

Guidance for Auditing Departmental Effort Monitoring, Personnel Action Form Effort Certifications, and Plan Confirmation System Review Processes

Federal regulations for determining costs applicable to grants, contracts, and other agreements require educational institutions to maintain a payroll distribution method that ensures the apportioning of salaries for personal services is reasonably reflective of the actual work activities for which the employees are compensated.

The University of Rochester has elected “Plan Confirmation” as its payroll distribution method (ref: OMB Circular A-21 (A-21), Section J, number 10, c (1)) for its sponsored programs/projects. Under the Plan Confirmation payroll distribution method, the payroll allocations to University FRS ledger accounts are established in advance of when work will actually be performed (i.e., based on anticipated or “planned” activities). Payroll distributions are then updated to reflect any significant changes in the anticipated or actual distribution of work effort. This method involves the use of the proposal, HRMS system, Personnel Action Form (PAF) certifications, and the Plan Confirmation System Review (PCSR) process.

1. Effort Monitoring

As with any payroll distribution method, there is an expectation that departments and units will have their own internal control system in place that effectively monitors the effort allocations of faculty and staff working on sponsored projects. The objective of monitoring effort is to help ensure payroll allocations to FRS ledger accounts are reasonable reflections of the actual work performed. The Office of University Audit (OUA) recommends that, at least quarterly, sponsored projects administrators document a review of salary distributions with their respective faculty/investigators to make certain that actual allocations (recorded in HRMS and FRS) reasonably reflect devoted effort.

While there is no one single method identified to monitor effort allocations, OUA recommends the use of a spreadsheet (updated at least quarterly) to track and compare the three primary components of effort:

- 1) Committed Effort (the effort committed or “promised” in the proposal and award)¹
- 2) Reported Effort (per what is reported in HRMS, i.e., the actual salary allocations)
- 3) Actual Effort (the actual work performed, per the PI or other responsible person with suitable means of verifying effort)

The monitoring spreadsheet should be used in conjunction with periodic faculty/investigator meetings to help facilitate a discussion about salary allocations and actual devoted effort. These may also help identify “over-commitments” of effort and “cost-shared” effort that, when applicable, is quantified and reported.

An important element of an effort monitoring process is evidencing that the controls have been performed; therefore, sponsored projects administrators should document these periodic effort monitoring meetings. A best practice for documenting these meetings is the use of a sign-off form or other procedure that has the faculty/investigator sign-off on an effort report (available from such tools as HRMS, URGEMS or the CLASP Toolbox). Alternatively, the sponsored projects administrator can document when the meeting took place and that effort allocations were discussed, including any conclusions or action items resulting from the discussion. In these cases, the sponsored projects administrator should send the faculty/investigator an e-mail containing the documented notes.

¹ This review should take into account the ability of investigators to reduce effort up to 25% without sponsor approval, as allowed by specific agency regulations.

OUA routinely reviews departmental internal controls for effort monitoring. Due to the importance of these controls, OUA will issue a report comment to any department that does not have a well defined method for monitoring effort.

2. Personnel Action Form (PAF) Effort Certifications

Under the Plan Confirmation method, A-21 requires that a statement must be signed, at least annually, stating that payroll allocations are reasonable in relation to the work that was performed. The University meets this federal requirement by including effort certifications on Personnel Action Forms (PAF) 510, 610, 506/520, 800; and on Summer Salary Distribution reports.

A-21 requires that certifications must be made by individuals using a “suitable means” of verification that the work was performed. OUA routinely conducts audits to ensure that PAF effort certifications are being completed in compliance with regulations. The University considers the following two methods (a or b) suitable for ensuring effort certifications are meaningful and valid:

Note: The below effort certification guidelines also apply to Summer Salary Distribution certifications.

a. First Hand Direct Knowledge

The University considers the ideal practice for PAF effort certifications is that they are signed by persons who have first hand direct knowledge about the actual work performed. PAF effort certifications should always be signed by individuals who have been informed to fully understand the purpose of the certification and the underlying regulations.

