



## **EFFORT REPORTING POLICY & PROCEDURES**

October 2015

### **STATEMENT**

Effort reporting is the federally-mandated process by which the salary charged to a sponsored project is certified as being reasonable in relation to the effort expended on that project. In accordance with federal regulations, Memorial Sloan Kettering (MSK) requires all employees who work on projects supported by federal agencies to verify that the time they have charged to these sponsored projects is accurate. This certification will be made on a timely basis by an individual with first hand knowledge of the activities of the employee being certified. Certifications will be reported as an after the fact percentage of the overall effort, which encompasses the total number of hours the individual worked performing duties on behalf of MSK.

MSK has implemented a web-based effort reporting system (ERS) that automates the effort reporting process. The effort reporting system assures sponsors that salaries and wages are properly expended and consistent with the effort devoted to the projects they have sponsored. All employees involved in certifying effort should be aware that severe penalties and funding disallowances may result from inaccurate, incomplete, or untimely effort reporting.

### **APPLICABILITY**

This policy applies to all employees with effort that is charged to MSK-administered projects supported by federal and state funds.

### **DEFINITIONS**

#### **Total Effort**

Total Effort includes all professional activity for which an individual is compensated by MSK: including sponsored activities, administrative duties, clinical practice, clinical research, bench research, teaching, and other activities. Effort includes all of these activities, regardless of when during the day (daytime, evening, weekends) or where (on campus, at home, while traveling, etc.) the activities take place. Total Effort is not based on a set number of hours or standard work week; it reflects all hours actually worked on behalf of MSK.

#### **Actual Effort**

Actual Effort is the number of hours of work expended on a project or activity during a specified period. The certification process serves to verify that Actual Effort as a percentage of Total Effort is equal to Committed Effort or that any difference is within the allowable threshold of less than a 25% reduction in Committed Effort over the budgeted period (usually 12 months).

#### **Committed Effort**

An effort commitment is a promise made by key personnel to work a specified amount of time on a sponsored project. Committed Effort is usually expressed as a percentage of total effort.

When a grant application is submitted, a commitment is made by key personnel either through the budget or narrative. For example, if the Principal Investigator (PI) budgets 10% effort on the application, the awarding agency assumes that 10% of the investigator's time will actually be spent on the project and may issue the award based on this commitment. The PI is expected to devote 10% of the actual hours s/he works on the project, even if the grant pays less than 10% of his or her salary.

### **Cost Sharing**

Cost sharing represents that portion of the total project costs of a sponsored project that are not borne by the sponsor or sponsors of the project. These costs are borne by MSK or other non-federal third parties, rather than by the sponsor. MSK typically does not cost share unless required by the sponsor. An example of mandated cost sharing is the NIH salary cap, i.e., the salary costs associated with the effort of an individual on an NIH project that are above the NIH salary cap amount (see below for a more detailed description of the NIH salary cap concept).

### **Effort Form**

The Effort Form is the means by which a Certifier (as defined below) documents the proportion of time allocated to each of the activities with which the employee being certified is involved. This becomes the official verification that the salaries charged to sponsored projects are consistent with the actual effort.

### **First Hand Knowledge**

Certifications will be made by MSK employees who have first hand knowledge of the activities of the employee being certified. Individuals with first hand knowledge include the Principal Investigator, lab head, the individual whose time is being certified, or a responsible supervisory official who has first hand knowledge. Individuals who report to the employee being certified are not considered to have first hand knowledge. Hereafter, the term "Certifier" will be used to indicate an individual who has first hand knowledge. It is expected that MSK faculty who devote effort to federally or state sponsored projects will be the Certifiers of their own effort on these projects.

### **Payroll Distribution**

Payroll Distribution is the assignment of an employee's payroll charges to a specific project based on the planned effort. At MSK, this is done through the Account Distribution in Connect. The account distribution should match how the effort is planned to be spent. Variances can exist and are addressed and adjusted on the Effort Form. Note that the percentage of an individual's salary that is charged to a grant may be less than the percentage of that individual's time that was devoted to the grant's activities.

