PURPOSE

The Federal Office of Management and Budget (OMB) Circular A-21 (A-21) addresses “principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.” The policies, provisions, and cost accounting standards in A-21 are mandatory for institutions that directly or indirectly receive Federal funds.

One of the requirements of A-21 addresses the acceptable levels of documentation and accountability for activities (effort), in relation to compensation for personal services on Federally sponsored agreements (salaries and wages). It is inappropriate to charge Federally sponsored agreements more than the labor expended; therefore, salary and wages charged should not exceed effort expended. This procedure sets forth the requirements to ensure that OHSU’s Effort Certification process remains in compliance with the guidelines of OMB Circular A-21.

DEFINITIONS

A. Effort

The work or proportion of time spent on a particular activity. Effort is expressed as a percentage of total time spent conducting OHSU business (this does NOT include Portland VA or employment with any other outside organization). For unclassified employees, 100% effort is defined as the total time spent on OHSU business, which includes work performed outside of the normal 40 hour work schedule, work performed while on vacation, and work performed off-campus. Further, an individual’s appointment serves as the basis for that individual’s total effort. Thus, if an employee has a 0.5 Full-Time Equivalent (FTE) appointment, 100% effort consists of the entire 0.5 FTE appointment. For classified employees, 100% effort includes overtime. Thus, if a classified employee works 10 hours of overtime on top of a 40-hour week, 20 hours devoted to an individual project represents 40% (20 hours/50 hours) effort.

B. Effort Certification Statement (ECS)

The ECS is a report generated from information in the Oracle Labor Distribution module. It is based on total applicable salary and wages paid to the covered individual during the effort reporting period. The ECS is the mechanism for certifying salary and wage charges, as well as cost sharing, relative to actual effort on federally sponsored projects.

C. Certification

The assertion by an employee or responsible official with suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges are reasonable in relation to work performed over the certification period. (OMB A-21 J.8.c.(1)(e)) This is the required means for OHSU to satisfy its obligations to the Federal Government that funds received are being expended for their intended purposes.
D. Cost sharing

Cost sharing is defined as the portion of the project or program costs not borne by the sponsor.

There are two categories of cost sharing – Committed and Uncommitted.

1. Committed Cost Sharing

Committed cost sharing is specifically quantified and committed within an OHSU application or proposal budget or budget justification and therefore becomes trackable and reportable to the federal government. Costs used for committed cost sharing must follow sponsor guidelines for allowability (i.e., be allowable, reasonable, allocable and consistently treated), be verifiable, be incurred within the project period and provide a direct benefit to the project to which it applies.

There are two types of committed cost sharing – Mandatory and Voluntary.

a) Mandatory Committed Cost Sharing

Mandatory committed cost sharing is defined as cost sharing that is an eligibility requirement on an application or proposal for an externally funded award or contract or is required by the terms of the award or contract.

b) Voluntary Committed Cost Sharing

Voluntary committed cost sharing is defined as cost sharing that is not explicitly an eligibility requirement on a sponsored project application or proposal. It is a quantified contribution(s) of resource(s) offered within a sponsored grant/contract application or proposal budget or budget justification. Once the commitment is made and the grant/contract awarded, the commitment must be met.

2. Uncommitted Cost Sharing [Voluntary Uncommitted Cost Sharing (VUCS)]

Voluntary uncommitted cost sharing (VUCS) is defined as cost sharing over and above that which is committed and/or offered in a sponsored grant/contract application or proposal budget or budget justification. It is cost sharing that is not explicitly an eligibility requirement on a sponsored project application or proposal. This includes effort by OHSU personnel that is over and above that which is committed and budgeted for in a sponsored agreement.

VUCS does not have to be accounted for or included in the organized research base for computing the F&A rate. [OMB Memorandum M-01-06 (January 5, 2001), “Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs”]

E. Institutional Base Salary (IBS)

As defined by National Institutes of Health (NIH), IBS is “the annual compensation that the applicant organization pays for an employee’s appointment, whether that individual’s time is spent on research, teaching, and patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties to the applicant organization. Base salary may not be increased as a result of replacing institutional salary funds with grant funds.” [Source: Application for a Public Health Service Grant (PHS398)]
F. **Salary Cap**
Under the terms and conditions of certain awards sponsors may impose salary limitations for a particular award. These salary limitations (also referred to as salary caps) must be adhered to and documented properly.

