

Certification of Effort for Grants and Contracts

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Abstract

The University of Tennessee has more than 25,000 active employees across the state spanning more than 400 miles from Knoxville to Memphis and Chattanooga to Martin. As Tennessee's land grant institution, the University pursues a mission of education, research, and public service. In 2002, the University was awarded more than \$245 million for research and other sponsored programs.

As a condition to receiving federal funding, research institutions must maintain an accurate system for reporting the percentage of time (i.e., effort) that employees devote to federally sponsored projects. The University bases its certification of effort on the standards set forth in OMB Circular A-21, "Cost Principles for Educational Institutions - Compensation for Personal Services." This circular can be found at:

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

All salary costs incurred by employees working on grants and contracts must be accounted for and approved. Given both the volume of effort involved and logistical challenges inherent in the movement of paper forms through the organization, the university decided to develop an online system for the certification of effort. The online Effort Certification system allows for real-time editing and more accurate information, electronic routing and approval, online real-time reporting, and an improved compliance rate.

Because the transactions are pre-populated with existing payroll data and subject to stringent edit checks, the quality of information is greatly improved. The system determines the approval path based on attributes of the transaction (such as cost objects charged, policy requirements, etc.). The system has also reduced to a great extent the use of paper documents, and the records are now stored electronically. Furthermore, the processing time for the certification of effort has been significantly reduced, and the compliance rate has improved dramatically. Due to the improved efficiency of the process, certification can now be done monthly rather than once a semester, keeping the financial records much more current. And finally, the ability to report on the status of the certifications is greatly improved. Reporting is now immediately available to a wide audience with up-to-the-minute results.

Introduction to The University of Tennessee

President: Joseph E. Johnson

Executive Vice President: Emerson H. Fly

Vice President of Administration and Finance: Sylvia S. Davis

Vice President and Treasurer: Charles M. Peccolo

Associate Treasurer: Neal Wormsley

The University of Tennessee is a statewide higher education system that includes campuses in Knoxville, Chattanooga, Martin, the Health Science Center at Memphis, a research campus in Tullahoma, and the institutes of agriculture and public service, which serve every county in Tennessee. The University of Tennessee is the state's flagship and land-grant institution. The University is the oldest and largest public higher education institution in Tennessee, tracing its beginnings to the founding of Blount College in Knoxville in 1794 - two years before Tennessee became a state.

The statewide university system has approximately 42,000 students and approximately 25,000 employees. By 2010, the institution's goal is to be recognized as a premier, internationally recognized flagship university system. New performance goals for the system include a renewed vision, increased research productivity linked to economic development, a heightened emphasis on accountability and private support, a strengthened commitment to equity and diversity, and enhanced relations with faculty, staff, students, alumni, government officials, and others. Each entity within the

University has established new standards of accountability exemplified by public scorecards that show progress toward important quality indicators.

The university system is governed by a board of trustees appointed by the governor of Tennessee. One student and one faculty member servesingle-year terms on the board. These two positions rotate annually among the institutions within the University system. Ex-officio members of the board include the governor, the commissioners of education and agriculture, the executive director of the Tennessee Higher Education Commission, and the president of the university.

Source: The Tennessee Blue Book published by the office of the Tennessee Secretary of State <http://www.state.tn.us/sos/bluebook/online/bbonline.htm>

As Tennessee's land grant institution, the University pursues a mission of education, research, and public service. The University's research and scholarship enrich and magnify its educational role and enhance its public service undertakings.

In 2002, the University was awarded more than \$245 million for research and other sponsored programs. As a Carnegie Research-Extensive Institution, it partners with Oak Ridge National Laboratory, St. Jude's Children's Research Hospital, the Memphis Biotech Foundation, and other organizations dedicated to national and international research missions. In cooperation with Battelle Memorial Institute, the University formed UT-

Battelle Corporation, which manages Oak Ridge National Laboratory for the U.S. Department of Energy.

Statement of the problem/initiative

Federal and state agencies, private foundations, organizations, and private industry provide significant grant and contract funding enabling The University of Tennessee to conduct research, public service, and training projects. Every employee who works on one of these grants or contracts is required by the University to certify the effort he or she has expended on that project. The University's effort reporting system that assures these external sponsors that grant and contract funds expended for salaries and benefits are for those individuals working on the projects they sponsor. Therefore, the University must provide the means for certifying that the effort provided is consistent with the salaries and benefits charged to sponsored projects.

Employees at the University of Tennessee are paid either on a biweekly or monthly basis. Persons paid on a biweekly basis are required to submit an hourly time sheet in order to be paid. These biweekly employees certify their effort by the hours they report on their timesheet for each grant or contract for the pay period. Employees paid on a monthly basis are not required to complete timesheets so they must explicitly certify the effort they expend on a grant or contract.

Prior to January 2002, effort certification was a manual process. This process involved thousands of paper forms that had to be distributed to the faculty and staff, completed by the employee, approved by the department head, and returned to a central accounting office. The quality of the information on the paper forms varied, forms were lost or misplaced, and compliance was not at the level the University desired. Due to the lengthy process, the paper certifications were submitted once a semester. By the time the forms were returned, as much as eight months or more might have elapsed. Transferring salary costs to the appropriate grant or contract as a result of the effort reported required an additional paper form and would take another month or more. As a result, the salary transfers, when required, were not made in a timely manner.

