**Project Statement:**
The Time & Effort Reporting project (including Banner Labor Redistribution (LR) and Effort Certification (EC)) will bring WWU into compliance with federal regulations; avoid audit findings, and false claims charges, that could result in repayment of grant funds, and additional payments in the form of monetary penalties (fines). See Attachment A

We will analyze current EC policies, procedures, and business processes, noting shortcomings to address. We will correct deficiencies and develop best practices, as required by federal regulations governing employee compensation (OMB A-21 J10).

The current university LR&EC (manual-paper-and-pen) system is out of compliance with federal regulations. Not reporting effort as a percent of activity was corrected in FY 2010. We need to correct non-compliance for the following:

- Cost share (committed effort) is currently tracked separately and is not integrated with Effort Certification. It is not certain that cost share can be fully integrated with the Banner LR&EC system.
- WWU’s payroll system currently does not fully integrate LR&EC.

Adopting Banner LR&EC will replace the pen-and-paper-manual-system, with an integrated, automated, payroll distribution system in full compliance.

**Program: Banner Initiatives: Banner Labor Redistribution and Effort Certification (LR&EC)**

<table>
<thead>
<tr>
<th>Created and Submitted By: Ken Clark</th>
<th>Date Created: 8/27/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Owner: Ken Clark</td>
<td>Date Modified: 11/17/11</td>
</tr>
<tr>
<td></td>
<td>Version: 1.4</td>
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</table>
Current Situation

Current federal regulation requirements
Federal guidelines state that certification of an effort report for sponsored agreements, including federal flow-through, must reasonably reflect the activity for which the employee is compensated by the institution. Reporting must recognize the principle of after-the-fact certification so that costs distributed represent actual costs.

Effort must be expressed in terms of percent of total activity for which the employee is compensated by the university – not hours. Employees are required to list different categories of activities, with each expressed as a percentage distribution of total activities, including cost share (match / committed effort).

Description of current system

A Banner report (PWRTEFF) is generated and sent to each Principal Investigator (PI) or Project Director (PD). The PI / PD reviews the paper copy to ensure that the percent of effort is accurate. The PI/PD crosses out incorrect information with a pen and handwritten corrections are listed in the Corrections to Effort column. After the PI / PD makes the corrections, they send the paper report to RSP for review. If corrections are noted on the report, RSP submits a payroll redistribution form. When the correction has posted, a new T&E report is printed and sent to the PI for certification.

The RSP Fiscal Analyst tracks the T&E reports by placing a check mark next to the grant number, when it is sent to the PI and received.

Labor Redistribution refers to making a change to the FOAPAL in an employee’s job labor distribution record. In our current process an e-sign form is submitted by the department requesting the redistribution. Once approved, the information from the e-sign form is manually keyed into the Banner HR system by Accounting Services, and is then posted to the Finance system twice each month when payroll is processed.

Our current system mimics actual payroll and does not include cost share.

1. Business Processes To Be Reviewed

- Labor Redistribution as it is related to Effort Reporting / Certification
- Banner Effort Reporting / Certification
- Best practices related to cost share and Banner LR&EC

2. Functional Areas that will be Impacted
3. Identify Stakeholders

Stakeholders are all the academic units, colleges, departments that manage federal sponsored agreements (grants, contracts, cooperative agreements). The federal government is an outside stakeholder that monitors compliance of institutions of higher education. Some noted on the chart above must be included in order to develop adequate policies, IT solutions, and guidance for the project.

4. Identify Team Members

Ken Clark – Project Owner and Director of RSP
David Weiss – HR functional analyst
Steven Weinberg – Manager of Application Systems, ADMCS
Sharon Colman – Financials Systems Support
Diane Fuller – Accounting Services
Becky Striggow – RSP
Rose-Mary Barstad – RSP
Patrick McGinty – Campus Compact (end user with most effort and cost share certifications)
Angela Mischaikov – Campus Compact (end user)
Meg Greenfield – CBE (end user)
Dr. Janet Finlay – Faculty end user
Dr. David Patrick – Faculty end user

5. Relationship to Banner Initiatives Objectives

Banner Initiatives Objectives

- Simplify and automate business processes by implementing best-in-class practice
  - Avoid human errors
Banner Initiatives – Project Initiation Document
Time & Effort Reporting Project

