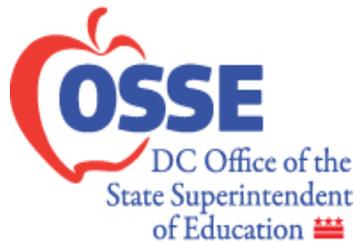


GUIDANCE
ON
TIME AND EFFORT REQUIREMENTS

**UNDER ATTACHMENT B, PARAGRAPH 8 OF THE OFFICE OF MANAGEMENT AND BUDGET'S (OMB)
CIRCULAR A-87 AND PARTS 74-99 OF THE EDUCATION DEPARTMENT GENERAL ADMINISTRATIVE
REGULATIONS (EDGAR)**



OSSE-2010-01

DC OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION

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Table of Contents

I.	Introduction.....	3
II.	Applicability.....	3
III.	Ensuring Costs are Programmatically Allowable	3
IV.	Ensuring Costs are Reasonable	4
V.	Payroll Records.....	4
VI.	Time and Effort Records	4
A.	Cost Objectives.....	5
B.	Single Cost Objective.....	5
C.	Multiple Cost Objective.....	6
D.	Examples of Cost Objectives	7
E.	Special Circumstances.....	9
1.	Schoolwide programs.....	9
2.	Supplemental contracts	10
VII.	Allocating Employee Compensation Costs to Federal Programs.....	11
	Appendix A: Sample Semi-Annual Certification.....	12
	Appendix B: Sample Personnel Activity Report	113
	Appendix C: Time and Effort Matrix.....	14

I. Introduction

All costs charged to federal funds must be necessary, reasonable, allocable, and supported by appropriate documentation. Federal law establishes specific rules for ensuring costs related to the compensation of employees meet these criteria.

All employees who are paid, in full or in part, with federal funds must retain specific documents to demonstrate the amount of time personnel spent on grant activities. These documents, known as time and effort records, must be maintained in order for a local educational agency (LEA) or subgrantee to charge employee compensation costs to federal grants.

The purpose of this policy is to provide an overview of the rules governing the types of documents that must be maintained by employees paid with federal funds. This policy is developed in accordance with the rules set forth in Office of Management and Budget's (OMB) Circular A-87, Attachment B, paragraph 8, which is available at:

http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html#8 and the Education Department General Administrative Regulations (EDGAR), parts 74-99, which can be found at: <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>.

II. Applicability

This policy applies to all employees whose compensation is paid, in full or in part, with federal funds. Covered employees include staff working at the LEA-level, such as program directors, central-level administrators, and business officials, as well as staff working at the school-level, such as classroom teachers.

Compensation means all amounts paid to an employee for services rendered during the award period. Compensation may include salaries, stipends, bonuses, and payments made under supplemental contracts.

Compensation may also include the following fringe benefits: sick leave, annual leave, employer contributions for social security, employer contributions for life insurance, employer contributions for health insurance, employer contributions for unemployment insurance, and employer contributions for worker's compensation insurance.

Fringe benefits for pension plans, post retirement health benefits and severance pay are governed by special rules and may not be charged to federal programs without the Office of the State Superintendent's (OSSE) written permission.

III. Ensuring Costs are Programmatically Allowable

Each subgrantee is responsible for ensuring all costs charged to federal programs are allowable under the relevant programs. Each program's rules will determine whether, and to what

extent, a subgrantee may use program funds to pay for an employee's compensation. For example, Title I, Part A generally authorizes subgrantees to use program funds for a teacher's salary if the teacher: serves eligible Title I students; works on allowable Title I, Part A activities; and meets Title I, Part A's professional qualification requirements.

It is important to remember that most state administered programs contain some version of a supplement not supplant provision, including the No Child Left Behind Act (NCLB) programs in OSSE's LEA Consolidated Application, Part B grant programs of the Individuals with Disabilities Education Act (IDEA), and the Carl D. Perkins Career and Technical Education Act. The supplement, not supplant provision means subgrantees must use federal education funds for extra costs that would not normally be supported with state or local funds.

