

Labor Verification Policy and Procedures

PURPOSE

Effort reporting (labor verification) is a process mandated by the federal government to verify that direct labor charges to or cost shared on sponsored agreements are reasonable and reflect actual work performed.

The Office of Management and Budget (OMB) Circular A-21 includes requirements for the reporting and certification of effort associated with sponsored agreements and other activities. Effort directly related to research and all other activities must be identified in the Institute's labor verification process.

This document describes the Institute's policy and implementing procedures with regard to labor distribution and verification.

POLICY

Rensselaer uses a plan-confirmation system to meet the A-21 requirements for reporting effort. Under the plan-confirmation method, salaries and wages are distributed to activities based on estimates of the individual's planned effort. The employee's labor distribution is adjusted for any significant changes in actual effort and the actual effort of the employee is then certified on an after-the-fact basis via a labor verification statement.

Institute standards for the plan-confirmation system include the following:

- The system reasonably reflects only the work activity *for which the employee is compensated*, including all of the work required for fulfillment of the employee's obligations to the Institute (institutional base salary). Incidental activities for which the employee receives no additional compensation and external consulting or other outside professional activities "provided outside the institution for non-institutional compensation" are not considered when assessing the employee's total effort and are not part of total effort for the purposes of this policy.
- The system encompasses both sponsored and all other activities.
- An individual's workload reflects categories of activities expressed as a percentage distribution, i.e. 100% of total effort.
- The system provides for modification of an individual's salary or salary distribution, commensurate with any significant changes in the employee's workload. In accordance with OMB Circular A-110, the Institute reports deviations from budget and program plans and requests prior approval from funding agencies when it is anticipated that there will be an absence of more than three months or a 25% reduction in time devoted to the project by the approved project director or principal investigator. Individual awards may be more or less restrictive and the Prior Approval Procedures for Sponsored Awards may be found at:

<http://www.rpi.edu/dept/finance/docs/research/PriorApprovalProceduresForSponsoredAwards.pdf>

- Three times a year, a labor verification statement is signed by the employee, or employee with first hand knowledge of effort, using suitable means of verification that the work was performed, stating that salaries and wages charged or cost shared to research as direct charges, and to other categories of activities (including instruction/departmental research and administration), are reasonable in relation to the work performed.
- The system provides for independent internal evaluations to ensure the system's effectiveness and compliance.

PROCEDURES

The Rensselaer system uses four documents to meet the Institute's policy requirements: The Employment Transaction Form (ETF), Planned Labor Distribution Change Form (PLDC), Hourly Payroll Time Sheet, and the Labor Verification Statement (LVS).

The Employment Transaction Form is the plan of an individual's total effort that is completed upon hire or job change. The ETF is produced by the department and includes the distribution of the entire employee's effort. The ETF is signed by the originator, the Dean/Director/Department Chair, Cabinet Member and Human Resources.

The Planned Labor Distribution Change Form is the method used for proactively modifying an individual's salary distribution to reflect the estimated effort commensurate with any significant changes in the employee's workload. The PLDC forms are signed by the Business Manager(s) responsible for the funds listed. Effort distributions should be reasonable estimates of activities, recognizing that research, instruction, service and administration are often inextricably intermingled and estimates will be necessary in most cases.

The Hourly Payroll Time Sheet is completed by and signed by the employee or Rensselaer employee with first hand knowledge of effort AND the supervisor. The document certifies the information is an accurate estimate of effort and the charges are reasonable in relation to work performed, using suitable means of verification.

The Labor Verification Statement is the after-the-fact confirmation of actual effort, including effort which is reimbursed by a sponsor and effort that is cost-shared by the Institute. The LVS requires the approval/signature of the employee OR the employee(s) with first hand knowledge of effort.

The Principal Investigator (PI) of each sponsored agreement bears the ultimate responsibility for spending awarded funds appropriately. In almost all cases, the PI is the most qualified person to sign the certification of effort of the employees on their funds (which constitutes suitable means of verification), and therefore the PI is eligible to sign the labor verifications for all employees charged to their funds. Labor Verification Statements are reasonable estimates of activities, recognizing that research, instruction, service and administration are often inextricably intermingled. Only in those rare cases in which the PI is not the most qualified person to certify the employees' labor (for example, extended travel outside the country, or ongoing supervision by another faculty member or in the case of major programs, an administrative position) may the PI delegate this responsibility to some other individual who has daily first-hand knowledge of the research activities and the efforts of the individuals associated with a sponsored agreement. That designee must be able to defend the salary allocations made.

