

# **Time and Effort Reporting: What is it and why is it necessary?**

The federal government requires an effort report when an individual is compensated by or has agreed to contribute time to a federally sponsored project. All WIU faculty and staff serving as principal investigators (PI) or project directors (PD) on sponsored agreements are personally responsible to certify the amount of effort that they and their employees spent on sponsored activities.

This sheet provides an overview of effort reporting, including an explanation of why such a process is necessary and the minimum requirements for the process.

## **What is time and effort reporting?**

Effort is defined as the amount of time spent on a particular activity. It includes the time spent working on a sponsored project in which salary is directly charged or cost-shared effort (also known as match). Individual effort is expressed as a percentage of the total amount of time spent on work-related activities (instruction, research, administration, clerical, etc.) for which the University compensates an individual. Effort reporting is the mandated method of certifying to the granting agencies that the effort charged or cost shared to each award has actually been completed.

## **What is contributed or cost-shared effort?**

Cost sharing represents that portion of the total project costs of a sponsored agreement that are not borne by the sponsor or sponsors of the project. These costs are borne by the University rather than by the sponsor. Since faculty, administrative, and clerical salaries at Western Illinois University are, for the most part, paid for by the an individual's department, cost sharing of effort represents a redirection of departmental resources from teaching or other departmental activities to support sponsored agreements.

Cost sharing can be required by the sponsor or volunteered by a principal investigator or project director; regardless, any commitment of effort referenced in the project proposal or the award document must be honored, reported, and captured in an effort reporting system.

## **The difference between effort reporting and payroll distribution**

Payroll distributions and effort reports are not the same thing. Payroll distributions are the distribution of an individual's salary, while effort reports describe the allocation of an individual's actual time and effort spent for specific projects, whether or not reimbursed by the sponsor. Thus effort reporting is separate from and can be independent of salary charges and is based on employment contracts that are valid during the reporting period.

Effort is not just a verification of the salary or payroll distribution. Cost-shared or contributed effort must be included in effort reports.

## **Federal requirements regarding effort reporting**

The Office of Management and Budget's (OMB) Circular A-21 "Cost Principles for Educational Institutions" is the federal government's cost principles for colleges and universities. It defines what costs are allowable and allocable to federal grants and other "assistance" agreements.

OMB Circular A-21 (Section J.8) sets forth criteria for acceptable methods of charging salaries and wages to federally sponsored projects. A-21 requires a payroll distribution system that directly charges salaries to appropriate projects. In addition, Circular A-21 requires that institutions develop a mechanism to determine or confirm how individuals actually expend effort during a specified time period. These effort reports must be performed on a regular schedule and must be certified by individuals who have first-hand knowledge of 100 percent of the employee's compensated activities. In most cases, that would be the employee or the employee's direct supervisor.

## **Risks of not complying with Circular A-21's effort reporting requirement**

In recent years, the federal government and its auditors have become much more active in their review of effort reporting requirements, and a number of universities have received large audit disallowances as a result. An effort reporting system must provide records on how individuals participating in federally funded sponsored agreements actually spend their time. Because the federal government mandates effort reporting, it is incumbent upon institutions that receive federal funding to maintain accurate and auditable systems and records.

Documentation on how individuals spend time on federally sponsored projects is subject to federal audit and can be cause for institutional or individual disallowances.

Institutional disallowances can result if:

- 1) The effort report was certified by an individual other than the employee or someone who has "first-hand" knowledge of 100 percent of the employee's time;
- 2) The effort report does not encompass all of the activities performed by the employee under the terms of their employment;
- 3) The levels of effort reported do not appear reasonable, given the responsibilities of the individual.

Individual disallowances can result if:

- 1) The effort report certified by the individual is found to be falsified;
- 2) The levels of effort reported do not appear reasonable.

As evidenced above, federal audit disallowances can result in serious financial penalties for institutions. In addition, criminal charges may be brought against an individual certifying to falsified effort.

Current audit plans for federal auditors include effort reporting as a specific audit focus.

**Effort Reporting Procedure at WIU**

WIU has implemented the following time and effort certification procedure for federal and state contract and grants. Time and Effort Certification Reports are generated three times a year (September 1 - December 3, January - April 30, May 1 - August 31) for all employees paid from federal and state contracts or grants, including any mandatory cost sharing accounts. The reports are sent to the principal investigators or project directors responsible for the accounts reflected on the reports.

The PIs or PDs or their approved designee must verify and sign the reports, certifying that the employees reflected on the reports actually performed the work on the indicated accounts and in the same percentage of time. Any corrections to effort should be reported immediately to the Office of Sponsored Projects.