Subgrantees should carefully review grant program statutes, regulations, and guidance to determine how the supplement, not supplant provision is applied and tested and whether, and to what extent, specific employee compensation is allowable under a particular program.

IV. Ensuring Costs are Reasonable

OMB Circular A-87 requires all costs paid with federal funds to be reasonable. Employee compensation costs are considered to be reasonable if they are consistent with:

- The amount paid for similar work in the same or a related labor market; and
- The subgrantee's established policies that are consistently applied to both federal and non-federal activities.

Because all employee compensation charges must be consistent with a subgrantee's established policies it is important for subgrantees to ensure their human resources policies are up-to-date and carefully followed.

V. Payroll Records

Charges for employee compensation must be based on actual salaries paid and documented by the subgrantee's financial system and that have been approved by a responsible official.

VI. Time and Effort Records

Each employee paid with federal funds must maintain appropriate time and effort records. The type of documentation the employee is required to complete depends on the number of "cost objectives" an employee works on. Cost objectives are described below.

A. Cost Objectives

A cost objective is defined as a particular grant award, or other category of costs, that requires the subgrantee to track specific cost information. In other words, a subgrantee is sometimes required to report on the amount of money it spent on a particular activity within a grant. This may occur when a grant program includes earmarks or set-asides that require the subgrantee to track expenditures to ensure they spend a specific amount of money for a specific purpose. These categories of cost are known as “cost objectives,” and grant programs may have more than one cost objective.

EXAMPLE: LEAs receiving more than \$500,000 in Title I, Part A funds must spend at least 1% of their Title I, Part A allocation on parental involvement activities.

Employees who are paid out of this set-aside must track the amount of time they spend on parental involvement activities so that the LEA can demonstrate it spent the required amount of funds.

Determining cost objectives requires a careful reading of the programmatic provisions in the statute providing the funds. In general, an employee is considered to work on multiple cost objectives if he or she works on:

- More than one federal award (i.e. Title 1, Part A and IDEA, Part B Section 611)
- A federal award and a non-federal award (i.e. Title 2, Part B and UPSFF funding);
- A federal award with specific earmarking or matching requirements (i.e. Coordinated Early Intervening Services (CEIS) or Title 1, Part A parental involvement activities); or
- An unallowable activity (i.e. using Title I, Part A funds to pay for a classroom teacher) and an allowable activity (i.e. using Title I, Part A funds to hire a soccer coach).

Examples of how the rules related to cost objectives are applied are available in the “Examples of Cost Objectives” section below.

B. Single Cost Objective

An employee who works on a single cost objective must complete a semi-annual certification that indicates the employee worked solely on that cost objective for the period covered by the certification. The certification must be prepared at least every six months. Either the employee or a supervisor with first-hand knowledge of the work performed by the employee must sign the semi-annual certification.¹

¹ A digital signature is acceptable only if the LEA can demonstrate it has sufficient controls in place to verify the digital signature could only be created by the relevant employee or supervisor – for example, through a unique login ID and a secret password.

A semi-annual certification must:

- Be executed after the work has been completed;
- State that the employee worked solely (100% of time and effort) on activities related to a particular cost objective;
- Identify the cost objective;
- Specify the reporting period;
- Be signed by the employee or a supervisor with first-hand knowledge of the work performed; and
- Be dated.

A sample semi-annual certification is available in Attachment A.

Please note, in draft guidance prepared by the U.S. Department of Education's Office of the Chief Financial Officer in coordination with the Association of Education Federal Finance Administrators, the Department authorized the use of a "blanket semi-annual certification" that would identify multiple employees working on the same single cost objective. This single certification could be signed by the employees' supervisor if the supervisor has first-hand knowledge of the work performed by all of the employees listed on the certification.

