

Just the Facts 103: Effort Reporting, Cost Sharing, Cost Transfers

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Introduction

- ▶ What is Effort Reporting
- ▶ What is Cost Sharing
- ▶ What is Cost Transfer
- ▶ How they are related together
- ▶ Conclusion

Effort Certification

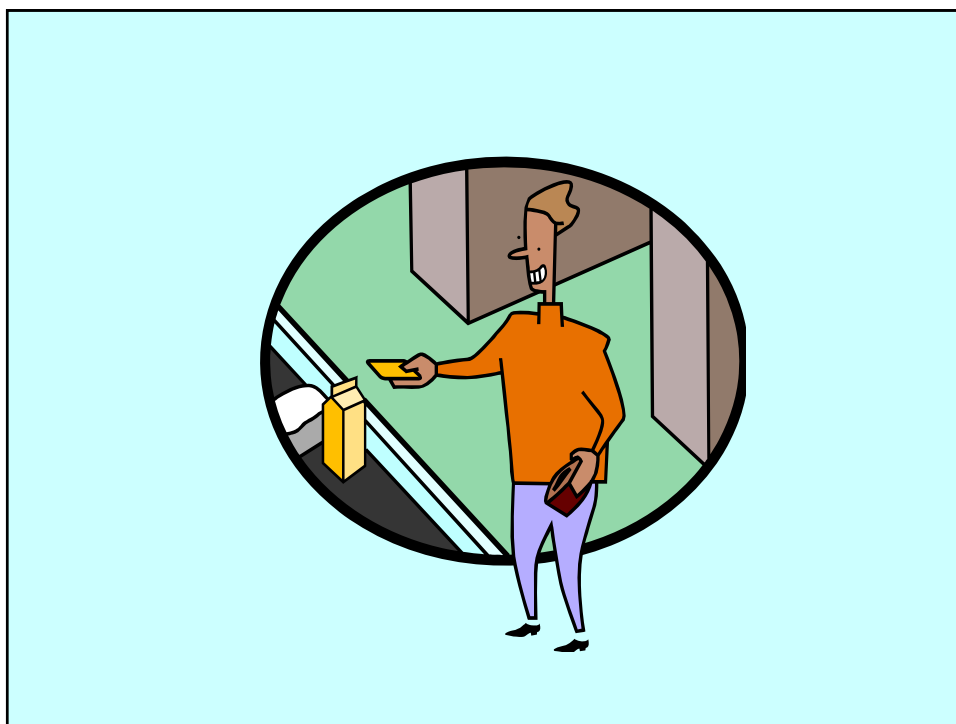
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Overview

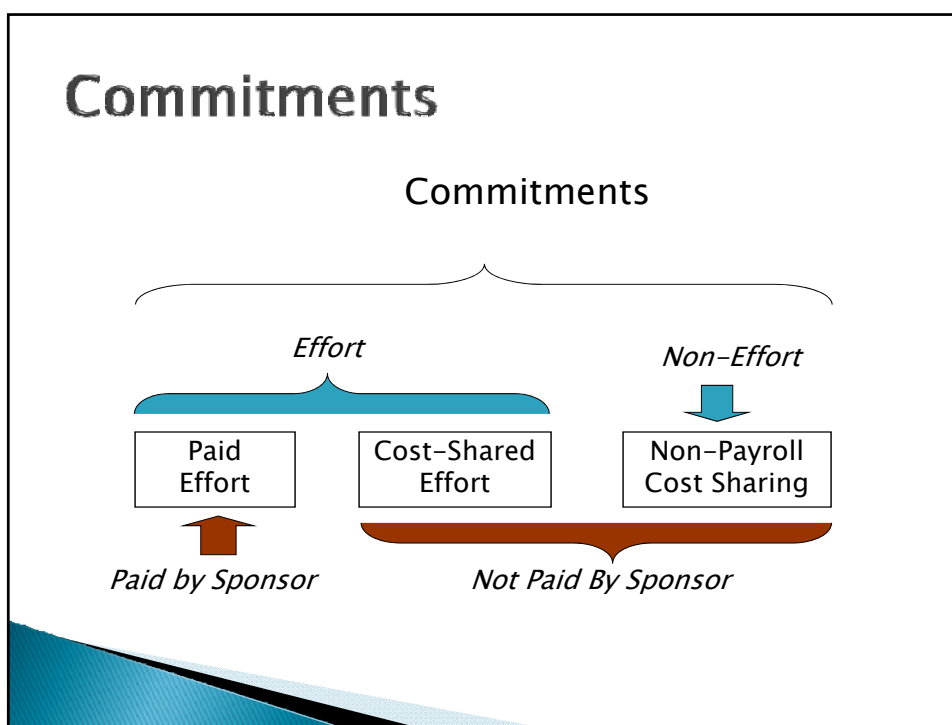
- ▶ What is effort certification?
- ▶ Why do I need to know this?
- ▶ Why is this such a big deal?
- ▶ What does this mean for my faculty and staff?
- ▶ What does this mean for me?
- ▶ Where can I learn more?



