

## EFFORT ALLOCATION

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### ❖ **Background and Rationale**

#### **What is Effort Reporting?**

Simply put, effort reporting is a method of documenting the amount of time that key personnel are committing to a sponsored project. OMB Circular A-21; Cost Principles for Educational Institutions, requires that Rowan's effort reporting system:

- Include reasonable amounts for activities contributing and intimately related to work under the [grant] agreements.
- At least annually, verify that the proposed work was performed.
- Charge government sponsors only for those portions of employee effort that are actually devoted to their projects. Periodically, government and internal auditors review our payroll charges to enforce this expectation.

#### **Importance of Accurate Reporting**

Federal regulations applicable to sponsored research at colleges and universities are found in (OMB Circular A-21 Section J.8, entitled "Compensation for Personal Services"). Since Effort Reports are the source documents to support salary charges to sponsored projects, it is essential that this data be based on reasonable estimates of actual effort expended in the various effort categories.

**Each individual with responsibility for effort reporting must, therefore, thoroughly understand the proper method of completing Effort Report Forms and ensure effort percentages reported on the forms reasonably reflect actual effort expended during the report period.**

## **Key Points in Effort Reporting**

The following essential concepts must be understood to ensure Effort Reports are completed properly:

- The Effort Report form must account for all effort for which the University compensates the individual (i.e. “Total Effort”). Total Effort cannot exceed 100%. This includes all effort expended on University-compensated instruction, service, unsponsored scholarly activity, administration as well as sponsored research. **It does not include effort for which compensation is received directly from another entity (e.g., outside consulting work).**
- In all cases, the total of the individual effort percentages reported on the Effort Report Form must equal 100% -- neither more nor less. (See “Effort Percentages Must Total 100%”).
- Even when the number of hours of effort the individual expends each week substantially exceeds the ‘normal’ workweek of 35 or 40 hours, effort percentages must be based on “Total Effort. Total Effort can never exceed 100%.
- Allocations of effort among different activities must be made on a reasonable, equitable and consistent basis, recognizing that research and instruction are often inextricably intertwined and estimates will be necessary in most cases.
- The Effort Report Form must be completed by the individual whose effort is being reported and by a responsible person with access to reliable information on how the individual’s effort has been expended (generally the college dean). (See “Responsibility for Accurate Reporting.”)

## **Effort Reporting of Individuals Subject to the NIH Salary Cap**

- Where the individual’s University compensation for the Effort Report period exceeds the National Institutes of Health (NIH) compensation cap of \$161,200, effort percentages for all NIH sponsored research must reflect the total effort on such research, rather than just the percentage of salary reimbursed by NIH. (See Addendum A)

## **Rowan University – Faculty AFT Contract**

- Article XX in the Faculty AFT contract - “Compensation for Outside-Funded Activities” states; employees can receive compensation (e.g. from grants) up to thirty percent (30%) of his or her base salary or \$18,000 whichever is greater. . Compensation for work described may not exceed the amount of moneys provided to the College/University from funding sources for salaries or the amount or rate of compensation established in funding guidelines”
- Example: If a faculty member earns \$50K for their 10-month contract, then they could earn up to \$18K additional during that 10 month period on grant-funded activities
- **See Addendum B** for additional examples

## **Reporting Unfunded Activity (Cost Sharing)**

- The Effort Report Form requires that effort expended on an activity be reported, whether or not that activity is funded by an outside source. For example, if a faculty member expends effort on a sponsored research project but does not charge the project for all (or any) of his or her salary for that effort, the entire effort must still be allocated to the project. The unfunded effort is generally considered cost sharing and must be recorded on the Effort Report Form, entitled “Unfunded Activity” (Cost Sharing.)

For example, if a faculty member expends 75% of his or her total effort on a sponsored project, but the sponsor is charged for only 50% of his or her salary, the percentage of funded effort for that project on the Effort Report would be 50%. This is because the percentage is calculated by dividing actual salary charges to a project by the individual’s total salary for the Effort Report period. To present an accurate picture of actual effort expended on the project, the faculty member (or person responsible for completing the Effort Report Form) must enter the remaining 25% on the Effort Report Form under ‘Unfunded Activity’ as cost share.

It is important to understand that this rule applies only to effort specifically expended on a sponsored project. General research unfunded by an outside sponsor, and not separately budgeted and accounted for by the department or the school, should be categorized as unsponsored scholarly activity and reported as “Instruction and Unsponsored Scholarly Activity” on the Effort Report Form.