C. Multiple Cost Objectives

Employees working on multiple cost objectives must maintain Personnel Activity Reports (PARs) or equivalent documentation indicating the amount of time spent on each cost objective for the period covered by the PAR or equivalent documentation. The PAR or equivalent documentation must be prepared at least every month. The employee must sign the PAR or equivalent documentation.²

A PAR must:

- Be executed after the work has been completed (projections of how an employee is expected to work or position descriptions are not sufficient);
- Account for the total activity for which each employee is compensated, including part-time schedules or overtime (total activity means all of the time an employee works, not just the amount of time worked on a federal program);
- Identify the cost objectives;
- Specify the reporting period;

² A digital signature is acceptable only if the LEA can demonstrate it has sufficient controls in place to verify the digital signature could only be created by the relevant employee – for example, through a unique login ID and a secret password.

- Be prepared at least monthly and coincide with one or more pay periods;
- Be signed by the employee (unlike a semi-annual certification a supervisor's signature alone is not sufficient, although an subgrantee may choose to require a supervisor to sign the PAR in addition to the employee as an extra internal control); and
- Be dated.

A sample PAR is available in Appendix B.

D. Examples of Cost Objectives

Example One

Example: A teacher only works on providing special education services to IDEA eligible students. The teacher's entire salary is paid with IDEA, Part B Section 611 funds.

Required Time and Effort Record: Semi-Annual Certification

Explanation: The teacher spends 100% of his/her time on a single cost objective (special education services).

Example Two

Example: A teacher only works on providing special education services to IDEA eligible students. The teacher's salary is paid partially with IDEA, Part B Section 611 funds and partially with state or local funds.

Required Time and Effort Record: Semi-Annual Certification

Explanation: Although the teacher's salary is allocated to two different funding sources, the teacher still works on a single cost objective (special education services that may be interchangeably allocated). Time and effort is measured by how many cost objectives an employee *works* on, not how many funding sources support the employee's salary.

Example Three

Example: An employee co-teaches in classrooms filled with both special education and non-special education students. The employee's salary is paid with a combination of IDEA, Part B Section 611 funds, IDEA, Part B Section 619 funds, and state and local funds.

Required Time and Effort Record: Personnel Activity Report

Explanation: The employee works on activities related to separate cost objectives – implementing individualized education plans in the least restrictive environment and teaching non-special education students.

Example Four

Example: An employee works in a targeted assistance program school to provide academic tutoring to Title I, Part A eligible students and to provide violence prevention education to all students in the school. The employee's salary is paid partially with Title I, Part A funds and partially with Title IV, Part A funds.

Required Time and Effort Record: Personnel Activity Report

Explanation: The employee works on activities related to two separate cost objectives – academic counseling, which is allowable under Title I, Part A, and violence prevention education, which is allowable under Title IV, Part A.

Example Five

Example: A classroom teacher provides general instruction to students in a targeted assistance school. The teacher's entire salary is paid with state or local funds. The teacher receives a stipend to attend a professional development program on effective instructional strategies, methods, and skills. The stipend is paid with Title II, Part A funds.

Required Time and Effort Record: Personnel Activity Report

Explanation: The employee works on activities related to two separate cost objectives.

Example Six

Example: A classroom teacher provides general instruction to students in a Schoolwide program school. The teacher's entire salary is paid with funds from that the Schoolwide pool which consists of several consolidated federal funds.

Required Time and Effort Record: Semi-Annual Certification

Explanation: The employee works solely on the Schoolwide program which is a single cost objective.

Example Seven

Example: A reading specialist provides reading remediation instruction to students in a Schoolwide program school that is part of an LEA in improvement that must set-aside funds for professional development. As a function of the LEA's professional development initiative, the specialist also provides high quality professional development to teachers in the school.

Required Time and Effort Record: Personnel Activity Report

Explanation: The employee works on activities related to two separate cost objectives and it should be noted that LEA-level set-asides may not be consolidated under a SWP. Time spent instructing teachers in high-quality literacy practices is not only a separate activity from the instruction of students, but must be tracked separately to ensure the LEA has met its minimum spending requirement for the set-aside.

Example Eight

Example: A teacher provides general instruction to students in a bilingual Schoolwide program school that consolidates only federal funds. As a function of a statewide early reading intervention initiative, the teacher also sees small groups of students for reading remediation using the state's mandated program and materials.

Required Time and Effort Record: Personnel Activity Report

Explanation: The employee works on activities related to two separate cost objectives.

