

Association of Education Federal Finance Administrators



June 15, 2016

Ms. Frances Outland, Director of the Indirect Cost Group
Office of the Chief Financial Officer
U.S. Department of Education
550 12th Street, SW
Washington, DC 20202-4450

Dear Ms. Outland:

The Association of Education Federal Finance Administrators (AEFFA) appreciated the Department of Education's (the Department) guidance issued in 2012 that reduced burden and increased flexibility for time and effort reporting. Due to the additional flexibilities for time and effort reporting in the Uniform Grant Guidance, we understand the Department is considering providing additional guidance and examples.

In the meantime, the AEFFA, in partnership with Brustein and Manasevit, PLLC, have drafted proposals for developing new time and effort systems. We have enclosed those proposals for your consideration. We believe our proposals comply with the new flexibilities offered in the Uniform Guidance.

We look forward to your feedback and working collaboratively to ensure time and effort systems provide accountability over federal funds. Please contact Jennifer Carrougher, Washington State Office of Superintendent of Public Instruction, at (360) 725-6280 or jennifer.carrougher@k12.wa.us, as the AEFFA coordinator for further discussions regarding our proposals.

Sincerely,

AEFFA Board of Directors

Enclosure

cc: Phil Rosenfelt, Deputy General Counsel for Program Service
Phil Maestri, Director, Risk Management Service
Rich Rasa, Director, State and Local Advisory and Assistance
Phillip Juengst, Financial Improvement Operations Director

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AEFFA Time and Effort Proposals Submission

Time and Effort Standards Under 2 CFR 200.430

All non-Federal entities that pay employees in full or in part with federal funds must keep documentation, be it electronic or paper, to demonstrate that the employees' salaries are allocable and allowable to the federal funds. This also applies to employees whose salaries are paid with state or local funds but is used to meet a required "match" in a federal program.

Under 2 CFR 200.430(i)(1) charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into official records;
- Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the District on an integrated basis;
- Comply with the established accounting policies and practices of the non-federal entity; and
- Support the distribution of the employee's salary or wages among specific activities or costs objectives.

Due to the adoption of 2 CFR Part 200, Uniform Grant Guidance, AEFFA would like to submit some proposals for documenting and/or allocating payroll charges to federal programs.

We believe the following proposals meet the requirements of 2 CFR Part 200.430(i)(1), which requires a "system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated".

Additionally, similar to the blanket approval authorization provided to SEAs in 2012 with the fixed schedule flexibility, which allows SEAs to approve substitute systems based on established guidelines, we are proposing this same approval authorization be provided to SEAs for the following proposals, as well as any systems submitted under sections 200.430(i)(6) and (7) involving program performance and blended funding.

Under these proposals, the supporting documentation would meet the following guidelines, unless otherwise specified:

- Reflect an after-the-fact distribution of the actual activity of the employee;
- Account for the total activity for which the employee was compensated;
- Be signed by the employee or supervisor with first-hand knowledge of the work performed (as permitted under OMB Circular A-122); and
- Coincide with one or more pay periods.

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1) Certification of Actual Time Worked

Multiple Cost Objective Staff: Using the previously required Personnel Activity Reports (PAR), under OMB Circular A-87 and A-122, we are proposing that these same guidelines be used, but on a basis less frequently than a monthly basis (such as quarterly or semi-annually).

Single Cost Objective Staff: Using the previously required certifications for staff working solely on a single cost objective under OMB Circular A-87 and A-122, we are proposing that these same guidelines be used, but on a basis less frequently than a semi-annual basis (such as annually).

2) Blanket Certifications

Prior to 2 CFR Part 200.430(i), USDE accepted blanket certifications. Under OMB Circular A-87, if the supervisor had first-hand knowledge of work performed by several employees each working on a single cost objective, the supervisor could use a blanket certification that lists all of the employees, the cost objective that they worked on and the time period covered.

Not only would the blanket certification meet the requirements under 2 CFR Part 200.430(i), but a supervisor could sign a similar blanket certification attesting that the named employees all worked in accordance with their stated job descriptions, as further described in 3 below.

3) Official Record of Employee Activities (OREA)

If an employee's OREA, for example, a job description or schedule that clearly identifies all cost objectives, at the beginning of the year, or upon employment, clearly identifies the position and/or account codes, which are used by the finance office to charge payroll and benefits, we are proposing:

For single cost objective staff: The OREA would suffice as support for salaries/wages and no additional documentation is required to meet the requirements of 2 CFR 200.430(i)(1).

For multiple cost objective staff: On an annual basis, either the employee or his/her supervisor having first-hand knowledge of the work performed would certify as to whether the employee worked as identified in the OREA.

A system of internal controls, such as a position/activity change form, would be established to ensure any changes in an employees' activities would be identified and updated in the employees OREA, and to ensure grant codes are updated and reconciled in a timely manner.

4) Electronic Submissions/Approvals

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Under the prior rules, a signature was required for various types of time and effort documentation. However, the new standard does not require a signature. Therefore, we are proposing that non-federal entities could create a compliant time and effort documentation system that does not require signatures, provided it uses internal controls to ensure the data provides a reasonable assurance the time worked is accurate, allowable and properly allocated. Examples include:

- On-line or electronic form submission where an employee logs in using a unique login and password, completes their time or “checks the box” signifying that the time documented is correct and electronically submits it.
- Electronic-mail submission where the employee emails the time worked on each cost objective.
- Submission of electronic timesheets outlining the total activity for which the employee is compensated.

A sample of an electronic submission system will be provided upon request.

5) “Roll-up” Time and Effort Tracking

Using a “roll up” of employee effort to allocate effort for supervisors, clerical and support staff is a substitute system under 2 CFR 200.430(i)(5), if approved by the cognizant agency. Under this system, for example, the time spent by supervisors on purely supervisory activities may be allocated based on the average time allocations of the supervised employees. We are proposing that this method be allowed for SEAs and subgrantees (1) under 430(i)(1) and (2) without further approval. The use of a “roll up” system meets all the requirements of 430(i)(1) and includes strong internal controls, which provide a reasonable assurance charges are allowable. This will also allow IHEs and nonprofits to take advantage of the same permissible tracking system.

6) Allocation of Effort Using a Basis Other than Time

If the work performed by an employee benefits multiple cost objectives in a way that is indistinguishable, the nonfederal entity may determine an appropriate method to allocate personnel expenses using any reasonable basis. *See* 2 C.F.R. § 200.405(d) (“If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then ... the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”). Accordingly, non-federal entities may allocate effort using a basis other than time, without further approval of the cognizant agency.

The nonfederal entity must document the use of this method and the basis for the cost allocation at the time the method is adopted.

Some examples include:

A paraprofessional is teaching supplemental services to a class of students that are eligible for different programs, therefore they could allocate salaries based on the percentages of eligible student counts for each funding source.

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An accountant's salary could be allocated based on the number of transactions processed under each funding source. The processed transactions would serve as a reasonable proxy of time spent on each cost objective.

This process was explicitly discussed in and allowed by the 1992 guidance from Secretary Bell (Guidelines for Support of Salaries and Related Costs under Programs of the U.S. Department of Education and Entities Governed by OMB Circular A-87, April 28, 1992); the UGG language regarding allocability indicates that this process continues to be allowable under the new regulations.