- Improve data integrity
- Reduce process cycle time and unnecessary paperwork and handling
- Increase productivity and improve accuracy
- Integrate systems and reduce/eliminate redundancy and shadow systems

- Improve services to campus and boost customer satisfaction

- Improve reporting capabilities on:
  - Management reports
  - State and federal reporting requirements

- Deliver effective training program to all identified end-users across different departments prior to “go-live”

- Provide efficient post implementation support to end-users

WWU is currently out of compliance for federally mandated effort certification/reporting. Using Banner LR&EC tools enable WWU to become compliant by integrating cost share with LR&EC; and avoid findings from auditors. Audit findings have resulted in substantial fines (millions of dollars) and repayment of grant dollars plus interest, for other universities, for effort that was not properly documented.

SunGard recommends implementing Labor Redistributions for Employee Self-Service before implementing Effort Reporting. This sequence is required in order to achieve Western’s best-in-class status and federal compliance.

RSP began re-formatting policies and procedures during the summer of 2011.

RSP plans to offer education to faculty and staff (those who manage federal sponsored agreements) prior to implementation. RSP and HR will develop user friendly education material on the university websites (RSP) for end users, who need handy reference material.

6. Risk Assessment

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial financial penalties and pay back of all federal grant</td>
<td>Substantial loss of money, denigration of reputation with</td>
<td>Set up Labor Distribution first and then Effort Certification to become</td>
</tr>
<tr>
<td>awards that neglected to, or improperly documented Effort Certification and Cost Share. See Attachment A.</td>
<td>federal granting agencies.</td>
<td>compliant, as recommended by SunGard.</td>
</tr>
<tr>
<td>Inadequate policies and procedures</td>
<td>A weak foundation will undermine efforts to develop</td>
<td>Full review and integration of acceptable policies and</td>
</tr>
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<td></td>
<td></td>
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</table>
## 7. Research

A core group studying our current process (Ken Clark, David Weiss, Rose-Mary Barstad, Becky Striggow, Vic Kiel) have received guidance from other university research administrators who use Banner LR&EC.

The sessions focus on “*What I wish we would have known when we were planning to implement Banner LR&EC.*”

- University of Idaho – Polly Knutson – face-to-face visits.
- University of New Hampshire – David Browning (conference call and emails)
- University of North Carolina at Wilmington – John Finn
- University of San Angelo (Texas) - Katy Plum (face-to-face, emails)
- Winthrop University - Teresa R. Justice (face-to-face, emails, ongoing phone conversations)

David Weiss arranged for the core team, along with Patrick McGinty (end user from Campus Compact) to meet for several weeks to attend recorded presentations given at the SunGard Summit meetings featuring sessions focused on LR&EC implementation at their institution.

- Florida Atlantic University,
- Grand Valley State University and a
- “Birds of a Feather” roundtable discussion.
We continue to gather helpful “intel” to inform our decisions. RSP Director attended a National Council of University Research Administrators Annual Meeting November 6-9 to gather more information.

Besides OMB A-21 (2CFR Part 220), reference materials include: (1) Council on Government Relations Effort Certification Report, and (2) the National Science Foundation; Office of Inspector General report to guide our compliance efforts (see Attachment B).


Each of the Research Administration Directors at universities we have spoken to, relied on outside consultants to work with their institution before implementation. We anticipate three trips at a cost of approximately $30,000, to arrive at best in class service.

- One week with consultant to educate RSP and HR team members about use of the cost share functions in the Banner Grants module with consultant. Sungard consultant did not cover this adequately during grants module set up. This is critical to LR&EC setup.
- One week to review current business processes with consultant and request consultant to educate team about Banner LR&EC business processes, avoiding glitches, and best practices.
- One week to review preparations for implementation by planning the setup process for the IT, HR, RSP team members.