G. **Labor Distribution Adjustment**

The mechanism used to change an individual’s payroll labor distribution (LD), which shows the history of accounts, both sponsored and non-sponsored, that an employee was paid from over a given time period. ECS’s are generated after the fact from the payroll labor distribution module in Oracle. It compiles the payroll labor distribution(s) in Oracle that occurred during the effort period for an employee and reflects them as percentages on the ECS. An LD adjustment is required when payroll charges do not reflect actual effort that is expended on a project or projects during the effort period (i.e. actual work is done on one account, but actual payroll charges are paid from another). LD adjustments are entered and approved through the online Oracle Labor Distribution System. LD adjustments needed after an ECS has been generated, that affect federally sponsored and/or a suspense account must be supported on the statement itself as well as additional documentation as proof the LD adjustment occurred.

**RESPONSIBILITIES**

A. **Unit Head (Dean/Director/Department Chair/Division Head)**
- Ensure that administrators, investigators, and employees in their units, as well as themselves, know, understand and abide by these procedures.
- Understand that OHSU is responsible for supporting each Principal Investigator (PI) at the University in some fashion, and 100% of the PI’s effort should not be charged solely to sponsored agreements unless the Unit Head provides a signed statement to the PI which specifies that the individual’s entire effort is dedicated to research.
- Appoint a Departmental Effort Coordinator (DEC) for their unit, and ensure that the DEC receives Effort Certification and Salary Cap (as applicable) training and maintains up to date knowledge on the effort certification process. In most instances it is preferable that this individual also perform the duties of the LD Adjustor.
- Provide the Institutional Effort Coordinator with the name, telephone extension and mailcode of the appointed DEC and notify the IEC of any changes in appointment of the DEC.
- Ensure that faculty with IBS over any sponsor imposed salary cap have sufficient non-sponsored funding to cover the cost sharing on applicable grants.

B. **Principal Investigator (PI)**
- PI’s are responsible for understanding the Effort Certification Policies and Procedure, the importance of abiding by the Effort Certification Procedure, and the consequences of not following the procedure.
- Like most other employees, it is the responsibility of Principal Investigators to ensure that their effort is recorded with reasonable accuracy and that cost sharing is properly reported. Principle Investigators should review and when able, sign their own ECS.
- PI’s are responsible for ensuring that their total effort does not exceed 100%. In addition, OHSU is responsible for supporting each PI at the University in some fashion, and 100% of effort if PIs should not be charged solely to sponsored agreements unless a signed statement from the Dean or Director specifies that the individual’s entire effort is dedicated to research.
- PI’s are responsible for obtaining appropriate institutional and agency prior approval for changes in committed effort based on required award terms and conditions.
- PI’s are responsible for ensuring that their LD adjustor and DEC are made aware of changes in the effort of research staff in a timely manner (the ECS should not be the trigger for correcting LD distributions).
- PI’s are responsible for ensuring that charges to grants for their salary on an individual grant basis do not exceed any sponsor imposed salary cap on applicable grants. PI’s must ensure that any salary over the salary cap is cost shared to a non-federal account.
- PI’s are responsible for being knowledgeable of any special effort-related terms and conditions in sponsored project awards in which they are expending effort.
• PI’s are responsible for certifying the effort of other employees in certain circumstances. If the PI is certifying the effort of other employees, it is mandatory that the PI has direct and complete knowledge of that employee’s effort as discussed in the section of this procedure document on Signature Authority.