### **Principal Investigator (PI)**

The Principal Investigator is the individual designated by MSK and the sponsoring agency who is responsible and accountable for the proper conduct and direction of the project or activity.

### **Salary Cap**

A salary cap may be imposed by certain agencies. Most applicable to MSK is the NIH salary cap. The NIH salary cap was imposed in the early 1990's due to the perception that researchers outside of NIH (extramural) were being compensated at a higher rate than NIH (intramural) researchers. The salary cap is adjusted yearly based on the specified Executive Level rate of the Federal Executive Pay scale.

The imposition of the salary cap means that MSK will not be reimbursed for all of the work performed by employees on the project who have salaries above the cap. For example, if a researcher's salary was \$200,000 and the cap in effect was \$180,000 and assuming the researcher spent 50% of his time on the project, only \$90,000 may be charged to the project. The remaining salary must be funded on non-sponsored MSK sources

and cost shared. Note, in order to charge the \$90,000, the researcher must spend 50% of his/her time on the project, even though the grant is only supporting 45% of his/her salary.

### **Sponsored Project**

A Sponsored Project is a project funded by a grant, contract, or cooperative agreement with an external agency under which MSK agrees to perform a certain scope of work, according to specified terms and conditions, for specific, budgeted, monetary compensation.

### **Timeliness**

Effort Forms should be created and released for Pre-review 4 weeks after the quarter closes. Effort Forms must be reviewed by the Pre-Reviewer (i.e., Research Fund Manager in Research Fund Management, a unit within the Office of Research and Project Administration) within 21 days of receipt. This is also an opportunity for hospital department administrators to review and notify the appropriate Research Fund Manager of any needed adjustments. Effort Forms must then be signed by the Certifier within 30 days of receipt.

## **GUIDELINES AND EXPECTATIONS**

- Activities to be used as the basis for calculating percentages of effort should include all research, teaching, administration, clinical responsibilities, and any other activity that has been established as being within the scope of responsibility of employment at MSK. Effort Forms must account for the total activity for which employees are compensated and which is required in fulfillment of their obligation to MSK.
- The compensation base that is used in related documents, such as grant proposals, should be the total compensation from MSK or salary cap, where applicable, including the physician private practice plan, but not including independent consulting performed outside of the parameters of MSK responsibilities or bonuses.
- The Effort Form is created from payroll records. The Certifier is presented with the percentage of effort charged to or cost shared for each federally or state funded sponsored project activity. Certifiers must review this information and verify that this percentage represents the actual amount of time expended. Certifiers are not confirming that the amount charged to the grant matches budget. Certifiers must also have first-hand knowledge of the activities of the employee(s) for which they also certify.
- Effort certifications are determined based on a reasonable estimate of activities, since research, instruction, and clinical activity are often difficult to delineate clearly.
- Federal and state sponsors have the expectation that key personnel (e.g., Principal Investigator) actually expend the level of effort listed on the application, regardless of the dollars charged. Cost sharing can occur when effort is performed without charging dollars to the project—that is, the PI must devote time to the project in accordance with the committed effort even if the grant provides salary support that is less than this level of effort.
- Federal sponsors require written permission in advance if a Principal Investigator or any key personnel named on the Notice of Grant Award reduces their effort by more than 25%. This prior approval to reduce committed effort by 25% or more is obtained through a formal request in writing by Grants and Contracts, a unit within the Office of Research and Project Administration (ORPA).

## **PROCESS**

1. On a quarterly basis, the Effort Reporting System (ERS) will generate Effort Forms of salary allocation from payroll data applicable to the reporting period.

