



Financial Policies Training:

***Labor Verification on
Sponsored Projects
(2.1.21)***

(formerly Effort Reporting on Sponsored Projects)

*Effective Date: July 1, 2009
Revision Date: March 11, 2011*



These PowerPoint slides are intended for training purposes. In the event of any discrepancy or interpretation difference between the policy and the slides, the policy dictates.



Effort Reporting on Sponsored Projects

- **Agenda**
 - ▶ *Background Information*
 - ▶ *Definitions*
 - ▶ *Accounting for Effort at UC*
 - ▶ *Labor Verification Statements (LVS)*
 - What they are
 - How they are verified
 - Process for corrections/changes
 - Signatures
 - ▶ *Roles and Responsibilities*
 - ▶ *Resources*



Background Information

- **Labor Verification (or Effort Reporting)**
 - ▶ *Required once per academic period by **federal regulations** (Federal Office of Management and Budget Circular A-21)*
 - ▶ *Verifies that labor charges to federal projects are **reasonable** and reflect **actual work performed***
 - ▶ *Managed at UC through the Labor Verification System*



Background Information

- **Policy 2.1.21 (Labor Verification on Sponsored Projects)**
 - ▶ *Addresses UC's effort or labor reporting through the Labor Verification System*
 - ▶ *Applies to all individuals*
 - whose salaries are charged to
 - ▶ *sponsored projects (in whole or in part)* **OR**
 - ▶ *cost share*
 - *involved in certifying the effort of others*
 - ▶ *Applies to the employee's total institutional base salary*



Definitions

- **Institutional Base Salary (IBS)**
 - ▶ *Compensation paid by UC for university activity such as research, teaching, administration*
 - ▶ *Includes*
 - Regular salary wage types (e.g., 0FAC, 0SAL, 1HRS)
 - Administrative stipend (0ADM)
 - ▶ *Does not include*
 - Bonuses, additional salary (ADL), awards
 - Compensation from sources outside the university

(See LVS instructions and policy for more details)



Definitions

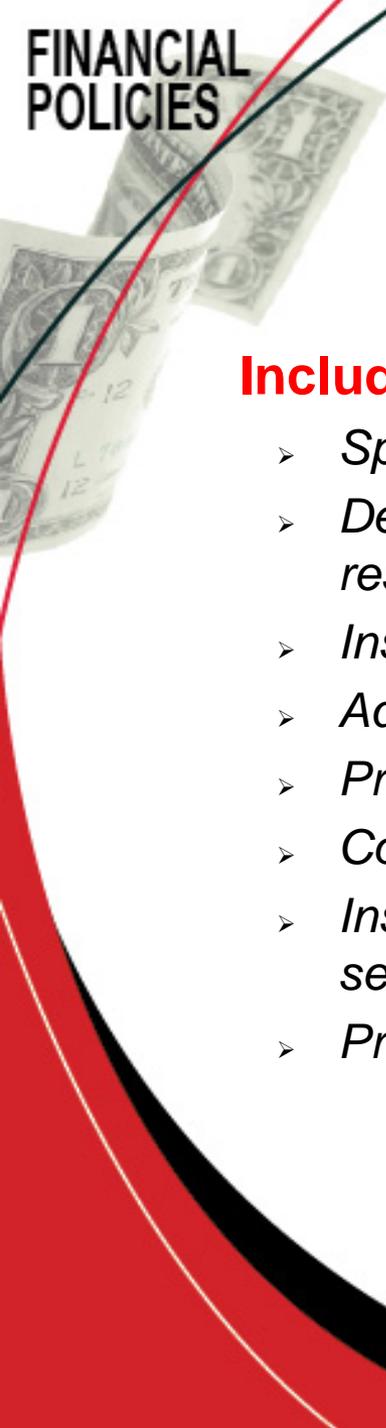
- **Effort and Total Effort**

- ▶ ***Effort is***

- the proportion of time spent on professional activities such as teaching, research, administration and service

- ▶ ***Total (university) effort is***

- all duties performed for UC and compensated through the UC payroll
- does not include VA, corporation, practice plan effort



Examples

Included in Total Effort

- *Sponsored research*
- *Departmental/university research*
- *Instruction*
- *Administration*
- *Proposal writing*
- *Committee work*
- *Institutional community service*
- *Professional organizations*

Excluded from Total Effort

- ▶ *Outside consulting*
- ▶ *Individual community service*
- ▶ *VA compensated activities*
- ▶ *Clinical service for practice plans*



Definitions

- **Labor Verification**
 - ▶ *Method of documenting the proportion of effort on a sponsored project as a percentage of total effort compensated by the university*
 - ▶ *Verifies work performed on sponsored projects*
 - Each sponsored project verified separately
 - Cost sharing also verified

Accounting for Effort at UC

- **Method: After-the-Fact Effort Reporting**
 - ▶ Initially – distribution of salaries/wages is based on an estimate of planned effort (CD-PCR)
 - *Effort on a particular project is estimated as a **percentage** of total effort paid by UC*
 - *An amount over a sponsors' limit on annual rate for salary reimbursement should be treated as **cost share** in the payroll system*
 - *Total effort must be expressed as **100%** (not hours) for each period even though the number of hours may vary from month to month*
 - ▶ GCC – produces/distributes Labor Verification Statements (LVS) quarterly for the previous period
 - ▶ LVS - after-the-fact confirmation of actual effort worked and paid through UC payroll

Labor Verification Statements (LVS)