It will not always be easy to draw a distinct line between sponsored research activity and unsponsored scholarly activity. If unfunded activity is

indistinguishable in objectives or in character from funded activity under a sponsored project, it may be difficult to categorize the unfunded activity as independent, unsponsored scholarly activity. On the other hand, if the unfunded activity has different objectives and uses different resources, it may be appropriate to allocate the effort expended on the activity to the Instructional and Unsponsored Scholarly Activity category on the Effort Report Form.

### **Effort Percentages Must Total 100%**

- As the Effort Report Form itself makes clear, effort percentages on the form must total to 100% -- **neither more nor less**. All University-compensated effort must be accounted for; and obviously, the sum of the individual effort categories cannot be greater than 100%. Again, just because an individual may work more than a normal 35 – 40 hour week does not alter this rule. For example, an individual who spends 40 hours a week on sponsored research and 40 hours a week on University activity would report an effort percentage of 50 percent for each category, totaling 100 percent for the report period.

### **Responsibility for Accurate Reporting**

- To ensure the effort reporting system reasonably reflects actual effort expended in the various categories during the report period, whoever completes the Effort Report Form must be a responsible person who knows how the work in question was actually performed. The Effort Report Form requires the signature of the person who has completed the form, certifying that THIS REPORT REPRESENTS A REASONABLE ESTIMATE OF UNIVERSITY-COMPENSATED EFFORT FOR THE PERIOD. It is incumbent on this individual to ensure that the representations of effort contained in the Effort Report Form are accurate. Careful review is especially important when someone completes the form other than the individual whose effort is reported on the form. In such cases, it is advisable to review the completed form with the individual before submitting it.
- Although the rules applicable to effort reporting do not require that the forms be completed or signed by the individual whose effort is reported, this does not mean faculty members need not be concerned about the accuracy of the reports. Any individual who has reason to believe that his or her effort is not being accurately reported has an obligation to bring the matter to the attention of personnel responsible for completing the Effort Report Forms.

## **Effort Report Procedures**

### **When to Complete an Effort Report Form**

- Federal regulations require an after-the-fact certification of effort of all individuals when all or a portion of their salaries is charged to a sponsored project. The Effort Report supports such charges.
- Effort reporting will be based on the calendar year.
- The three (3) submission dates would be
  - February 28: Fall Term(September 1-January 31) :
  - July 31 : Spring Term (February 1-June 30)
  - September 30: Summer Term (July 1-August 31)(See Addendum A– Effort Report Form Sample)

### **Distribution & Collection of Effort Report Forms**

- Effort Report Forms will be distributed to appropriate faculty by the Office of Government Grants 30 days before the submission dates.
- Effort Reports must be reviewed, signed and returned to the Office of Government Grants 30 days after distribution. The Office of Government Grants will then document the data before forwarding these reports to the Executive Director of Budgets. In instances where individuals sign Effort Reports for other employees, the effort of individuals whose salary charges are distributed to sponsored projects must be confirmed with the Principal Investigator.

## **Definitions and Reporting Procedures for Activities on the Effort Report Form**

### **Research Related to Sponsored Projects**

- Includes all research activity on grant or contract projects sponsored by parties other than the University (i.e. federal, state, city, foundations, corporations, and the like).
- Effort expended on sponsored research projects that is not charged to the particular project account and is either required by the terms of the research agreement or voluntarily expended must be included on a project-by-project basis listed as cost sharing. List the individual fund number and percentage of

effort devoted to the project for which compensation was not received (e.g., NIH salary cap).

- NOTE: Research activities that are NOT expended on sponsored projects and consequently are NOT separately budgeted and accounted for (e.g., scholarly activity or departmental research) should be reported as instructional effort on the Effort Report Form.

### **Administration**

- Report the total administrative activity of each individual. Such reporting should include research administration activity, departmental business activities, proposal preparation effort, and instructional administration activities.

### **Instruction and Un-sponsored Scholarly Activities**

- Includes all direct instruction effort as well as un-sponsored scholarly activity (departmental research). Departmental research is all research and development activities that are not sponsored research projects and consequently, not separately budgeted and accounted for.
- Includes instructional activity on grant or contract projects sponsored by parties other than the University (e.g., training grants).
- Includes the direct effort only of those individuals assigned to approve University service centers (e.g., machine shops, stock rooms, and the like).