C. Departmental Effort Coordinator (DEC)
DEC’s, at the direction of Unit Heads, are responsible for the receipt, distribution, collection, and return of the ECS’s. In most instances it is preferable that this individual also perform the duties of the LD Adjustor. Responsibilities include:

• Continuously working with the LD Adjustor, Department Chair and/or PI to ensure salary and wages charged depicts accurate effort expended including any cost sharing (this includes cost sharing associated with any sponsor imposed salary cap).
• Continuously reviewing labor distributions and actual effort to ensure staff are working to also meet required effort commitments for each individual grant/contract.
• Assisting with the initiation and processing of labor distribution adjustments, or coordinating with the LD Adjustor as necessary. This includes clearing any payroll that is in suspense.
• Reviewing statements upon receipt to ensure that each employee who is required to certify effort receives an ECS. Contact Institutional Effort Coordinator to obtain missing statements as needed.
• Reviewing statements to ensure that the appropriate accounts have been charged to reflect actual effort expended on the project(s).
• Distributing each statement to the appropriate employee, responsible official (PI or if necessary supervisor) with direct and complete knowledge of all of the employee's effort.
• Reviewing the ECS Acceptance Checklist posted on the SPA website and included in the ECS packet generated by SPA, to ensure that statements are completed correctly. Ensuring that any corrections made to any ECS are made in ink and any incorrect information is marked through with a single line. Use of whiteout or other means of completely removing part of the ECS degrades the integrity of the ECS and cannot be accepted.
• Collecting the signed and completed statements in a timely manner in order to return all forms to Institutional Effort Coordinator prior to the specified deadline.
• Working with Department Chair or PI to ensure that each ECS is signed and dated in ink, with signature validated for appropriateness. For any ECS that is signed by the PI or Supervisor the DEC must ensure that the signer’s name is printed clearly and the relationship (i.e., PI or Supervisor) is indicated.
• Ensuring that the arithmetic is correct in all columns of the Effort Certification Statements.
• Ensuring that LD adjustments shown on the ECS are supported by an accurate labor distribution adjustment being made into the Oracle LD module. DECs must also be sure to attach the SPA Labor Cost Transfer Approval (LCTA) form to the effort statement in order to approve the LD adjustment in Oracle. LCTA forms are not necessary for adjustments using the ClinTrial and PDA expedited codes and GL to GL related transfers.
• Returning all statements before the given deadline. Although batch submission is preferred, in no instance should completed statements be held when nearing the deadline.
• Knowing and understanding the notification process listed on the Effort Certification Process Timeline for late effort statements and avoiding the escalation process whenever able.
• Knowing and understanding the Effort Certification Process, on an on-going basis, including any updates since the last reporting period.
• Attending the Effort Certification training in order to stay current with changes within the system or process.
• Monitoring the SPA website for current with changes within the system, process, or deadlines.
• Contacting the Institutional Effort Coordinator with questions regarding the Effort Certification Process for clarification.

D. Sponsored Projects Administration (SPA)
SPA is responsible for the creation and distribution of the ECS as well as collection of the ECS's from the DEC. In addition, SPA is responsible for the maintenance of the Effort Certification Process as a whole. This includes:

- Establishing an appropriate timetable for the distribution and collection of Effort Certification Packets each reporting period.
- Reviewing the Effort Certification Packets prior to distribution to the units/departments to ensure that each unit’s/department’s statements have been printed.
- Overseeing the distribution of the Effort Certification Packets to the appropriate units/departments.
- Answering questions from DECs about the Effort Certification Process and the relevant forms, reports, and statements.
- Assisting DECs with any problems they may encounter with the Effort Certification Process, including coordination with Payroll, HR or other departments as necessary.
- Overseeing the collection of the ECS’s from the various units/departments.
- Updating the internal records of SPA as the ECS’s are received and generating reports on received and outstanding statements.
- Reviewing the ECS's as they are received for completeness.
- Maintaining the Effort Certification Process policies and procedures under the authority delegated by the Vice President for Research.
- Providing adequate education and training about the Effort Certification Process to members of the OHSU community.
- Providing up-to-date information related to Effort Certification for the SPA web page.
- Providing expertise and interpretation of Federal regulations and policies.
- Taking the appropriate steps detailed in the follow-up process for outstanding ECS’s, and other necessary actions based on statements that are outstanding after the due date.

