

## Standards for Documentation of Personnel Expenses

### (Time and Effort Reporting)

#### 2 CFR 200.430(i)

Payroll certification requirements previously contained in the Office of Management and Budget (OMB) circulars A-87 and A-122 were superseded on December 26, 2013, by OMB's publication of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as contained in 2 CFR Part 200 (known as the Uniform Guidance or Uniform Grant Guidance (UGG)). On December 19, 2014 the U.S. Department of Education (ED) adopted 2 CFR 200 into their own regulations, known as Education Department General Administrative Regulations (EDGAR). The new EDGAR rules apply to **ALL** nonfederal entities – that includes state and local governments, Indian tribes, institutes of higher education, and non-profits.

In certain aspects, the UGG is not as prescriptive as the former OMB circulars that pertained to payroll certifications (time and effort reporting). For instance, the new guidance does not define what a Personnel Activity Report (PAR) is, require certifications to be signed, or state how often certifications must be done, etc. The less prescriptive nature of the guidance should not be interpreted to mean that time and effort reporting is no longer necessary – **it is still required**. Additionally, just because an action is not specifically required by UGG doesn't mean that it isn't a good idea. For example, requiring supervisors with direct knowledge of an employee's work to sign their time and effort as well as payroll certifications may not be required – but it represents a strong internal control. Rather than focusing on exact, step-by-step guidance and requirements, the UGG instead requires recipients of Federal funds to develop, and be able to demonstrate, a strong system of internal control.

#### I. UGG Requirements: [2 CFR 200.430\(i\)](#)

(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 work performed**. These records **must**:

(i) Be **supported by a system of internal control** which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) **Be incorporated into the official records of the non-Federal entity;**

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, **not exceeding 100% of compensated activities** (for IHE, this per the IHE's definition of IBS);

(iv) **Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis**, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) **Comply with the established accounting policies and practices of the non-Federal entity** (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) **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 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.

(viii) **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 non-Federal entity'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 as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards 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.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, **must** also be supported by records indicating the total number of hours worked each day.

(4) **Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.**

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the

records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.

(i) **Substitute systems** which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) **must** meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved **must** be covered by the sample; and

(C) The results **must** be statistically valid and applied to the period being sampled.

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

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

**(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports**, including prescribed certifications, or equivalent documentation that support the records as required in this section.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75886, Dec. 19, 2014]