

 <p>Category: Financial</p> <p>Policy applicable for: Faculty/Staff</p>	<p><i>Policy Title:</i> Labor Verification on Sponsored Projects</p> <p>Effective Date: 09/01/2017</p> <p>Prior Effective Date: 03/11/2011</p> <p>Enabling Acts: Code of Federal Regulations Title 2, part 200</p>	<p><i>Policy Number:</i> 2.1.21</p> <p>Policy Owner: Sr. VP for Administration and Finance VP for Research</p> <p>Responsible Office(s): 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 verification 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 verifying 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.

Dually-compensated College of Medicine personnel must review the additional procedures for professional effort related to sponsored awards on the Government Cost Compliance website.

Non-sponsored Activities – Non-sponsored Activities include teaching, departmental research, administration, committee work, and other university responsibilities.

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 a 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 verification at the University of Cincinnati is managed through UCFlex and is required for all sponsored awards that fund employee salaries or university cost share of salaries related to such awards. Effort verification applies to the employee's total Institutional Base Salary, which is all compensation paid by the university including administrative supplements. The required procedures for ensuring effort verification are described below.

Accounting for Effort

The university uses an after-the-fact method to meet regulatory requirements for verifying 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. A reasonable percent of effort must be set aside for non-sponsored activities (see definition). 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 Labor Verification period. For example, if a faculty member works an average of 50 hours per week during a Labor Verification 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 labor verification form that the percentages of effort reported on the form are accurate. Knowingly signing an inaccurate Labor Verification Statement 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 generated through UCFlex annually on the 25th of the month following the sponsored project's budget year end. The LVS must be verified and approved by the principal investigator assigned to the sponsored award on or before the indicated due date. Please see LVS instructions on the Government Cost Compliance Web page.

Training

All faculty and business administrators responsible for Labor Verification Statements must take the UCFlex on-line training tutorial. Training must be completed in order to obtain access to the LVS in UCFlex. Failure to complete training and verify effort (labor verification) within the date parameters specified may result in postponement of pending proposals, disciplinary action, and/or 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">• Understand the principles and processes of accurate labor verification.• When appropriate, request sponsor approval for reductions in effort greater than 25 percent.• Complete the LVS UCFlex on-line training tutorial.• Request changes to the LVS when

	<p>inaccuracies exist.</p> <ul style="list-style-type: none"> • Verify and approve LVS by the due date.
Unit Business Administrator	<ul style="list-style-type: none"> • Ensure that sponsor imposed salary caps are calculated and appropriate salaries are recorded properly. • Assist PIs and others to understand the Labor verification statements. • Complete the LVS UCFlex on-line training tutorial. • Retain supporting documentation related to salary and effort distribution.
Department Head or Unit Head	<ul style="list-style-type: none"> • Ensure that all units LVS are approved by published deadlines. • Take appropriate action when LVSs are not approved by deadlines.
Government Cost Compliance	<ul style="list-style-type: none"> • Provides training for Labor Verification process. • Assist with questions regarding Labor Verification. • Manage late notices for LVS not returned by the due date. • Manage and oversee the UCFlex LVS system.

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

Institutional Base Salary FAQ's

LVS Training Tutorial

COM Dual Compensation Effort Procedures

Sponsored Research Services (for committed effort)

U.S. Office of Management and Budget

Phone Contacts:

Government Cost Compliance

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