2. The Pre-Reviewer (i.e., the Research Fund Manager [RFM] in Research Fund Management, a unit within ORPA) will review the Effort Form and make any adjustments as necessary. Once the pre-review is completed, Effort Forms are available for review and certification after notification by the Effort Compliance Manager. The pre-review is to be completed within 21 days from receipt of the Effort Form.
3. The Certifier reviews the Effort Form and certifies only if the effort displayed in the report is a reasonable estimate of the actual time spent performing federally or state funded project-related duties during the reporting period. Forms must be certified within 30 days of receipt.
  - If the Certifier determines that the percentage of effort that s/he is being asked to certify for the activity does not match the actual time expended, he or she notifies the Pre-Reviewer of the discrepancy through the ERS.
  - The Certifier can also adjust their effort on the form accordingly which will initiate the post review process, which may require the Research Fund Manager to adjust cost sharing or make adjustment(s) based on the change of effort.
4. When there is a discrepancy, the Pre-Reviewer/RFM will work with the Certifier to determine if the discrepancy is real or a result of an error in completing the form, and if real, take appropriate actions as described below:
  - If the actual effort is within 5% (+/-) of the certified effort, no action is necessary.
  - If the actual effort expended on the project exceeds the certified effort by more than 5% and the Certifier indicates that this higher level of effort will continue, the Pre-Reviewer/RFM will work with the PI to determine if the grant can support a higher percentage of the individual's salary. There is no federal requirement that the salary be increased when Actual Effort exceeds Committed Effort.
  - If the actual effort expended on the project is less than the certified effort by more than 5%, the Pre-Reviewer/RFM will determine if this is due to extenuating circumstances (e.g., grant began in middle of reporting period, Certifier provides compelling explanation that the annual actual effort will be consistent with the committed effort) or represents a continuing pattern of significantly reduced effort. If the latter situation is determined, the salary allocated to the project will be reduced through a cost transfer to be consistent with the reduced effort. In the event that the reduced effort is 25% or more than the committed effort, appropriate actions will be taken to notify Grants and Contracts for follow-up with the federal agency as needed.
5. Research Fund Management is responsible for the post-certification review. For funds managed by Research Fund Management, any cost transfers that are necessitated by the certified Effort Form will occur only after Research Fund Management has approved them during the post-review process. Research Fund Management will work closely with Hospital Administration to effect cost transfers that affect hospital funding sources (e.g., clinical practice plan or hospital operating cost centers).

## **EFFORT REPORTING RESPONSIBILITIES**

### **Pre-Reviewer**

The Pre-Reviewer/RFM is expected to review the Effort Form and make the appropriate adjustments to the form based on information available to him/her and through communication with the Certifiers. This is also an opportunity for hospital department administrators to review and notify the appropriate Research Fund Manager of any needed adjustments. The Pre-Reviewer also provides assistance to the Certifiers by keeping them informed of federal, state and institutional policies regarding effort reporting and in collaboration with the Effort Compliance Manager should provide system training and assistance when needed.

Based on the Pre-Reviewer's knowledge of sponsored project activities and through his/her discussion with the Certifier, if the effort form does not correctly depict the activities of the employee, the Pre-Reviewer may be required to add an appropriate account to the form, make a salary reallocation, or record cost sharing. The Pre-Reviewer should also review the effort form to make sure that any established effort commitments are documented and correct and that the salary cap (if applicable) has not been exceeded.

Once the effort form reasonably represents the effort of the employee, the Pre-Reviewer releases the form to the Certifier.

The **pre-review process should be completed within 21 days** from the time the form is made available. The Effort Compliance Manager notifies Pre-Reviewers when forms are available for pre-review and sends a reminder 1 and 2 weeks after receipt.

