



SUPERINTENDENT OF PUBLIC INSTRUCTION

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September 28, 2017

() Action Required

Due date:

(X) Informational

ADDENDUM TO BULLETIN NO. 048-17 FEDERAL FISCAL POLICY

TO: Educational Service District Superintendents
School District Superintendents
School District Business Managers

FROM: Chris Reykdal, Superintendent of Public Instruction

RE: Guidelines for Charging Employee Compensation to Federal Grants

CONTACT: Jennifer Carrougher, Federal Fiscal Policy Director
360-725-6280, Jennifer.carrougher@k12.wa.us

PURPOSE / BACKGROUND

All employees charged to federal grants must document the time they spend working on the grant's objectives to demonstrate that the amounts charged to federal programs are true and accurate.

Office of Management and Budget's (OMB) Uniform Grant Guidance (UGG), 2CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," provides time and effort (T&E) requirements, including documentation standards.

The previous T&E regulations that were under OMB Circular A-87 are no longer applicable, including Personnel Activity Reports and Semi-Annual Certifications. However, until new internal control systems are established that meet the intent of UGG, we require districts to maintain current T&E procedures as a safe harbor from audit and monitoring issues. We plan on convening a workgroup of Office of Superintendent of Public Instruction (OSPI) and district staff to collaborate on ideas that reduce burdensome documentation requirements yet also meet the overall objective of T&E reporting.

BASIC REQUIREMENTS

All employee compensation charged to federal grants must be reasonable and necessary, as well as allocable and allowable under the grant program. Such compensation must be consistent with that charged for similar work in other activities of the district.

Additionally, all salaries and wages charged to federal awards must be based on records that accurately reflect the work performed. UGG requires that documentation be supported by a system of internal control which provides reasonable assurance the charges are accurate, allowable, and properly allocated.

COST OBJECTIVES

A “cost objective” is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

A “single cost objective,” therefore, can be, a single function, grant or activity. As the examples below illustrate, it is possible to work on a single cost objective even if an employee works on more than one federal award or on a federal award and a non-federal award. 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.

A “multiple cost objective” occurs when an employee works on more than one function, grant or activity. In general, an employee is considered to work on multiple cost objectives if he or she works on:

- More than one federal award
- A federal award and a non-federal award
- A federal award with specific earmarking or matching requirements; or
- An unallowable activity and an allowable activity

DOCUMENTATION STANDARDS

Under the prior rules of OMB Circular A-87, there were two types of T&E reports: 1) Semi-Annual Certifications are used for employees working solely on one cost objective; and, 2) Personnel Activity Reports (PAR) are used for employees who work on multiple (more than one) cost objectives. In the absence of new guidance, OSPI will require grantees to continue to follow the prior rules.

The Department of Education (ED) allows additional flexibility for employees working on multiple cost objectives with a pre-determined fixed schedule discussed later in this document.

Semi-annual certifications and PARs must meet the following standards:

- 1) Semi-Annual Certifications (single cost objective or activity) must:
 - Certify the employee worked solely on activities related to a particular cost objective for a specified period of time, identify the cost objective, and specify the reporting period covered.
 - Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - Be completed timely and at least semi-annually, after the work has been completed.
- 2) PARs (multiple cost objectives or activities) must:
 - Certify the employee worked on multiple activities related to more than one cost objective for a specified period of time, identify the cost objectives, and specify the reporting period covered (generally from beginning to end of month) which must coincide with one or more pay periods.
 - ~~Be signed and dated by the employee. and a supervisor with first-hand knowledge of the work performed.~~ ((For internal control purposes, we encourage a supervisor with first-hand knowledge of the work performed also sign the PAR.))
 - Be completed timely and at least monthly, after the work has been completed.
 - Reflect the actual work done by the employee with all cost objectives clearly identified.
 - Account for the total activity for which the employee is compensated, including both federal and nonfederal activities.

ESTIMATED VS. ACTUAL REPORTING

Employee salaries and wages may be assigned to federal grants before the services are performed on the basis of budget or other estimated distribution percentages. The method used to establish the estimates should produce reasonable approximations of the actual employee time distributions. Estimates do not qualify as PARs and may not be used in lieu of T&E reports.

Districts must compare actual costs based on T&E reports to the estimates used for coding payroll expenditures. This reconciliation must occur timely and be documented. We recommend the reconciliation be done quarterly, but if you have other controls in place to ensure adjustments are timely, you can perform reconciliations less frequently. During the reconciliation process, variances should be adjusted to actual, but at a minimum, adjustment to actual must occur at year end.

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At the end of the fiscal year, **all differences must be adjusted** so the final payroll and accounting records reflect costs of the actual time worked as reported by staff for each federal cost objective for the year. Individual employee variances may be aggregated for each federal award.

