Fiscal Compliance Requirements for Sponsored Programs Effort Reporting

Published 2010
Learning Objectives

To understand:

• Effort reporting compliance requirements
• University’s process for Effort Verification Reporting (EVR Form)
• Responsibility of Principal Investigator (PI), Research Administrator, and Subject
• Common issues and impact of non-compliance
Definitions

- **Effort Reporting** - The process for employees to verify effort spent on a sponsored award.
- **Effort Verification Report (EVR)** – Form used by the University to certify effort.
- **Modified Effort** - An adjusted estimate of how an employee’s time was actually spent during the reporting period.
Definitions

- **Personnel Action Form (PAF)** – University form that establishes planned payroll distribution
- **Payroll Correcting Entry (PCE)** – A correcting journal entry to redistribute payroll to a different funding source
- **Subject** – Anyone who has time charged to an award
Effort Reporting Requirements

• **What resources outline procedures for effort reporting?**
  
  • OMB Circular **A-21** – Cost Principles for Educational Institutions
  
  • UM System – **APM 60.32** – Effort Verification Reports
  
  • UM System – **BPM 213** – Adjustment of Income and Expense Items
Effort Reporting Requirements

- Effort is verified to ensure all direct payroll costs reflect **actual** efforts.
- Total effort must reflect **100%** of all University compensated activity.
- Total effort is **not** based on a
  - 40-hour workweek *or*
  - Full-time equivalent.
Effort Reporting Requirements

• EVRs should be:
  • Completed every 6 months
  • Signed by the subject of the effort or a person with “suitable means of verification that work was performed”
  • Submitted to the Sponsored Programs Office (SPO) within 30 days
### EVR – What to check

**Report ID:** USGM0001  
**Report Date:** 11-DEC-2009  
**HR Division:** CVTMD  
**Primary Department:** CVTBIOMD

**Institutional Base Salary for effort reporting during period:** 39,692.28  
**Total payments during period:** 48,807.26

**EmplID:** [Redacted]  
**PAF effective date:** 01-JAN-2009  
**Status:** Active  
**FTE:** 1.0  
**Job Code:** 1700

**Employment classification:** Regular

**Pay source data for the report period:**

<table>
<thead>
<tr>
<th>MoCode</th>
<th>Fund</th>
<th>DeptID</th>
<th>Prgm</th>
<th>Class</th>
<th>ProjectID</th>
<th>PCS Code</th>
<th>Planned Allocation % Allotted</th>
<th>Payroll Data</th>
<th>Effort must always total 100%</th>
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**Effort must always total 100%**

*Could be small variance due to rounding*

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**Are these the right grants or other funding sources?**

*Only required to write in actual effort if different*
EVR – What to check

From the PAF at the beginning of the reporting period

Institutional Base Salary for effort reporting during period: 39,692.28
Total payments during period: 48,807.26

EmplID: [redacted] PAF effective date: 01-JAN-2009 Empl Record: 0
Status: Active FTE: 1.0 Job Code: 1700
Employment classification: Regular

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Effort must always total 100%

Only required to write in actual effort if different
EVR – What to check

Report ID: USGM0001
Report Date: 11-DEC-2009
Semi-Annual - Effort Verification Report
-- 01-JAN-2009 through 30-JUN-2009

HR Division: CVTMD  Veterinary Medicine
Primary Department: CVTBIOMD  Biomedical Sciences

Institutional Base Salary for effort reporting during period: 39,692.28
Total payments during period: 48,807.26

EmpID: [redacted]  PAF effective date: 01-JAN-2009  Empl Record: 0
Status: Active  FTE: 1.0  Job Code: 1700
Employment classification: Regular

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Only required to write in actual effort if different

Actual pay, presented in dollars and percentage

Effort must always total 100%

Could be small variance due to rounding
**EVR – What to check**

1. Estimate your effort.
2. Compare to Payroll Data %.
3. If different, complete Modified Effort.

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<td>5.00</td>
<td>1,323.08</td>
<td>3.33</td>
<td>15</td>
</tr>
</tbody>
</table>

**Total**

|               |      |                             |     |       |                             |          | 100.00                         | 39,692.28            | 100.00         |

*Effort must always total 100% Could be small variance due to rounding*
EVR - Signature Completion

Compensation not related to Base Pay—awards, incentive, allowance, etc.