The basic idea

- ▶ In a grant proposal, we *offer* effort
- ▶ At award time, we make a *commitment* of effort
- ▶ Throughout the project, we *charge salary* to the sponsor
- ▶ Periodically, sponsors want to know:
 - Have we devoted enough effort to justify the salary charges?
 - Even in cases where we are not charging salary to the sponsor, have we fulfilled our commitments?

Commitments



What is effort certification?

- ▶ Effort certification (or *effort reporting*) is the University's means of assuring sponsors that:
 - Salary charges are justified (or "they got what they paid for")
 - Researchers devoted the effort that was promised in the proposal and agreed upon at the time of the award
- ▶ This is not "timekeeping" or "activity tracking"
 - Researchers are not required to "report how they spent their time"

Mechanism(s) to certify effort

Effort Certification and Reporting Technology (ECRT)

Project	Payroll	Cost Share	Computed Effort	Certified	Certify
Sponsored					
133-HR32 NOVEL HUMAN ANTIBODIES FOR NONINVASIVE BRAIN DRUG DELIVERY	16.82	0.00	16.82	<input type="text" value="0"/>	<input type="checkbox"/>
144-QK95 NOVEL ANTIBODY TRANSPORTER CONJUGATES FOR BRAIN DRUG DELIVERY	0.00	0.00	0.00	<input type="text" value="0"/>	<input type="checkbox"/>
144-PG86 MEMBRANE PROTEOMICS OF THE BLOOD-BRAIN BARRIER	0.00	0.00	0.00	<input type="text" value="0"/>	<input type="checkbox"/>
144-LQ48 CAREER: OPTIMIZATION OF BIOPHARMACEUTICAL PRODUCTION BY COMBINATORIAL CELLULAR ENGINEERING	0.00	1.50	1.50	<input type="text" value="0"/>	<input type="checkbox"/>
Sponsored Totals:	16.82	1.50	18.32	0	
Non Sponsored					
UWMSN- All Non-Sponsored Effort	83.18	-1.50	81.68	<input type="text" value="0"/>	<input type="checkbox"/>
Non Sponsored Totals:	83.18	-1.50	81.68	0	
Grand Totals:	100.00	0.00	100.00	0	All None
<input type="button" value="Save"/> <input type="button" value="Certify"/> <input type="button" value="Cancel"/>					

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Who says we have to do this?

- ▶ Certifying effort is a condition of accepting a federal award
- ▶ Note: UW policy requires certification for anyone who works on *federal or non-federal* sponsored projects
 - We have an obligation to play by the same rules for all of our funding sources

