Time and Effort Reporting: Practical Applications in Response to Internal Audit Recommendations

The University Of Oklahoma
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Top 5 Things NOT to Say During a Time and Effort Audit

1. Are you serious—I’m supposed to remember what I worked on this past month? I just allocate my effort based on the project’s original budget.

2. Oh, that isn’t my “real” signature. That’s my “faux” (my assistant’s) signature. I’ve never seen that before in my life!

3. Do you mean that just because I’m the PI I’m supposed to know EVERYTHING that is happening on this project?

4. I worked 80 weeks that month with about 50% effort each on Project A and B. Since my budget is tight on Project A, I just allocated all of my effort to Project B and donated my “extra” 40 hours per week to Project A.

5. Are you saying that my signature means to you that I actually looked at this document?
Sponsored Programs Audits

- Effort Reporting—consistently appears on “Hot Topics” and Top Audit Findings Lists
- Typically salaries, wages, and fringe benefits constitute a large portion of a sponsored program budget—logical place to get the most audit coverage for audit effort
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Summary of Effort Reporting Practices

• Plan-Confirmation and After-the-Fact Reporting Methods of Payroll Distribution— In compliance with OMB A-21 J10c (1,2)

• Payroll Distribution System—In compliance with OMB A-21 J10b(1,2)

• Effort reporting oversight is shared by individual employees, ORS, and Outreach
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Summary of Effort Reporting Practices

• Compensation policies follow generally accepted accounting practices, reflect and support the organizational and financial structure, and are consistently applied irrespective of funding

• Compensation practices define and address full workload and total professional effort, institutional base salary, and supplemental compensation
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Effort Reporting Processes
Outreach Processes

- Scope & diversity of sponsored programs is unique
- Some grants, some cooperative agreement, and many contracts (different types—cost reimbursable, fixed price, fixed rate, time and materials)
- Requires unique and yet compliant business practices
- Effort Monitoring and Reporting really begins in the PreAward stage ensuring that effort commitments proposed by program units are reasonable, manageable, and in compliance with A-21
- Individuals working on sponsored programs in University Outreach are paid from a clearing account
- On a monthly basis payroll is distributed from the clearing accounts to the sponsored program accounts where effort was expended
Outreach Processes

• Support for the distribution are Effort Reports, reviewed and verified by the employee and their supervisor
• Project Director reviews and signs distribution
• For example, Janet Smith who was paid $5,000 in salary and fringe benefits may have worked on 4 different sponsored programs during the month, spending 5% of her time on project 1, 50% on project 2, 25% on project 3, and 20% on project 4. The employee’s effort report would list all 4 projects and the effort allocated to each. Project 2 would be distributed $2,500.
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Effort Reporting Processes
ORS Process

• Monthly with after the fact confirmation
• Form documents direct and contributed effort for salaries and wages charged and/or cost shared to the sponsored project for the reporting month.
• Person with suitable means of verification must sign the form.
• Due in 30 days
ORS Process

• Total effort may not exceed 100%
• Changes to effort must be noted on the form, followed by appropriate paperwork (PXT)
• Payroll transfers must be approved by ORS
• Consequences for not returning forms in a timely manner may be
  – Account suspension
  – Withholding of Sponsored Research Incentive
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Internal Audit
Internal Auditing’s Finding

• Control over time and effort reporting could be enhanced
• Prudent business practices require consistency in recording time and effort
• During the audit we identified that each unit has their own type of activity report for time reporting
• The effect is an increased risk of inaccurate reporting of time and effort
Internal Auditing’s Recommendation

Outreach establish and implement standard activity reports for program units
Outreach Follow-Up to Internal Audit Recommendation

• Research revealed our auditors had a good point—of the 20-25 units there were approximately 11 different formats of basically the same information
• Formed a working to review individual unit needs and are working toward developing 1-3 standard forms
• Goal is to complete the forms and get buy-in for the change by the end of August
• Ultimate long-term goal is to develop a standardized web-based form that can be completed online, stored in our imaging system, and retrieved by the program unit, their division office, and Outreach Sponsored Programs, as needed
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Internal Audit
ORS Response to Internal Audit Recommendations

- **Recommendation:** Reevaluate standards for PI to review and approve reports including enhancement to the form statement, “sign and return within 30 days of receipt” to “sign, date and return within 30 days from end of pay period.”

- **Response:** ORS agreed that we needed a 30 day “clock starter”. The form has been changed as requested and a “date sent” date has been added. A date of return is also added if it was not provided by the signatory.
ORS Response to Internal Audit Recommendations

- **Recommendation:** Establish detailed guidance on the procedures for follow up of delinquent reports, including documenting follow ups, and when higher levels of management (Chairs, Deans, VPs) will be notified of the delinquent report.

- **Response:** ORS now has stamps that say “second notice” and “third notice”. If a third notice is sent, the Executive Director receives a copy and will follow up with the PI. If no response is received, the Chair will be contacted, followed by the Dean and appropriate VP until the form is returned.
QUESTIONS