

 <p><b>Category:</b> Financial</p> <p><b>Policy applicable for:</b> Faculty/Staff</p>	<p><i>Policy Title:</i> <b>Effort Reporting on Sponsored Projects</b></p> <p><b>Effective Date:</b> 07/01/2009</p> <p><b>Prior Effective Date:</b> mm/dd/yyyy</p> <p><b>Enabling Acts:</b> Federal Regulations OMB Circular A-21</p>	<p><i>Policy Number:</i> <b>2.1.21</b></p> <p><b>Policy Owner:</b> Sr. VP for Administration and Finance VP for Research</p> <p><b>Responsible Office(s):</b> Sponsored Research Services Government Cost Compliance</p>
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## Background

Government agencies, private foundations, industry and other sponsors provide significant funding that enables the University of Cincinnati to conduct research, public service and training projects. A primary use of such funds is to support the salaries of faculty and staff engaged in sponsored activities. This policy addresses the university's effort or labor reporting system established to meet regulatory requirements for the planning, confirmation, and certification of effort associated with sponsored projects. It applies to all individuals whose salaries are charged to sponsored projects, in whole or in part, and to all individuals involved in certifying the effort of other individuals.

## Definitions

**Effort** – Effort is the proportion of time spent on professional activities such as research, teaching, administration and service for which an individual is compensated by the university. Effort does not include activities such as consulting or clinical activities that are conducted outside the terms of employment and compensation at the University of Cincinnati.

**Institutional Base Salary** – Institutional Base Salary (IBS) includes compensation paid by the university for research, teaching, administration, and other university activity. IBS includes all regular pay and Administrative Stipends (OADM). Excluded from IBS is incidental pay such as Additional Compensation (OADL) or Bonus (OBNS), any compensation received from sources outside the university such as the Veterans Administration, Cincinnati Children's Hospital and Medical Center, Shriners Hospital, private practice corporations, UC Physicians or outside consulting work permitted by the university. Though administrative stipends are part of the IBS, they and ADLs cannot be charged to grant funds. Please refer to the "IBS FAQ's" on the Government Cost Compliance (GCC) and Sponsored Research Services (SRS) websites.

**Total University Effort** – Sometimes referred to as "total effort," Total University Effort is the professional activity for which an individual is compensated by the university. Although the scope of Total University Effort may differ somewhat among faculty, the following table illustrates the kinds of activities that would typically be considered part of the Total University Effort of a faculty member:

### **Activities included in Total University Effort**

- Externally sponsored research (includes activities such as delivering special lectures about specific aspects of the ongoing sponsored project, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences)
- Departmental/university research (includes uncompensated participation in study sections, peer review of manuscripts, or unfunded effort on externally sponsored research)
- Instruction / University Supported Academic Effort - Including presentations to students/trainee groups, mentoring trainees (unless specifically part of a sponsored project), and participation in resident training
- Administrative Effort includes administrative activities (e.g., Department Chair, Program Director, service on institutional committees, department activities, faculty advisory boards, etc.)
- Effort expended on preparing proposals for new competitive segments of sponsored projects
- Special Service Effort on behalf of the university including institutional community service
- Uncompensated service in external professional organizations and societies related to one's work

### **Activities outside of Total University Effort**

- Consulting and other outside compensated professional work including service on scientific advisory boards or similar boards
- Special activities resulting in payment of a bonus or other one-time extra compensation
- Volunteer individual community or public service
- Other activities over and above or separate from assigned responsibilities in the primary position, including serving as a primary editor of a journal
- Veterans Administration Hospital compensated activities documented in an Memorandum Of Understanding (MOU) even if paid through university's payroll system
- Clinical service effort including activities for University's Faculty Practice Plan & other affiliated hospitals

**Labor Verification** – Labor verification is a method of documenting the proportion of work time devoted to UC professional activities as a percentage of total UC professional activity over a period of time.

Payroll distribution and Labor Verification are not the same thing. Payroll distribution describes the allocation of an individual's salary per pay period, while Labor Verification describes the allocation of an individual's effort to particular projects over a period of time. While the comparison of charged salary and percentage of effort needs to be made, the effort on a project over a period of time may not match the individual's payroll allocation for a given pay period.

## **Policy and Procedure**

Effort reporting at the University of Cincinnati is managed through the Labor Verification System and is required of all university employees whose salaries are funded by or cost shared to a sponsored award. Effort reporting applies to an employee's total Institutional Base Salary, which is all compensation paid by the university including administrative supplements. The required procedures for ensuring effort reporting are described below.