SPECIAL CONSIDERATIONS

Administrators

In a few limited and unique situations, districts have been able to demonstrate that a part-time administrator, such as a superintendent, assistant superintendent, principal, or assistant principal, has assumed the duties of a second supplemental position, such as a federal program director. In these circumstances, it may be appropriate to charge the second position directly to the federal award. Districts should document exceptional circumstances by retaining supporting documentation such as:

- A position description or employment contract that clearly delineates the time to be spent on administrative duties and that stipulates the additional performance of specific federally-funded duties.
- T&E documentation supporting actual duties performed.

Schoolwide Plans

A schoolwide program is considered to be a single cost objective. Building employees who work solely on activities and fund sources specifically listed in the building's schoolwide plan, may be charged to the schoolwide program as a single cost objective.

T&E requirements for these employees may be met through semi-annual certifications. In lieu of collecting individual staff certifications, the building principal may prepare and sign a group semi-annual certification that lists all staff who worked solely on the schoolwide program for the period of the certification.

If an employee works on both programs that are combined in the schoolwide plan and those that are not (i.e. state transitional bilingual, state special education), the employee must complete monthly PARs.

Supplemental Contracts, Stipends and Extra Hours

Activities performed under a supplemental contract, stipend, or authorization for extra hours are over and above the scope of the employee's normal employment contract or agreement.

For T&E reporting purposes, each contract should be considered as a separate position and T&E reporting requirements would apply to each position individually.

Following are some suggestions for documenting T&E for supplemental contracts, stipends, and extra hours:

- Sign-in or attendance logs approved by a program director may be used as T&E documentation for extra hour pay related to a single cost objective (e.g., pay for professional development activities under Title II, Part A).
- Employee time or pay slips that specify the cost objective and are approved by the supervisor may be used as T&E documentation for extra hour pay.
- A signed supplemental contract or stipend that indicates the specific single cost objectives with an after-the-fact certification that the work was performed.

Digital Signatures

A digital signature is acceptable only if the district 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).

SUBSTITUTE TIME DISTRIBUTION SYSTEMS

Substitute systems may be more efficient than actual daily or monthly T&E records for employees who do not have fixed schedules. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee work.

Districts may develop alternative methodologies for determining and documenting employee compensation charged to federal grants; however, the use of substitute systems requires the prior approval of OSPI (except for “Fixed Schedule Flexibility” discussed in more detail below).

Initial submission of a district’s substitute T&E system plan must be sent to Jennifer Carrougher at (360) 725-6280 or jennifer.carrougher@k12.wa.us. Annual approval is only required if the district makes any substantive changes to an approved substitute system.

FIXED SCHEDULE FLEXIBILITY

OSPI has the authority to allow districts to use a “fixed schedule” system for T&E reporting in accordance with the following guidelines.

- 1) To be eligible, employees must:
 - Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;
 - Work on specific activities or cost objectives based on a predetermined schedule.

- 2) In lieu of PARs, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the following standards:
 - Indicates the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;
 - Accounts for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and
 - Be certified at least semiannually and signed by the employee **and** a supervisory official having firsthand knowledge of the work performed by the employee.
- 3) Any revisions to an employee's established schedule that continue for a prolonged period must be documented and certified in accordance with the above standards. The effective dates of any changes must be clearly indicated in the documentation provided.
- 4) Any significant deviations from an employee's established schedule, such as lengthy unanticipated schedule changes, must be documented by the employee using a monthly PAR that covers that period.

The district must submit a management certification certifying that only eligible employees will participate in the "fixed schedule" system and that the system used to document employee work schedules includes sufficient controls to ensure that the schedules are accurate.

SAMPLE T&E FORMS

The attachments to this bulletin contain the "fixed schedule" examples and certification form as well as sample forms that meet T&E standards. They are intended as examples only and should be modified as needed.

INFORMATION AND ASSISTANCE

For questions regarding this bulletin, please contact Jennifer Carrougher, Director of Federal Fiscal Policy at 360-725-6280 or jennifer.carrougher@k12.wa.us. The OSPI TTY number is 360-664-3631.

This bulletin is also available on OSPI's website at
<http://www.k12.wa.us/BulletinsMemos/bulletins2017.aspx>.

Jamila Thomas
Chief of Staff

Lisa Dawn-Fisher
Chief Financial Officer

JT:jc

Attachments: Semi-Annual Certification – Single Cost Objective
 Monthly PAR - Multiple Cost Objectives/Reconciliation to Payroll Records
 Monthly PAR with Multiple Cost Objectives for Employee with Fixed-
 Schedule (if not using the “Fixed Schedule” system)
 Employee Certification and Schedule – Employee with Fixed Schedule (if
 using the “Fixed Schedule” system)

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