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Mitigate compliance risk in time-and-effort reporting of federal grants

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The National Institutes of Health (NIH) awarded more than \$19.1 billion in fiscal year (FY) 2017 and \$20.7 billion in FY 2018 to fund research project grants.^[1] For most organizations, salaries and wages are the largest direct cost under federal grants, typically comprising two-thirds of the award. Additionally, with advancements in technology and more suitable products, grant recipients are investing large amounts of money into automated and robust software solutions to manage federally sponsored grant awards, specifically time-and-effort activity. Yet, failure to track time and effort remains one of the leading causes of fines, penalties, and repayment of federal funds. The following are recent examples of penalties paid by federal award recipients:

- Northrop Grumman Corporation, \$27.45 million, November 2018^[2]
- Texas A&M Research Foundation, \$750,000, September 2018^[3]
- University of North Texas Health Science Center, \$13 million, February 2018^[4]
- Telehealth Holdings LLC, \$500,000, February 2016^[5]
- University of Florida, \$19.875 million, November 2015^[6]
- University of Connecticut, \$2.5 million, January, 2006^[7]
- Cornell University's Weill Medical College, \$4.38 million, June 2005^[8]
- Harvard University, \$3.3 million, July 2004^[9]

These large fines make it increasingly important for institutions to verify that salaries are charged appropriately, expenses are monitored, and proper documentation of time-and-effort reporting is maintained.

In December 2014, the Office of Management and Budget (OMB) updated its requirements for time-and-effort reporting in its Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Subpart E §200.430.^[10] The main takeaways from the update are:

- Strong controls must be in place for the reporting of salaries and wages to ensure that the payroll charged to various grants matches the actual time spent; the change being the emphasis on controls rather than guidance on the specific documentation requirements.
 - The Uniform Guidance requires that time distribution records must be maintained for all employees whose salary is paid with federal funds or whose salary is used to meet a match or cost-share requirement for a grant.
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- All time and effort expended for the employee's organization should be documented to calculate what portion relates to federal awards.
- Salary and wages must follow established accounting policies and practices of the non-federal entity.
- Effort reports will be signed by the employee, principal investigator (PI), or responsible officials(s) using suitable means of verification that the work was performed.

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