LOYOLA UNIVERSITY NEW ORLEANS
EFFORT REPORTING POLICY

Approved by the President on November 11, 2014

I. POLICY

A. General Statement
When allocating the costs of salaries and wages to government-funded sponsored projects, the University will adhere to all applicable effort reporting requirements. This includes those prescribed by the appropriate Office of Management and Budget (OMB) guidance and the award agreement.

This policy provides University employees with guidance on determining and reporting efforts associated with sponsored projects, thereby helping to ensure the integrity of the effort reporting process and serving to protect the University and its employees from potential government sanctions.

B. Scope
This policy pertains to all sponsored projects that are funded, in whole or in part, by the federal, a state, or a local government, either directly or through a subcontract. Sponsored projects supported by state and local governments have been included because these sponsors often adopt federal requirements, and because it is advantageous for the University to ensure uniform administration of government-funded sponsored projects. Depending on the requirements of the sponsor, this policy may be applied to projects funded by the private sector. In these cases, the Principal Investigator/Project Director (PI/PD) will be informed in writing by the Office of Grants and Sponsored Programs.

This policy applies to (1) all full- and part-time employees whose compensation is charged, in whole or in part, to a project that is funded, in whole or in part, by a government agency or whose compensation is used to fulfill a cost share commitment for such a project; (2) employees involved in certifying the efforts associated with such projects; and (3) administrators involved in the management of such projects.

C. Definitions

“Effort” is the proportion of time spent on the project, expressed as a percentage of the Total Compensated Effort (i.e., the time spent on all professional activities for which an individual is compensated by his or her Institutional Base Salary). Effort is determined on a case-by-case basis, not in terms of course releases or a standard workweek or calendar. The effort that can be charged to a project includes only the time spent on activities contributing to and directly related to the work under the sponsored project agreement. This effort does not include time spent on Excluded Activities (defined below).
“Effort Reduction Threshold” is the maximum persistent reduction in a key person’s effort that is permitted without prior approval from the sponsor. For most agencies, this threshold is 25% of the effort that the agency has approved for a single budget period.

“Excluded Activities” are those activities whose costs are generally not allowable as direct costs for a sponsored project. Unless a PI/PD is specifically informed otherwise by the Office of Grants and Sponsored Programs, time devoted to an Excluded Activity cannot be included in the effort charged to a sponsored project; nor can it be included as part of a direct cost share.

Examples of Excluded Activities (Not Inclusive)
- Grant preparation, even if related to the current award (exceptions exist in rare cases, such as for faculty development grants)
- Time at conferences or workshops that are not directly related to the project
- Teaching (exceptions exist for some awards)
- Chairing a department and performing other general administrative duties
- Student advising not directly related to the project
- Completing payroll timesheets
- Any other activity that does not contribute to and is not directly related to the work under the sponsored project agreement

“Exempt Employees” refers all faculty members and those staff members (sometimes referred to as professional staff) who are compensated with a salary, rather than an hourly wage. These employees are referred to as “exempt” because their jobs are not covered by the Fair Labor Standards Act (FLSA) overtime rules. Sponsored projects are charged for the salaries of these employees using an after-the-fact confirmation method.

“Nonexempt employees” refers to staff members who are paid wages, rather than salaries. Sponsored projects are charged for the efforts of these employees based on the hours reported on payroll timesheets.

“Institutional Base Salary” or “base salary” is the regular compensation paid by the University for an exempt employee’s appointment, whether that individual’s time is spent on research, teaching, administration, or other activities. The base salary does not include bonus, supplemental, or incentive pay. If a single employee holds two distinct appointments at the University, there will be a separate job description, compensation, and Total Compensated Effort associated with each.

“Principal Investigator/Project Director (PI/PD)” is the individual at the University who is most responsible for the development and completion of a sponsored project.

“Sponsored Project” is an organized activity that is supported by external funding from a grant, contract, or cooperative agreement and for which there is a threshold of accountability to the sponsor that is characterized by three things: 1) a pre-defined work plan or scope of work, 2) a detailed or modular budget, 3) reporting requirements. All projects funded, in whole or in part, by a government agency are sponsored projects.
“Effort Report” is a certified statement that is completed by employees whose compensation is either drawn from a sponsored project account or committed as cost share for a sponsored project. The Office of Grants and Sponsored Programs determines the need for these reports and the format they will take, based on the sponsor’s administration requirements and the employee’s status. (See Procedures.)

“Total Compensated Effort” is the sum of all efforts devoted to activities for which an individual receives regular compensation from the University. The Total Compensated Effort does not include time devoted to incidental activities or extracurricular activities specifically for which the employee receives additional payment.

“University Tolerance Threshold” specifies the level of precision by which faculty and exempt staff members are required to determine their sponsored-project related efforts. Loyola’s tolerance threshold is 5%. The meaning of this threshold and its applicability to Effort Reporting and salary charging is discussed below.