- ***What they are***

- ▶ After-the-fact confirmation of **actual** effort
- ▶ Generated/distributed to BAs **quarterly** by GCC
- ▶ Must be certified as **correct**
- ▶ Appropriate **signatures** required
- ▶ Must be returned **within 45 days** of receipt to GCC

Labor Verification Statements (LVS)

- ***How they are verified***

- ▶ Compare dollars and effort on LVS to what is shown in grant proposal budget
- ▶ If discrepancy in effort is greater than 25%
 - *Consult with SRS (Sponsored Research Services); some sponsors require prior approval if an effort decrease by more than 25%*
- ▶ Compare LVS and UC Flex Labor History (LH100E)
- ▶ If signatory agrees with effort shown, LVS is accurate for signing

Labor Verification Statements (LVS)

- ◆ ***Process for corrections/changes***
 - ▶ **DO NOT SIGN** an inaccurate LVS
 - ▶ Indicate correct amounts/percentages
 - ▶ Initiate a PCR, as well as a CTR, if necessary, to change labor distribution
 - ▶ Return **corrected, unsigned** LVS to GCC; request new LVS once PCR is processed
 - ▶ Certify and sign *new* LVS; return **accurate, signed** LVS to GCC

Labor Verification Statements (LVS)

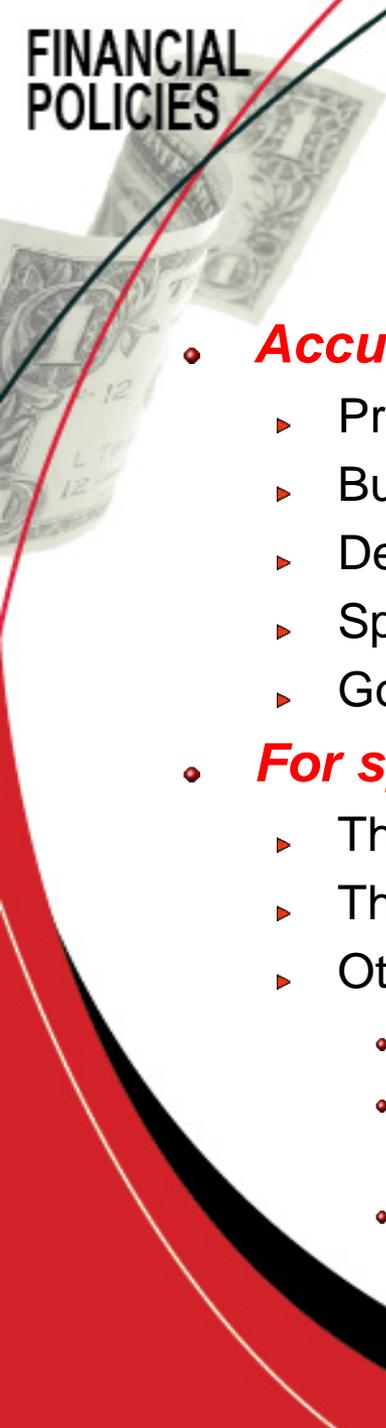
• *Signatures*

- ▶ General Rule: must be signed by the employee or someone with **firsthand knowledge** of the effort
- ▶ May not be signed by a business administrator
- ▶ **PI's must sign**
 - *Their own LVS*
 - *LVS of part-time faculty, students, staff or a full-time faculty member who left UC*
- ▶ **Full-time faculty (non-PIs) must sign**
 - *Their own LVS*

Labor Verification Statements (LVS)

- **Signatures** *(cont.)*

- ▶ Department Head can sign for
 - *PI who left UC*
- ▶ Signatory on sabbatical or sick leave
 - *A **faxed**, signed LVS is acceptable*
- ▶ Multiple signatures needed (multiple sponsored projects)
 - *Ee's department responsible for forwarding*
- ▶ Knowingly signing an inaccurate LVS
 - *Violation of university policy*
 - *Potential civil and/or criminal fraud*



Roles and Responsibilities

- **Accurate and Timely Submission of LVS**
 - ▶ Principal Investigators,
 - ▶ Business Administrators,
 - ▶ Department/Unit Heads,
 - ▶ Sponsored Research Services
 - ▶ Government Cost Compliance

- **For specifics, review**
 - ▶ This policy, 2.1.21, Effort Reporting on Sponsored Projects
 - ▶ The instructions that accompany LVS mailings
 - ▶ Other policies on: (www.uc.edu/af/policies)
 - *Effort Commitment on Sponsored Projects (2.1.20)*
 - *Allowability, Reasonableness and Allocability of Costs for Sponsored Projects (2.1.22)*
 - *Cost Transfers on Sponsored Projects (2.1.23)*



Roles and Responsibilities

- ***Training and Timely Certification of Effort***
 - ▶ All responsible for LVS must attend effort training
 - ▶ **Consequences** of not attending training or certifying LVS within required time
 - *Potential postponement of pending proposals*
 - *Potential disciplinary action*
 - *Potential reduction in F&A return*
 - ▶ May prompt federal **audit scrutiny**

Resources

- **Labor Verification on Sponsored Projects (2.1.21)** (www.uc.edu/af/policies)
- **GCC website**
(<http://www.uc.edu/af/budgetfinsvcs/gcc.html>)
 - ▶ *Effort Commitment on Sponsored Projects Policy (2.1.20)*
 - ▶ *Labor Verification Statement Instructions*
 - ▶ *Glossary*
 - ▶ *LVS Frequently Asked Questions*
 - ▶ *IBS Frequently Asked Questions*
- **Questions?**
 - ▶ *Contact Janet Brown at 558-2604 or by email at brown2jt@uc.edu*