1.0 Purpose

The purpose of this policy is to provide an overview of effort reporting for recipients of federal grants and contracts including the minimum requirements necessary to ensure accuracy, accountability, and compliance with federal regulations related to effort reporting.

2.0 Scope

The federal government requires an effort report when an individual is compensated by or has agreed to contribute time to a federally sponsored project. This policy applies to all North Shore-LIJ Health System (the “System”) employees who devote effort to grants regardless of funding source.

3.0 Definitions

- **Effort and Effort Reporting**
  - _Effort_ is defined as the amount of time spent performing specific activities in fulfilment of duties to the System. Individual effort devoted to a particular activity is expressed as a percentage of the total amount of effort spent performing all activities (clinical care, instruction, research, administration, etc.) for which the System compensates an individual. The total amount of time spent is not based on the payroll work week (i.e. 37.5 hours).
  - _Effort reporting_ is a method of complying with the federal mandate to certify to the granting agencies that the compensation costs charged (together with any cost-shared obligation allocated) to each award are for work that has actually been completed. Effort reporting is not based on the payroll workweek (i.e. 37.5 hours) but rather on how much time an individual devotes to all professional activities worked in the System.

- **Cost-Shared Effort**
A Cost Share represents that portion of the total costs of a federally sponsored project that are not borne by the sponsor or sponsors of the project. These costs are borne by the System or other non-federal third parties, rather than by the federal sponsor. For example, since salaries for clinical personnel in the System are, in most part, paid for by the individual’s clinical department, cost sharing of effort represents a redirection of departmental resources from clinical care to support sponsored agreements. Cost sharing can be required by the sponsor or volunteered by the System or a Principal Investigator (in consultation with the System). Regardless of the circumstances, any commitment of effort referenced in the project proposal or the award document represents a binding obligation of the System and must be captured in its effort reporting system.

- **Person Months:**

  Is the unit used by the NIH and other federal agencies for expressing the effort (amount of time) an individual devotes to a specific project. The effort is based on the type of appointment of the individual with the organization; e.g., calendar year (CY), academic year (AY), and/or summer term (SM); and the organization's definition of such. For instance, some institutions define the academic year as a 9-month appointment while others define it as a 10-month appointment. Most researchers at the System have a 12-month appointment. To calculate person months, multiply the percentage of your effort associated with the project times the number of months of the appointment.

  For example:
  - 10% of a 12-month calendar appointment equals 1.2 (CY) person months (.10 x 12 = 1.2)
  - 35% of a 3-month summer term appointment equals 1.05 (SM) person months (.35 x 3 = 1.05)

  For more information on person months, see: [grants.nih.gov/grants/policy/person_months_faqs.htm](http://grants.nih.gov/grants/policy/person_months_faqs.htm)

- **Salary Cap:**

  Certain federal agencies require that institutions cost share costs associated with compensating researchers for salaries that are above a "salary cap." A salary cap is defined as the maximum salary amount that may be used for calculating charges to federal grants. The National Institutes of Health, the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration impose a salary cap on awards. For the current NIH salary cap see: [http://grants.nih.gov/grants/policy/salcap_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm)

- **The Difference Between Effort Reporting and Payroll Distribution (Salary Splits):**

  Payroll distributions and effort reports are not the same thing. Payroll distributions are the distribution of an individual's salary, while effort reports describe the allocation of an individual's actual time and effort spent for specific projects, whether or not reimbursed by the sponsor. Thus, effort reporting is separate from, and can be independent of salary charges.
(splits). Effort reporting is not just a verification of the salary or payroll distribution. Cost-shared or contributed effort must be included in effort reports.

In some instances the percentage of salary actually charged to a grant or contract, once awarded, may be less than the percentage of effort an employee actually devotes to the project. This difference may be due to constraints imposed by the sponsor on budgeted salary support, limitations on salary reimbursement (e.g., a salary cap), or an election by the System to share voluntarily in the cost of the project.

**However, the salary allocation percentage on a federally sponsored agreement must not exceed the percentage of effort allocated to that agreement.**

### 4.0 Regulation

Individuals who contribute effort (whether or not compensated) to a federally sponsored project must certify the effort they devote to that project through the completion of retrospective effort reports. Applicable federal standards require that the retrospective effort reports reflect actual effort expended and that they be completed not less than on a monthly basis.

Effort reporting is required for those employees whose duties involve working on grant funded projects – *whether or not the employee is actually paid in whole or in part from the grant(s).* The employee, or someone with first hand knowledge of the employee's activities, must certify that the report reasonably reflects the employee's actual effort allocation and expenditure and that the work was actually performed.

Standards for determining allowability of charges to federal grants for costs incurred in compensating researchers are contained in federal cost principles documents. The applicable cost principles depend on whether an individual researcher is employed by a non-profit research organization, such as The Feinstein, or by a hospital, such as a North Shore-Long Island Jewish Health Care, Inc. facility. Cost principles for non-profit organizations are contained in the Office of Management and Budget ("OMB") Circular A-122; cost principles for hospitals are codified at 45 C.F.R. Part 74, Appendix E.

