

EMPLOYEE TIME AND EFFORT:

What specific documentation requirements must be met to support employee time and effort charges for federal grant programs?

Executive Summary:

1. Follow general criteria for allowable costs.
2. Maintain your standards for payroll documentation, meeting legal requirements.
3. Provide for the required time distribution records:
 - a. Semi-annual certification if work 100% of time on single Federal award.
 - b. Monthly certification if work on multiple Federal and/or non-Federal awards.
 - c. If work for a truly consolidated schoolwide program, no certification required.
4. Link provided to a sample timesheet used by the Colorado Department of Education.
5. In limited situations, the time distribution record may be an informal log, workload schedule, or calendar notation instead of a formal timesheet.
6. If budget estimates used, the actual time must be adjusted at least annually.

General Criteria for Allowable Costs:

Allowable costs are established for State and local governments under the OMB Circular A-87 – Cost Principles. OMB Circular A-87 establishes the principles and standards for determining costs for Federal awards carried out through grants with State and local governments.

“OMB Circular A-87”, revised on May 10, 2004 is at the following website:
http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html

For costs to be allowed under Federal awards, costs must meet the following general criteria:

- a) Be necessary and reasonable
- b) Be allocable to Federal awards
- c) Be authorized or not prohibited under State or local laws or regulations
- d) Conform to any limitations or exclusions as to types or amounts of cost items, as set forth in the Circular
- e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities
- f) Be accorded consistent treatment
- g) Be determined in accordance with GAAP
- h) Not be included or used to meet cost sharing or matching requirements of other Federal grants
- i) Be the net of all applicable credits
- j) Be adequately documented.

The compensation for personnel services under OMB Circular A-87 is allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

- a) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities
- b) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable, **AND**
- c) Is determined and supported based on OMB Circular A-87, Attachment B, Section 8(h) "Support of salaries and wages".

These standards regarding time distribution are in addition to the standards for payroll documentation. If Federal funds are used for salaries and wages, then "time distribution records" are REQUIRED. These records must demonstrate that if an employee is paid with Federal funds, then such employee worked an appropriate amount on that specific Federal program. If not, the charges to the Federal program must be adjusted to reflect the actual time spent on that Federal program. Charges to Federal awards will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the governmental unit.

100% of employee's time spent on a single cost objective:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will:

- a) Be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification
- b) Certifications will be prepared at least semi-annually
- c) Will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Simple Example: (Warning: Must meet the minimum requirements stated above for single cost objectives and must be supported by the entity's standards for payroll documentation)

"From January 1, 2004, until June 30, 2004, Jane Doe spent 100% of her time on Title I, Part A instructional activities."

- signed by employee or supervisory official.

Employee's time spent on multiple cost objectives:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation which meets the following standards:

- a) Reflect an after-the fact distribution of the actual activity of each employee. Projections of how an employee is expected to work or position descriptions would not be sufficient;
- b) Account for the total activity for which each employee is compensated, including part-time schedules or overtime;
- c) Be prepared at least monthly and must coincide with one or more pay periods; and
- d) Be signed and dated by the employee. Unlike the semi-annual certification, signature of a supervisor alone would not be sufficient, however, the supervisor could sign in addition to the employee.

Multiple activities are defined as:

- a) More than one Federal award,
- b) A Federal award and a non-Federal award,
- c) An indirect cost activity and a direct cost activity,
- d) Two or more indirect activities which are allocated using different allocation bases, or
- e) An unallowable activity and a direct or indirect cost activity.

A PAR is a timesheet or log maintained by the employee which contemporaneously accounts for 100% of their time. The objective is to identify effort spent on multiple activities or programs. The increments of time should not be limited arbitrarily, because this may prevent employees from accurately and completely reporting effort on all programs and required activities if the minimum increment is too large.

In limited situations a PAR may be a time certification relying on an informal log, workload schedule, or calendar notations. Caution must be exercised when using such time certifications. Their use is only suitable where few activities are involved and the effort involved covers long periods without diversions to other efforts.

Sample Timesheet:

“Monthly Employee Attendance/Activity Report” see link for Sample Timesheet:
<http://www.cde.state.co.us/cdefisgrant/FAQ.htm>

Simple Example: (Warning: Must meet the minimum requirements stated above for multiple cost objectives and must be supported by the entity’s standards for payroll documentation)

“For the month of October, 2004, I spent my time 50% on General Fund instructional activities and 50% on Title I, Part A instructional activities.”
- signed by employee.

The consequences of noncompliance with the employee time and effort certification process may be the disallowance of salary and wage charges to a Federal grant program. Therefore, your entity’s certification process should be reviewed with your entity’s legal counsel and independent accountants.

Budget Estimates/Adjustments to Actual:

Budget estimates or other distribution percentages determined before the services are performed may be used for interim accounting purposes. At least quarterly, the entity must compare actual costs to budgeted distributions based on the monthly PARs. If that comparison reveals that the differences between budgeted and actual costs are less than ten percent, then accounting adjustments may be made on an annual basis. If discrepancies between budget estimates and actual costs are ten percent or greater, then adjustments must be made at least quarterly. For the purposes of reconciliation, any deviation, no matter how small, must be adjusted by the end of the year. Budget estimates or other distribution percentages must be revised at least quarterly, if necessary, to reflect changed circumstances.

Other Issues/Questions:

Schoolwide programs: Per the Title I Fiscal Issues non-regulatory guidance (May 2006), the application of the OMB Circular A-87 requirements to employees in a school operating a schoolwide program varies under different circumstances. For example:

1. If a school operating a schoolwide program consolidates Federal, State, and local funds under section 1114(a)(3)(C) in a single account, an employee who is paid with funds from the single account is not required to file a semi-annual certification. Per the Colorado Department of Education Chart of Accounts guidance under Appendix T – Consolidated Schoolwide Programs, a single account would be districts that follow the guidance under this appendix and use the appropriate school location code and the SRE code of 95 to identify the consolidated schoolwide program.
2. If a school operating a schoolwide program does not consolidated Federal funds it receives in a single account, an employee who works, in whole or in part, on a Federal program or cost objective must meet the normal OMB Circular A-87 certification requirements as describe above for employees who work solely on a single cost objective or for employees who works on multiple cost objectives.

Substitute systems: Substitute systems for meeting the certification requirements may be possible, but ONLY if approved by the Colorado Department of Education and the United States Department of Education.

Stipends: The treatment of stipends depends on the nature of the stipend. If the stipend is a one-time event, document the attendance/earning of the one time event stipend with the appropriate payroll authorization and approval. If the stipend is a full year event, or part of the individuals FTE, the certification will depend on whether the individual is working on a single cost objective or on multiple cost objectives.

Additional information may be found on the following PowerPoint presentation, see link for PowerPoint presentation: <http://www.cde.state.co.us/cdefisgrant/FAQ.htm>

For any additional questions or assistance, contact Robert Hawkins at hawkins_r@cde.state.co.us