

ADMINISTRATIVE DIVISION FINA Administration and Finance
POLICY NUMBER FINA 3.12
POLICY TITLE Time and Effort Reporting
SCOPE OF POLICY USC System
DATE OF REVISION November 12, 2025
RESPONSIBLE OFFICER Executive Vice President for Finance and Chief Financial Officer
ADMINISTRATIVE OFFICE University Finance – Controller’s Office

PURPOSE

The purpose of this policy is to ensure compliance with federal time and effort reporting requirements, which govern the certification process for salaries and wages charged to sponsored awards.

DEFINITIONS AND ACRONYMS

Certification: The after-the-fact confirmation and attestation to the accuracy and reasonableness of an effort report.

Cost Transfer: A reassignment (transfer) of charges between accounts.

Effort: The actual time spent on an activity by an individual, expressed as a percentage of the individual’s total institutional activities, such as work on sponsored awards, teaching and instruction, service, administration, and other duties.

Institutional Base Salary (IBS): The annual compensation an individual receives from the University in return for the performance of a particular set of institutional activities (as determined by the appointment letter, contract, etc.), which is used to compute the compensation for personal services that is charged to sponsored awards.

Principal Investigator (PI): The faculty member the sponsor has designated as overall responsible for the sponsored award.

Salary Cap: A sponsored-imposed limitation placed on the total salary that can be charged for an individual to a sponsored award.

POLICY STATEMENT

As a recipient of federal funding, the University is required to comply with Uniform Guidance (2 CFR 200). 2 CFR 200.430 governs compensation for employees engaged in work on federal awards, sets the criteria for acceptable methods for charging salaries and wages to awards, and requires institutions to follow acceptable methods for documenting the distribution of effort for all project personnel. All individuals who receive federal sponsored award funding must comply with federal regulations, sponsor requirements, and University policy regarding committing, charging, and reporting effort. To promote compliance, consistency, and uniform understanding, these requirements are applied to all sponsored award activities, regardless of funding source.

Effort reporting represents the process by which the University determines and documents the actual effort expended on sponsored awards during each reporting period. Effort certification provides sponsoring agencies with reasonable assurance that compensation for personnel services charged to a sponsored award is appropriate and reasonable in relation to the actual work performed. Expenditures must be properly documented, recorded in the financial system, and supported by underlying internal controls that ensure charges are accurate, allowable, and allocable.

- A. University faculty and staff salaries and wages are expected to be charged to sponsored awards commensurate with the actual effort expended on all activities performed by the individual. Payroll charges to sponsored awards serve as the initial data points for the University's effort reporting process. An individual's effort is first assigned to specific awards in the payroll system based on the projects in which they are assigned.

Payroll distributions reflect the allocation of an individual's salary, while effort distributions reflect the allocation of an individual's effort to sponsored awards and activities, independent of salary.

- B. Total effort must always equal 100% for all employees. Effort is not calculated based on a standard forty-hour work week, but as a percentage of the total hours spent on work-related activities, which would never exceed 100%. For salaried employees, effort represents the total time spent on official University work, and is attributable to the individual's IBS, regardless of how many or few hours were worked in the reporting period. For hourly employees, effort represents the total hours paid (including overtime).
- C. Effort reports must be reviewed and certified in a timely manner by the employee and responsible persons with suitable means of verifying the work performed at the end of specified reporting periods, including the PI and supervisor.
- D. The effort report should be a reasonable estimate of how time was spent. Federal regulations recognize that "teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recorded salaries and wages are charged to federal awards for [institutions of higher education], a precise assessment of factors that contribute to the costs is therefore not always feasible, nor is it expected."
- E. If the salary allocation reflected on the effort report is not consistent with the actual percentage of effort expended on the sponsored awards, it is the responsibility of the individuals completing the effort certification to communicate actual effort percentages and coordinate with departmental personnel to ensure the appropriate corrections are requested timely and recorded in the University's financial system. Corrections must be requested in accordance with the policy [FINA 3.35 Cost Transfers](#).

Payroll charges must be monitored on a regular basis by employees, PIs, and other departmental personnel to confirm accuracy and ensure any corrections needed to address significant variations in effort are processed in a timely manner. It is imperative that material changes in effort are routinely communicated and recorded in the University's financial

records throughout the award and reporting period. Changes occurring after the reporting period has ended and an effort report has been generated and approved will not be accepted.

- F. Any salary attributable to a sponsored award above the salary cap must be recorded as cost share to properly capture and track total expended effort and cannot be used as effort on another sponsored award.

While the salary cap affects how an individual’s pay is allocated and recorded, it does not change the requirement that total effort must always equal 100%. Salary up to the cap is directly charged to the sponsored award while any “over-the-cap” salary is recorded separately as cost share. Recording the “over-the-cap” portion as cost share ensures it is associated with the correct sponsored award and captured in the individual’s 100% total effort, while also preventing overcommitment and double-counting.

- G. Every effort must be made to ensure reports are accurate before certification occurs. Approvers, including employees, PIs, and supervisors, are prohibited from knowingly or negligently certifying an inaccurate effort report. Upon certification, effort reports are considered legal documents subject to internal and external audits. Erroneously certifying effort can be viewed as fraud, which could result in consequences as outlined in the False Claims Act.

PROCEDURES

The accompanying procedure provides additional details on the administration and management of this policy and references to training and resources. The procedure can be found here: [Policies and Procedures - Office of the Controller](#)

RELATED UNIVERSITY, STATE, AND FEDERAL POLICIES

[BTRU 1.20 Dishonest Acts and Fraud](#)

[FINA 3.00 Sponsored Awards](#)

[FINA 3.35 Cost Transfers](#)

[FINA 3.40 Cost Accounting Standards](#)

[RSCH 1.08 Institutional Base Salary](#)

HISTORY OF REVISIONS

DATE OF REVISION	REASON FOR REVISION
December 18, 2006	New Policy Approval
November 19, 2015	Division reorganization and name change
May 23, 2023	Update in federal code to current. Refined language regarding USC adherence to federal requirements.
August 19, 2024	Language, content, and formatting updates
November 12, 2025	Added clarifying language to help researchers’ understanding.