- **Principal Investigators** - In a research environment, the PI will have first hand knowledge of his/her own effort as well as generally having first hand knowledge about the effort of most of the staff and students who work on the PI's research projects. Therefore, a PI may certify effort on the PAFs that pertain to personnel entirely assigned to his/her projects and laboratories.
- **Other Faculty Members** - Faculty members may sign the effort certifications of their own PAFs.
- **Research Staff** - The research staff members or post-docs for whom the PAF pertains may sign their own effort certifications.
- **Sponsored Projects Administrators** - Generally, administrators do not qualify as having first hand direct knowledge of the work performed, even if they closely monitor the financial and administrative aspects of the research projects. However, to satisfy the “suitable means” criteria, an administrator can certify effort if they maintain an effort monitoring process (such as the one described in section 1 above) that includes having documented evidence that effort is regularly verified with individuals that have first hand direct knowledge of the work performed.

b. Verification of Work Performed by a Responsible Person

Best practice is to ensure PAF effort certifications are signed by persons who have first hand direct knowledge about the actual work performed (as discussed in section 2.a above). When a certification signature from a person with first hand direct knowledge can not be obtained, it is acceptable for a responsible person who does not have first hand knowledge to sign the certification statement; however, they must use a suitable means to verify the actual work was performed. For example, a sponsored project administrator who contacts a person with first hand direct knowledge using one of the following procedures may certify effort on a PAF:

- **E-mail:** Based on an e-mail from a person with first hand direct knowledge confirming that the work was performed, an administrator can sign the effort certification on the PAF. Best practice is for the administrator to e-mail a PDF copy of the PAF to the person with first hand knowledge. The e-mail response from the person with first hand direct knowledge should be attached to the PAF to document that verification took place. A copy of the PAF and e-mail should be retained by the department in accordance with the University's retention policy.

- **Verbal Discussion:** Based on a verbal discussion with a person with first hand direct knowledge, an administrator can sign the effort certification. The verbal discussion should be documented in an e-mail from the administrator to the person they spoke with. A response to the e-mail is preferred but not necessary. The e-mail should be attached to the PAF to document that verification took place. A copy of the PAF and e-mail should be retained by the department in accordance with the University's retention policy.

3. Plan Confirmation System Review

Under the Plan Confirmation method, A-21 requires that the University test the system to ensure an independent evaluation of the system's integrity and compliance with the standards so that it is producing an equitable distribution of salaries that are reasonably reflective of the actual work performed. The test is conducted annually based on proposed effort allocations for the last pay period of September. Confirmations are due back from the departments within eight weeks (pay period and due dates subject to change). This test is referred to as the Plan Confirmation System Review (PCSR).

During the University's PCSR process, departments are provided with the planned effort allocations of each employee as of September 30th. The effort allocations in the PCSR represent the "anticipated" activities of each employee as of September 30th.

Departments are required to compare the PCSR effort allocations (i.e. what was planned) to the allocations that were actually processed and to sign-off on the PCSR documents *confirming* the reasonableness of the distribution of effort. **Note:** this is a *confirmation* of the system and not a certification of effort. Attestation of PCSR documents is an acknowledgement that the system is working as designed. Certification of effort is achieved via Personnel Action Forms and Summer Salary Distribution certifications, as described in section 2 above.

An individual who is in a position to verify the accuracy of the effort distributions (i.e., first-hand knowledge or other means of verification noted above) may perform the reviews and sign the attestation statement on the PCSR documents. A sponsored projects administrator can sign the attestation statement on the PCSR documents if they have maintained a periodic effort allocation monitoring process as described in section 1 above.

Alternatively, sponsored projects administrators may sign the attestation statement on the PCSR documents if they confirm with the individuals who have first hand direct knowledge of the work performed to determine if the September 30th allocations are reasonably reflective of the planned effort, and when necessary a PAF was generated to correct the plan to more reasonably reflect actual devoted effort. The same expectations for an e-mail exchange or verbal discussion listed in section 2.b above apply.