Policy Statement

To comply with the requirements of federal regulations of Office of Management and Budget (OMB) Circular A-21, and the requirements of other sponsors, Loyola University of Chicago (hereafter known as the “University”) has established the following policy and procedures for better understanding of effort certification reporting.

Reason for Policy

To comply with the federal regulation of OMB Circular A-21, the University must provide clear direction for faculty and staff for determining effort when preparing proposals and payroll forms. It is necessary to track and confirm certification of effort by the University personnel.

Regulation Reference

(OMB) A-21 (Cost Principles for Educational Institutions), section J10, requires faculty involved in sponsored agreements to report activities for which they are compensated each academic term or no less often than every six months, and to account for mandatory and committed cost sharing that was placed on the proposal budget page or budget justification, and any salary cap cost sharing, be documented on the effort certification report. The effort certification report reflects an after-the-fact-reporting for faculty effort, paid and cost shared.
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## Effort Certification Reporting

**Date Amended:** November 16, 2006

### Terms and Definitions

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<th>Certification</th>
<th>Description</th>
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<tr>
<td><strong>Certification</strong></td>
<td>Assert in writing the correctness of something</td>
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<tr>
<td><strong>Cost Sharing – Mandatory/Committed Effort</strong></td>
<td>Mandatory of voluntary effort expended on one project and paid for by another funding source. Certain sponsors require mandatory cost sharing at the time of application. This effort must be reported and tracked and is subject to audit.</td>
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<tr>
<td><strong>Cost Sharing – Voluntary/Committed: Paid and Unpaid Effort</strong></td>
<td>Voluntary cost sharing represents additional effort expended on a project that is not required by the sponsor. Although it is the University’s practice to minimize voluntary cost sharing, Investigators must record all effort expended on their projects regardless of whether it is paid or contributed. For example, the principal investigator indicate that he/she will be providing 30% effort of which 20% will be cost recovered on the grant. The 20% effort is compensated is committed/voluntary paid. The remaining 10% is uncompensated is considered committed/voluntary unpaid. This effort is considered cost shared and must be tracked, and will be subject to audit.</td>
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<tr>
<td><strong>Effort</strong></td>
<td>Work or the proportion of time spent on any activity and expressed a percentage of total time. The effort reports are intended to record the total effort an individual expends as an employee of the University.</td>
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<tr>
<td><strong>Percent Effort</strong></td>
<td>Total number of hours worked on a sponsored project divided by the total number of hours worked for the University. The total must equal 100 percent. For example, if an investigator works 30 hours a week on a research project and 20 hours a week on teaching, the research project is receiving 60% effort (30/(30+20))</td>
</tr>
<tr>
<td><strong>Principal Investigator</strong></td>
<td>The individual that has been assigned the responsibility to carry out the sponsored project. Also referred to as the budget administrator.</td>
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What is Effort?

Work or the proportion of time spent on any activity and expressed as a percentage of total time. The effort reports are intended to record the total effort an individual expends as an employee of Loyola University of Chicago.

Activity such as research, teaching and administration services are included in measuring effort percentage. Effort does not include activities such as consulting that are conducted outside the terms of employment at Loyola University of Chicago.

Effort is NOT hours. It is the sum total of all effort, regardless of hours. Total effort reported for must always equal to 100%.

What is Effort Reporting?

Effort reporting is a method of documenting the proportion of work time devoted to these professional activities as a percentage of total professional activity. Effort distributions describe the allocation of an individual’s activity to individual projects.

Why is Effort Reporting Important?

Effort reporting allows us to verify appropriate salary and wage expenses were charged to sponsored projects. It also allows us to verify cost sharing was performed as promised and that sponsored activities are appropriately classified in the indirect cost proposal. The University is responsible to assure federal and other sponsors that the assignment of effort and associated costs to projects they sponsor is fair, consistent and timely.

What are the risks of not complying with effort reporting?

At any time, the University’s cognizant agent, The Department of Health and Human Services, may perform an audit to determine whether the Effort Certification Reports are accurate and complete. Severe penalties, cost disallowance, and reduced or terminated funding could result from inaccurate, incomplete, or untimely effort reporting. As a result, the institution has zero tolerance for those investigators that fail to comply. The following actions will be undertaken when a Principal Investigator does not complete his/her effort report(s).

