Effort Reporting and Institutional Base Salary

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Background on Effort Reporting

- Effort Reporting is a complex regulatory requirement, and is routinely a focus area for sponsor audits. The following slides will help to understand:
  - What is Effort Reporting?
  - Why is Effort Reporting Necessary?
  - What Guidelines Govern Effort Reporting?
  - Why is Effort Reporting a Hot Topic?
Background on Effort Reporting

- What is Effort Reporting?
  - Effort Reporting is a method by which an institution attests to the federal government that salaries charged to sponsored agreements or cost share activities represent a reasonable reflection of effort devoted to those activities.
Why is Effort Reporting Necessary?

- Effort Reporting provides assurance to the federal government that federal monies are being spent as intended with respect to payroll related costs.
Background on Effort Reporting

- What Guidelines Govern Effort Reporting?
Why is Effort Reporting a Hot Topic?

- There is no precise way to measure time spent on each individual activity that comprises a faculty member’s salary
- Reliance on estimates with some degree of tolerance is understood
- Increased emphasis on federal audits in this area by NSF and the National Institutes of Health (NIH)
- Recent large settlements at prominent institutions
Effort Reporting Requirements

What are the Requirements of Effort Reporting?
- Employees’ salary or wages must be accounted for using a method that will capture all activities during the period.
- Direct activities must be distinguished from other, indirect or non-sponsored, activities.
- Direct and other activities must be confirmed with an individual with first-hand knowledge or a “suitable means of verification” that the work was performed.
- Significant changes in direct and other work activities must be identified and entered into the payroll distribution system.
- The system will provide for independent evaluations to ensure effectiveness and compliance with the standards.
Effort Reporting Requirements

What are the Requirements of Effort Reporting?
- Charges for work on sponsored agreements are to be based on the faculty member’s regular compensation that constitutes the Institutional Base Salary (IBS)
- Charges to sponsored agreements may not exceed the proportionate share of the base salary for that period, based on the level of effort allocated
- Proposal costs are to be treated as F&A costs
The annual compensation paid by an organization for an employee’s appointment, whether that individual’s time is spent on research, teaching, administrative, or other activities.
Institutional Base Salary Includes

- Full workload/IBS includes:
  - Instruction
  - Research
  - Administration, including appointments as dean, chair, and/or center director
Challenges with IBS and Effort

- Base salary and commitment/effort calculation in proposal
  - Base salary rate should be consistent between proposal and effort certification
  - Estimating base salary for multiple appointments with different contract periods?
    - Example: 9-month faculty appointment + 12-month chair appointment
Challenges with IBS and Effort

- Salary paid 9 over 12 months
  - 9-month appointment but salary is paid over 12 months
    - Expensed to non-sponsored accounts as earned over 9 months
    - Expensed to grant accounts as earned over 9 months
    - Therefore effort reporting should be based on the 9 months of the academic year
  - Summer salary rate should be based on the restated 3/9 of the academic year salary
    - Salary for Summer salary should not exceed 1/3 or the previous academic year’s salary