

Wyoming Department of Education (WDE)

Time Distribution Policies

Institutions of Higher Education (Colleges and Universities)

Time and Effort Documentation Requirements

For personnel costs to be allowable, they must be necessary, reasonable, allocable to the federal cost objective(s) to which they are being charged and appropriately documented. *See* Office of Management and Budget (OMB) Circular A-87, Appendix A § C(1) and OMB Circular A-21, Appendix A § C(2). Federal law establishes specific rules for ensuring costs related to the compensation of employees meet these criteria. For any salary or related benefit to be allowable to a federal award the OMB Circulars require that time distribution records (also referred to as time and effort documentation) be maintained.

To ensure costs are allowable, all employees who are paid in full or in part with federal funds must keep specific documentation to demonstrate the amount of time they spent on federal grant activities is allocable or chargeable to the grant. This includes an employee whose salary is paid with state or local funds but is used to meet a required “match” in a federal program EDGAR 80.24 or 74.23. This also includes all salary costs, including federally funded stipends paid to employees. Therefore, all employees paid with federal funds, whether part time or full time, and employees whose salaries are used for match purposes, must keep time distribution records, as further described below. These time distribution records are *in addition to* the standards for payroll documentation.

These documents, known as time and effort records, must be maintained in order for the Wyoming Department of Education (WDE) and its subgrantees, to charge the costs of employee salaries to federal grants. If these policies are not complied with, WDE staff and/or its subgrantees can be subject to disallowed costs and audit exceptions.

The rules are different for state and local governments, including school districts, and institutions of higher education (IHEs). WDE, its school districts and public schools, including charter schools, follow OMB Circular A-87, while IHEs follow OMB Circular A-21. Accordingly, agencies must make certain that they follow their correct rules as outlined below.

The Omni Circular

On December 26, 2013, OMB published the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* written by the Council on Financial

Assistance Reform. The grant reform consolidates eight OMB circulars including key cost circulars covering the federal cost principles (A-87, A-21, A-122), the federal administrative rules (A-110, A-102) codified in EDGAR Parts 74 and 80, and federal audits (A-133 and part of A-50 regarding Single Audit Requirements).

This new circular has been termed the “super circular” or the “omni circular”. The U.S. Department of Education has until December 26, 2014 to codify these requirements into the Education Department General Administrative Regulations (EDGAR). Until then, or even possibly as late as July 1, 2015, the current rules will still apply to the administration of the federal grants grant, including applicable rules related to time and effort documentation. Once the new EDGAR is published, this policy will be updated with any new requirements or changes. Accordingly, this policy applies until any formal updates are released.

Payroll and Time Distribution Records

All institutions of higher education (IHE) employees paid in whole or in part with federal funds must keep time distribution records. In addition, any employees who are paid with nonfederal funds, but whose salary is used towards a match requirement must also keep time distribution records.

Employees may spend 100% of their time working on grant program activities or only a portion of their time working on a grant program. However, they may only be paid under a grant, or multiple grants, in proportion to the amount of time they have worked on each grant activity.

All employees that work for an IHE who are charged directly to the grant must be budgeted and approved. Grantees may charge the grant program only the actual percentage of time worked on the grant program based on time and effort documentation.

The IHE must develop a system for distributing payroll costs to ensure:

- Equitable distribution of charges for employee's activities; and
- Employees' direct activities are distinguished from their indirect activities

Payroll Distribution System Requirements

A payroll distribution system must:

- Incorporate into official records of the institution;
- Reasonably reflect activity for which the employee is compensated by institution; and
- Encompass sponsored and all other activities on integrated basis.

The data must be confirmed after the fact so that costs distributed represent actual costs, as follows:

- A payroll distribution system must allow confirmation of activity allocable to each sponsored agreement and cost objective and each of the categories of activity needed to

identify facilities and administration (F&A) costs and the functions to which they are allocable.

- If F&A cost categories are not initially identified as separate categories, they may be subsequently distributed by any reasonable method mutually agreed to, including, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.
- A payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.
- Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates; when estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system (short term (one or two months) fluctuation between workload categories need not be considered).
- Independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.

If the above standards are met, the institution is not required to provide additional documentation for the effort actually performed. *See* OMB Circular A-21, Attachment J, § 10(b)(2)(g).

Examples of Acceptable Methods for Payroll Distribution

a. Plan Confirmation

The distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution, with the following standards:

- A system of budgeted, planned, or assigned work activity, encompassing both sponsored and all other activities on an integrated basis.
- Reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in OMB Circular A-21, Attachment J, § 10(a) need not be included), expressed as a percentage distribution of total activities.
- Reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable.
- Provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity; whenever it is apparent that a significant change in work activity charged to sponsored agreements will occur, it must be documented over the signature of responsible official and entered into system.
- Verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed (signed at least annually by employee, principal investigator or responsible official(s)).
- Independent internal evaluations to ensure the system's effectiveness and compliance with the plan's standards.
- If the above standards are met, the institution is not required to provide additional documentation for the effort actually performed.

b. After the Fact Activity Reports

Under this system the distribution of salaries and wages by the institution must be supported by activity reports as follows:

- Activity reports must reflect the distribution of activity expended by employees covered by the system.
- Records reflect an after the fact reporting of the percentage distribution of activity of employees (charges may be made initially on the basis of estimates, provided that charges are promptly adjusted if significant differences are indicated by activity records).
- Reasonably reflect the activities for which employees are compensated by the institution using suitable means of verification that the work was performed (signed by the employee, principal investigator, or responsible official(s)).
- Reflect activity applicable to each sponsored agreement and cost objective and to each category needed to identify F&A costs and the functions to which they are allocable.

