



Grants
Management

TIME & EFFORT GUIDANCE DOCUMENT



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STATEMENT OF PURPOSE

This document is designed to provide guidance to assist non-federal entities to understand the requirements set forth in the Uniform Grant Guidance (UGG) and the Code of Federal Regulations (CFR). For ease of understanding, the term Local Education Agency (LEA) will be used in this document to indicate the non-federal entities generally receiving federal funding such as school districts, charters, Educational Services Agency (ESA), etc.

The UGG 2 CFR § 200 provides the standards on time reporting and labor charges to Federal awards. LEAs are responsible for compliance with the Federal standards and have the flexibility to create and implement a time and effort system that is tailored to the needs of their organization, so long as the system meets the Standards of Documentation of Personnel Expenses in 2 CFR § 200.430(i). In addition to these standards, LEAs must implement adequate internal controls, as required under 2 CFR § 200.303. LEAs must establish effective internal controls over the Federal awards and their system of internal controls should comply with either *The Standards for Internal Control in the Federal Government* issued by the Comptroller of the United States or *The Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This guidance provides auditors a framework against which to evaluate those systems and should be used when LEAs are designing their systems of control.

Per guidance included in the U.S. Department of Education (ED) Cost Allocation Guide (2019) (pg 33), written policies and procedures are essential to implementing an effective time and effort reporting system. LEAs should develop instructions for:

1. The completion of time and attendance reporting;
2. The approval cycle that is required;
3. The processing of personnel charges to Federal awards;
4. The internal review process that will be established to ensure effective internal control over the Federal award.

The information should be in sufficient detail to permit an understanding of how the system will operate, from the point in time that the employee performs the work, to the point in time when the work is recorded in the accounting records and charged to Federal awards.

Each Arizona LEA receiving Federal grants is responsible for creating their own time and effort policy and implementing sufficient internal controls to ensure compliance with the terms and conditions of Federal awards. When an Arizona Department of Education subgrantee signs an annual General Statement of Assurance (GSA), it guarantees accountability to the United States of America and the State of Arizona as the subrecipients of Federal and state assistance grants.

- LEAs will be monitored by the Arizona Department of Education, Grants Management, for fiscal compliance with their written internal policies and procedures for time and effort, which must be aligned with the applicable Federal requirements.
- LEAs who do not adhere to the applicable parameters in documenting personnel expenses charged to Federal grants could face findings with questioned and/or disallowed costs and may be subject to other remedies for noncompliance.

PAYROLL DOCUMENTATION

Employee compensation takes different forms. Some employees earn a *salary* based on a yearly, monthly, or weekly rate; others may earn a *wage* based on an hourly rate. Some employees receive a *commission* (percentage of sales), and some are rewarded with a *bonus* (an amount above regular compensation).

Payroll documentation may include but is not limited to:

Time Sheets	Spreadsheets or documents that indicate the hours an employee has worked, generally separated by days of the week
Job Descriptions	Generally including duties, purpose, responsibilities, scope, and working conditions of a job along with the job's title, and the name or designation of the person to whom the employee reports.
Employment Contracts	Voluntary, deliberate, and legally enforceable (binding) agreement between an employer and an employee. Employment contracts can cover a variety of procedures and/or policies that the employee must agree to as a condition of his/her employment. The contract should also include specific information regarding bonus or performance pay eligibility. The contract may be modified to include additional work duties and/or pay by means of an addendum which should be filed with the contract.
Personnel Action Requests	The purpose of the Personnel Action Request process is to streamline the review and approval of hiring and personnel actions for appropriate classification, compensation, and funding requirements (e.g., an employee is transferred from a grant funded position to a non-grant funded position).
Payroll Journals	A payroll journal is a detailed record of accounting transactions related to payroll.
Governing Board Meeting Minutes	Permanent, formal, and detailed (although not verbatim) record of business transacted, and resolutions adopted at a board meeting.



Code of Federal Regulations References for Payroll Documentation

Personnel Expenses

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 which are addressed in [2 CFR § 200.431](#) Compensation—fringe benefits.

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:

- (1) 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.
- (2) Follows an appointment made in accordance with a LEA's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (i) *Standards for Documentation of Personnel Expenses*, when applicable ([2 CFR 200.430\(i\)](#)).

2 CFR § 200.431 — Compensation – fringe benefits

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in Federal guidance principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, LEA-employee agreement, or an established policy of the LEA.

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all the following criteria are met:

- (1) They are provided under established written leave policies;
- (2) The costs are equitably allocated to all related activities, including Federal awards; and,
- (3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the LEA or specified grouping of employees.

