



Time and Effort Reporting

GENERAL GUIDANCE

The 2 CFR 200, Uniform Guidance, establishes standards for time reporting and labor charges to federal awards. Grantees must comply, requiring all employees paid with federal funds to maintain time distribution records, also known as time and effort reports. These records demonstrate the specific allocation of time spent on grant activities (2 C.F.R. Part 200.430).

Why is Time & Effort So Important?

Required under the Education Department's (ED's) [Cost Allocation Guide](#) (see section VI: Time Reporting Requirements).

The [Cost Allocation Guide](#) states that "charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed, must be supported by a system of internal controls..." and "Department grantees that do not adhere to these parameters in documenting personnel expenses charged to federal grants could face questioned costs in audit findings."

Noncompliance Consequences

2 CFR 200.430(i)(8) states that noncompliance may trigger a requirement for Personnel Activity Reports (PARs), or equivalent documentation, to substantiate records.

Failures to propose, manage, and certify effort correctly could jeopardize the district's federal funding and lead to penalties/reversal of funding for the district (repayment of the unallowable costs).

Components of Compensation for Personal Services

(2 C.F.R. Part 200.430(a)): states that 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 §200.431.

Components of Compensation for Personal Services

2 CFR §200.430 (b): states that compensation for employees engaged in work on Federal awards will be considered reasonable to the extent **that it is consistent with that paid for similar work in other activities of the non-Federal entity.**

In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation *will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market* in which the non-Federal entity competes for the kind of employees involved.

Who Is Required to Track Time & Effort?

The requirement to track time and effort extends to **all employees** whose compensation includes federal funds, **regardless** of whether their salary is primarily supported by state or local funds. This encompasses situations where an employee's salary, funded by state or local sources, is utilized to fulfill a required "match" in a federal program.

Staff involved in the Local Education Agency's (LEA) Special Education maintenance of effort calculation are also included in this mandate.

This also includes full and part-time employees, stipends for employees administering federal programs, and substitute teachers.

Contractors are by definition **not employees**, and time and effort requirements **apply only to employees**. Contractors are therefore **not required** to track time and effort.

Policies & Procedures

Local Education Agencies (LEAs) must have written policies and procedures that, at a minimum, address the following:

1. What type of documentation is maintained
2. The requirements of the documentation

Six Standards of Documentation

2CFR200.430(i)(1) states Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into official records;

Six Standards of Documentation

3. Reasonably reflect total activity for which the employee is compensated, not exceeding 100% of compensated activities;

4. Encompass both federally-assisted and all other activities compensated by the LEA on an integrated basis;

5. Comply with the established accounting policies and practices of the LEA and

6. Support the distribution of the employee's salary or wages among specific activities or costs objectives.

What are the types of Time & Effort?

All charges to payroll for personnel who work on one or more federal programs or cost objectives are based on one of the following, depending on the circumstances.

1. **Semi-annual certification:** (single cost objective 100%)

2. **Personal Activity Reports (PARs):** (multiple cost objectives)

3. **Substitute system:** (multiple cost objectives with a predetermined, set schedule.)

Reconciliation & Closeout

Reconciliation 200.430(i)(1)(viii)(C) It is critical for payroll charges to match *the actual distribution of time recorded* on the monthly certification documents

Grantees may initially charge payroll costs based on budget estimates. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but may be used for interim accounting purposes provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed.

Reconciling Budget vs. Actual

If using budget estimates, the Local Education Agency (LEA) will periodically, at least quarterly, reconcile payroll charges to the actual time and effort reflected in the employees' time-and-effort records.

If the difference between the actual and budgeted amounts is 10% or greater, the LEA will adjust its accounting records at least quarterly

Reconciling Budget vs. Actual

If the reconciled difference is less than 10%, the LEA will adjust the accounting records at least annually

All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Can not overspend the federal grant. No negative fund balances.