### **QUESTIONS?**

If you have any questions about any of this material, contact Peggy Schoen, Director of Government Grants, or Jay Kuder, Associate Provost for Research & Dean of the Graduate School.

### **NIH Salary Cap**

The Department of Health and Human Services (DHHS) appropriation contains a provision that none of the funds appropriated for National Institute of Health (NIH) or Substance Abuse and Mental Health Administration awards shall be used to pay the salary of an individual at a rate that exceeds \$161,200 per year. Since the restriction is based on a rate of pay, not a fixed amount, and since the University is required to report effort on a semester basis (Fall, Spring and Summer), the following guidelines must be used by the following individuals who have part of their salaries distributed to an NIH funded project:

- Faculty with 12-month appointments and staff employees who earn more than \$80,600 ( $\$161,200/2$ ) in either the Fall or Spring Semester.
- Faculty with 9-month appointments who earn more than \$60,450 in either the Fall or Spring semester ( $9/12 \times \$161,200/2$ ) or more than \$13,433 ( $\$161,200/12$ ) in any month of the Summer semester.

These individuals must show a percentage of effort that is more than the amount funded by NIH. To report this effort correctly, calculate and report the amount of this effort as unfunded activity.

**See Addendum C** for Examples of Effort Reporting on the NIH Salary Cap Issue

## **ADDENDUM A**

ROWAN UNIVERSITY  
**PROFESSIONAL PERSONNEL ACTIVITY (EFFORT) REPORT**

<b>SEMESTER (FALL, SPRING, SUMMER)</b>	<b>DATE COMPLETED</b>
<b>Spring</b>	<b>4/22/04</b>

<b>COLLEGE</b>	<b>DEPARTMENT</b>	<b>S.S. NUMBER</b>	<b>NAME</b>
<b>Engineering</b>	<b>Civil</b>	<b>000-00-0000</b>	<b>Henry Rowan</b>

**A. RESEARCH RELATED TO SPONSORED PROJECTS**

1. Funded Activity	%	1. Funded Activity	%
(Ex.) NSF Grant A	15%	(Ex.) NSF Grant B	10%
2. Unfunded Activity (Cost Sharing)		2. Unfunded Activity (Cost Sharing)	
(Ex) NSF Grant A	4%	(Ex) NSF Grant B	2%

**Total Research Related to Sponsored Projects** **A. 31%**

**B. ADMINISTRATION**

1. Department Administration All Departmental and/or School Administrative Activities . (Ex) 15%
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**Total Administration** **B. 15%**

**C. INSTRUCTION AND UNSPONSORED SCHOLARLY ACTIVITY**

1. Classroom preparation, grading, academic advising, departmental research and scholarly activity.
2. Instructional projects. <span style="float: right;">(Ex) 24%</span>

**Total Instruction and Unponsored Scholarly Activity** **C. 24%**

**D. SERVICE AND/OR OTHER PROPOSAL ACTIVITY AWARD PENDING**

1. Meetings <span style="float: right;">(Ex) 30%</span>
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**Total Service/Other Proposal Activity** **D. 30%**

**LINES A., B., C., AND D. MUST ADD TO 100%** **TOTAL 100%**

This Report Represents a Reasonable Estimate of University Compensated Effort for the Period

PI \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Designated Assistant \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Department Chairperson \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

4/22/04

ADDENDUM B

**Examples:**

**Faculty member with a 10- month appointment who earns \$80,000 for the Fall and Spring semester.**

Works 5% of time on Grant A during the academic year.

Works 100% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$16,000

Total Compensation for the Calendar Year \$96,000

	<b>Fund</b>	<b>Salary Distribution</b>	<b>Percentage of Effort</b>
	Grant A	\$5,000	5%
	Grant B	\$16,000	17%
	Administration	\$10,000	10%
	Instruction & Unsponsored Scholarly Activity	\$60,000	63%
	Service and or Other Proposed Activity Pending Award	\$5,000	5%
	<b>Total</b>	<b>\$96,000</b>	<b>100%</b>

**Faculty/staff member with a 12- month appointment who earns \$80,000 for the Calendar Year.**

Works 5% of time on Grant A during the academic year.