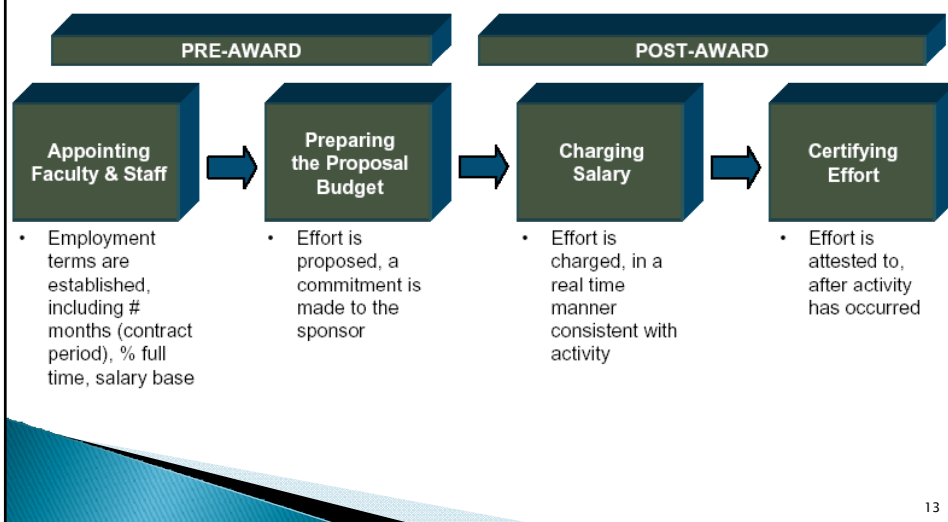
Who certifies?

- ▶ Certification is required for individuals who have *paid or committed effort on sponsored projects*
- ▶ Effort must be certified by a person who has “suitable means of verifying” that the work was performed
 - Note at UW: Faculty, academic staff, and all PIs certify their own effort
 - PIs certify for graduate students, postdocs, and non-PI classified staff who work on their projects

It's not an exact science

- ▶ Precision is not required
- ▶ Sponsors recognize that research, teaching, service, and administration are often inextricably intermingled
- ▶ Reasonable estimates are expected
 - But there are some rules to follow!

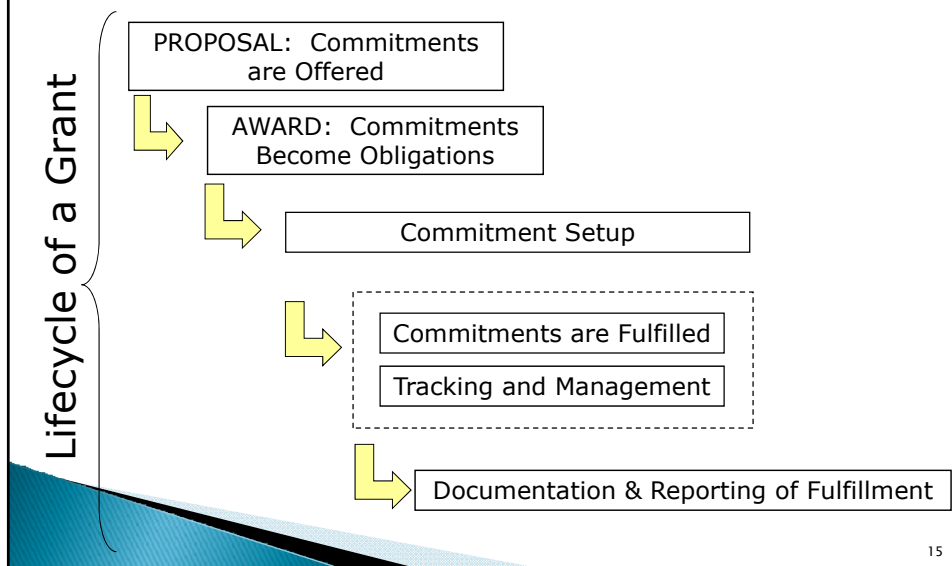
Certifiers and administrators must understand some key principles



The rules require us to:

- ▶ Be careful about what we offer in a proposal
- ▶ Be careful when making commitments at award time
- ▶ Change commitments when needed, and document the changes
- ▶ Fulfill commitments
- ▶ Charge salary in a way that's congruent with actual effort
- ▶ Certify effort in a way that's congruent with what actually happened

Where do we find commitments



What is a commitment?