The University implemented SAP's Enterprise Resource Planning (ERP) system (named the IRIS project at the University). The Financial modules went live in April, 2001, and the Payroll module went live in January, 2002. After the payroll go-live, the University decided to develop an online Effort Certification system within the new IRIS accounting system to handle the certification of effort. The goal was to address some of the shortcomings of the paper system: with electronic edits the accuracy of the information could be improved; using the University's workflow system the documents could be electronically routed, eliminating lost certifications and drastically reducing the processing time; and online reporting and tracking of the certifications could be done easily and in real-time.

Design

To establish the requirements for the Effort Certification system, a work group was established. This work group consisted of representatives from the IRIS project (financial and payroll teams responsible for the design and implementation of the system), campus business office staff (responsible for compliance from their campus), departmental bookkeepers (responsible for entering the data), and central office staff (responsible for the overall compliance of the University). Furthermore, the committee included members of the workflow, security, and programming staffs to substantiate the feasibility and associated development cost of proposed design considerations.

The design's focus was to automate the certification process, improve the accuracy of the data, improve the efficiency of the approval process, allow for more timely adjustments to financial records, and increase the overall level of compliance. A web front-end was developed to make the system more accessible to the researchers and other individuals assigned to the grants or contracts.

The Effort Certification system is used by individuals paid on a monthly basis who have expended effort on a grant or a contract. Since these monthly employees do not complete timesheets, they must certify that the percent of their pay charged to a grant or a contract was the percent of time actually worked for that grant or contract. Regulations require that either the individual employee or someone familiar with his/her work certify the

effort. At the University of Tennessee, the individual, the principal investigator, or the department head can certify the effort. If someone other than the individual expending the effort enters the effort certification into the system, a paper document must be signed by the employee or other responsible person, and the document must be stored in the department for six years.

On the first of every month, an e-mail notification is sent to every individual paid by a grant or contract reminding them to go to the Effort Certification web site to certify their effort. If effort is not certified by the tenth of the month, a reminder e-mail is sent. Effort is certified by the individual completing the electronic transaction and submitting it to workflow for electronic approval.

If the certified effort percentages match the payroll percentages charged to the grants and contracts, no other action is needed. When the certified effort indicates a need for salary costs to be transferred between funding sources, the document is sent electronically to the department head for approval. Just prior to the monthly payroll, the IRIS system compares all approved effort certification records that indicate a need for salary transfers between funding sources and applies these changes to the payroll cost distribution records. Salary transfers are then automatically posted to the financial system as part of the subsequent monthly payroll system posting.

Not surprisingly, the majority of the cost of implementing the Effort Certification System was in the areas of programming and the supporting information technology

infrastructure. A significant investment in time was made to prepare training manuals and self-paced training courses. The primary approach was to “train the trainers” on the various campuses and have these campus trainers conduct the on-site training classes for their staff.

Implementation

The Effort Certification system is based on data maintained in the IRIS payroll system, and was developed by University programmers. The programming for the Effort Certification system began a few months after the IRIS payroll system go-live in the spring of 2002 and went live in May, 2002. Since the prior effort certification system had been on a semester basis, the initial month for certification of effort in the new online system was January, 2002.

One of the biggest challenges of implementing the Effort Certification system was in educating the individual on how to use the online system. Prior to January, 2002, the effort certification form was on paper and was processed by the departmental staff.

There was a large learning curve moving from paper forms to the online system. A second challenge was getting the researchers used to certifying their effort every month instead of waiting and doing it only once a semester.

One benefit of the online system is the ability to obtain reports on uncertified effort. The Uncertified Effort report can be run at any time by anyone with the appropriate security for a variety of selection criteria. This allows people at all levels of the University to closely watch compliance. As a result, compliance has dramatically improved.

Benefits

The online Effort Certification process has been very beneficial to the University: compliance and the quality of the data have been improved dramatically, employees can access the system via the web, approvals are more prompt, financial adjustments to the grants and contracts are done much more timely, and there is easy and up-to-date reporting on the certifications.

The Effort Certification system has resulted in a tremendous increase in the completion of required documentation compared to the previous paper system. The return rates with the paper system were around 92-95%. With the online system, these rates are over 99%.

Since the certifications are now done monthly instead of once a semester, the financial adjustments are made much more quickly. This allows grant and contract billings to be more accurate and grant-end contract close-outs to be more timely. The new system eliminates the need for additional paper forms to authorize the financial adjustment as these adjustments are made automatically by the Effort Certification system.

The online Effort Certification System has resulted in improved data quality due to the pre-population of the payroll data and the number of automatic edits and business rules checked before the transaction can be submitted. Because the salary transfers are processed automatically by the payroll system, the financial data is also more accurate. There is no longer a need for the departments to process a second paper form to move the salary costs.

In addition, the use on electronic routing and approvals reduces the frequency of bottlenecks in the approval process. Whereas the processing of a paper form might be delayed due to a vacationing department head or, worse, get lost completely, an electronic approval can be processed in a much timelier fashion. The electronic approval system also allows for easy document tracking.

Retrospect

The Effort Certification system has brought many benefits to the University of Tennessee. This system was dependent on having the payroll system in our SAP ERP and was developed around the payroll system. As a result, we could not implement the Effort Certification system until May, 2002. Up until that time, the certifications were a paper process. Since that time, the accuracy, timeliness, and compliance have all been greatly improved.