I am the individual named in this report, or I have first-hand knowledge of the activities of the individual named in this report and suitable means of verification of effort shown on this report. If I am not the employee named in this report, I have access to reliable information of how the individual spent their effort and I will maintain supporting documentation of that information. I affirm that the percentages listed under Payroll Data % or Modified Effort are a reasonable reflection of the subject's effort during the time period covered by this report. I understand that if the difference between the Payroll Data % and Modified Effort is more than 5% for any funding line, departmental personnel are required to initiate PCEs to accurately reflect these changes, and that I have the responsibility to notify departmental personnel when such entries are necessary.

Signature ________________________  Printed Name ________________________  Date __________

Signing and dating are critical since this is a “certification”
EVR – Unallowable Costs

• Payroll related costs can be unallowable if:
  • EVR is not signed
  • EVR is not signed by person with suitable means of verification
  • EVR is not signed and dated by the due date
  • Information is incomplete or inaccurate
  • Certified effort does not match the General Ledger
Payroll Correcting Entries- PCEs

• From the PI monthly review, PCEs must be:
  • Entered if the difference between Payroll Data % and the Modified Effort exceeds 5%.
  • Entered within 2 accounting periods after the month of the transaction.
  • Supported by proper documentation

See BPM-213 Adjustment of Income and Expense Items
Roles and Responsibilities

• **UM System Controller’s Office** – Produces EVRs and provides compliance oversight

• **Sponsored Programs Office (SPO)** – Reviews EVRs for compliance; follows up on late or incomplete EVRs

• **Departments** – Distributes and collects EVRs. Initiates PAFs and PCEs at the direction of the PI
Roles and Responsibilities

• The subject:
  • Ensures the EVR is accurate and consistent with the proposed effort
  • Completes the Modified Effort if actual effort is different from Payroll Data %
  • Reviews his/her EVR and signs timely
  • If leaving University:
    • reviews actual effort with supervisor/PI
    • multiple units may need to sign
# Roles and Responsibilities

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<thead>
<tr>
<th>Activity</th>
<th>PI</th>
<th>Research Admin</th>
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<tr>
<td>Overall Compliance Responsibility</td>
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<tr>
<td>Attend Training</td>
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<td>X</td>
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<tr>
<td>Ensure proposed effort was delivered</td>
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</tr>
<tr>
<td>Work with SPO to contact sponsor with significant effort changes</td>
<td>X</td>
<td></td>
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<tr>
<td>Distribute and follow-up on late EVRs</td>
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<td>X</td>
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<tr>
<td>Reviews EVRs for completeness</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Initiates/processes PCEs and PAFs</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Ensure all EVRs are reviewed, signed, and submitted by due date</td>
<td>X</td>
<td>X</td>
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</table>
Common Issues

- Incomplete or inaccurate EVRs
- Not signed by subject or person with suitable means
- Late EVRs and PCEs
- PCEs not completed to reflect changes in effort > 5%
- PAF’s not timely updated
- PI effort charged 100% to sponsored activities
Impact of Noncompliance

- Questioned or unallowable costs
- Repayments to the sponsor
- Fines and/or sanctions
- Subject to additional external audits
- Jeopardize future funding opportunities
- Damage to reputation
Concluding Points

• Payroll costs should reflect actual effort worked
• Signature indicates the effort is reasonable
• Do not wait until EVR cycle to review effort!
Additional Information

• University Accounting Policy – APM – Section 60
  • APM 60.32 – EVR Policy
• University Business Policy – BPM 213 – Correction of Income & Expense Items
• Other related training available:
  • Financial Compliance Training Website
  • Contact your Sponsored Programs Office for departmental training sessions or further discussion

Please Click Here to Complete the Training Survey