- ▶ A statement in the proposal or project application
 - Specific and quantified
 - Effort for a PI, co-investigator, or key person, regardless of whether salary is charged
- ▶ An obligation that the university must fulfill
- ▶ Example – Professor Jones proposes 30% of her effort for 12 months and requests 10% salary support:
 - Professor Jones has committed *30% of her effort* for that 12-month period

Commitments can be changed

- ▶ Some changes require prior written approval from the sponsor
- ▶ All other changes must be documented
 - A note in the department administrator's project file
 - An email exchange
 - A note in the effort reporting system

The rules *also* require us to:

- ▶ Not charge a grant for time that doesn't pertain to the grant
- ▶ Not charge a grant for time spent writing a proposal for a new project or a competing continuation
 - *Time spent on these activities must be covered by institutional or gift funds*
- ▶ Transfer salary charges off of a grant if the level of effort does not justify the salary charges

It's important to get this right!

- ▶ The consequences of *not* getting this right can be dire for the university
- ▶ Effort reporting is the #1 target for federal auditors
- ▶ Many universities have paid millions of dollars in fines
- ▶ Audits are underway at many research institutions, including the UW

What does this mean for my faculty?

- ▶ Effort is certified:
 - Two times a year for faculty, academic staff, grad students, and postdocs
 - Four times a year for classified staff
- ▶ Faculty, academic staff, and PIs will receive email notices when it's time to certify
- ▶ Certification – and effort training – are mandatory
- ▶ Penalties for non-compliance:
 - *The UW will not provide support for extramural activities*

What does this mean for me?

- ▶ Four key questions are:
 - What is the *effort commitment*?
 - What actually happened?
 - What were the salary charges?
 - How much effort was certified in ECRT?
- ▶ ECRT is a good system – with limitations
 - We've built other tools to help with monitoring and managing all of this

The role of the Effort Coordinator

- ▶ Review each certification
- ▶ Initiate any follow-up actions, if necessary (including salary cost transfers, to make payroll congruent with effort)
- ▶ Document the reasons for any differences between pre-printed effort numbers and certified effort percentages
- ▶ Approve (or *process*) each correct certification
- ▶ Assist certifiers
- ▶ Keep tabs on who has and hasn't certified, and nudge delinquents in the right direction

And finally... (for now!)

- ▶ Effort reporting is not new
- ▶ Effort management is not rocket science
- ▶ Help is available
 - RSP Web site
 - Training materials, demonstration videos, policies and guidelines, FAQs
 - effort@rsp.wisc.edu and ecrt@rsp.wisc.edu

Cost Sharing

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Cost Sharing: OMB Circular A-110 Directive

- ▶ Section .23 of OMB Circular A-110 (2 CFR §215.30), Subpart C – Post-Award Requirements:
<http://www.whitehouse.gov/omb/rewrite/circulars/a110/a110.html#23>
- ▶ Eight OMB Policies
- ▶ “Cost Sharing” and “Matching” are synonymous per GPM

OMB Circular A-110 Cost Sharing Policies

- ▶ All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.
 - a. Are verifiable from the recipients records
 - b. Are not included as contributions for any other federally-assisted project or program
 - c. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives
 - d. Are allowable under the applicable cost principles
 - e. Are not paid by Federal Government under another award, except where authorized by Federal statute to be used for cost sharing
 - f. Are provided for in the approved budget when required by the Federal awarding agency
 - g. Conform to other provisions of this Circular, as applicable

OMB Circular A-21

- ▶ A-21 distinguishes between direct and F&A costs, which are allowable and unallowable and might be provided as cost sharing.

Cost Sharing

- ▶ Occurs when the institution redirects its resources to support a specific sponsored project beyond the funding level provided by the sponsor
- ▶ Provides specific goods or services at no cost to the sponsor
- ▶ Provides a cash contribution toward a project expense, such as equipment

Sources for Cost Sharing

- ▶ University funds
- ▶ Other sponsored projects (non-federal funds)
- ▶ Third party funds (gift, alumni, foundation, etc.)

Effort Commitment

- ▶ Is a contractual obligation to devote labor to a sponsored project, which the agency may support all, some, or none of the salary support.
 - a. Paid Effort – is effort for which the sponsor bears the cost
 - b. Cost Shared Effort – is effort for which the university or a third party bears the cost

Effort Commitment (cont.)