TIME AND EFFORT DOCUMENTATION

Time and Effort documentation **must** be maintained for all employees whose salaries are:

- Paid in whole or in part with Federal funds ([2 CFR § 200.430\(i\)\(1\)](#)).
- Used to meet a match/cost share requirement ([2 CFR § 200.430\(i\)\(4\)](#))

Code of Federal Regulations References for Time and Effort Documentation

Personnel Expenses Documentation

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

1. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the actual work performed. These records must:
 - (i) Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
 - (ii) Be incorporated into the official records of the LEA;
 - (iii) Reasonably reflect the total activity for which the employee is compensated by the LEA, not exceeding 100% of compensated activities;
 - (iv) Encompass both federally assisted, and all activities compensated by the LEA on an integrated basis, but may include the use of subsidiary records as defined in the LEA's written policy;
 - (v) Comply with established accounting policies and practices of the LEA;
 - (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works 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 activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
 - (vii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - A. The system for establishing the estimates produces reasonable approximations of the activity actually performed.
 - B. Significant changes in the corresponding work activity (as defined by the LEA's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered so long as the distribution of salaries and wages is reasonable over the longer term; and
 - C. The LEA's system of internal controls includes processes to review after-the-fact interim charges made to a Federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Cost Objectives

2 CFR § 200.1

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 LEA, a particular service or project, a Federal award, or an indirect cost activity.

It is possible to work on a single cost objective even if an employee is paid from more than one Federal award or from 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 activities 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.

FREQUENCY OF TIME AND EFFORT REPORTING

Time and effort reporting should be completed **periodically** to ensure the proper oversight of work performed under Federal programs. The frequency of time and effort reporting depends upon many factors within a LEA including their systems of payroll, reporting, and/or reconciliation. It is recommended that time and effort reporting should be completed on a regular basis, such as semi-annually.

DOCUMENTATION EXAMPLES/SUGGESTIONS

While the Uniform Grant Guidance does not prescribe specific forms to be used to document Time and Effort, the following sections outline examples of documentation that Arizona Department of Education has determined to be aligned with the UGG 2 CFR § 200.430(i). The suggested documentation depends on whether the employee works on a single cost objective or multiple cost objectives.

Single Cost Objective

If an employee works on a single cost objective, it is recommended that charges for the employee's salary or wages be supported by **periodic certifications** that the employee worked solely on that program or cost objective for the period covered by the certification.

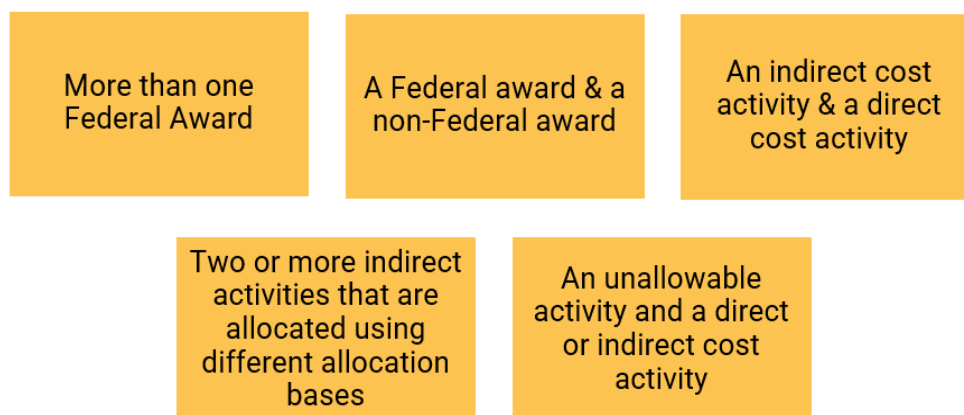
➤ These periodic certifications should be signed by the employee or the immediate supervisor with first-hand knowledge of the employee's work.
➤ It is acceptable to prepare group certifications, such as a list, which would include time and effort for multiple employees reporting to the same supervisor.
➤ Electronic signatures are also acceptable, if permitted by the LEA's internal time and effort policies and procedures.
➤ The internal time and effort policies and procedures should clearly indicate the levels of approval required and the frequency with which these certifications should be prepared.
➤ The certification should identify the LEA's name, reporting period, employee's name, employee's position, the cost objective, and the funding source(s).

Multiple Cost Objectives

If an employee works on multiple cost objectives, the LEA must record the time worked by employee on each cost objective and account for their total activity. The LEA may utilize a variety of documentation to reflect the total activity for which the employee is compensated and satisfy the time and effort requirement. The time and effort documentation must support the distribution of salary and wages charged to each Federal award. If an employee works on a single Federal award but on multiple cost objectives, they are required to distribute effort across those cost objectives.

