

Business Community Open Forum  
Student Union South Ballroom  
Effort Reporting Presentation and Audience Questions  
January 25, 2006

Presentations of Effort Reporting that is currently being done by departments were given by:

- Gary Esham - Associate Dean, Finance and Administration College of Optical Sciences
- Lynn Lane – Manager, Business and Finance Lunar and Planetary Laboratory
- Sherry Esham – Interim Director, Sponsored Projects Services

(Refer to Adobe handouts)

**Optical Sciences, College (OSC):**

- There is a difference between time and effort. It's important to show effort as a percent of the total, not the number of hours worked. There is no established hourly basis for calculating percent of time.
- The person who certifies the effort must have first hand knowledge
- A reasonable estimate of work performed is acceptable.
- Having an electronic or manual after-the-fact signature confirming work is required.
- The OSC system sends an e-mail authorization to the PI after each pay period with PEL attached.
  - The PI is required to respond to the e-mail.
  - OSC now has a 100% response rate.
  - The Payroll Representative in OSC monitors the responses and retains them by Fiscal Year.
- It is important to look at what is reported/charged and compare it to what has been budgeted.
- OSC requires certification every two weeks for all employees. A-21 requires certification at least monthly for staff and a minimum of every six months for faculty and professional staff.
- OSC is reluctant to offer non-required cost sharing in proposals
- OSC tracks mandatory cost sharing using excel spreadsheets
- The PI is required to certify effort associated with cost sharing
- OSC uses the SPS Cost Sharing Certification

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**Question:** When calculating the percentage of effort, how should you treat a person on vacation or sick time?

**Response:** The vacation/sick time should be allocated on the percentage of what the individual normally works. If an employee is normally paid 15% on a sponsored agreement, then 15% of the vacation/sick time would be charged to the sponsored agreement.

- The allocation method must be reasonable and consistent with how the employee is normally paid.

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**Question:** For a PEL do you treat Supplemental Comps any different?

**Response:** No

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**Question:** Does faculty self approve with OSC's system?

**Response:** Yes. The PI is the best judge for how his/her time is spent.

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**Question:** Because the PEL is account driven, what would happen if one person worked for two different?

**Response:** Each PI would approve the effort/payroll charge on their specific account.

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**Question:** What would happen if there are more accounts to use than allowable?

**Response:** Sponsored Projects will allow a department to post the transactions to a clearing account and then place them on a PET to split it out into additional accounts. This however is a privilege and must be reviewed and zeroed out every two weeks. Because most departments were not doing this, the option is no longer available. The department may use an unrestricted account as a clearing account. PETs should be processed in a timely manner, preferable every two weeks.

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**Question:** What would happen if a PET is needed for past pay periods?

**Response:** The PET must be approved by the PI and the effort will be re-certified. This is why it is important to avoid doing PETs. The effort has been certified on one project and re-certified on a different project. The transaction creates an audit risk.

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**Question:** If an employee has been budgeted for 30% and 34% of effort has been reported, would you have to re-budget?

**Response:**

- If the employee increases his effort and the grant has available budget to pay for the increase, a corresponding increase in expense is appropriate.
  - If the grant does not have available budget, the difference should be paid from a non-federal source. This is considered voluntary cost sharing.
  - If the employee did not increase his effort, it is not appropriate to charge the grant for the higher percentage.
  - If effort is reduced by more than 25% of what is promised, this could be an issue with some sponsors.
  - Sponsored Projects has a dollar threshold rather than a percentage threshold for evaluating if a project has been overcharged.
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#### **Lunar and Planetary Laboratory (LPL):**

- LPL uses a Federal Effort Reporting (FER) biweekly
- The FER is a departmental payroll document.
- For LPL's effort reporting, time sheets are required by all wage personnel.
- If the FER is not returned on time, LPL will charge the effort the way it was reported in the prior pay period. A PET will be process once the FER is obtained.
- Their system is relatively accurate. There are 100-150 changes in a pay period.
- When an employee is on travel status, LPL makes sure the effort and travel are charged to the same account.

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**Question:** For LPL's effort report, where are they capturing the information?

**Response:** LPL pulls the information of how effort was charged for the prior pay period. If there are changes, the PI (or someone with 1<sup>st</sup> hand knowledge of the work done) hand changes the form.

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**Question:** What happens if there are more accounts to use than allowable?

**Response:** If a unit has two budgeted department numbers, two positions per employee can be established which will allow up to eight account numbers. If a unit has one budgeted department number, the unit is limited to four accounts.

If you are limited to four accounts, you will need to overcharge an account and process a PET later. A Federal account should not be overcharged due to a four account limitation. A unrestricted account should be used as a salary clearing account.

**Comment from Linda Charlip (HR)**

It is good that LPL is using a biweekly time record, and if anyone wants a copy, it is available for use from HR.

From an HR perspective, and to ensure that we have Federal tax compliance, it is important to have some type of record as a time sheet. This we understand is difficult to obtain from many of our faculty, but please make as much effort as possible to ensure compliance.

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**Question:** What happens if there is a difference in belief between a PI and an employee regarding the amount of effort reported?

**Response:** This really does not occur much, but if the reporting does not match, LPL will try to track down as much information as possible, and clear up the issue before reporting hours.

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**Question:** Does LPL have a lot of PETs to do because of after the fact reporting?

**Response:** No. Before Payroll is submitted they hand write in whatever changes they can and try to avoid cost transferring.

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**Question:** Occasionally there are changes such as lost employees, new employees, and changes in salary. If this occurs, is it necessary to do a change in the budget for cost sharing? If so, how quickly must the change be done?

**Response:** If the employees that are replaced are key personnel, sponsor approval should be obtained. The sponsor is approving the change in key personnel, not necessarily the cost sharing budget. This should be done within three months.

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- Sponsored Projects will look into creating basic guidelines to help in creating an effort reporting method.
  - Please share ideas or suggestions on how Sponsored Projects can help you with reporting.
  - Other Universities have paid settlements and fines ranging from \$2 million to \$25 million. Unallowable costs on a project audit are paid by the department. If the University is audited and required to pay a large settlement, all units would contribute to the payment at least indirectly.
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**Question to audience from Sherry Esham:** What is it that makes departments feel uncomfortable with their current methodology?

- Lack of understanding the requirements?
- Concern with the amount of time & effort it takes to do reporting?
- Lack of faculty cooperation?
- Cost sharing issues?

**Response:** Limited answers were provided by the audience.

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**Question:** If a PI completes a time sheet for their time, would that be sufficient for effort reporting?

**Response:** Although the university payroll system is setup to work on an hourly basis, this does not lend itself to effort reporting. The university payroll system views a standard work week to be 40 hours. Effort must be calculated on the actual hours worked during the week which may exceed 40 hours which conflicts with the university payroll system. Therefore, it would be preferred that effort be reported as a percentage. For example, a PI works on a project for 40 hours a week and teaches one class for 10 hours per week. If the PI charges 40 hours per week to the project, this would be viewed by the university payroll records as 100% effort on the project and does not account for the teaching effort. As a result he has overcharged his actual effort (which was actually 80%) to the project since an adjustment was not made for the effort expended to teach the class.

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**Audience Comment:** At Nursing, Jean Vock has created an Access report to print out each quarter for each PI to sign. They would probably be willing to share if anyone is interested in seeing what they do. They also sign up each PI to electronically receive the FBM090/091, and have taught them how to read it.

**If any department has a system that they would like to share, please let BCOF know, and we will gladly post it for others.**