

Time and Effort

What the Federal Law, Regulations, and Guidance Says

Federal Statute

The Elementary and Secondary Education Act (ESEA) does not address time and effort. In the absence of a reference in law, states and districts must look to regulations, non-regulatory guidance, and other communications from the U.S. Department of Education (ED) for direction.

Federal Regulations

Part 200 of the Uniform Grant Guidance (UGG) identifies the cost categories “Compensation – personal services” ([2 CFR 200.430](#)) and “Compensation-fringe benefits” ([2 CFR 200.431](#)), which include detailed rules of federal funds for salaries and wages, fringe benefits, pension plan costs, post-retirement health benefits, and severance pay. The general rule is that time and effort documentation must be maintained for all employees paid in whole or in part with federal funds. Part 200 makes clear that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Federal Guidance

The U.S. Department of Education has issued various guidance documents regarding time and effort provisions. The guidance documents reference OMB Circular A-87 which was replaced by the Uniform Grant Guidance (UGG). No new federal guidance has been issued since UGG was implemented, however, having compliant systems under OMB Circular A-87 meets the new requirements under UGG as they are less prescriptive.

[Cost Allocation Guide for State and Local Governments](#) (Time Reporting Requirements Section VI)

[September 2012 Letter to Chief State School Officers](#)

- [Enclosure A - Time-and-Effort Reporting – Substitute System](#)
- [Enclosure B - Example Substitute System Time-and-Effort Certification – Employee with Fixed Schedule](#)
- [Enclosure C – Support for Salaries and Wages of an Employee Working on a Single Cost Objective](#)

[Compliance Supplement](#) (Part 4 84.000 ED Cross-Cutting Section Allowable Costs/Cost Principles)

Overview of Key Time and Effort Regulations

2 CFR §200.430 — Compensation – personal services

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits addressed in [2 CFR §200.431](#).

Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- Is reasonable for the services rendered and conforms to the established written policy of the LEA consistently applied to both Federal and non-Federal activities.
- Follows an appointment made in accordance with laws and/or an LEA's rules or written policies and meets the requirement of Federal statute, where applicable; and
- Is determined and supported as provided in paragraph (g) Standards for Documentation of Personnel Expenses.

2 CFR §200.430(g) — Standards for Documentation of Personnel Expenses

Charges to Federal awards for salaries and wages must be based on records that accurately reflect actual work performed rather than budgeted or after-the-fact allocated time estimates.

These records must:

- Be supported by a system of internal controls which provides a reasonable assurance that the charges are accurate, allowable and properly allocated (also see 2 CFR 200.303).
- Be incorporated into official records.
- Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities.
- Encompass all activities (Federal and non-Federal).
- Comply with established accounting policies and practices.
- Support the distribution of time among specific activities or cost objectives if the employee works on more than one Federal award or on a Federal award and non-Federal award.
- Be based only on actual work effort, not budget estimates (meaning, estimates determined before the services are performed). Budget estimates alone do not qualify as support for charges to Federal awards but may be used for interim accounting purposes.

2 CFR §200.1 — Cost objective

Cost objective means a 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. A cost objective may be a major function of the recipient or subrecipient, a particular service or project, a federal award, or an indirect (e.g., facilities and administrative) cost activity. For the purposes of payroll records and time and effort documentation, cost objective may refer to a single cost objective or multiple cost objectives. Each type has specific documentation requirements.

