



POLICY MANUAL

Sponsored Programs Accounting

OPERATING POLICIES AND PROCEDURES

Number 582

Subject: Time and Effort Reporting

Date of Original: April 20, 2007

Effective Date of Last Revision: April 30, 2014

OVERVIEW

The Time and Effort Report is a means of confirming that both the effort paid for by the sponsor and the effort expended in support of a project, including cost sharing, has been performed as agreed with the sponsor. At USU the Time and Effort Report is used as the means to certify employee effort in accordance with the U.S. Office of Management & Budget (OMB) Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions." OMB Circular A-21 Section J10b(2)(b) requires each university to maintain a system of charging salaries in a reasonable allocation to each federal grant. In lieu of time sheet reporting, OMB Circular A-21 provides for both the Plan-Confirmation and After-The-Fact Activity Record methods for effort certification (see 582.1(a) & (b)).

OMB Circular A-81, which will replace Circulars A-21, A-110 and A-133 as of December 26, 2014, also contains both administrative and cost principles and will require verification that allocations of effort be supported by organizational documentation (OMB Circular A-81 Section 200.430(i), pending).

The requirement for documentation that certifies appropriate allocation of costs on all sponsored programs and other activities applies to all exempt (non-hourly) and non-exempt (hourly) employees who work on externally funded awards, and such documentation should be completed with great care. Failure to comply with OMB Circular A-21 (Circular A-81, pending) effort reporting requirements can result in serious penalties for the University and/or the individual certifying effort. These penalties may include disallowance of costs, debarment from further funding, and in cases involving fraud, criminal charges may be brought against

an individual. Salary expenditures are at high-risk for audit because of their potential for fraud and abuse by grantees.

Annual Time and Effort Reports are distributed for both the Plan-Confirmation and After-the-Fact Activity Records payroll distribution methods. USU employees should recognize that payroll distributions and Time and Effort Reports are not the same thing. Payroll distributions allocate an individual's salary; whereas, the Time and Effort Report allocates an individual's effort. Salary distribution and effort may not be the same month by month, but by the end of the fiscal year (the certification period) they shall be in alignment within 5 percent or less.

Certification of annual Time and Effort Reports is not required of employees for extra service or incidental work. However, information regarding extra service compensation shall be separately identified and documented within the University's financial systems in accordance with Utah State University (USU) Policy #376, Extra Service Compensation and OMB Circular A-21, Section J10a (OMB Circular A-81, Section 200.430(h)(ii), pending).

582.1 Definitions

1.1 Payroll Distribution Methods

USU utilizes the following payroll distribution methods to compensate employees. These methods are not specifically prescribed by federal regulations, and may be adjusted from time to time to meet USU's need for accurate accounting of personnel services.

- (a) *Plan-Confirmation*: Each USU department prepares and reviews an Annual Budget Plan for their salaried employees, which is submitted through the Banner Salary Planner module to the USU Budget and Planning Office for processing. The Plan Confirmation method must be adjusted whenever effort commitments change enough to require a change in salary distribution.
- (b) *After-the-Fact Activity Records*: Some departments have chosen to use a monthly process based on the current month's activity. At the end of each month an allocation sheet is prepared and entered into the payroll system.
- (c) *Daily Timecard Method* – For each hourly employee, semi-monthly time cards are completed and are electronically approved for payment each pay period.
- (d) *Faculty and Staff Overload (Extra Service Compensation)* – Overload, also referred to as extra-service compensation, is compensation to employees from the University for incidental work performed outside their primary roles. Overload pay includes compensation for incidental work allowable under OMB Circular A-21, J10a and for teaching during periods outside the employee's academic appointment term in accordance with J.10.d.(2). b. (OMB Circular A-81, Section 200.430 (h)(3), et seq).

1.2 Primary Work Assignment

The primary work assignment is the basis upon which the University sets its expectations of an employee's duties and allocation of effort. USU utilizes the following methods to establish the primary work assignment:

- (a) *For Faculty*: The primary work assignment is derived from the Role Statement and/or Role Assignment, as defined USU Policy 405.6.1, Tenured and Term Appointments: Evaluation, Promotion and Retention.
- (b) *For Non-Faculty Exempt Employees*: The primary work assignment is derived from the Office of Human Resources official position description for that employee, which documents the responsibilities, functions, and requirements of each job. Expectations for the allocation of effort are also reflected in USU's annual Budget Process/Salary Planner process.

1.3 Full Workload

Full Workload for an employee shall be that workload for which an employee is compensated by the University, exclusive of compensation for incidental work. For exempt employees, it shall be that workload specified in the primary work assignment for a given period.

1.4 Institutional Base Salary

Institutional Base Salary (IBS) shall be the salary paid by the institution for the performance of the full workload by a given employee. It may be based on appointments of differing lengths, such as the academic year, eleven months or twelve months. IBS shall be calculated in accordance with Budget Office Guidelines, "Salary Definitions." The IBS may change based on significant, non-temporary changes in the Primary Work Assignment or because of salary increases approved by the University.