### **Certifier**

The Certifier will receive an Effort Form once it has been pre-reviewed and/or globally released. Forms that require pre-review are those that are flagged as critical to ensure the NIH salary cap has not been exceeded, established effort commitments are correct and necessary salary adjustments are made (e.g. employees charged to suspense). Forms that do not meet these criteria are non-critical Forms, and therefore globally released. The Certifier will review the data provided on the Effort Form. The Certifier is responsible for ensuring that the percent effort displayed on the Effort Form represents a reasonable estimate of the Actual Effort expended for the person being certified. In completing certifications, Certifiers should rely on the definitions of Total Effort and Actual Effort set forth in this policy. The effort estimate should be based solely on the actual work or effort performed and should not be based on budget or planned charges. Certifiers should ensure that effort commitments on federally and statesponsored projects are accurately reflected on the Effort Form and work with the appropriate institutional officials (i.e., Grants and Contracts) to notify the sponsor when effort commitments need to be modified.

Any time the Effort Form does not represent a reasonable estimate of the Actual Effort expended during the reporting period, the Certifier must report the discrepancy to the Pre-Reviewer or adjust the effort on the form accordingly which will initiate the post review process. The Pre-Reviewer and Certifier will work together to resolve any discrepancies as noted above.

The Certifier should review Effort Forms as soon as they are available, but no later than two (2) weeks after they are released for certification to ensure any discrepancies are addressed with the Pre-Reviewer. In addition to notifying Certifiers when forms are available, the Effort Compliance Manager also sends reminders 1, 2, and 3 weeks after release since certification **must be completed within 30 days** from when the Certifier is notified that an Effort Form is ready to be reviewed. In sum, the entire effort certification process should be completed within 60 days from the time the pre-review Effort Form is available for review and no later than the upload of the next quarter's Effort Forms.

It is the Certifier's responsibility to keep the Pre-Reviewer apprised of effort changes so that the changes can be prospectively managed in payroll. Additionally the Certifier should notify the Pre-reviewer of any extended leave that will or has impacted actual effort expended for federally or state sponsored projects to ensure the project is charged/not charged appropriately.

Lastly, it is the Certifier's responsibility to complete a one-time mandatory course available in Connect. The online course is required for employees who participate in the quarterly effort certification process on behalf of themselves or others. New Certifiers are notified when they are enrolled and training must be completed within 30 days of notification.

## **Effort Compliance Manager**

The Effort Compliance Manager is the individual within Research Fund Management who is responsible for administering the Effort Reporting System at MSK. Additional responsibilities include understanding, communicating and disseminating federal, state and MSK effort reporting policies; providing education and guidance to Research Fund Managers, Department Administrators (and/or designees) and professional staff to ensure understanding of their federal, state and institutionally defined responsibilities, the ERS system and available reports; establishing reporting periods and sending notification when forms are available for pre-review and subsequently certification; ensuring that pre-review and certifications are completed correctly and timely according to federal, state and MSK policies. The Effort Compliance Manager also serves as the Central Administrator (CA) in the ERS system.

## **ESCALATION**

### **Pre-Review**

- If an Effort Form is still pending pre-review after 21 days from receipt, the Effort Compliance Manager will send a delinquency notification to the Pre-reviewer and his/her supervisor and request reasons for the delay.
- Depending on the issue(s) surrounding the delay, the Effort Compliance Manager will follow-up and/or escalate to the applicable Program Manager and/or Director, Research Fund Management, as needed to ensure resolution of the issue and completed pre-view.

### **Certification**

- If an Effort Form is still pending certification after 30 days from receipt, a delinquency notification will be sent with copy to the Research Fund Manager, applicable Program Manager and Director, Research Fund Management. Depending on the issue(s) surrounding the delay, the Program Manager and/or Director, Research Fund Management will continue to follow-up with the Certifier and/or escalate to the VP, Research and Project Administration as needed to ensure resolution of the issue and timely certification.
- Failure to complete certifications may impact the Certifier's ability to spend research funds until the outstanding Effort Form is completed and may include:
  - Stopping Cost Center or Fund access to SciQuest (the online supply purchasing system) and/or Facility Services.
  - Freeze hiring or allocating additional personnel in the current fiscal year or a future fiscal year