Works 100% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$0

Total Compensation for the Calendar Year \$80,000

	<b>Fund</b>	<b>Salary Distribution</b>	<b>Percentage of Effort</b>
	Grant A	\$4,000	5%
	Grant B	\$13,334	17%
	Administration	\$8,000	10%
	Instruction & Unsponsored Scholarly Activity	\$50,000	63%
	Service and or Other Proposed Activity Pending Award	\$4,666	6%
	<b>Total</b>	<b>\$80,000</b>	<b>100%</b>

**Faculty member with a 10- month appointment who earns \$95,000 for the Fall and Spring semester.**

Works 3% of time on Grant A during the academic year.

Works 100% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$18,000

Total Compensation for the Calendar Year \$98,000

	<b>Fund</b>	<b>Salary Distribution</b>	<b>Percentage of Effort</b>
	Grant A	\$2,500	3%
	Grant B	\$18,000	18%
	Administration	\$10,000	10%
	Instruction & Unsponsored Scholarly Activity	\$65,000	66%
	Service and or Other Proposed Activity Pending Award	\$2,500	3%
	<b>Total</b>	<b>\$98,000</b>	<b>100%</b>

**Faculty/staff member with a 12- month appointment who earns \$95,000 for the Calendar Year.**

Works 3% of time on Grant A during the academic year.

Works 100% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$0  
 Total Compensation for the Calendar Year \$95,000

	Fund	Salary Distribution	Percentage of Effort
	Grant A	\$2,375	3%
	Grant B	\$15,830	17%
	Administration	\$9,500	10%
	Instruction & Unsponsored Scholarly Activity	\$64,295	68%
	Service and or Other Proposed Activity Pending Award	\$3,000	3%
	Total	\$95,000	100%

**Examples:**

**Faculty member with a 10- month appointment who earns \$50,000 for the Fall and Spring semester.**

Receives approval for extra compensation (& or overload) during the academic year in the amount of \$7,200.

Works 50% of time on Grant A during the summer.

Works 50% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$7,800

Total Compensation for the Calendar Year (Capped at 130% of base.) \$65,000

	Fund	Salary Distribution	Percentage of Effort
	Grant A	\$3,900	6%
	Grant B	\$3,900	6%
	Administration	\$5,000	8%
	Instruction & Unsponsored Scholarly Activity	\$50,200	77%
	Service and or Other Proposed Activity Pending Award	\$2,000	3%
	Total	\$65,000	100%

**Faculty/staff member with a 12- month appointment who earns \$50,000 for the Calendar Year.**

Receives approval for extra compensation (& or overload) during the academic year in the amount of \$7,200.

Works 50% of time on Grant A during the summer.

Works 50% of time on Grant B during the summer.

Total Allowable Additional Summer Salary \$0

Total Compensation for the Calendar Year (Capped at 130% of base.) \$57,200

	Fund	Salary Distribution	Percentage of Effort
	Grant A	\$2,500	4%
	Grant B	\$2,500	4%
	Administration	\$5,000	9%
	Instruction & Unsponsored Scholarly Activity	\$45,200	79%
	Service and or Other Proposed Activity Pending Award	\$2,000	3%
	Total	\$57,200	100%

**Faculty member with a 10- month appointment who earns \$40,000 for the Fall and Spring semester.**

Works Part time during the academic year (50%).

Works 0% of time on Grant A during the academic year.

Works full time (100% effort) on Grant B during the summer.



*ADDENDUM C*

## Reporting Procedures

### For faculty and staff with a 12-month appointment

If the distribution to the project is correct, calculate the percentage of that amount to \$80,600. The difference between the percentage of effort and the calculated ratio to \$80,600 must be reported as unfunded activity (cost sharing)

Remember, this is a reporting issue rather than a funding issue.

### Example A: Salary Funded from Grants and Other sources Fall or Spring Semester –Total Compensation for Semester \$100,000

Fund	Salary Distribution	Percentage
NIH Grant A	\$15,000	15%
NIH Grant B	\$10,000	10%
Department	\$35,000	35%
Rowan	\$40,000	40%
Total	\$100,000	100%

### Calculation of Unfunded Activity

**NIH Grant A:**  $\$15,000/\$80,600 = 19\%$

The difference between 19% and the 15% (4%) must be reported as cost share activity.

**NIH Grant B:**  $\$10,000/\$80,600 = 12\%$

The difference between 12% and the 10% (2%) must be reported as cost share activity.