E. Special Circumstances

1. Schoolwide programs

Section 1114 of NCLB authorizes eligible Title I schools to consolidate their federal, state and local funds to operate a schoolwide program to upgrade the entire educational program in the school. A schoolwide program is considered to be a single cost objective.

If a school operating a schoolwide program consolidates any portion of the LEA's allocation of federal funds *with* state and local funds under NCLB section 1114(a)(3) in a consolidated schoolwide pool, an employee whose entire cost is paid with funds from that pool is not required to file a semi-annual certification. Because all sources of funding are consolidated in a schoolwide pool, there is no distinction between staff paid with federal, state, or local funds. All funds that have been combined in the schoolwide program may be documented as a single-cost objective, "Schoolwide Program," with

non-combined funds being recorded as separate cost objective(s). Employees who are split funded by the schoolwide pool and any non-consolidated cost-objectives are required to file personnel activity reports.

If a school operating a schoolwide program consolidates **only** federal funds in its schoolwide pool, employees paid from that pool alone may file a semi-annual certification as the program is considered a single-cost objective. Employees who work in whole or in part on the schoolwide program and other, non-consolidated federal cost objectives are required to file personnel activity reports.

Employees who work in schoolwide program schools but in whole or in part on federal programs that are *not* consolidated in the schoolwide pool are required to file either semi-annual certifications (single-cost objective employees) or personnel activity reports (multiple-cost objective employees) as appropriate.

In the case of schools operating Schoolwide programs wherein no funds are consolidated, but rather, Title I part A funds are simply used on a school-wide basis, employees are required to file either semi-annual certifications (single-cost objective employees) or personnel activity reports (multiple-cost objective employees) as appropriate.

Please see Appendix C for further detail on how all LEA employees who work in whole or in part on federal cost objectives should report time and effort.

2. Supplemental Contracts

As discussed above, time and effort records must account for all of an employee's activities (i.e. 100% of an employee's time). Thus, if an employee works overtime that time must be reflected in the employee's time and effort record.

If, however, an employee works in two distinct positions the employee may maintain separate time and effort records for each position.

For example, an employee works as a Title I teacher during the school day (charged to Title I) and a sports coach after school (charged to state or local funds). Assuming the coaching responsibilities are not part of the employee's regular job functions (e.g. the employee has a supplemental contract for the coaching position), the employee may treat each position separately – meaning the employee may complete a semi-annual certification for the teaching position, while no federal time and effort record would be required for the coaching position.

In a similar example, an employee works as a Title I teacher during the school day (charged to Title I) and a 21st Century Community Learning Center teacher after school (charged to 21st CCLC). Assuming the after school activities are not part of the employee's regular job functions, the employee may complete a semi-annual certification for Title I teaching position and a separate semi-annual certification for the 21st CCLC teaching position.

VII. Allocating Employee Compensation Costs to Federal Programs

Subgrantees may initially charge employee compensation costs to federal programs based on budget estimates that reasonably approximate how an employee will work during the year. However, subgrantees must periodically, but at least quarterly, **reconcile** payroll charges to the time and effort reflected in employee time and effort records. If the comparison shows that the difference between costs based on actual time reported, and payroll expenditures based on estimated time is 10 percent or greater, the subgrantee must do two things. First, it must adjust the accounting records to reflect costs of the reported actual time. Second, in order to minimize future differences, the estimated distributions used to charge payroll for the following quarter must be changed to reflect the reported actual distributions of the previous quarter. If the LEA identifies a variance, the LEA must adjust its payroll charges so that the amount charged to federal funds reflects the employee's actual time and effort.

For example, if an LEA anticipates an employee will spend 50 percent of the employee's time on Title I, Part A activities and 50 percent of the employee's time on IDEA, Part B Section 611 activities, then the LEA may charge half of the employee's salary to Title I and half to IDEA. At least quarterly, however, the LEA must review the employee's time and effort records to verify the employee actually spent 50 percent of the employee's time on Title I and 50 percent on IDEA. If the employee actually spent 30 percent of the employee's time on Title I and 70 percent on IDEA, the LEA must adjust the amount charged to the federal programs accordingly.