D. Precision
The federal government requires that the salaries charged to sponsored projects represent a reasonable reflection of the efforts devoted to those projects. In terms of what constitutes a reasonable reflection, the Office of Management and Budget Circular A-21 has acknowledged the following:

“In the use of any methods for appropriating salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.” (A-21, J10b(1)(c))

Understanding that there is an inherent degree of imprecision in the effort determinations of its faculty and exempt staff members, the Office of Finance and Administration has set the University Tolerance Threshold at 5%, based on a 1979 interpretation of an appropriate level of tolerance by the Department of Health, Education, and Welfare (DHEW). A tolerance threshold of 5% means that (1) employees are required to determine their sponsored project-related efforts with a threshold of error or uncertainty that is less than 5%, and (2) an accounting adjustment must be made if a charged effort exceeds the employee-determined effort by 5% or more. The percentage points are absolute, not relative to the budgeted or charged effort. This tolerance threshold does not apply to efforts of nonexempt employees.

E. Detailed Statement of Policy

Effort Reporting
Employees whose efforts are charged to or committed as a cost share for a sponsored project must complete and submit Effort Reports as specified in the Procedures.
**Changes in Effort**
The University should be notified whenever (1) corrections to Effort Reports are needed to correct errors or (2) reportable effort reductions occur for key staff.

**Corrections:** Any employee who realizes that he or she has made an error in specifying the hours devoted to a sponsored project on a submitted timesheet or Effort Report form must notify the appropriate individual or office as specified in the procedures section.

**Persistent Effort Reductions:** Each PI/PD will report in a timely manner to the Office of Grants and Sponsored Programs any persisting decreases in any key person’s effort that exceed the Effort Reduction Threshold for the project. This notification is necessary due to federal prior approval requirements. (See Procedures.)

**Minimum Effort Required**
PI/PDs are expected to devote at least some effort to the project during each year of the project period. This requirement does not apply to some types of programs, such as equipment and instrumentation or construction awards, dissertation or training grants, or limited purpose awards such as travel or conference-support grants.

**Maximum Effort Allowed**
The University is required to ensure that its employees are not overcommitted. For this reason, a maximum effort will be established by the Office of Grant and Sponsored Programs and specified in the procedures section. This threshold will represent the maximum combined effort that an individual employee is permitted to budget as a direct charge to or a committed cost share for sponsored projects within a single reporting period. This maximum effort will depend on the employee’s appointment type. Exceptions may be granted by the Director of Grants and Sponsored Programs in cases where appropriate justification is provided.

**Extended Absences**
The PI/PD must inform the Office of Grants and Sponsored Programs in a timely manner if he or she plans to be absent from the project for more than 90 consecutive days. This notification is required to meet federal prior approval requirements. Similarly, any unanticipated extended leave of absence that results in the PI/PD being absent from the project for more than 90 consecutive days must be reported to the grants office in a timely manner.
Sabbatical Effort
Faculty are permitted to charge sponsored projects for effort expended during paid sabbatical leave in accordance with the each sponsor’s policy, provided that the compensation is proportional to the service rendered and based on the Institutional Base Salary. Sabbatical leave paid by the university, in combination with other compensation (e.g., partial salary from a grant), may not exceed 100% of the individual’s base salary.

Overtime
For nonexempt staff, overtime charges on sponsored projects are permitted provided that (1) the University’s standard policies for overtime and timekeeping are followed, and (2) the overtime work is either necessary for the reasonable completion of the sponsored project or will result in lower overall costs to the sponsor. The PI/PD is responsible for determining whether the second requirement is met and for documenting his or her justification for this decision.

If the employee performing the overtime work is paid from more than one account, the overtime must be pro-rated to each account from which the employee is paid unless the overtime is clearly and demonstrably necessitated by the demands placed on that employee on behalf of the sponsored project. In each case, the Human Resources Department will determine how the overtime charges are to be distributed.

Cost Sharing
Cost sharing occurs when the University or a third party bears some of the costs of a project. The three types of cost sharing are:
1. Mandatory committed (required by the sponsor)
2. Voluntary committed (not required by the sponsor, but specified in the application and therefore an obligation on the part of the University)
3. Voluntary uncommitted (neither required by the sponsor nor specified in the application or award agreement).

Committed cost sharing must be monitored by the University and must be included in Effort Reports. Efforts corresponding to voluntary uncommitted cost sharing should be included in Effort Reports as well, because the University is required to ensure that no employee is overcommitted.

Documentation Requirements
Each PI/PD must ensure that documentation is readily available to support the fact that the proportion of each contributor’s salary that is charged to or committed as a cost share for the project is reasonable in relation to the effort devoted to the project. This documentation must be maintained for as long as the sponsor’s policy requires. The Office of Grants and Sponsored Projects is responsible for maintaining copies of Effort Reports. The Human Resources Department is responsible for maintaining payroll timesheets for nonexempt staff whose efforts are charged to or committing as a cost share for the project. All records will be retained for as long as the sponsor’s documentation retention policy requires.
F. Roles and Responsibilities
Each employee affected by this policy should be aware of the roles and responsibilities described herein.

