

# IL-NET

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## **Time and Effort Documentation Rules: Regulations, Best Practices and The Uniform Grant Guidance Changes**

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# Current Federal Cost Principles OMB Circulars

- A-21 Institutions of Higher Education (2 C.F.R. 220)
- A-87 State, Local & Indian Tribal Governments (2 C.F.R. 225)
- **A-122 Non-Profit Organizations (2 C.F.R. 230)**

Located at:

[http://www.whitehouse.gov/omb/circulars\\_default](http://www.whitehouse.gov/omb/circulars_default)

# The Basics on Keeping Time Accounting Records

# A-122 Specific Items of Cost

## Compensation for Personnel Services:

- If federal funds used for salaries, then time distribution records are required.
- Must demonstrate—If employee paid with federal funds, then employee worked on that specific federal program/cost objective.

# A-122 Federal Cost Principles

- Reasonable for performance of the award
- Allocable
- Be the net of applicable credits
- Total the actual cost of the item (Composition of Cost)
- Consistently treated
- Not used for cost-sharing or match
- Be determined in accordance with GAAP
- Adequately Documented

# Allocability

- A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.
  - Cost allocation is necessary for assuring that costs are applied to the correct grant or project. The allocation of staff time/salary is an important component of cost allocation.

## Allocability, cont'd.

A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

1. Is incurred specifically for the award;
2. Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received; or
3. Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

# Terminology

- Time and attendance records
- Payroll records
  - Worked 8:00-4:00
- Time and effort records
- Time distribution records
  - Worked 50% on [insert federal cost objective] and 50% State program



# Who must participate?

**All** employees paid with federal funds

*and*

**Some** employees paid with non-federal funds (if salary is used for match or cost sharing purposes)

- **Not** contractors!!!

# What is a “Cost Objective?”

- A-122 Definition: A function, organizational subdivision, contract, grant or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

# Personnel Activity Reports (PARs)

- Reports reflecting a distribution of activity for each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to [federal] awards.

or

- Need PARs to support salaries and wages of all staff paid (in whole or in part) with federal funds!!

# PAR Requirements

- An after-the-fact record (dated);
- That accounts for the total activity for which employee is compensated;
- Signed by the employee or a responsible supervisory official having first hand knowledge of the activities performed;
- Prepared at least monthly; and
- Must coincide with one or more pay periods.

# Signatures

- PARs must be signed!
- Electronic signatures have been accepted (but must have internal controls in place to ensure the electronic signature is only accessible by the individual).
- If a supervisor signs the PAR he/she must have first hand knowledge of the activities performed by the employee!

# Questions?



# Common Problems

- Not “After-the Fact”
- No affirmation
  - The form should say that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- No printed name or title of supervisor
  - How do we know they are a supervisor and have first hand knowledge?

## Common Problems, cont'd.

- Pre-populated Forms
- Does not account for total time employee is compensated
  - Examples – totals 50%
  - Examples – totals 200%
- Does not identify cost objective
  - Federal Programs

# What if you haven't kept time distribution records??

How to set up time distribution system:

## 1) **Plan** initial funding allocations well

- May use “budget estimates” for initial allocations
- Supervisors need to be on board

# What if you haven't kept time distribution records, cont'd.

- 2) Develop written time distribution policies and procedures
  - “How to” instructions for employees reporting vacation, travel, long-term leave
  - Manual for fiscal side
    - Frequency of comparing estimates to actual costs, handling of deviations, monitoring of system
  - Resources:
    - <http://www.ilru.org/CIL-financial-management-workshop>
    - <http://www.ilru.org/resources-financial-management> (time and effort Reporting section and sample documents).

# What if you haven't kept time distribution records, cont'd. 2



## 3) Train employees

- On mechanics of filling out form
- On which federal program cost objective(s) they are working
- Refresher training
- New employee training

# What if you haven't kept time distribution records, cont'd. 3



## 4) Close supervision

- Supervisors should be aware of deviations of effort from initial budget estimates
- Be ready to redirect work of employee or adjust grant supporting salary

# A sample PAR form from RSA

## PERSONNEL ACTIVITY REPORT (TIMESHEET) xxxx CIL

This form must reflect each employee's actual activity per funding source, and account for the employee's total activity during the pay period.