## **Accounting for Effort**

The university uses an after-the-fact method to meet regulatory requirements for reporting effort. Under this method, salaries and wages are initially distributed to activities based on estimates of the individual's planned effort using the Cost Distribution Personnel Change Request (CD-PCR). The employee's labor distribution must be adjusted for any significant changes in actual effort and the actual effort must then be certified on an after-the-fact basis.

Effort on any particular project is measured as the percentage of the total obligation to the university, which may include teaching, organized research, departmental research, administration, committee work and other activities. While the total number of hours may vary from month to month, total effort for each period must be expressed as 100 percent. The denominator of the effort percentage must always be Total University Effort, irrespective of the total number of hours worked during the effort reporting period. For example, if a faculty member works an average of 50 hours per week during an effort reporting period and works an average of 10 hours per week on a particular sponsored project, the correct effort percentage for that project would be 20%.

While hours worked may exceed 40 per week, total effort cannot exceed 100%.

## **Labor Verification Statement**

The Labor Verification Statement (LVS) is the after-the-fact confirmation of actual effort, including effort that is reimbursed by a sponsor and effort that is cost-shared by the university. The LVS should reflect only activity for which the employee is compensated

by the university. External consulting, clinical activity paid through a private practice corporation, UC Physicians, Veterans Administration, or other outside professional activities are not considered when assessing an employee's total effort. Effort certification is the affirmation by the individual completing each effort report form that the percentages of effort reported on the form are accurate. Knowingly signing an inaccurate effort certification is a serious violation of university policy, as well as potentially a violation of civil and criminal fraud statutes.

Certain sponsors impose a limit on the annual rate of salary reimbursement. Nevertheless, investigators are required to devote the full committed effort as proposed and awarded without regard to the salary reimbursement limitation. An LVS for an individual earning in excess of the capped salary should reflect the difference in salary as cost share.

Labor Verification Statements are produced and distributed quarterly by the Office of Government Cost Compliance (GCC). The LVS must be signed by an employee or employees with firsthand knowledge of the effort and returned to GCC within 45 days of receipt of the form. The LVS may not be signed by a business administrator. Please see instructions for completing LVS at the Government Cost Compliance Web page (*Related Links*).

## Training

All faculty, business administrators and others responsible for Labor Verification Statements must attend effort training offered by Government Cost Compliance. Failure to attend training and certify effort or labor verification within the date parameters specified may result in postponement of pending proposals and disciplinary action and a reduction in a unit's F&A return.

## Roles and Responsibilities

Role	Responsibilities
Principal Investigator(s)/ Full-time Faculty	<ul style="list-style-type: none"> <li>• Understand the principles and processes of accurate effort reporting</li> <li>• When appropriate, request sponsor approval for reductions in effort greater than 25 percent</li> <li>• Verify and sign own LVS.</li> <li>• Verify and sign LVS for adjunct faculty, graduate students, staff, post docs and other personnel whose salary is funded or cost shared to a sponsored award.</li> <li>• Revise LVS when inaccuracies exist</li> <li>• Complete and submit LVS by published deadlines</li> </ul>

Unit Business Administrator	<ul style="list-style-type: none"> <li>• Review LVS for accuracy prior to releasing to PI</li> <li>• Ensure that sponsor imposed salary caps are calculated and appropriate salaries are recorded properly.</li> <li>• Assist PIs and others understand LVS</li> <li>• Retain supporting documentation related to salary and effort distribution.</li> </ul>
Department Head or Unit Head	<ul style="list-style-type: none"> <li>• Ensure that all units LVS are submitted by published deadlines</li> <li>• Take appropriate action when LVSS are not submitted by deadlines.</li> </ul>
Government Cost Compliance	<ul style="list-style-type: none"> <li>• Produces and distributes quarterly LVSS.</li> <li>• Retains signed/certified LVS based on federal guidelines</li> <li>• Provides training for Labor Verification process</li> <li>• Assist with questions regarding effort reporting</li> <li>• Monitors effort reporting.</li> </ul>

**Related links:**

- [Allowability, Reasonableness and Allocability of Costs on Sponsored Projects Policy \(2.1.22\)](#)
- [Cost Transfers on Sponsored Projects Policy \(2.1.23\)](#)
- [Effort Commitment on Sponsored Projects Policy \(2.1.20\)](#)
- [Government Cost Compliance](#)
- [Sponsored Research Services \(for committed effort\)](#)
- [U.S. Office of Budget Management](#)

**Phone Contacts:**

Government Cost Compliance                      556-0184 or 556-2628