The subgrantee may perform the adjustment annually if variances are less than 10 percent. The subgrantee must perform the adjustment at least quarterly if variances are 10 percent or more. Please note the 10 percent threshold **only** governs how often the reconciliation must occur. All variances must be resolved, even if they are less than 10 percent.

Appendix A: Sample Semi-Annual Certification

I hereby certify that for the period [*October 1/April 1*] [Year] through [*March 31/September 30*] [Year] one-hundred percent (100%) of [*name of employee*] time and effort was spent on [*insert name of cost objective*].

Employee (or Supervisor) Signature

Date

Print Name

Appendix B: Sample Personnel Activity Report

NAME OF EMPLOYEE:	LOCATION:	PROGRAM YEAR:	REPORTING MONTH:
<i>Diane Lindsay</i>	<i>Fosse PCS, Turner Campus</i>	<i>2009-2010</i>	<i>March, 2010</i>

COST OBJECTIVE	ANTICIPATED EFFORT FOR MONTH (BY PERCENT)	ACTUAL EFFORT FOR MONTH (BY PERCENT)
<i>Title I, Part A Student Instruction</i>	<i>70%</i>	<i>70%</i>
<i>Title I, Part A Parental Involvement</i>	<i>20%</i>	<i>20%</i>
<i>Title I, Part A Administration</i>	<i>10%</i>	<i>10%</i>

I hereby certify that the information contained in this Personnel Activity Report accurately reflects 100% of my actual time and effort distribution for the month reported.

Employee Signature

Date

Print Name

Appendix C: Time and Effort Matrix

	100% Consolidated Funds under SWP		Combination of SWP Consolidated and Non-Consolidated Funds		100% Non-Consolidated Funds	
	Employee Type		Employee Type		Employee Type	
	Employee works 100% on SWP (including consolidation of local funds but <u>not</u> including set-asides)	Employee works 100% on SWP (that does <u>not</u> consolidate local funds or include set-asides)	<u>Employee works a mix of SWP (that DOES consolidate local funds) and non-consolidated funding sources.</u> Non-consolidated funding sources may consist of any additional source of income that constitutes a cost-objective such as: non-consolidated federal grants, set-asides or other funding sources	<u>Employee works a mix of SWP (that DOES NOT consolidate local funds) and non-consolidated funding sources.</u> Non-consolidated funding sources may consist of any additional source of income that constitutes a cost-objective such as: local funding, non-consolidated federal grants, or set-asides	Employee works in a SWP school or Central Office* but only works on non-consolidated cost-objectives (to include set-asides which are presumed to be reserved at the LEA level) <small>*Central Office Employees who work on SWP will fit into one of the prior categories</small>	Employee works in a TAS or subgrantee organization wherein funds may not be consolidated; all funding sources are non-consolidated
Percentage reported on time and effort records kept:	100% SWP	100% SWP	% T&E for SWP, % T&E for each non-consolidated cost-objective	% T&E for SWP, % T&E for each non-consolidated cost-objective	% T&E for each non-consolidated cost-objective	% T&E for each non-consolidated cost-objective
Time and Effort Requirements: (Records to be maintained by subgrantee for monitoring and auditing purposes)	File nothing; no distinction between employees paid from federal or local funds	Semi-Annual Certifications; Federal employees paid from a single cost objective must file SACs	Personnel Activity Reports; this distinguishes between % of time spent on each cost-objective and must account for 100% of employee's time	Personnel Activity Reports; this distinguishes between % of time spent on each cost-objective and must account for 100% of employee's time	<u>Single Cost Objective:</u> SACs; <u>Multiple Cost Objectives:</u> PARs	<u>Single Cost Objective:</u> SACs; <u>Multiple Cost Objectives:</u> PARs

KEY:

LEA: Local Education Agency
PAR: Personnel Activity Report

SAC: Semi-Annual Certification
SWP: Schoolwide Program School

TAS: Targeted Assistance School
T&E: Time and Effort