

# Effort Certification

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# What is effort certification?

- Effort is the proportion of time spent on any activity & expressed as a % of total professional activity
  - Reasonable estimate
  - Total effort must equal 100%
  - Not based on a 40 hour work week
- Certification required by federal regulations (Circular A-21)



# Why is effort important?

- Obligation to exercise good stewardship of federal funds
  - Effort reporting is a part of that stewardship
  - Personnel costs are the majority of research costs
- Compliance environment has become more stringent
  - Examples...



# Recent settlements

- Yale University - December 2008
  - Paid \$7.6 million to settle
  - Issues: 1) unallowable costs transferred to federal grants; 2) misrepresentation of effort spent on grants

Source: <http://newhaven.fbi.gov/dojpressrel/2008/nh122308.htm>



# Recent settlements

- University of Pennsylvania - June 2006

Issues:

- 1) UPENN's business managers were certifying labor effort reports, although they were not in a position to know whether work was performed
- 2) Effort reports were not certified in a timely manner as specified by UPENN policy

For more information: <http://www.costaccounting.org/CBAudit.html>

# Recent settlements

- Northwestern Univ - February 2003
  - Paid \$5.5 million to settle
  - Issues: failure to comply w/effort reporting standards; misrepresentation of time spent
- East Carolina University - August 2005
  - \$656,000 cost adjustment + \$1.7 million set aside for adjudication
  - Issues: inconsistent effort reporting system; costs not related to project