



# FREQUENTLY ASKED QUESTIONS

## Effort Reporting

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**Q: What is effort?**

A: Effort is the proportion of time spent on any activity for which an individual employed by American University (the University or AU) is paid expressed as a percentage of the individual's Institutional Based Salary (IBS).

**Q: What is IBS?**

A: IBS is the annual compensation paid by American University for an individual's 9 or 12 month appointment and includes all salary based compensation paid by AU regardless of funding source, i.e. State funds, Grants or Contracts, Gifts and Endowments, and/or other University funds, for the purposes of performing instruction, research, service and/or administration. IBS does not include any income that an individual is permitted to earn outside of the University.

**Q: What is effort reporting?**

A: Effort reporting is a process used to verify direct labor charges to, or cost shared on, sponsored projects are accurate, timely, and reflect the actual level of work performed. Effort is the portion of



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time spent on a particular activity, expressed as a percentage of the individual's total salary based compensation paid by the university.

## Q: Why is effort reporting important?

A: Certified effort reports provide auditable documentation that AU personnel did, in fact, work the level of effort charged to the sponsored award and ensures AU remains in compliance with federal regulations.

## Q: Is effort reporting required?

A: Yes! Federal regulations issued by the Office of Management & Budget (OMB) in the Code of Federal Regulations (CFR) which governs all federal funds to non-profit organizations and institutions of higher learning require employees performing work on federally funded awards to certify university work efforts as a distribution of 100% of total compensated time worked. The regulations (also known as Uniform Guidance and located at 2 CFR 200.430) specifically sets the standards for effort reporting as follows:

### **2 CFR 200.430 - Standards for Documentation of Personnel Expenses**

- (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*
- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;*
  - (ii) Be incorporated into the official records of the non-Federal entity;*
  - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);*
  - (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;*
  - (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and*
  - (vi) [Reserved]*
  - (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and nonfederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*
  - (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:*
    - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;*
    - (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need*



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*not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and*

- (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*
- (ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.*
- (x) (x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.*

## **Q: What is considered 'reasonable approximations' with regards to effort reporting?**

A: Sponsors recognize the activities that constitute effort are often difficult to separate, and based on 2CFR 200, accepts a reasonable amount of estimating when completing effort certifications.

At AU, variances of up to 5% of total salary for each award listed are allowable and do not require an adjustment or recertification. However, variances over 5% for each award should be corrected via cost transfer in accordance with AU's Cost Transfer Policy, prior to final approval of the certification.

## **Q: Who is required to complete effort reports?**

A: Any individual whose time (full or partial) is committed to a federally-funded project and who is not already required to complete a monthly leave report or bi-weekly timesheet is required to certify effort for all activities compensated by the University regardless of whether such time is compensated by the sponsoring agency or is an unpaid contribution (i.e. cost-share).

## **Q: How often is effort reporting performed?**

A: AU requires effort certification to be completed on a semester basis. Therefore, individuals required to complete effort reports will certify effort up to three times per year (Fall Semester, Spring Semester, and Summer Semester) if they commit effort on at least one sponsored project during that semester.

If a faculty member has no effort charged directly to a federal project (or has no cost share on a federal project) during a semester, he/she will not receive a certification request for that semester.

## **Q: Can the total effort be less than or greater than 100%?**

A: No. The effort percentages on the Effort Certification Form must total 100%. All compensated effort must be accounted for; and since all percentages are a fraction of 100, the sum of all effort expended cannot exceed 100%. Even if an individual works more than a normal 35- or 40-hour week this requirement is not altered. For example, an individual who spends 40 hours a week on sponsored research and 40 hours a week teaching would report an effort percentage of 50 percent for each category, totaling 100 percent for the report period.



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**Q: If a 9-month employee is awarded salary for 100% of their effort during the summer term, as approved in advance, can they still participate in non-grant related activities during the summer term? Take a vacation? Write and submit proposals?**

A: No. If an employee has been awarded 3-months (i.e., 100%) of their summer salary by a sponsoring agency, the agency expects that individual to devote 100% of his/her effort to the project(s). This means that normal academic year activities (i.e., teaching, advising, committee service, proposal writing, etc.) should be discontinued during the summer months.

**Q: Is consulting work paid by an outside entity (ie, not the University) included in the effort reporting calculations?**

A: No. Any activities compensated by an entity other than AU, including consulting, is not included in institutional based effort and should not be considered when certifying effort reports.

**Q: What about grant writing for future awards?**

A: Federal regulations explicitly state the effort spent on writing applications or proposals for future grants or contracts is not considered a benefit to existing awards and therefore, is not allowable as a direct cost. Thus, effort expended on writing for future awards is included as administrative activities on effort reports.

**Q: What are the consequences of not certifying effort or inaccurately certifying effort?**

A: If effort certification is not completed or the documentation is deemed inadequate, all labor costs (salaries and fringe) along with their associated indirect costs (overhead) may be disallowed by the sponsoring agency and penalties may be imposed by the federal government. In addition, individuals may be subject to criminal penalties for knowingly falsifying the certification of effort on a report. Finally, audit findings can and often do make headlines, thus harming the reputation of the University and impacting the ability to receive future funding from both Federal and Private sponsors.