For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports must be prepared no less frequently than monthly and must coincide with one or more pay periods.

Where the institution uses time cards or other forms of after the fact payroll documents as original documentation for payroll and payroll charges, these documents shall qualify as records.

c. Multiple Confirmation Records

Under this system, the distribution of salaries and wages of professorial and professional staff must be supported by records, which certify separately for direct and F&A cost activities as follows:

- For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement and F&A cost records to reflect the distribution of that activity to F&A costs; these records may be kept jointly or separately (but are to be certified separately).
- Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences occur.
- Institutional records must reasonably reflect only the activity for which employees are compensated by the institution.
- Reflect activity applicable to each sponsored agreement and cost objective and to each category needed to identify F&A costs and the functions to which they are allocable.
- To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee, the record for each period must include:

- The signature of the employee or person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate and,
- The record of F&A costs must include the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities (signatures may all be on the same document).
- The reports must be prepared each academic term, but no less frequently than every six months.
- Where the institution uses time cards or other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records.

Time & Effort Documentation

While IHEs have three options for payroll distribution (aka time distribution records). WDE may be more restrictive and require that IHEs use the “After the Fact Activity Records” method for tracking employees time on sponsored projects, unless prior approval is obtained to use an alternative method.

Accordingly, IHEs time distribution records must:

- Be prepared each academic term by professorial and professional staff.
- Be prepared monthly for all other employees.
- Be after the fact, or certified after the time period that the certification covers.
- Reasonably reflect the activities for which employees are compensated.
- Equal 100% of the time worked by the employee.
- Signed by either the employee or direct supervisor. If the employee is no longer employed or is otherwise unable to sign the form, the direct supervisor should note that on the employee signature line (along with why the employee is unable to sign) and then the direct supervisor must sign the form.
- Reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs and the functions to which they are allocable.

If the IHEs are not using one of the three options mentioned above, WDE requires the agency to use the semiannual certification (Attachment 1) or the personnel activity report (PAR) (Attachment 2).

a. Semi-annual Certifications

A semi-annual certification is required of employees who spend 100% of their time working on a single cost objective.

A semi-annual certification must be after-the-fact documentation that covers a period not to **exceed** 6 months. It must be signed by the employee or a supervisor with first-hand knowledge of the activity performed. *See* OMB Circular A-87, Appendix B (8)(h)(3). Once the semi-annual certification is completed, it should be submitted to the IHE Federal Program Coordinator for reconciliation.

An example of a semi-annual certification can be found in Attachment 1.

- If certifying every 6 months, semi-annual certifications **MUST** be certified no later than July 10th (for the period covering January 1st through June 30th) and January 10th (For the period covering July 1st- December 31st).
- It is permissible to complete the semi-annual certification for periods **shorter** than 6 months, which may be helpful when an employee's contract is for less than 6 months, if preferred; however all time worked must be accounted for regardless of the time period selected.
- **EITHER** the employee **OR** direct supervisor must sign the semi-annual certification.

b. Personnel Activity Reports

Employees working on multiple cost objectives must maintain personnel activity reports (PARs). PARs must meet the following standards:

1. Reflect an after the fact distribution of the actual activity of each employee;
2. Account for the total activity for which each employee is compensated;
3. Prepared at least monthly and coincide with one or more pay periods; and
4. Signed by the employee. *See* OMB Circular A-87, Appendix B (8)(h)(5).

Once the PAR is completed, it should be submitted to the IHE Federal Program Coordinator for reconciliation.

An example of a PAR can be found in Attachment 2.

- All cost objectives must be included. Non-federal cost objectives may be included as a single "non-federal activities" cost objective.
- Signed by the employee. If the employee is no longer employed or is otherwise unable to sign the form, the direct supervisor should note that on the employee signature line (along with why the employee is unable to sign) and then the direct supervisor must sign the form.

Once the forms are completed, it must be submitted to the IHE Federal Program Coordinator for reconciliation.

Reconciliation

It is critical for payroll charges to match the actual distribution of time recorded on the time distribution records. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

At least quarterly, the IHE must review the time distribution records and compare actual costs to budgeted distributions. When percentages of time are distributed differently than planned, modifications must be made to distribute the charges so they will be a perfect match to the actual time worked on each cost objective.

Adjustments must be made by the end of each grant period or more regularly, as appropriate.

Attachment 1: Semi-annual Certification

Name of College/University

I, _____[Name of Employee]_____ certify that I worked 100% of my time, from the period of _____ through _____¹ on __[Name of Cost Objective]_____.

(Employee Signature)

(Date)²

(Name Direct Supervisor)

(Signature)

(Date)

¹ If certifying every 6 months, semiannual certifications MUST be certified no later than July 10th (for the period covering January 1st through June 30th) and January 10th (For the period covering July 1st-December 31st). If certifying for less than 6 months please include the applicable time frame and certify within 10 days after the end of the work period.

² This must be signed and dated after the end date of the certification period.

Attachment 2: Personnel Activity Report

Name of College/University

I, _____[Name of Employee]_____ certify that I worked on the following cost objectives during the month of __[Name Month and Year]_____.

Name of Cost Objectives	Percent of Time Worked
1. Cost Objective ³	
2. Cost Objective	
Total Time Worked	100 %

(Employee Signature)

(Date)⁴

(Name Direct Supervisor)

(Signature)

(Date)

³ All cost objectives must be included. Non-federal cost objectives may be included as a single “non-federal activities” cost objective.

⁴ This must be signed and dated after the end date of the certification period.