We will continue to gather information and conduct literature review with other Banner schools and government resources.
## ATTACHMENT A

### INSTITUTIONS CITED FOR INFRACTIONS RELATED TO LR&EC AND COST SHARE (FALSE CLAIMS)

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>INSTITUTION</th>
<th>WEAKNESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSF</td>
<td>Cornell</td>
<td>Did not adequately define “suitable means of verification”&lt;br&gt;Did not hold certifying officials accountable to follow policies and procedures</td>
</tr>
<tr>
<td>NSF</td>
<td>U Delaware</td>
<td>Six employees interviewed did not fully understand responsibilities related to effort reporting&lt;br&gt;Labor changes were accepted nearly two years after UD’s turnaround time&lt;br&gt;Lack of policy defining what constitutes suitable means of verification&lt;br&gt;Administrative time or excess salary charged</td>
</tr>
<tr>
<td>NSF</td>
<td>SUNY Stony Brook</td>
<td>Employees did not have first-hand knowledge (suitable means of verification) when they certified effort&lt;br&gt;A non-integrated effort reporting system that did not include all employees activities for which they are compensated by the institution&lt;br&gt;Insufficient oversight and monitoring</td>
</tr>
<tr>
<td>NSF</td>
<td>U of Wisconsin Madison</td>
<td>Inadequate oversight of the effort reporting / certification process&lt;br&gt;Inadequate training of personnel involved in the effort reporting / certification process</td>
</tr>
<tr>
<td>NSF</td>
<td>Northwestern U</td>
<td>Fined $5.5 million.</td>
</tr>
<tr>
<td>NSF</td>
<td>U of Southern Florida</td>
<td>Fined $4.1 million.</td>
</tr>
<tr>
<td>NIH</td>
<td>Johns Hopkins</td>
<td>Fined $2.6 million.</td>
</tr>
<tr>
<td>NIH</td>
<td>Harvard</td>
<td>Fined $3.3 million</td>
</tr>
<tr>
<td>NSF</td>
<td>University of Alabama Birmingham</td>
<td>Fined $3.9 million</td>
</tr>
</tbody>
</table>
NSF | Florida International U | Fined $11 million
---|---|---
NSF | U North Carolina Central University | One employee’s ERs indicated that he had spent only 70-80% of his time on NSF grant, but 100% of time was charged to the grant. UNCCU argued that 100% of time was spent on grant but the employee spent extra time after full time work on UNCCU activities. NSF indicated that ERs may only reflect 100% of activities and not 110% or 120%
ATTACHMENT B

EFFORT CERTIFICATION ERRORS & RISK MITIGATION (FROM NSF OIG REPORT) SOURCE:
HTTP://WWW.NSF.GOV/OIG/AUDITPUBS.JSP

Salary Allocation
- Lack of appointment letters documenting an employees’ IBS (Institutional Base Salary)
- Salary allocation using a higher IBS than is stated on the employee’s appointment letter
- Summer salaries exceeding NSF allowance
- Lack of justification for, or independent approval of, prospective changes to effort allocations

Salary Allocation Risk Mitigation
- Clearly define what constitutes the IBS and share among the research community
- Develop and comply with institutional policies on justifications and approvals related to changes to effort allocations
- Educate business managers on the “Dos and Don’ts” of salary allocations and applicable agency guidelines

Cost Transfers
- Justifications provided give little detail for the reasons of the cost transfer
- Follow-up is not conducted to ensure validity of the cost transfer
- A tolerance level is not defined for variations between committed versus certified effort that would necessitate a one-time cost transfer
- Inadequate documentation for justification and approval of cost transfers

Cost Sharing
- Cost share amounts could not be linked to specific projects
- Inadequate documentation kept to track and validate when uncompensated faculty effort was replaced with cost share effort

Risk Mitigation for Cost Share and Cost Transfers
- Develop institutional policies on documenting, justifying, and approving cost transfers
- Determine an accepted tolerance level for variations between committed and certified effort (e.g., 5%)

- Identify and create roles and responsibilities for the individuals reviewing justifications and conducting necessary follow-up to ensure validity of cost transfers

- Put into place procedures to review effort reports and conduct one-time cost transfers on certifications that breach the tolerance threshold

**System Weaknesses and Findings**

- Inaccurate allocation of faculty salaries to grants

- Generation of activity reports were incorrect

- Individual entry on effort report exceeded 100%

- Calculated total effort in excess of 100%

- System capabilities did not allow for creation of separate cost share accounts to track cost share expenses

