

**LOYOLA MARYMOUNT UNIVERSITY
POLICIES & PROCEDURES**

DEPARTMENT: CONTROLLER’S OFFICE	
SUBJECT: Effort Reporting Policy	Page 1 of 5
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1 Statement of Policy

It is the policy of Loyola Marymount University to comply with federal guidelines and regulations regarding effort certification of individuals whose salary is charged on federally sponsored awards.

The Office of Management and Budget (“OMB”) Circular A-21, *Cost Principles for Educational Institutions*, sets forth the cost principles that institutions of higher education must follow in expenditures of federally sponsored program funds. Section J.10 stipulates that institutions must have a payroll distribution system that allows salaries paid under federal grants to be properly allocated and that confirmation is made by the institution that Individual salaries paid under federal awards are appropriate to that award. Such confirmation is to be made by either the Individual or a responsible official using suitable means of verification.

Clarification Memo M-01-06 (dated January 5, 2001), further emphasized the effort confirmation requirements as they relate to committed (on the proposal) effort that may or may not be paid on the resultant award.

LMU uses an after-the-fact confirmation method that requires effort certification for faculty and staff to be completed for each academic term.

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2 Definitions

Institutional Base Salary (IBS)	The total guaranteed annual compensation an Individual receives from LMU, whether the Individual's time is spent on research, teaching, or other activities. The IBS shall be used to compute salaries charged to sponsored project. 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, and income earned outside of duties to the institution.
Effort	The amount of time spent on any activity expressed as a percentage of total institutional activities for which an Individual is compensated by a LMU. Effort is not calculated on a 40-hour workweek or any other standard workweek. In addition, total effort must equal 100%.
Effort Certifier	Effort reports will be signed by the employee, principal investigator, or responsible official using suitable means of verification that the work was performed.
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.
Effort Certification	A means of confirming that the effort supported or paid by the sponsor has been performed and effort expended in support of a project (but not paid by the sponsor) has been performed. It is important to note payroll distributions and effort certifications are not the same thing. Payroll distributions describe the allocation of an individual's salary; whereas, effort certification describes the allocation of an individual's effort.
Committed Cost Sharing	Specifically identified and described in the proposal budget and made a condition of the resulting award. Committed cost sharing is a binding obligation that must be satisfied once the award has been made. Sponsors require that committed cost sharing be tracked, documented, and in some cases certified and reported.
Uncommitted Cost Sharing	Any contributions to the project above the amount committed and budgeted for in a sponsored agreement. Uncommitted cost sharing does not have to be tracked, documented, or reported.
Sponsored Project	A project funded by an award from a grant, contract, or cooperative agreement under which the Institution agrees to perform a certain scope of work, according to specified terms and conditions. Sponsored projects are established in the university accounting system as a separate group of accounts to accumulate funds provided from the outside source, either federal or non-federal, and to account for the expenditure of those funds toward the accomplishment of the project.

3 Background

When proposals submitted by LMU explicitly identify a quantifiable portion of effort to a federally sponsored project (e.g., in the narratives, budgets, or budget justifications of proposals), federal regulations consider such effort to be a binding commitment. If the proposal is awarded, the committed effort becomes an obligation of the university which must be tracked, certified and reported, even if the committed effort is not specifically stated in the award document.

Federal regulations further require the university to compare the commitment of effort on a project to the amount of salary charged to the project. In those situations where the level of effort committed by an individual is greater than the effort being reimbursed by the sponsor, the difference represents cost sharing by the university, which must be tracked, certified and reported, even if the cost shared effort is not explicitly described as such in the award document.

4 Procedures

Time and Effort Reporting forms will be distributed at least two times a year as required by OMB Circular A-21. Upon distribution, a two week period is given for the forms to be approved and turned in to the Post Award Administration and Accounting department.

Using actual payroll data, the Post Award Administration and Accounting department identifies all individuals whose salary has been charged to federal grants. Effort percentages are then calculated based on actual salaries charged, and the percentage is entered on a form for each individual.

For faculty who hold nine-month academic year appointments, the calculation of effort is based on their nine-month regular salary, regardless of the payout period. For all other employees, the calculation of effort is based upon their twelve-month regular salaries or wages.

5 Reasonableness

OMB Circular A-21 requires that the effort certified should reasonably approximate the actual effort expended on the project. For determining "reasonableness", A-21 states "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". Therefore, it is recommended that any perceived difference between the effort percentage based on payroll and the actual effort expended on the project be discussed with the Post Award Administration and Accounting office in order to assess the necessity for adjustments to salaries charged to the grant.

6 Compliance

Failure to comply with OMB Circular A-21's effort reporting requirements can result in serious penalties for the individual certifying to effort and/or the university. This can include financial audit disallowances and in some cases criminal charges may be brought against an individual certifying to a falsified effort report. It is therefore incumbent on the university and individual certifiers to maintain and document how individuals spend their time on federally sponsored research.