- Budget vs. Research Plan
 - Budget: the PI lists 5% of his/her effort on the proposed budget and justification
 - Research Plan: the PI states that he will meet with his research group 4 hours a week
 - What is the PI committing here?
 - ✓ Roughly 10%
 - ✧ Make sure the PI does not draft a quantitative amount within his/her research plan, this can be interpreted as Voluntary Cost Sharing

Types of Cost Shared Effort

- ▶ Mandatory
- ▶ Voluntary Committed
- ▶ Voluntary Uncommitted

Types of Cost Shared Effort (cont.)

▶ Mandatory

- The effort commitment, non-funded, is required by the agency for the applicant to be able to apply and to be awarded funds for his/her proposal
- Example: Agency A requires the PI to commit 10% of his/her effort to the project, however, the PI salary and fringe benefits are not an allowable cost

Types of Cost Shared Effort (cont.)

• Voluntary Committed

- Is cost sharing that is offered in a proposal but is not required by the agency.
- Example: a PI commits 30% effort on the proposal, but requests only 20% of his/her effort to be funded keeping the total budget costs lower in hopes to have a better chance of their proposal being awarded
- Example: PI was awarded 30% of his effort to be funded, however the PI intends to charge 20% of his salary to the project and use the remaining funds for other expenses on the project (Some agencies may require prior approval)

Types of Cost Shared Effort (cont.)

- ▶ Voluntary Uncommitted
 - Is cost sharing that is over and above an amount that was committed and budgeted for in a sponsored research agreement. This is not subject to effort reporting.
 - Example: the PI committed 30% effort on the project but actually spends roughly 35% of his/her time on the project, “extra effort”

Case Study

1. If Professor C commits 30% effort to a sponsored project, but indicates an intent to charge only 20% of his/her salary, what is Professor C committing here?
 - 20% is paid effort and 10% is cost shared effort
2. If Professor D commits 30% effort to a sponsored project, but indicates an intent to charge only 15% of his/her effort to the project and spends 35% of his/her time on the project, what is Professor D committing?
 - 15% Paid Effort, 15% cost shared effort, and 5% Voluntary Uncommitted effort

Case Study

3. If Professor E's salary is \$300,000 and the NIH cap is \$199,700 (as of January 2010), a difference of \$100,300. The PI commits 15% effort:
- Budget: $\$199,700 \times 15\% = \$29,955$ requested salary
 - Remaining amount: $\$100,300 \times 15\% = \$15,045$
 - The \$15,045 is an **unallowable cost**, therefore it is **not** treated as cost sharing. No cost sharing commitment exists.

Why you should not Voluntary Cost Share!

- ▶ Has an adverse effect on the F&A rate
 - The **denominator** is the university's "organized research base," the direct costs associated with sponsored projects and non-sponsored research, **which includes the total amount of the university's cost sharing**
 - The **numerator** is the university's "research pool expenses," the facilities and administrative costs associated with supporting organized research
 - This increase in the denominator serves to decrease the university's overall F&A rate.

Why you should not Voluntary Cost Share! (cont.)

- ▶ Increases the requirements for auditable record-keeping
 - Imposes your institution to track, monitor, record and document cost shared efforts burdening PIs and university administrators
 - Redirects the university's resources from other mission-critical uses to support sponsored agreements, "every dollar spent on administering cost shared effort, is a dollar which could have been used to advance your institution in education, research, or outreach"
 - Increases the university's exposure to audit liability

Why you should not Voluntary Cost Share! (cont.)

- ▶ Typical audit findings involving cost sharing:
 1. Grantee accounting systems not capturing cost sharing identified with a particular project
 2. Failure to keep adequate source documentation for claimed cost sharing
 3. Unclear valuation of in-kind donated contributions
 4. Lack of support for cost sharing contributions by subrecipients

Can Documented Cost Sharing be Modified Before and After the Proposal has been Awarded

- ▶ Yes, if you are aware of a possible change, contact your Central Office and immediately provide:
 1. A written notification to the Program/Grants Officer of the situation
 2. Indicate steps you plan to take to secure replacement cost sharing
 3. Indicate the plans it has to either continue or phase out the project in the absence of cost sharing

Cost Transfers

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Cost Transfers

Outline

1. Need for Cost Transfer Process
2. What is a Direct Cost
3. What is a Cost Transfer
4. Allowable Transfer Costs
5. Cost Transfer Time Frames

Cost Transfers

Need for Cost Transfer Process

- Federal Requirements
 - Circular A-21
 - Shows University has internal controls
- Audits
 - Cost Transfers are a focus during Audits
 - Institutions could be required to payback disallowed costs transferred.