- Inability to track committed versus actual effort

**System Weakness Risk Mitigation**

- Ensure that cost sharing can be tracked in individual cost share accounts

- Employ electronic control mechanisms to prevent certification of an individual line item or an aggregate effort exceeding 100%

- Develop a method to track committed effort

- Utilize system capabilities to monitor and compare committed vs. actual effort

**Inadequate or Incorrect Certification Findings**

- Certifier lacked a “suitable means of verification” that effort charged was actually performed

- Certifications were late by as much as 600 days, not dated, or not signed

- Certifying officials were not provided payroll distribution and labor effort reporting information

- Labor not directly benefiting the grant was charged directly (e.g., proposal writing, teaching activities)

- All compensated work activities were not reflected
Inadequate or Incorrect Findings Risk Mitigation
- Define what constitutes “suitable means of verification”
- Review certifications to ensure that committed effort is in line with actual effort
- Provide payroll distribution and effort reporting information to certifiers
- Develop and comply with institutional policies on allowable timeframe for certifications, signature on certifications, and repercussions for delinquency or noncompliance

Education and Training Findings
- Criteria for certification not understood by certifying officers
- An effective training program was not in place

Education and Training Findings Risk Mitigation
- Educate all personnel on allowable and unallowable costs (e.g., proposal and F&A costs)
- Train individuals/offices to understand the bigger picture and how their piece of effort reporting fits into the whole

Policies and Procedures Findings
- Outdated or nonexistent institutional policies
- Lack of policies or procedures for accurate reporting of uncharged but committed effort

Policies and Procedures Risk Mitigation
- Develop and document written policies and procedures
- Publish policies and procedures in one central location to minimize duplication of effort, conflicting policies, and confusion
- Implement precise, but reasonable policies (e.g., a 60-day turnaround on effort reports rather than 30-day).
- Remember that the government audits in accordance with your internal policy if it is more stringent than federal regulations

Institutional Compliance and Monitoring Findings
- Delays in acting on internal audit recommendations
- University did not conduct independent internal evaluations

Institutional Compliance and Monitoring Risk Mitigation
- Designate an officer or senior level administrator to “own” effort reporting
Anticipate and proactively reach out to awarding agencies to resolve possible issues or answer questions

- Remember that the annual A-133 audit does NOT satisfy the independent internal evaluation requirement
- Work with your internal audit department to help keep you in compliance!
- These findings can lead to bigger problems with the federal government

**Consequences of Non Compliance**
- Loss of funding and draw down privileges for future research activity
- Risk of fines and penalties imposed by oversight agencies
- Settlement costs and/or damages arising from actions under the Federal and State False Claims Act
- Damage to the institution’s reputation
- Debarment, suspension, or criminal and/or civil sanctions of Principal Investigator (PI)

**NIH and National Laboratory of Medicine (NLM) Findings:**

**Yale University:** $194,000 at risk
- PI failed to contribute the level of effort proposed
- Documentation for cost transfers for labor and salary had been altered

**East Carolina University:** $2,300,000 at risk
- Employees had been instructed to falsely certify that they were devoting effort to the NLM contract
- Clerical and administrative personnel charged salary, wages, and fringe benefits to the NLM contract although their duties did not benefit the contract
- Time and effort were based on reports inconsistent methods

**Department of Justice (DOJ) Settlements:**

**University of Alabama at Birmingham:** $3,390,000
- Overstated the percentage of effort researchers devoted to the grants
- Falsely reported time and effort of employees who did not work on the grant

**Harvard University:** $3,250,000
- Salaries of researchers who did not work on the grants were billed
- Salary of the PI were in excess of the budgeted amount
- Researchers did not meet their 75% effort commitments

NIH Audit Reports: http://oig.hhs.gov/oas/nihs_archive.asp
NSF Award and Administration Guide:
http://www.nsf.gov/pubs/policydocs/pappguide/nsf08_1/aag_5.jsp
NSF Audit Findings: http://www.nsf.gov/oig/auditpubs.jsp
OMB Circulars: http://www.whitehouse.gov/omb/circulars/
Person Months Conversion Chart:
http://grants.nih.gov/grants/policy/person_months_conversion_chart.xls