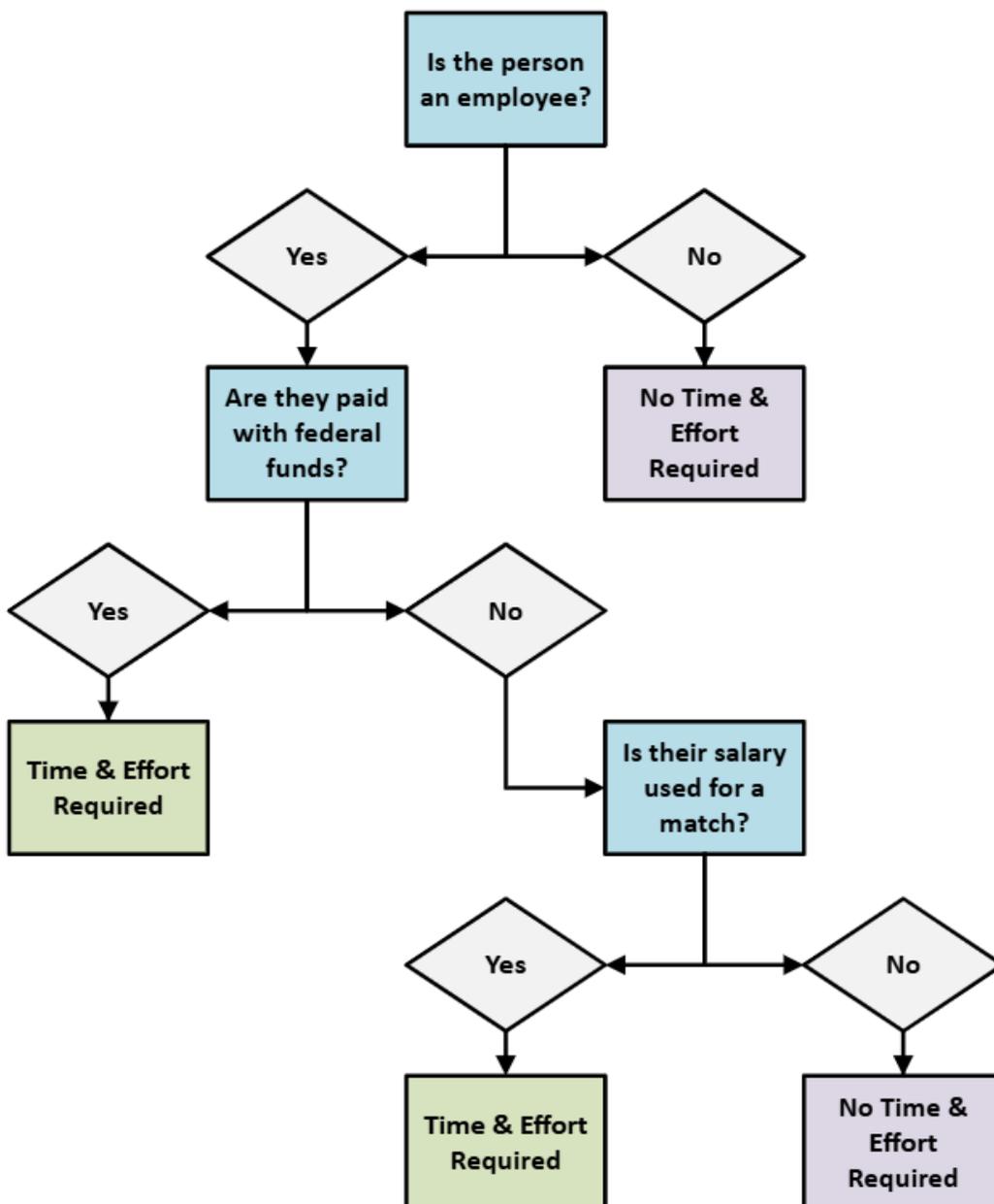
For each employee charged to the Federal grant program, determine and document if the position is a single cost objective or multiple cost objectives.

- If 100% of the position can be charged to a single Federal grant program, then the position is a single cost objective. This is not based on the amount of funding available. If enough funds were available, could the position be 100% funded? If yes, then the position is a single cost objective.
- If only a portion of the position meets the requirements of the grant’s cost objective, then the position is considered to have multiple cost objectives.

Cost Objectives (not an exhaustive list)	Not Cost Objectives (not an exhaustive list)
<ul style="list-style-type: none"> • Title I-A Administration • Title I-A Parent and Family Engagement • Title I-A Equitable Services • Schoolwide School 	<ul style="list-style-type: none"> • Title I-A • Title II-A • Program Director • Federal Programs

Time and Effort in Practice

Who Must Participate in Time and Effort Certification?



Semi-Annual Certifications

Many subrecipients have spent years implementing a time and effort reporting system under the former OMB A-87 Circular regulations. These systems, if properly managed, meet the standards under the Uniform Grant Guidelines and there is no need to eliminate or recreate an existing system.

If an employee was expected to work solely on a single federal award or direct cost objective, the work had to be supported with a periodic certification that indicated the employee worked solely on that program or cost objective for the period covered by the certification (OMB Circular, A-87, Attachment B, Section 8.h(3)). The certification had to be prepared at least semi-annually (every six months), signed and dated by the employee or supervisor having firsthand knowledge of the work performed by the employees.

In some circumstances, the requirement for a semi-annual certification may be achieved through certain payroll coding and time and attendance certifications. For example, if (1) employees work in a dedicated function (i.e., on a single cost objective); (2) their potential assignment to multiple programs/activities is not within the authority, function, or purview of the supervisor responsible for certifying payroll time and attendance; and (3) the employee is coded to one dedicated function; then the payroll certification shall be accepted in lieu of the semi-annual certification of time and effort.

In an effort to reduce paperwork, ED had authorized the use of a blanket semi-annual certification that identified multiple employees working on the same single cost objective.

Personnel Activity Reports (PARs)

Under the former OMB A-87 Circular regulations, if an employee was expected to work on multiple cost objectives, the employee had to maintain a Personal Activity Report (PAR) that demonstrated a distribution of their time spent working on the federal programs or cost objectives. An employee is considered to work on multiple cost objectives, if they work on:

- More than one federal award;
- A federal award and a non-federal award;
- An indirect cost activity and a direct cost activity;
- Two or more indirect cost activities which are allocated using different allocation bases; or
- An unallowable activity and a direct or indirect cost activity.