Employee Name: \_\_\_\_\_ Pay Period: from \_\_\_\_\_ to \_\_\_\_\_

Sun Mon Tue Wed Thr Fri Sat Total Sun Mon Tue Wed Thr Fri Sat Total

Absent (see codes below) \_\_\_\_\_

Administrative \_\_\_\_\_

IL Part C \_\_\_\_\_

IL Part B: \_\_\_\_\_

Other State funds: \_\_\_\_\_

Medicaid/PAS: \_\_\_\_\_

Other (*specify*): \_\_\_\_\_

TOTALS \_\_\_\_\_

I certify that this report is an accurate representation of the activities/effort expended during this pay period and that I have full knowledge of those activities.

Employee Signature \_\_\_\_\_ Approved by \_\_\_\_\_

Absent Codes: PTO=Paid Time Off (Sick/Personal) V=Vacation J=Jury FD=Family Death FM=Family Medical U=Unpaid

## Some things to notice

- Corresponds to a two week pay period. If you pay twice a month your PAR could cover the full month. Must follow the pay periods and cannot exceed one month.
- Cost objectives are assumed to be funding sources.
- If your center has developed funding for other cost objectives such as employment services, transitions from school for youth or transitions from nursing homes for adults, you must add lines for these other objectives and keep track of time for each of them.
- Activities that benefit the overall organization are administrative and the recorded time needs to be allocated according to your cost allocation processes.
- Same form for both payroll and time reporting?

**Visit the ILRU website at  
[http://www.ilru.org/resources-financial-  
management](http://www.ilru.org/resources-financial-management)**

# Questions?



# What about the OMB Uniform Grant Guidance?

**Time and Effort Documentation 200.430**  
**Most flexible and Most changed Rule**

# What's The Timeline?

- Final Rule Released December 26, 2013
- Federal Agencies have until Dec. 26, 2014 to finalize conforming regulations (draft due June 26, 2014)
  - Agencies must get OMB approval if they want to promulgate more restrictive rules
  - OMB approval is NOT required if agency simply “clarifies” OMB rules
    - Currently follow ED regulations (EDGAR) but will change once program oversight shifts to HHS

# Effective Date

- Administrative requirements and cost principles will apply to new awards and to additional funding (funding increments) to existing awards made after Dec 26, 2014.
- Existing Federal awards will continue to be governed by the terms and conditions of the Federal award.

# Time Distribution Records “Standards for Documentation of Personnel Expenses”



- Must be maintained for all employees whose salaries are:
  - Paid in whole or in part with federal funds 200.430 (i)(1)
  - Used to meet a match/cost share requirement 200.430(i)(4)

# Cost Objectives

- What is a cost objective? 200.28 (slightly changed)
  - Program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.

# NEW: “Standards for Documentation of Personnel Expenses” 200.430



- Charges for salaries must be based on records that accurately reflect the work performed
  1. Must be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and properly allocated
  2. Be incorporated into official records
  3. Reasonably reflect total activity for which employee is compensated
    - Not to exceed 100%

# NEW: “Standards for Documentation of Personnel Expenses” 200.430, cont’d.



4. Encompass all activities (federal and non-federal)
5. Comply with established accounting polices and practices
6. Support distribution among specific activities or cost objectives

## COFAR Comments on NEW Rule:

By focusing more on internal controls, the rule “mitigates the risk that a non-Federal entity... will focus on prescribed procedures... which alone may be ineffective in assuring full accountability.”

- Uncovering weaknesses in internal controls or instances of fraud is goal. Not audit findings.

# NEW: “Standards for Documentation of Personnel Expenses” 200.430, cont’d. 2

- Budget estimates alone do not qualify as support for charges to Federal awards 200.430(i)(1)(viii)
- Percentages may be used for distribution of total activities 200.430(i)(1)(ix)

# NEW: “Standards for Documentation of Personnel Expenses” 200.430, cont’d. 3



- If records meet the standards: the non-federal entity *will NOT be required to provide additional support or documentation for the work performed* (200.430(i)(2))
- **BUT**, if “records” of grantee do not meet new standards, ED may require PARs (200.430(i)(8))
  - PARs are not defined!!

# SO What Does All this Mean??

Questions?

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# Wrap Up and Evaluation

*Click the link below now* to complete an evaluation of today's program found at:

<https://vovici.com/wsb.dll/s/12291g56eb1>

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