Individuals whose effort is charged to or committed for a sponsored project
- Be aware of this policy and of any amendments to it.
- Attend and actively participate in Effort Reporting training as requested by the PI/PD or the Office of Grants and Sponsored Programs.
- Be aware of your effort expectations for each sponsored project.
- Complete Effort Reports (whether in the form of a payroll timesheets or Effort Report forms) as specified in the procedures section.
- Submit your Effort Reports as specified in the procedures section.
- Inform the PI/PD in a timely manner whenever you realize that you have made a mistake in specifying the effort devoted to a sponsored project on a submitted Effort Report.
- Complete and submit any Effort Report-related cost transfers in a timely manner.

PI/PD
- Be aware of this policy and of any amendments to it.
- Be aware of the terms of the award, including the sponsor’s Effort Reduction Threshold, record retention requirements, and all other policies and requirements pertaining to effort reporting.
- When preparing an application for a sponsored project, thoughtfully estimate the effort of each contributor.
- Upon receipt of award, inform the University of changes made to the personnel budget since the submission of the application.
- Communicate to each individual contributing to the project the amount of effort that is expected from him or her.
- Participate in Effort Reporting training as specified by the Office of Grants and Sponsored Programs.
- Ensure that each employee required to report his or her effort for the project is trained in Effort Reporting. Provide this training as necessary.
- Over the course of the award period, notify the Office of Grants and Sponsored Programs in a timely manner whenever:
  - You plan to be or are otherwise absent from the project for more than 90 continuous days; or
  - The effort of any key person decreases by the Effort Reduction Threshold for the award (usually 25% of the sponsor-approved effort).
- Ensure that Effort Reports for each contributor charging or committing effort to the project are complete, accurate, and submitted to the appropriate office as specified in the procedures section.
- Inform the appropriate office in a timely manner of any mistake a contributor has made in specifying the effort devoted to a sponsored project on a submitted Effort Report.
- Before approving overtime for any staff member whose salary is charged to or cost shared for a sponsored project, confirm that you are permitted to do so based
on the criteria listed in this policy. If overtime is approved, prepare a written justification for this decision and make this justification available upon request to the University for a period of time consistent with the sponsor’s document retention policy.

- Maintain supporting documentation for each employee charging or committing effort to the project for as long as the sponsor’s document retention requirements require.
- Ensure that any Effort Report-related cost transfers for employees contributing to the project are completed accurately and submitted to the appropriate office in a timely manner.

**Office of Grants and Sponsored Programs**

- Maintain a current set of procedures to accompany this policy and publish these procedures on the Office of Grants and Sponsored Programs website.
- Collect and review all necessary Effort Reports for faculty and exempt staff in a timely manner.
- Forward Effort Reports to Financial Affairs in a timely manner.
- Maintain copies of these reports for as long as the sponsor’s document retention policy requires.
- Report any absences or persisting decreases in effort to the sponsor as necessary.
- Provide Financial Affairs with timely, written notification of reported mistakes to a submitted Effort Report that involve changes in an exempt employee’s effort exceeding the University Tolerance Threshold.
- Offer training in Effort Reporting to each PI/PD associated with a project for which effort reporting is required.

**Financial Affairs**

- Review each Effort Report form in a timely manner.
- Initiate and complete cost transfers by sponsor’s deadline.
- Notify the Human Resources Department of each sponsored project closeout date.

**Human Resources**

- Charge sponsored project accounts in a timely manner for salaries and wages in accordance with employee timesheets and Personnel Notification Forms.
- Make adjustments to sponsored project accounts as appropriate when errors associated with the efforts of nonexempt employees are properly reported by the PI/PD or appropriate supervisor.
- Maintain originals of payroll timesheets for nonexempt employees for three years after the closeout date of the sponsored project unless an alternative period is specified by the Office of Grants and Sponsored Programs or Financial Affairs.
II. PROCEDURES

The Office of Grants and Sponsored Programs is solely responsible for developing the procedures section, and will maintain a current version on the Grants and Sponsored Programs Policies & Procedures webpage.

III. SANCTIONS AND APPEALS

The University may incur penalties for not enforcing its policies pertaining to federally sponsored projects. For this reason, sanctions will be imposed for employees who fail to submit an accurate and timely Effort Report or who are otherwise not in compliance with this policy. These sanctions may include, but are not limited to:

- Notification of the employee’s immediate supervisor, the employee’s dean, the Provost, and in exceptional cases, the President;
- Suspension or termination of current awards; and
- Loss of the privilege of participating in sponsored projects.

Sanctions will be based on the amount of risk the University incurs due to the employee’s noncompliance. Requests for the appeal of a sanction must be submitted in writing to the Provost and will be reviewed by the Provost’s Council. The Director of Sponsored Programs will abstain from voting on the issue.

IV. ADDITIONAL INFORMATION

A. References

B. Contact Information
For questions about this policy, please contact the Director of Grants and Sponsored Programs.