

# Time and Effort Reporting

Before addressing time and effort reporting, administrators must first consider the allowability of costs, specifically for salaries and wages, of funding from the federal government. According to the National Institutes of Health (NIH) Grants Policy Statement (12/03), Part II, Subpart A: General, allowability of costs is “compensation for personal services covering all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the grant-supported project. Compensation costs are allowable to the extent that they are reasonable, conform to the established policy of the organization consistently applied regardless of the source of funds, and reflect no more than the percentage of time actually devoted to the NIH-funded project” (1).

NIH uses four tests to determine the allowability of costs (2):

- **Reasonableness (including necessity):** A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflects the action that a prudent person would have taken under the circumstances when the decision to incur the cost was made. The NIH grants cost principles elaborate on this concept by addressing considerations such as whether the cost is a type generally necessary for the organizational operations or grant performance, whether the recipient complied with its established organizational policies in incurring the cost or charge, and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the federal government as well as to the organization.
- **Allocability:** A cost is allocable to a cost objective (such as a specific grant, function, department, or other component) if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely to advance work under the grant; it benefits both the grant and other work of the institution, including other grant-supported projects; or it is necessary to the overall operation of the organization and is deemed to be assignable, at least in part, to the grant.
- **Consistency:** Grant recipients must be consistent in assigning costs to cost objectives. Therefore, under NIH grants, costs may be charged as either direct costs or facilities and administration costs, depending on their identifiable benefit to a particular project or program. However, the costs must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, to avoid duplicate charges.
- **Conformance:** This test of allowability—conformance with limitations and exclusions as contained in the terms and conditions of award, including limitations and exclusions in the cost principles—varies by the type of activity, the type of recipient, and other characteristics of individual awards. The NIH grants policy on allowability of costs/activities provides information common to most NIH grants and, where appropriate, specifies some differences based on the type of grant or grantee. The NIH Grants Policy Statement, Part II, Subpart B, contains additional information on allowability of costs for particular types of grants, grantees, and activities (3).

After meeting the test requirements, administrators must also consider and comply with principles on charging specific costs to federal projects, as detailed in the Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions” (4). These requirements include establishing and maintaining a payroll system that distributes salary charges among direct activities (sponsored research, clinical, and teaching activity) and ensuring salary allocations to sponsored projects are proportionate to the

effort expended. Compliance is monitored through periodic preparation, review, and certification of time and effort reports.

The Weill Medical College of Cornell University Finance Department details the definition, policy, and procedures of what effort reporting means in its *Activity Reporting Instruction Manual (Appendix)*. It contains the university's effort reporting policy, required procedures for policy implementation, and common issues and questions, including examples of effort reporting.

## Author

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## References

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3. National Institutes of Health. *NIH Grants Policy Statement (12/03): Part II Terms and Conditions of NIH Grant Awards, Subpart B, Terms and Conditions for Specific Types of Grants, Grantees, and Activities*. Online. [http://grants.nih.gov/grants/policy/nihgps\\_2003/NIHGPS\\_Part9.htm](http://grants.nih.gov/grants/policy/nihgps_2003/NIHGPS_Part9.htm). Accessed June 30, 2006.
4. Office of Management and Budget. *Circular A-21: Cost Principles for Educational Institutions*. Online. [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html). Accessed May 3, 2006.