall process a salary distribution change in a timely manner.

For terminating employees, his/her effort administrator shall print the effort report for the specific employee and obtain the terminating employee's signature on the current effort report. Any revisions shall be processed promptly.

The annual effort certification will be completed on a schedule established by the Vice President for Finance and Administration.

## **6.0 Independent Evaluation**

Two independent evaluations shall be used to ensure that the University is complying with this policy and its procedures. The University's Office of Audit Services shall periodically conduct sample testing and report results. The results of the annual A-133 audit, conducted by the University's independent external auditor, shall be communicated to the Audit Committee of its Board of Trustees.

## Contacts

Questions related to the operational interpretation of this policy should be directed to:

Assistant Controller  
Cost Accounting Services  
(802) 656-1375  
[Michael.Meunier@uvm.edu](mailto:Michael.Meunier@uvm.edu)

-or-

Senior Administrative Professional  
Cost Accounting Services  
(802) 656-1454  
[Scott.Cole@uvm.edu](mailto:Scott.Cole@uvm.edu)

The Vice President for Finance and Administration is the official responsible for the interpretation and administration of this policy.

## Related Documents/Policies

- OMB Circular A-21 Cost Principles for Educational Institutions  
[http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)
- NIH Grants Policy Statement  
<http://grants.nih.gov/grants/policy/policy.htm>
- University Cost Transfer Policy  
<http://www.uvm.edu/~uvmppg/ppg/grants/costtrans.pdf>

## Effective Date

Approved by the President on December 11, 2008

V. 4.3.14.1 approved November 9, 2007