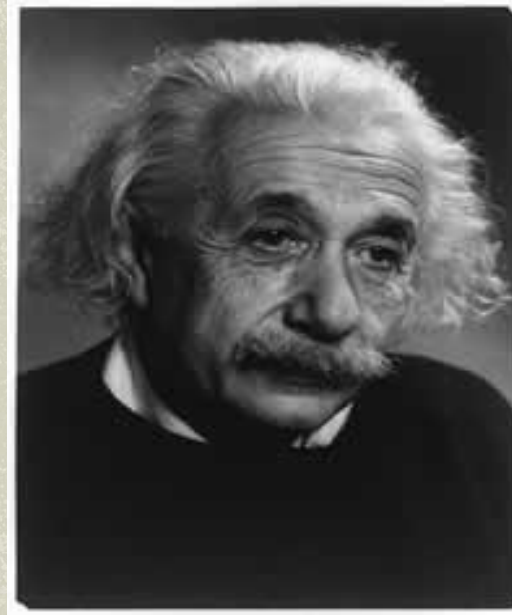# Effort Reporting & Other Direct Cost Documentation

$$e = mc^2$$

Presented by Stacy Salisbury and Kristy Smith, Contract & Grant Administration (post award)

Class Objectives

Objectives

• Understand why effort reporting is required

• Determine which sponsored program accounts require effort reporting

• Understand how effort reports are completed and the process for requesting corrections

• Understand what documentation is needed to support direct costs on sponsored programs

• Recognize when a transaction is high risk (introduction of new form)

Why do we have an effort reporting system?

- Federal Regulations
  - **OMB Circular A-21**: Cost Principles for Educational Institutions, Section J10, Compensation for Personal Services; or 2 CFR 200.430 of the Uniform Guidance
  - Requires Documentation for all salary charges to Federal projects

- University Policy
  - MSU requires ER's for federal, State of Michigan, and those projects requiring cost share (most "RC", federal MSUE "RE", and federal AgBioRsch "RA" accounts)

- Audit Documentation
  - "Receipt" for salary charges and cost share on restricted sponsored projects

Effort Reporting Audits

Effort Reporting Audit Disallowances and Paybacks

- November 2014 – Columbia University pays back $9.02M for effort reporting differences, i.e. pay and effort activities different

- December 2008 - Yale University pays back $7.6M for cost transfers at the end of the project and charging 100% summer salary to grants while not working 100%

- 2005 - Florida International University pays back $11.5M.

- 2005 - Cornell's Medical School pays back $4.3M.

- 2005 - NSF IG Effort Reporting Audits (start 1/05) & HHS Draft Compliance Guide issued 11/05.

- 2004 - John Hopkins University pays back $2.6M.

- 2004 - Harvard University pays back $3.3M.

- 2003 - Northwestern University pays back $5.5M.

Effort Reporting Keys

- Effort %s shown in proposal came from PI

- Effort %s are based on your total professional effort to MSU - NOT a standard 40 hr work week

- The person certifying the ER MUST be comfortable that percentages listed in the "% Effort Worked" column are accurate for each 6-month reporting period

- You worked at least that % of effort during the reporting period

- If a federal project is not listed on the ER – add a line with the Account number and enter % effort worked. If the account number is not assigned yet, add a note at the bottom of the ER indicating the App number and % effort worked.

Effort Reporting Keys

Effort Reporting Keys

- ERs must be completed in a timely manner – maximum of 180 days

- The % Effort Worked column should total 100% regardless of percent employment or percent of the period worked. If a person only worked two weeks of a semester, % effort worked should still total 100% (based on the distribution of those two weeks)

- Because MSU doesn't keep time records for faculty, only the employee, or PI, can defend or contradict the percentages reported in % Effort Worked column of the ER

Effort Reporting Keys

- What is included in my 100% effort?
    - The ER is designed to cover the employee's base MSU salary for activities including: instruction, research, public service, outreach, and administration. Another way to think about it all those duties that are expected for the pay you receive on the regular monthly payroll, including any administrative increments and the summer salary payroll.
    - It excludes, for example, activities related to: Outside work for pay, health service related component (HSRC), overload, special project pay, overload payments, lump sum payments, fellowship, on call/temp

- The %'s shown don't seem familiar to me, can I check the details?
    - Yes, if you click the percentages you will be shown the payrolls included. Because the 6-month ER cycles usually don't align with project start and stop dates, the numbers are prorated. These payroll details will show you the percentages by pay period and should be familiar to you.

Effort Reporting Keys

- Who can certify the effort report?

    - Principal Investigators (PI's): PI's should certify their own ERs.

    - Non-PI's: should also certify their own ERs (especially if they are working on multiple projects with different PI's), however it is acceptable to have the PI or Co-PI certify for them if they are familiar with all of their restricted projects.

    - Graduate Students: Should be certified by the PI, Co-PI, or Faculty Advisor if the person is working on their projects. For graduate students working in multiple departments or for multiple PIs, one PI should take responsibility to certify the student's effort report, however it is important to communicate with the other departments/PIs to ensure the effort is properly reported.

    - In those rare circumstances when the above guidelines cannot be met, a dean or chair may certify the ER, if they have suitable means of verification that the work was performed as indicated by the percentages reported.

DEMO OF SYSTEM

DEMO OF SYSTEM
Effort Reporting Portal

Advancing Knowledge. Transforming Lives.

HELP AND RESOURCES

Effort Report Help and Resources

Email: effortreporting@cga.msu.edu

Effort Reporting FAQs:
https://www.cga.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMQA0ADcA

Effort Administrator Instructions:
https://www.cga.msu.edu/PL/Portal/DocumentViewer.aspx?cga=aQBkAD0AMgAzADEA

Effort Delegates:
https://www.cga.msu.edu/PL/Effort/EffortDelegatesByPerson.aspx

https://www.cga.msu.edu/PL/Effort/PersonToPersonDelegate.aspx

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RC Account Expenses

- Identify whether it is a direct or indirect cost

- Make sure to attach or retain all supporting documentation

- Provide an explanation of how the expense supports the project/scope of work
  - Describes transaction
  - Includes statement of benefit

- Contain accurate calculations, object codes, etc

Cost Transfers

- What is a cost transfer?
  - A transfer of an expense from one account to another account

- What isn't a cost transfer?
  - Timely transfers as part of a standard allocation procedure
  - Transfers between parent and sub account under the same award

- Why are cost transfers risky?
  - Represent an error on an account
  - Viewed by auditors as lack of internal control

Cost Transfers

Cost Transfer Form

Cost Transfer Form

- CGA has developed a new Cost Transfer Form

- Starting July 1, 2015, the form will be required with all cost transfers charging a RC account where expenses are more than 90 days old.
  - SAP Cost Redistributions
  - Payroll Transfers
  - General Error Corrections

- Review of the form

Common Transaction Delays

- Lack of explanation

- Pay amount without calculation justification

- Allocation between multiple accounts explanation

- Lack of supporting documentation

- Unallowable expenses

- Incorrect transaction type chosen

- Unrequired ad hoc added

- Inaccessible source transaction

Common Transaction Delays

Thank you for your time!!

Questions?

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