The institution must maintain a report for each individual researcher that reflects the distribution of the total activities for which that employee is compensated at the institution. Reports must reflect an *after-the-fact* determination of the actual activity of each employee; estimates determined before the services are performed do not suffice to support charges to federal awards. These effort reports must be signed by the individual researcher or by an individual having first-hand knowledge of the total activities performed by the researcher, certifying that the distribution of activity as reported represents a reasonable estimate of the actual work performed by the employee.

While the regulations cited above require individuals to certify their effort monthly the health system has requested and received approval from the Office of Grants Policy, Oversight, and Evaluation at the Department of Health and Human Services to substitute quarterly reporting. A copy of this approval is attached as an appendix to this policy.
Therefore all covered individuals who contribute effort to federally sponsored projects will be required to submit Effort Certification Report Forms on a quarterly basis.

Documentation on how individuals spend time on federally sponsored projects is subject to federal audit. Adverse audit findings, which may result in institutional disallowances in certain circumstances, may include:

1. The effort report was certified by an individual other than the employee or someone who has "first-hand" knowledge of 100 percent of the employee's time;
2. The effort report does not encompass all of the activities performed by the employee under the terms of his or her employment;
3. The levels of effort reported do not appear reasonable, given the responsibilities of the individual; or
4. The effort report certified by the individual is found to be falsified.

Federal audit disallowances can result in serious financial penalties for institutions. In addition, criminal charges may be brought against an individual falsely certifying his or her effort.

**5.0 Effort Reporting Policy and Procedure**

The following is the System’s time and effort certification procedure for federal contracts and grants.

It is the responsibility of the Principal Investigator/Program Director to inform all employees of their grant-funded status and to ensure compliance with this policy. All grant funded personnel are required to sign the Grant Acknowledgement Form obtained from Human Resources.

On a quarterly basis, individuals compensated by federal grants will be provided with a retrospective Effort Certification Report Form (ECRF), which must be reviewed for accuracy and corrected as necessary before being certified. The certification form will be distributed to individuals within the first week following the quarter for which effort is being reported and certified. Individuals or designees with first hand knowledge of effort expended on the project will verify and sign the reports, certifying that the employees reflected on the reports actually performed the work on the indicated accounts and the percentage of their time spent on such project.

The effort reports must be **signed** and dated in ink.

- Corrections/Changes:

When a correction is necessary to the list of cost centers or a change must be made to an individual’s percentage effort allocation, only the person who signs the time and effort certification form is authorized to approve such changes. Any changes to effort allocation must be reflected in the appropriate section of the Effort Report and, if applicable, the appropriate
human resources (PeopleSoft Position Data Change) forms must be initiated in order to make the adjustments in the payroll distribution system.

- **Signature/Certification:**

An after-the-fact attestation confirms that the reported effort, as certified, reasonably represents the hours actually expended by the employee during the certification period. Effort reports must be certified by either the employee or by an individual having first hand knowledge of the employee's total effort for the period. For employees who work in multiple departments, it is strongly recommended that they sign their own reports. If this is not practical, the PIs and/or supervisors in each of the departments involved should verify together the total amount of effort performed on each account during the period. Multiple signatures can occur but only as a coordinated effort by the PIs and/or supervisors.

- **Receipt and Review of Certifications:**

Each investigator is responsible for ensuring that appropriate certifications are obtained (including the certifying signature) and reviewed by his or her department. The Office of Research Compliance is responsible for:

- Receipt, review, and archiving of signed effort certifications. Maintenance of a perpetual aged record of all reports generated, certified and outstanding.
- Ensuring that all reports are certified and returned by following up with Principal Investigators.

The Office of Grants Financial Reporting in Finance is responsible for:

- Preparing corrective adjustments to be entered into the PeopleSoft system.
- Monitoring that all corrections are made.

If the Office of Research Compliance does not receive effort certifications in a timely manner, a representative will contact the responsible individuals according to the following timeline:

- 30 days after the end of the period being certified – a warning letter will be sent to the individual required to certify effort and a suspension of grant activity letter will be sent to the Principal Investigator/Program Director of the grant, Department Chair or Director, and other appropriate supervisor.
- **Absent extenuating circumstances, the Office of Grants Financial Reporting will suspend expenditure activity on any grant for which appropriate certifications have not been received within 30 days.**

**Retroactive Personnel Action Policy (Retro PA)**

Retroactive Personnel Action forms, changing allocation of effort, will not be processed against a contract or grant once the effort for the affected period has been certified.
Exceptions to this policy may be granted when dictated by unusual circumstances, which must be documented and supportable to the appropriate funding agency. A typical situation in which an exception may be granted is when an award for a period is received subsequent to the effort certification of the period. In this case, however, the effort should be charged to another funding source, such as the hospital or research institute, until the award is received.

6.0 Auditing and Monitoring

The Office of Research Compliance will conduct routine and for cause monitoring of time and effort reporting. It is the responsibility of all employees to conduct themselves in compliance with this policy. Employees may report incidents of non-compliance via the Corporate Compliance Help Line 1-800-894-3226. Incidents of non-compliance may be referred to the Office of Research Compliance for potential review. Further review will be conducted at the discretion of the Office of Research Compliance and may include interviewing select PIs or employees.

REFERENCES to REGULATIONS and/or OTHER RELATED POLICIES

OMB Circular A-122 Cost Principles for Non-Profit Organizations
45 C.F.R. Part 74, Appendix E