### Example B: Total Salary Funded from Grant Only (Or All Restricted Funds) Fall or Spring Semester –Total Compensation \$90,000

Fund	Salary Distribution	Percentage
NIH Grant A	\$50,000	55%
NIH Grant B	\$25,000	28%
Private Grant	\$15,000	17%
Total	\$90,000	\$100%

### Calculation on Payroll Reallocation and Reporting of Unfunded Activity

Since salaries cannot be charged to an NIH funded project at a rate of pay that exceeds \$80,600 per semester, the following steps must be taken:

1. Do a payroll reallocation to reduce the amount initially charged to the maximum amount allowable.
2. Move the difference to an unrestricted fund.
3. Report the calculated percentage of this adjustment as unfunded activity.

NIH Grant A: Maximum amount allowable is \$44,330 (55% x \$80,600)

The difference between the amount charged and the maximum amount allowable must be reallocated to an unrestricted fund and the corresponding ratio of this adjustment to total compensation must be reported as unfunded activity.

$$\$50,000 - \$44,330 = \$5,670 \text{ Reallocated to Unrestricted Fund.}$$

$$\$5,670/\$90,000 = 6\% \text{ Unfunded Activity}$$

NIH Grant B: Maximum amount allowable is \$22,568 (28% x \$80,600).

$$\$25,000 - \$22,568 = \$2,432 \text{ Reallocated to Unrestricted Fund.}$$

$$\$2,432/\$90,000 = 3\% \text{ Unfunded Activity.}$$

<b>Fund</b>	<b>Salary</b>	<b>Percentage</b>
NIH Grant A	\$44,330	49%
NIH Grant B	\$22,568	25%
Non-Federal Project	\$15,000	17%
Unrestricted Fund	\$8,102	9%
Total	\$90,000	100%

### For faculty with a 10-month appointment

If the distribution to the project is correct, calculate the percentage of that amount to \$60,450. The difference between the percentage of effort and the calculated ration to \$60,450 must be reported as unfunded activity (cost sharing)

**Example C: Salary Funded from Grants and Unrestricted Resources Fall or Spring Semester – Total Compensation for Semester - \$70,000**

<b>Fund</b>	<b>Salary Distribution</b>	<b>Percentage</b>
NIH Grant	\$25,000	36%
Department Funds	\$45,000	64%
Total	\$70,000	100%

**Calculation of Unfunded Activity**

**NIH Grant:**  $\$25,000/60,450 = 41\%$

The difference between 41% and the 36% (5%) must be reported as unfunded activity.

**Example D: Summer semester**

Consist only of salary expense in June, July and August

Academic Base \$135,000 (9-Month Appointment)

Monthly Salary = \$15,000 ( $\$135,000/9$ )

Total Compensation for Summer Semester \$30,000 (Two months effort)

**Salary Distribution**

<b>Fund</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>Total</b>
NIH Grant	\$7,000 – 50%	\$15,000 – 100%	\$0 0%	\$22,500 – 75%
NSF Grant	\$7,500 – 50%	0 - 0	\$0 0%	\$7,500 – 25%
Total	\$15,000 – 100%	\$15,000 – 100%	\$0 0%	\$30,000 - \$100%

For Summer Semester, if there is a monthly salary distribution more than \$13,433 (161,200/12) and all or part of the distribution is made to an NIH sponsored project, the following must be done:

1. Do a payroll reallocation to remove any salary change in excess of \$13,433 in any month, or do a payroll reallocation to remove the pro-rata share of any salary charged to an NIH sponsored project for any month in which the salary distribution exceeds \$13,433 and
2. Report the amount of this adjustment as unfunded activity.

### Calculation on Payroll Reallocation and Reporting of Unfunded Activity

**June:** NIH Grant was 50% of Effort;  $50\% \times \$13,433 = \$6,717$  allowable on NIH Grant:

Do a payroll reallocation to move \$783 ( $\$7,500 - \$6,717$ ) to an unrestricted fund.

**July:** Since the entire salary was distributed to the NIH Grant:  
Do a payroll reallocation to move the difference ( $\$1,567$ ) between the total amount paid ( $\$15,000$ ) and the amount allowable for NIH ( $\$13,433$ ) to an unrestricted fund.

<b>Fund</b>	<b>Salary</b>	<b>Percentage</b>
NIH	\$20,150	67%
NSF	\$7,500	25%
Unrestricted	\$2,350	8%
Total	\$30,000	100%

\* $\$783 + \$1,567 = 2,350$