1.5 Institutional Base Salary Earning Rate

The Institutional Base Salary Earning Rate shall be calculated based on the compensation level at which an employee is paid for his/her appointment term, divided by the number of months of that term. An employee shall not earn compensation from USU sources in excess of the base salary rate in any given month, except as allowed under USU Policy 376, Extra Service Compensation or through a specially approved administration one-time payment.

1.6 Institutional Payout Rate

The Institutional Base Salary Earning Rate may differ from the amount of compensation actually paid to an employee during a given month, because salary for an appointment of less than 12 months is distributed across 12 months in the payroll system. For details concerning distribution of pay over a period different from the appointment term, contact the Controller's Office.

1.7 Incidental Work

Incidental work is that work which is accomplished by an individual in excess of his/her full workload. Incidental work that is carried out within the institution and paid for as extra-service compensation must be documented in the University's

financial management systems, although it shall not be reported or certified in the University's Time and Effort reporting system. Incidental work that is carried out within the institution but is provided without compensation shall be reported to the immediate supervisor in order to avoid conflicts of interest, including conflicts of commitment. Incidental work performed outside the university is neither reported in the time & effort or payroll systems, nor documented in the University's financial management systems; however, documentation of consulting leave is required as set forth in USU Policy #377, Consulting Services.

1.8 Extra Service

Extra Service shall be as defined in USU Policy 376, Extra Service Compensation. In general, extra service within the institution is limited to incidental work not associated with duties as set forth in the primary work assignment.

582.2 Policy

Except as allowed under this policy, faculty and staff salaries charged to externally sponsored programs shall reasonably reflect the activity for which the employee is being compensated. At USU, the intent is to keep these charges within 5% of the direct effort provided to the project. Individuals certifying effort as required in this policy shall include effort on externally funded projects only to the degree it reflects charges that are allowable by the sponsor and allocable to the projects. For federally funded projects, specific regulations concerning allowability and allocability are contained in OMB Circular A-21 (A-81, Section 403-405, pending). In addition to guidance in appropriate OMB Circulars, agency guidance must also be followed, such as the NSF Grant Proposal Guide's two-month limit on additional salaries beyond the academic term. All individuals verifying and certifying effort for University employees shall be knowledgeable of sponsor allowability and allocability criteria. Guidance and training on allowability and allocability of charges are available through the Division of Sponsored Programs, and the Sponsored Program Accounting Office (SPA).

582.3 Certification Period

USU requires effort certification from employees annually based on the University's fiscal year (July 1 through June 30). Certification shall be completed within 90 days after the end of the fiscal year being reported.

582.4 Type of Appointment

The type of appointment reflects the base period during which an individual's Base Salary Rate is calculated. However all employees, regardless of appointment type, certify time and effort based on USU's fiscal year.

582.5 Compensation for Non-Appointment Period

USU allows exempt employees with appointments of less than 12 months to receive compensation from USU at their Base Salary Rate for periods up to a total of 12 months per fiscal year to conduct research, teaching, or other sponsored activities that are consistent with federal and USU policy and that do not conflict with the faculty member's Primary Work Assignment.

Non-appointment salary payments shall be made through the university's payroll distribution system at an Institutional Payout Rate that reflect the individual's Institutional Base Salary Rate. This salary is tracked using a unique account code, and, if applicable based on the individual's receipt of external funding during that fiscal year, shall be subject to effort reporting and certification.

582.6 Allowability of Payment for External Incidental Work

This policy shall not limit an employee's opportunity to receive compensation for incidental work such as consulting, that is disclosed to the employee's supervisor, and is approved in accordance with appropriate University policies including USU Policy 376 (Extra-service Compensation) and USU Policy 377 (Consulting).

582.7 Cost Sharing

Cost Sharing is a portion of total project or program costs related to a sponsored agreement that is contributed by someone other than the sponsor. Effort for committed cost sharing, whether mandatory or voluntary, is a part of the total effort rendered on sponsored projects.

Different types of Cost Sharing are:

- (a) Mandatory Committed Cost Sharing is a contribution to a sponsored project or program required by the sponsor as a condition of obtaining the award. Such contributions are binding commitments and must be accounted for and tracked in a consistent manner in accordance with the Division of Sponsored Programs Internal Procedures & Policies (<http://www.usu.edu/research/programs/costshare.cfm>).
- (b) Voluntary Committed Cost Sharing is any quantified contribution reflected in the proposal narrative, budget, and/or budget justification not required by the sponsor. These are also binding commitments and must be accounted for and tracked in a consistent manner. It is USU's policy not to provide voluntary committed cost sharing on sponsored projects.

On occasions where no PI salary is provided by a project sponsor, the PI shall seek approval for USU Voluntary Committed Cost Share of University's paid salary to meet the effort requirements outlined in OMB Circular A-21 (A-81, pending) as outlined in RGS Procedure 582-PR. These commitments

shall be accounted for and tracked in any resulting award in accordance with this policy.

- (c) Voluntary Uncommitted Cost Sharing is a contribution to a sponsored project or program offered by the Principal Investigator not included in the proposal narrative, budget, and/or budget justification and not required by the sponsor as a condition of obtaining the award. This type of cost sharing is not separately budgeted or documented under this policy.