1. SPA will expect a response within three (3) weeks of issuance of the Effort Certification Reports. A follow-up e-mail will be sent to those Principal Investigators with outstanding reports.

2. Within one (1) week of the e-mail, the signed Effort Certification Report(s) should be received by SPA. Non-compliance within this time frame will result in e-mail notification to the departmental Chair and Dean.
3. Failure to return the signed Effort Certification Report(s) within two weeks of the notification to the chair and the dean will result in the inactivation of the grant accounting unit. All transaction processing will cease until an effort is made to comply with the Effort Certification requirements.

What are SPA’s responsibilities?
The office of Sponsored Program Accounting (S.P.A.) is responsible for distributing and collecting the completed Lakeside effort certification forms. Each principal investigator on a federal or federal flow-through award will receive an effort certification form for all employees that have been paid from the project.

Sponsored Program Accounting will issue Lakeside Effort Certification Reports three times per year, within 90-120 days after the end of the reporting period. The reporting periods are as follows:

- June to August – sent by December 31
- September to December – sent by April 30
- January to May – sent by September 30

The SSOM Office of Fiscal Affairs (OFA) will be responsible for effort reporting process for SSOM departments. For detail information, please contact OFA at extension 64989.

What are Principal Investigator’s responsibilities?
The payroll information on the effort certification form is now downloaded directly from Loyola University Chicago’s payroll system; therefore, the salary payments that are shown are correct and do not need to be verified at this time. Retro salary adjustments will not be made based on the review of the effort certification by the investigator. (Please remember, the investigator and/or departmental administrator should be reviewing the salaries that have been or should be charged to an accounting unit on a bi-weekly or monthly basis, and any corrections must be made at that time.)

The investigator is responsible for confirming the percentage of overall effort expended by the employee on the investigator’s accounting unit(s) only. The other accounting unit(s) are shown only in order to calculate the percentage of salary paid by the project budget as compared to the total salary of the employee. The investigator is not responsible for the certification of the other accounting unit(s).

Please indicate confirmation in one of the following two ways:

1. If the percentage of salary equals approximately the percentage of effort placed by the individual on the project, then indicate approval by either checking or initialing the
effort percentage box for the project that you are certifying. In calculating effort, differences of 5% or more from the payroll percentage are considered significant.

2. If the percentage of effort is different than the percentage of salary paid from an individual project, please indicate your estimate of the percentage of effort expended by the individual on the project in the box for the effort percentage. If the employee works on another project from which he/she is not paid, please indicate the accounting unit, project title, and the percentage effort in the open boxes at the bottom of the project listing.

After certification, please sign and date the form(s) and return to SPA at Lewis Tower 820 N. Michigan Avenue 13th Floor Chicago, IL 60611 at Water Tower Campus.

What is cost sharing?
Cost sharing is the portion of total project costs, direct or F&A, related to a sponsored agreement that is contributed by someone other than the sponsor and not directly charged to the sponsored project account(s). These costs may be contributed by the University or by third parties. Cost sharing of direct expenditures represents a redirection of departmental or school resources from teaching or other departmental and school activities to support sponsored project(s).

Any difference between actual salary and salary cap must be cost shared. \( \text{Cost Sharing} = \text{Effort} - \text{Payroll} \)

Additional Information
- When a Principal Investigator is absent in excess of 90 days from his/her project, approval must be obtained from the sponsoring agency.

- Changes in effort require approval from the SSOM Dean’s Office or the Office of University Research Services as appropriate.

- Time spent in the preparation of proposals cannot be charged to a sponsored accounting unit. Therefore, it is inappropriate for an employee to be paid entirely from sponsored accounting units to prepare and submit proposals.

- The NIH awards have a salary cap of $183,500 per year through December 31, 2006 and the amount is subject to change annually. NIH investigators earning at rates higher than the salary cap must cost share their salary from University accounting units. Please note that this means that the maximum that can be charged to the NIH accounting unit is the percentage of effort as applied to the cap. Example, if
an investigator earning over the cap expends 25% effort on a project, the maximum that can be paid from the account is $45,875 ($183,500 x 25%). If the investigator is earning $200,000, then the difference of $4,125 ($200,000 x 25% - $45,875) must be funded from a University account.

- NIH site: Salary Cap Summery link

- Staff wishing to review the official notice from NIH should visit the link: Salary Limitation on Grants, Cooperative Agreements, and Contracts