<ul style="list-style-type: none"> ➤ This time and effort distribution can be reflected in number of hours worked or in percentage of time spent by employee on each cost objective (<u>2 CFR 200.430(i)(1)(ix)</u>).
<ul style="list-style-type: none"> ➤ The type of report maintained and the frequency with which the LEA completes the report may vary, depending on the reporting system used by the LEA.
<ul style="list-style-type: none"> ➤ Some LEAs may choose to create monthly or periodic time distribution reports to reflect the percentage of time spent on different cost objectives.
<ul style="list-style-type: none"> ➤ Other LEAs may use time and effort attendance software that allow employees to clock in and out of each cost objective daily.
<ul style="list-style-type: none"> ➤ These are all acceptable methods of documenting time and effort, so long as the employee or the supervisor with direct knowledge of the employee's work certifies the time distribution.
<ul style="list-style-type: none"> ➤ These time distribution reports must reflect an after-the-fact distribution of the actual activity of the employee and must account for the total activity for which an employee is compensated.

The LEA should record the distribution of time spent when an employee works on any of the following:



An LEA can implement other internal controls to support the distribution of funds, such as allocating expenses based on eligibility of participating students. Another flexibility consistent with the UGG includes accepting documentation signed by a supervisor with firsthand knowledge, rather than requiring an employee's signature.

Stipends

Stipends may be paid to an employee for work performed outside of their regular contract. Stipends and other supplemental contracts must also be reported as part of an employee's total time and effort reporting. The LEA may utilize a variety of documentation to satisfy the time and effort requirement for stipends funded with Federal monies.

- Sign-in/attendance logs may be used as time and effort documentation for extra pay related to work performed for a Federally funded program (e.g., pay for math/science training charged to Title II) so long as they provide sufficient information to meet Federal requirements.
- A signed, supplemental contract that stipulates a specific job duty related to a Federal program may be used as time and effort documentation (e.g., pay for supplemental, after school reading instruction charged to Title I Part A). Documentation should include after-the-fact confirmation the supplemental contract was fulfilled.
- A stipend for performing an assignment related to a Federal award may be used as time and effort documentation so long as the employee or the immediate supervisor with firsthand knowledge of the employee's work sign the stipend or an after-the-fact certification of performance (e.g., pay for supervision of a particular federal program charged to that program).
- The LEA may also maintain other documentation, such as brochures or event descriptions for professional development activities, lesson plans for Extended School Year (ESY)/summer school, etc., to document the allowability of the expenditures.

Schoolwide Programs

Schools with schoolwide programs use Title I funds to implement comprehensive strategies for improving the educational program of the whole school, in schools with 40% or more poverty, to increase student achievement. In a Title I schoolwide school, Title I funds may be used to provide services to any student.

- If a school site is operating a Schoolwide III program, all federal, state, and local funds are consolidated at a school site and time and effort is not required to be maintained for employees at the site.
- In a school operating a Schoolwide I program, some of the federal funds are consolidated at a school site. If employees at that site perform both Schoolwide I duties and duties outside of that program, employees should document the distribution of effort between the Schoolwide I duties and the other duties, to account for 100% of their time. Employees performing only Schoolwide I duties could complete a periodic certification.

The LEA should maintain an internal policy/procedure documenting which programs/grants are included in (or part of) Schoolwide and how time and effort should be maintained.

COMMON MISTAKES RELATED TO TIME AND EFFORT

- Failing to recognize that a change in position, duties, or funding may result in a change in time and effort reporting. Often this is due to a lack of coordination or communication between fiscal and/or central program and school building offices within the district.
- Failing to provide training to staff that are responsible for completing, approving, and/or reconciling time and effort documentation.
- Reporting time according to the budget estimates without regard to how the individual spent the actual time worked.
- Failing to adjust actual payroll charges based on reported time and effort on a quarterly basis or as necessary, to ensure that the annual expenditures match time and effort.
- No independent review by someone other than the employee or their supervisor to ensure that necessary payroll adjustments are performed to reflect actual time worked.
- Time and effort not reviewed and signed by appropriate staff.
- Time and effort documentation reflecting only federal programs instead of accounting for the total employee activity.
- Performing journal entries to transfer 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.



FREQUENTLY ASKED QUESTIONS

Q. Why are time and effort reports needed?

- A.** Time and effort reports are required to document that Federal funds were charged only for the actual time that was worked on allowable cost activities. These reports demonstrate that the Federal programs paid only their proportionate share of personnel costs.

