

TIME AND EFFORT REPORTING REQUIREMENTS

OMB Circular A-87, Attachment B, Selected Items of Cost
(Item 8. Compensation for Personal Services)

What is time and effort reporting?

The Office of Management and Budget's (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, establishes standards for charging fair and appropriate employee compensation to federal grants and subgrants. Under federal requirements, all employees charged to federal grants must maintain time and effort reporting. Time and effort records verify that salaries and wages charged to a federal program are appropriate.

There are no actual reports submitted to the North Dakota Department of Public Instruction (NDDPI). The local education agency (LEA) must maintain records to provide evidence that time funded by the federal grant was spent working towards the grant's objectives.

Where are the requirements?

The federal regulations governing time and effort records are listed under number 8 of the 43 "Selected Items of Cost" under Circular A-87. Time and effort reports should be prepared by any staff with salary and benefits that are charged:

- Directly to a federal award
- Directly to multiple federal awards.
- Directly to any combination of a federal award and other federal, state, or local fund sources.

What type of reporting is needed?

Requirements for time and effort records vary based on the number of cost objectives to which an employee's time is charged.

There are two types of required time and effort records:

- semi-annual certification forms (employee works on one cost objective)
- personnel activity reports (employee works on multiple cost objectives)

Examples of IDEA Cost Objectives:

- IDEA Administration
- IDEA Program
- EIS
- Proportionate Share

Single or multiple cost objectives?

In determining whether an employee works on one single or multiple cost objectives, the significant factor is the number of cost objectives on which the employee works, not the number of sources supporting the employee's salary. The key to determining whether an employee is working on a single cost objective is whether the employee's salary and wages can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee's salary is also paid with non-Federal funds.

The U.S. Department of Education gives the following example:

A preschool special education teacher is funded with 50 percent IDEA section 611 funds and 50 percent with IDEA section 619 funds.

Teaching preschool special education is an allowable activity under both IDEA sections 611 and 619. Accordingly, the teacher is performing a single cost objective even though she is supported with funds from two separate Federal awards; therefore, she need only file a semiannual certification.

What is a semi-annual certification form?

If an employee only works on one cost objective, the employee may report time and effort semi-annually, referred to in the federal regulations as Semi-Annual Certification. A single cost objective is a single work activity (IDEA Administration) that may be funded by one or more fund sources such as:

- A single federal grant award (IDEA)
- A combination of federal IDEA and state/local funds.

Every six months, the employee (or supervisor having firsthand knowledge of his or her work performance) must certify that individual worked exclusively on the particular grant project for the preceding period. A sample certification form is available on DPI's Special Education website under the fiscal tab **Sample Certification Form**.

What is a Personnel Activity Report?

If an employee works on multiple cost objectives, the employee must maintain Personnel Activity Reports (PARS) that demonstrate a distribution of his or her time on the federal programs. The PARs must be signed each month by the employee.

PARS must:

- After-the-fact record
- Total activity for which employee compensated
- At least monthly
- Signed and dated by employee
- Actual effort, not estimated effort!
- Consult supporting documentation when executing monthly report
- Calendar, work product, time log

Budget estimates or other distribution percentages determined before the services are performed do not qualify as PARs. A sample PAR is available on DPI's Special Education website under the fiscal tab at [Sample Personnel Activity Report](#).

What are some common errors in time and effort reporting?

- Time and effort not reviewed and signed by appropriate staff
- Entire day's schedule not accounted for (only federal time reported)
- Accounting adjustments transferring payroll expenditures to federal programs (from state/local sources) with no supporting time and effort documentation.
- Lack of appropriate time and effort records for employee(s) with supplemental contracts/stipends and extra hours
- Failing to recognize that a change in position, duties, or funding may result in a change in time and effort reporting.

- Reporting time according to the ratios budgeted without regard to how the individual actually worked.

What if we fail to keep time and effort reports?

The lack of time and effort reporting is the single largest audit finding by the US Office of Inspector General (OIG). Without proper time and effort documentation an LEA cannot prove that the salaries charged to a federal program are allowable. Costs that are not adequately documented become “questioned costs” and subject to repayment. Since salaries and fringe benefits are the biggest cost item in most IDEA-B and Preschool applications it is extremely important to be in compliance with the federal time and effort regulations.

Additional guidance from the U.S. Dept of Education is available at:

<http://www2.ed.gov/policy/fund/guid/gposbul/time-and-effort-reporting.html>

TIME AND EFFORT DOCUMENTATION SUPPLEMENTAL CONTRACTS, STIPENDS, AND EXTRA HOURS

OMB Circular A-87 requires time and effort reporting to account for the total activity for which each employee is compensated. There is no minimum pay level below which the employee time and effort is waived. However, activities performed under a supplemental contract, stipend, or authorization for extra hours are over and above the scope of the normal employment contract or agreement. Therefore, for purposes of reporting time and effort, primary employment contracts or agreements and these additional employment contracts or agreements may be considered separately.

Example 1: Under a regular contract a teacher works only on general education and is charged only to state funds. No time and effort reporting is required for this teacher under the primary employment contract because the compensation earned under the contract is not charged to any federally-funded cost objective.

Time and effort Documentation: None

Example 2: Using the above example, the teacher enters into a supplemental contract with the district to provide one hour of special education supplemental instruction after school each day. This work is charged to Federal IDEA B funds. For time and effort purposes, the supplemental contract and regular contract are considered separately. The teacher reports time and effort only for the work performed under this supplemental contract.

Time and Effort Documentation: Semi-annual certification for supplemental contract only.

Additional notes that may be helpful:

- A signed supplemental contract or stipend that stipulates specific single cost objective work activities may only be used as time and effort documentation as long as the employee and/or immediate supervisor provides an after-the-fact certification that the work was performed.
- Multiple cost objectives for supplemental contracts/stipends must be supported by employee time and effort records documenting actual time spent on each objective (e.g., a supplemental contract to administer a summer school program serving eligible Title I and special education students may be charged to Title I and special education funds only to the extent that such pay is supported by a time and effort report of actual hours worked on each program).