The LVS is produced three times per year. Departments are required to return appropriately signed statements to Research Administration & Finance approximately 30 working days after receipt of the forms.

PROPOSAL PREPARATION

The proposal budget should include the entire cost of the project: the amount being requested from the sponsor as well as the portion of the project cost that will be provided from other sources, including Rensselaer. Proposals should accurately represent the amount of direct research effort that personnel are committing to the project. The estimate of effort should be reasonable and should encompass only the direct effort to be expended on the project. Administrative management of the project and administrative activities such as bid and proposal preparation should not be considered as direct project effort. Direct instructional activities, such as student academic advising, tutoring or mentoring, should also not be considered as direct project effort. However, time spent supervising that portion of an individual's work that is being direct-charged to a research project, as well as reviewing materials related to research projects (i.e. lab notebooks) or editing technical reports, shall be considered as direct project research effort.

When the funding agency requires a specified level of cost-shared effort (mandatory cost share), this effort must be explicitly stated in the proposal and if awarded, the actual effort devoted on the project must be identified on labor verification statements and certified. Federal regulations require that this effort be documented and certified in the same manner as the direct effort that is reimbursed by the sponsor under the agreement. Cost-sharing may include effort of the PI or other personnel committed to the project at no cost to the sponsor. In order to qualify as cost sharing, the effort must be necessary, reasonable and directly related to the performance of the project objectives. A commitment to use Institute resources to pay any portion of the project cost should be identified and approved on the Project Information Form.

When no mandatory cost sharing is specified in a program announcement or application package and the agency does not require a specific cost shared contribution to the project, proposed cost shared effort must be noted on the Project Information Form and the proposed budget.

All proposed cost shared effort should be reviewed and approved by the individual(s) providing the cost shared resources prior to internal circulation and submission of the proposal to the sponsor.

AWARD MANAGEMENT

The labor distribution should reflect the percentage of estimated time to be devoted to an individual's various activities expressed as a percentage of total effort, not hours. The total effort may not exceed 100% and should include only those activities for which the individual receives compensation from the Institute, including salaries charged to sponsored agreements. The amount of effort identified to research should include the portion of time the individual devotes to a project, including any cost shared effort commitments (cost shared effort is indicated on the Project Director Notification Form

distributed upon award acceptance). Labor distribution on any particular project is measured as the percentage of the total obligation to the Institute. This obligation includes teaching, sponsored research, departmental research, administration, committee activities, etc. While the total number of hours worked may vary from month to month, total effort for each period must be expressed as 100%. Salary charged to sponsored research agreements or Institute research projects should be commensurate with the direct effort provided to the project and be based on the individual employee's regular compensation during the period of performance. The employee cannot receive additional compensation for his or her participation in a sponsored project over and above the appropriate portion of the base salary allocated to the project. For example, if the base salary is \$100,000 and the employee devotes 25% effort to a sponsored project, the salary charged to the project would be \$25,000.

Certain sponsors impose a limit (cap) on the annual rate of salary reimbursement. Nevertheless, investigators must still devote the full committed effort as proposed and awarded without regard to the salary reimbursement limitation. Labor Verification Statements for individuals earning in excess of the capped amount must be completed in accordance with the specific guidelines developed for calculating and reporting that effort.

The Labor Verification Statement must account for all effort for which the Institute compensates the individual, even where the number of hours of effort the individual expends each week exceeds the "normal" workweek of 40 hours, effort percentages must be based on total effort, not hours.

The labor distribution must be certified for reasonableness. This certification, which is accomplished through the labor verification process, is an attestation that the distribution of salaries to activities is reasonable in relation to the work performed. The Labor Verification Statement requires approval from the employee OR the employee(s) with first hand knowledge of effort, using a suitable means of verification that the work was performed.

Cost disallowances on sponsored awards resulting from a department's failure to return effort reports or the submission of inaccurate effort reports to Research Administration and Finance will be charged to the department's unrestricted fund.

Any questions regarding this policy should be referred to Research Administration and Finance.