E. Information Technology Group (ITG)

- Maintaining up-to-date Effort Certification system and technical written specifications, and communicating any changes to the Institutional Effort Coordinator and the SPA Information Systems Application Analyst.

F. Effort Certification Packet

The following four documents are included in the Effort Certification Packet:

1. Memo from the Institutional Effort Coordinator

The Memo from the Institutional Effort Coordinator provides the DEC information related to the current reporting period, such as deadline dates, and also provides a summary of responsibilities of the DEC and the employees receiving the statements. This document is provided as a checklist of tasks to be performed regarding the ECS’s.

2. ECS Cover Sheet

The Cover Sheet is included with the Memo and ECS’s for each ORG receiving an Effort Certification packet. This document has the ORG, DEC name, mail code, the number of statements in the packet and a list of employees that are receiving ECS’s for the current reporting period. The DEC can use this document as a checklist to ensure that all employees who should be receiving ECS’s are included in the packet and also as a checklist to ensure that employees return all ECS’s.

3. Employees’ ECS
The ECS is the official document that is signed by the appropriate employee or authorized individual to certify effort or activities expended for the period.

4. ECS Checklist

The ECS Checklist is a tool used to communicate with departments about the reason(s) a particular ECS may not be accepted by SPA. This tool is provided to departments so they may review any statements prior to returning them to SPA to help ensure they are complete and acceptable.

REQUIREMENTS

A. Subject Employees

An employee is required to complete an ECS if their activity is partially or totally devoted to a Federally sponsored project. Pay may be received in part or whole from such grants, contracts, or a non-sponsored account (cost shared).

B. Reporting Frequency and Timeline

OHSU ECS's are produced semi-annually for all applicable employees. The effort periods cover July 1st through December 31st and January 1st through June 30th. After the end of the effort period, departments have approximately 25 business days to review and correct labor distributions before effort statements are generated for distribution.

The ECS's are distributed, certified by the employee, or by someone who has direct knowledge of the employee's effort (immediate supervisor or PI) and returned to the DEC by the deadline set by the DEC, so that the statements can be reviewed and returned to the Institutional Effort Coordinator in Sponsored Projects Administration (SPA) by the deadline stated in the Effort Period Timeline.

C. Labor Distribution Adjustments

OMB Circular A-21 allows institutions to base salary and wage payments on estimated initial labor charges, provided that such charges are promptly adjusted if activity records indicate significant differences. A significant difference is a change in a specific project's labor distribution of greater than ±5% over the entire certification period. It is the responsibility of the DEC and the LD Adjustor to ensure changes to payroll charges are timely, complete and accurate in their representation of labor distribution.

A Labor Distribution (LD) Adjustment in Oracle is the principal method for changing the distribution of pay for an employee. It is the department's responsibility to process an LD adjustment in Oracle when it is apparent that a significant change has occurred in an employee's labor distribution (greater than ±5% over the length of the effort reporting period). Oracle will not allow a labor distribution on a Sponsored Projects account (POETA) to be changed when the effective date is greater than 89 days prior to the adjustment entry date, or if the adjustment affects a closed effort certification period. A SPA Labor Cost Transfer Approval Form should be submitted to SPA within five business days of entering an LD adjustment, with the Oracle Distribution Adjustment Entry Report (DAER) attached and a copy of the employee's corrected ECS.

D. Signature Authority

Whenever possible, the ECS should be signed directly by the employee. Absent the employee's certification, the ECS may be signed by a person with suitable means of verification that the labor distribution is representative of the total effort performed. This implies that the certifier must have direct and complete knowledge of the employee's effort on the covered activities. This person is usually a PI or direct supervisor.
of the employee. In the event that the employee does not sign the statement, the name of the signer must be clearly printed and the relationship to the employee must be indicated.

Forging the signature of another individual is illegal. In the event of a suspected forgery SPA will contact the individual whose signature is under suspicion for verification. If the signature in question is verified as a forgery SPA will notify the OHSU Integrity Office and the unit head of the individual whose signature was forged. The unit is responsible for providing SPA with an authentic ECS.