PARs had to meet the following standards:

- After-The-Fact Record: must reflect an after the fact distribution of the actual activity of the employee;
- Total Activity: must account for the total activity for which the employee is compensated;
- Monthly: must be prepared at least monthly and must coincide with one or more pay periods; and
- Signed and dated: must be signed and dated by the employee. The signature of the supervisor alone is not sufficient.

[2 CFR 200.430\(g\)\(8\)](#) requires personnel activity reports, including prescribed certifications, or equivalent documentation if the standards in [2 CFR 200.430\(g\)](#) are not met.

Budget estimates determined before the services are performed do not qualify as support for charges to federal awards. However, estimates may be used for interim accounting purposes if certain criteria are met (see [Reconciliation](#)).

Substitute and Alternative Time and Effort Systems

[2 CFR 200.430\(g\)\(5\)](#) allows for the use of substitute time systems by states, local governments, and Indian tribes for allocating salaries and wages to federal awards. Generally, substitute time systems for keeping time and effort records must be approved by the cognizant agency. Accordingly, grantees must receive written prior approval from ED before implementing a substitute system. Such systems may include, but are not limited to:

- Random moment sampling;
- Case counts; or
- Other quantifiable measures of work performed.

Sampling and other measures should take into account relative effort or intensity of services between different categories of clients served. Substitute systems that use sampling methods must be acceptable statistical sampling standards including the following:

- The sampling universe must include all the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (g)(5)(iii);
- The sample must cover the entire period involved; and
- The results must be statistically valid and applied to the period being sampled.

Allocating charges for the sampled employees' supervisors and clerical and support staff, based on the results of the sampled employees, will be acceptable.

One commonly accepted substitute system model allows grantees and subgrantees to use detailed time and effort records kept by employees for two or three months during the year as a basis for allocating 12 months of costs. For example, personnel costs are allocated for the year based on PARs kept during the months of January, September, and May. Under this system, the state first estimates salaries and fringe benefits for employees working on federal programs for July, August, and September (first quarter of the state's fiscal year) based on the previous years' data. In September, the employees record actual time and effort. Distribution records from September are used as the basis for adjusting the previously estimated salaries and fringe benefits, and for making estimated budget allocations for the next four months (October through January). The process is repeated in January and again in May (i.e., employees keep actual time and effort records that are used to adjust the previous estimates and to project estimate for the next period). Accordingly, implementing a substitute system could significantly reduce the record-keeping burden for employees working on multiple cost objectives.

Reconciliation

[2 CFR 200.430\(g\)\(1\)\(vii\)](#) states that all necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes if:

- Produces reasonable approximations;
- Significant changes to the related work activity are promptly identified and entered into the records;
- Internal controls in place to **perform periodic after-the-fact reviews of interim charges based on budget estimates** (200.430(g)(1)(vii)(C))
 - Final charges must be accurate, allowable, and properly allocated.

Reconciliation may occur at the end of the fiscal year or during intervals throughout the year.

Time and Effort Flexibilities

Consolidated Administrative Funds

A district that consolidates Federal administrative funds is not required to keep separate records by individual program (Sections 8201(c) or 8203(e) of ESEA (20 USC 7821(c) or 7823(e))). The district may treat the consolidated administrative funds as a consolidated administrative cost objective.

Time and effort requirements with respect to consolidated administrative funds vary under different circumstances.

- For an employee who works solely on the consolidated administrative cost objective, a State or district is not required to maintain records reflecting the distribution of the employee's salary and wages among the programs included in the consolidation.
- For an employee who works in part on the consolidated administrative cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources, a district must maintain time and effort distribution records in accordance with 2 CFR 200.430(g)(1)(vi) that support the portion of time and effort dedicated to:
 - The consolidated cost objective, and
 - Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

DEED Recommendations

- **Use a format that works for your district** – Time and effort documentation can be electronic. Consider processes the district already has in place to which time and effort documentation can be added.
- **Assign responsibility for oversight of time and effort** – Designate specific official(s) to approve employee time and effort documentation charges. These individuals should have first-hand knowledge of the work performed by the employees. This should include ensuring that certification of work does not happen until after the work is completed.
- **Educate employees** – Explain the importance of accurate reporting of time and effort and train staff on district reporting and tracking systems. This ensures that the system is well understood and helps safeguard against confusion and errors.
- **Establish a routine** – A regular schedule for submission of time and effort documentation will improve accuracy and ensure that the necessary documentation can be provided when asked.

DEED Guidance

[Time and Effort Reporting](#)

[Time and Effort Reporting Supplement](#)