Q. What is the LEA's responsibility for time and effort reporting?

- A.** The LEAS responsibilities include:
- Establishing policies and procedures for completion of appropriate time and effort reporting for all employees funded, in any part, with Federal funds.
 - Providing training to employees on time and effort reporting.
 - Ensuring timely completion of time and effort reports.
 - Reviewing time and effort reports for completeness and accuracy.
 - At least annually, reconciling time and effort reports with budgets and making any needed adjustments, including any revisions to grant applications.
 - At least annually, making all adjustments necessary to align payroll expenditures with reported time and effort.

Q. Are electronic signatures acceptable for time and effort reporting?

- A.** Electronic signatures are permitted so long as adequate security is in place to ensure their validity and if permitted by the LEA's internal time and effort policies and procedures.

Q. Do I have to keep time and effort documentation for substitute teachers?

- A.** Yes, an LEA must maintain time and effort records for guest and substitute teachers if they are employees of the district and their compensation is charged in whole or in part to Federal grants.
- If a guest/substitute teacher works solely on a single cost objective, the guest teacher could sign a periodic certification. It may be easier to have the guest teacher sign a certification at the end of the work assignment rather than periodically. Alternatively, the certification may be signed by a supervisor with direct knowledge of the guest/substitute teacher's activities, such as the principal.
 - If a guest/substitute teacher works during an assignment on multiple cost objectives, the guest teacher should keep a time distribution report, recording the time spent on each cost objective.

Q. Is time and effort required for vendors or contractors who are paid with federal funds?

- A.** No, time and effort requirements apply only to employees.

Q. In the past, ADE allowed the use of alternative time and effort reporting known as the Substitute Time and Effort System. Is this system and the annual certification still necessary?

A. No, so long as the LEA records the time and effort spent by the employee according to their internal policies and procedures. The documentation should be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The Substitute Time and Effort System Annual Management Certification form is no longer required to be submitted to the Arizona Department of Education.

Q. Why is time and effort important?

A. Local Educational Agencies will be **monitored by the Arizona Department of Education Grants Management for fiscal compliance** with their written internal policies and procedures for time and effort, which must be aligned with the applicable Federal requirements. LEAs who do not adhere to the applicable parameters in documenting personnel expenses charged to Federal grants could face findings with questioned and/or disallowed costs and may be subject to other remedies for noncompliance. The LEA must be able to demonstrate that the time and effort charged to federal awards are accurate, allowable, and properly allocated.

Q. How could I document recruitment or retention stipends?

A. Sample Scenario: An LEA provides employee retention stipends utilizing ESSER funds and are required to maintain time and effort documentation for these stipends.

Based on the scenario, the LEA could generate a list of employees receiving the retention stipend. This list could be signed by a supervisor who has firsthand knowledge of the stipend activity. In this instance, it might be appropriate for the LEA business manager or superintendent to sign the document listing the retention stipends. The list should include the LEA's name, reporting period, employee's name, employee's position, the cost objective, and the funding source. This list along with payroll records showing that stipends were paid to staff would be considered adequate supporting documentation during an ADE/GM fiscal monitoring.



Q. Do I need to keep time and effort documentation for employees paid out of COVID-19 relief grants?

- A.** If an LEA uses Federal funds to compensate an employee, it must maintain records to reflect the work performed by the employee. This requirement comes from the UGG, which applies to most Federal grant programs, including COVID-19 relief grants funds such as ESSER/ARP.

If the employee worked exclusively on allowable ESSER activities, a LEA may use existing payroll, accounting, and related systems or periodic certifications to meet these requirements. (see ED Guidance (2021) (at 18)).

Example: If an employee splits their time between allowable ESSER activities and non-allowable ESSER activities, they should maintain time and effort documentation to reflect the actual time distribution, to ensure that the payroll expenditures charged to the federal grants are allowable and properly allocated to each program.

An employee spends part of their time coordinating a LEA's COVID-19 testing program and part of their time fundraising for the LEA. ESSER can pay for the time the employee spends on testing, but likely not on fundraising (which generally cannot be supported with federal funds due to UGG restrictions). If the LEA wants to pay part of the employee's salary with ESSER funds, it must have records that reflect the amount of time the employee spends on testing coordination versus fundraising.

If the employee spends 90% of their time on testing coordination, the LEA could charge up to 90% of the employee's salary to ESSER. The remaining 10% would have to be charged to another funding source. The LEA would need time distribution records to verify ESSER was only charged for the time spent on allowable activities.