E. **Salary Cap**

While any sponsor may impose a salary cap it is most notable that since 1990 Congress has mandated a salary limitation on any awards made by the National Institutes of Health (NIH), the Agency for Healthcare Research and Quality (AHRQ) and the Substance Abuse and Mental Health Services Administration (SAMSHA). Any amount above this cap is considered cost sharing and should be charged to the appropriate non-sponsored account.

For example, if the salary cap is $180,100, annually ($6,927 bi-weekly) and a PI had an annual salary of $200,000 ($ 7,692 biweekly) and expended 50% effort on a salary capped grant over a two week period, the maximum amount that can be charged to the grant for that period is $ 3,464 (50% of $ 6,927) not $ 3,846 (50% of $ 7,692). The difference of $382 must be charged to a non-sponsored account. In this case, the individual's Labor Schedule in Oracle should be set up to automatically distribute the cost sharing to a non-sponsored department account utilizing the appropriate cost share mission code (24 for Cost Sharing on Externally Sponsored Research). Cost sharing associated with the salary cap is tracked using the mission code for use in the calculation of the negotiated F&A rates.

It is the PI’s department administrator’s or DEC's responsibility to ensure that the proper amount, calculated on an individual grant basis (not aggregate), is cost shared. It is important to note that the Federal salary limit changes annually. Please reference the [Federal Salary Cap Webpage](#) for the Federal Salary Limitations. Particular care should be taken when the individual's home org is not the grant owning org.

Due to the specific nature of the salary cap regulations the “5% rule” should not be used for consideration of reflecting cost sharing associated with the cap, (i.e., if the cost sharing is less than 5% on any particular project it still needs to be reflected on the ECS).

Departments are responsible for providing a worksheet that calculates the necessary salary cap cost share amounts. This worksheet must be attached to the individual's effort statement.

G. **Cost Sharing**

Cost sharing needs to be reflected on the ECS to properly report full effort expended on the project. It should be noted that Cost Sharing must be put in the appropriate fields based on the type of cost sharing (e.g.: Mandatory and Voluntary Committed under % C/S Committed or Voluntary Uncommitted under % C/S Uncommitted). Cost sharing to fulfill the committed effort related to any salary cap should be reflected as committed on the ECS. See the [Cost Sharing Procedure](#) for additional information about cost sharing.

H. **Re-Certification of ECS's**

Signature on an ECS asserts that the information represented on that statement is, to the best of the certifier's knowledge, accurate and complete. Changes to previously signed ECS's erode the credibility of the certifier, the labor charged to the project, and the Effort Certification Process as a whole. To avoid this problem, appropriate LD Adjustments should be completed before the effort period close date or at the time the effort is certified. Once the ECS is signed and the effort reporting period officially closes (45 days after period end date), changes will not be allowed without adequate and specific justification and approval by the SPA Director or designee.
OHSU Documents/Resources
Effort Period Timeline
LCTA Form
Cost Sharing Procedure
Salary Cap Treatment

Federal Documents/Resources
OMB Circular A-21, “Cost Principles for Educational Institutions”
Federal Salary Cap Webpage

REVISION HISTORY
2/15/06: Procedure reformatted; supplementary information revised to be included as links; language simplified. This procedure revision is for formatting purposes only and does not include any actual procedural changes.
6/23/06: Language simplified; defined joint responsibility of DEC & LD Adjustor; defined acceptable methods for signing and making hand corrections to ECS (i.e., no use of pencil or whiteout); explicitly stated that forging of signatures is not acceptable, described SPA response to suspected forgeries.
9/10/08: Revised effort reporting timeline information; clarified information regarding NIH salary cap and associated cost sharing; added ECS checklist to ECS packet; clarified responsibilities.
01/10/2009: Revised format, removed UMG Medical Group, clarified DEC, Unit Head, PI and SPA responsibilities, updated hyperlinks.
08/31/2010: Language revisions; changes and clarification to PI responsibilities. Added requirement for backup documentation of salary cap calculations.