

OMB Circular Detail

- OMB Circular A-21, Section J.10., requires that universities certify effort on sponsored projects. OMB Circular A21 requires that institutions:
 - develop a mechanism to determine how individuals actually expend effort and prescribes criteria for acceptable methods of documentation,
 - maintain records of the salary amounts charged to specific federal awards; and,
 - provide confirmation that the salary charges were appropriate in light of the employee's level of effort on the award during the covered time period.

Federal Regulations that Govern Effort Reporting

- OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*
- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
- OMB A-21 Memorandum M-01-06, *Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs (January 5, 2001)*

UC Policies on Effort Reporting

The University has promulgated internal policies in adherence to the federal regulations and to generally accepted accounting principles and consistent with effective internal controls and oversight related to the use of University funds. The relevant internal policies include:

- UC Contract and Grant Manual, Chapter 10-248, *Time and Effort Reporting*
- UC Contract and Grant Manual, Chapter 5, *Cost Sharing*
- UC Contract and Grant Manual, Chapter 6, *Financial-General*
- UC Contract and Grant Manual, Chapter 7-330, *Effort Confirmation System*

UC Policies on Effort Reporting (cont'd)

- UC Operating Guidance Memo No. 00-09, *General Principles Governing Payroll Charges to Extramural and University Funds*
- UC Business and Finance Bulletin A-47, *“University Direct Costing Procedures”*
- UC Accounting Manual Chapter A-000-7, *“Official Documentation Required in Support of University Financial Transactions”*
- UC Accounting Manual Chapter P-196-13, *“Payroll: Attendance, Time Reporting, and Leave Accrual Records”*
- UC Regulation Number 4, *“Special Services to Individuals and Organizations”*

Cost Sharing and the NIH Salary Cap

- *NIH Salary Cap*: The federal Consolidated Appropriations Act limits the rate at which salaries are paid under contracts and grants funded by certain agencies of the Department of Health and Human Services (HHS). Since the inception of the cap fifteen years ago, salary limits have been imposed on awards made by the National Institutes of Health (NIH), and the Substance Abuse and Mental Health Services Administration (SAMHSA). Beginning with the FY 2002 Appropriations Act, the cap was applied to the Agency for Healthcare Research and Quality (AHRQ) awards. The cap is tied to levels of the Federal Executive Pay scale specified within the Consolidated Appropriations Act. Since FY 2001 the cap has been set at the Executive Level I.

Cost Sharing

- "Cost sharing", also called "matching," refers to the resources contributed or allocated by the University to a sponsored project over and above the support provided by the extramural sponsor of that project. The two main types of cost sharing are committed cost sharing and uncommitted cost sharing. It is the responsibility of each campus to identify committed cost sharing effort and incorporate it into the effort reporting system.

Committed Cost Sharing

- Committed cost sharing includes mandatory and voluntary cost sharing identified in the project proposal (in the proposed budget or in the project narrative). *Mandatory cost sharing/matching* refers to that portion of the University contribution to a sponsored project that is required by the terms of the project's Request for Proposal or Application. *Voluntary cost sharing* refers to University-initiated contributions to a sponsored project that are reflected in the proposal budget or narrative at the time of proposal submission. Both of these types of committed cost sharing represent a specific or quantifiable commitment by the University that must be funded from another University fund source and fulfilled if the proposal is accepted as offered by the University and awarded by the sponsor. The fulfillment of the cost sharing commitment must be documented and reported.

Voluntary Uncommitted Cost Sharing

- Voluntary uncommitted cost sharing refers to any donated costs including effort of University faculty (and possibly senior researchers) beyond that which is committed and budgeted for in a sponsored agreement. Such voluntary uncommitted cost sharing is not included or quantified in either the proposal budget or the narrative. Unlike committed cost sharing, uncommitted cost sharing should not be documented or reported, and cannot be included in the organized research base for computing the Facilities and Administrative (F&A) rate or reflected in allocation of F&A costs.

UC Current Practice for Tolerance

- This practice was previously reviewed and has gone unchallenged by the Division of Cost Allocation, Department of Health and Human Services, the University's cognizant agency.

UC Degree of Tolerance

- The University has determined that tolerance to be +/- 5%. The intent is to recognize that an employee may not know the exact amount of effort devoted to the sponsored project. If, however, the employee notes a change on the Effort Report even though the change is within +/- 5%, the assumption will be that the employee knows the exact amount and a transfer of expense to adjust the charge to the sponsored project will be required.

Federal Guidelines on Degree of Tolerance for Effort Reporting

- Based on U.S. Office of Management and Budget Circular A-21, *Cost Principles for Higher Educational Institution*, effort may be certified within a tolerance. The exact A-21 text reads: *In the use of any methods for apportioning 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.*