Cost Transfers

What is a Direct Cost

1. Reasonable
2. Allocable
3. Allowable

The cost must be treated consistently as a direct cost to the project.

Cost Transfers

Cost must pass the Reasonability Test

- ▶ Is the expense reasonable for this project?

Cost Transfer

A reasonable cost is defined by A-21 as “A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a **prudent** person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

Cost Transfers

Is the expense reasonable for this project?

- ▶ Computers?
- ▶ Phones?
- ▶ Office Supplies?
- ▶ Pipette Tips?
- ▶ Equipment?

Cost Transfers

Costs must be properly allocated:

Cost Transfers

Per OMB circular A-21 “Cost Principles for Educational Institutions” require costs to be properly allocated to the program that received the benefits of the costs incurred.

Cost Transfers

Examples – The statements are taken directly out of “A-21 C.4.a”

- ▶ The goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
- ▶ Expense is incurred solely to advance the work under the sponsored agreement.
- ▶ It benefits both the sponsored agreement and other work of the institution.

Cost Transfers

Cost must be Allowable

- ▶ Need to determine if the cost is allowable on the project.

Cost Transfers

Allowable cost

- ▶ Supplies relating to the Research in the grant
- ▶ Core Lab Costs
 - Histology, Sequencing & Flow Cytometry
- ▶ Animals
 - Purchases and Per Diems
- ▶ Lab Supplies

Cost Transfers

What is a Cost Transfer?

- ▶ Definition
 - Moving an expense that was not properly allocated to the correct program/grant.

Cost Transfers

Time Frame

- ▶ 30 days
- ▶ 60 – 90 days
- ▶ Over 90days

Cost Transfers

30 day window

- ▶ Best case situation
- ▶ Work with the PI or lab tech – stress the need to review the charges on a monthly basis.
- ▶ A standard general ledger transfer can be completed with no questions asked.

Cost Transfers

60 – 90 day window

- ▶ Not the best, but still workable – should be supported with documentation. These questions should be able to be answered.

Cost Transfers

Why was this expense originally charged to the account from which it is being transferred?

Cost Transfers

Example –

We had animal charges post to an incorrect account and they needed to be transferred onto the grant. – I explained there were some billing problems in comparative medicine and that the problems should now be resolved.

Cost Transfers

Why should this charge be transferred to the proposed receiving account?

Cost Transfers

Example –

These animals are utilized on this sponsored project and are allocable to the grant.

Cost Transfers

Over 90 Days

- ▶ Should be discouraged but if necessary should be supported with documentation. These questions should be able to be answered.

Cost Transfers

Why the cost transfer is more than 90 days past the original charge?

Cost Transfers

Example –

The PI was working with comparative medicine and recognized the attached animal charges were also applicable this project.

Cost Transfers

What actions are being taken to eliminate the need for future cost transfers of this type?

Cost Transfers

The PI and administrator will work with Comparative Medicine to determine that animals are being charged correctly and any corrections will be made on a timely basis.

Cost Transfers

Types of allowable transfers:

- ▶ Salaries of Principal Investigators & Key Personnel and lab personnel.
- ▶ Fringe benefits associated with those salary expenses
- ▶ Animal per diems
- ▶ Lab Supplies
- ▶ Operating costs

Cost Transfers

Document the reason for the cost transfer in the office files.

Cost Transfers

Get Necessary Approvals

- ▶ Who Should Approve?
 - Principal Investigator
 - Departmental Chair or Departmental Administrator
 - Sponsored Programs Official

Inter-related?

- ▶ Case study of how Cost Share, Cost Transfer and Effort reporting are related

Questions????



Contact Information

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