

APPENDIX 3

Appendix 3

Documentation Required for Charges to Payroll

The following chart provides a comparison of OMB Circulars A-87, A-122, and A-21 as they relate to requirements for documentation of charges to payroll.

Documentation Required Under OMB Circular A-87 for LEAs, ESCs, and Open Enrollment Charter Schools Operated by a Governmental Entity	Documentation Required Under OMB Circular A-122 for Open Enrollment Charter Schools Operated by a Nonprofit Organization	Documentation Required Under OMB Circular A-21 for Open Enrollment Charter Schools Operated by an Institution of Higher Education
All charges to payroll for grant-funded personnel must be based on one of the following: (1) certification (except for programs covered under Ed-Flex, in which case a signed and dated job description must be in the employee's personnel file); (2) time and effort records; or (3) substitute system. → This section also covers items related to using budget estimates, cost sharing, and job descriptions. (1) CERTIFICATION: For employees: (a) who work 100 percent in administering programs that are part of consolidated administrative funds; (b) who work under a <u>single</u> grant program; or (c) who work under a <u>single</u> cost objective, including Title I, Part A schoolwide programs funded from eligible multiple funding sources. These employees are not required to maintain time and effort records. However, each employee must <u>certify</u> in writing, at least semi-annually, that he/she worked solely on the program(s) for the period covered by the	All charges to payroll for grant-funded staff must be based on distribution of activity reports. This includes professionals and nonprofessionals whose compensation is charged, in whole or in part, directly to awards. Therefore, all personnel, whether 100% funded or partially funded, must maintain time and effort records. Employees must prepare time and effort reports, at least monthly, to coincide with pay periods. Such reports must reflect an after-the-fact distribution of 100% of the actual time spent on each activity and must be signed by the employee. Charges to payroll must be adjusted based on time and effort records. The final costs charged to the grant and reported on the final expenditure report filed with the TEA must reflect the actual distribution of time reported by employees paid from grants. Charges for salaries and wages of nonprofessional employees must also be supported by records indicating the total number of hours worked each day. These records must be maintained in conformance with the Department of Labor regulations implementing the Fair Labor Standards Act (FLSA). For this purpose, the term "nonprofessional employee" shall have the same meaning as "nonexempt	All charges must be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. The method must provide for after-the-fact conformation or determination by responsible persons with suitable means of verifying that the work was performed. The payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities. Charges may be made initially based on estimates made before services are performed. Significant changes in the work activity must be identified and entered into the payroll distribution system. Examples of Acceptable Methods: (1) Plan-Confirmation: The distribution of salaries and wages is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. Certain standards as outlined in OMB Circular A-21, including an annual statement signed by the employee certifying that the work was performed, must be met. (2) After-the-Fact Activity Records: Distribution of salaries and wages is supported by activity reports which reflect an after-the-fact

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certification. The certification must be signed by the employee or by the supervisor having first-hand knowledge of the work performed and should reference the employee's signed and dated job description maintained in their personnel file. Charges to the grant must be supported by these semi-annual certifications. This is a requirement under the revised OMB Circular A-87 Cost Principles effective July 1, 1995. "Cost objective" means a function, organizational subdivision, contract, grant, or other activity for which cost data is needed and for which costs are incurred. A Title I, Part A schoolwide program funded from multiple funding sources is considered a "single cost objective." Refer to Appendix 9, Schoolwide Programs, for further guidance. (2) <u>JOB DESCRIPTION</u>: For employees: (a) who work 100 percent of their time in administering programs that are part of LEA's consolidated administrative funds; (b) who work under a single grant program; or (c) who work under a single cost objective, including Title I, Part A schoolwide programs funded from eligible multiple funding sources. These employees are required to maintain on file a signed and dated job description which clearly shows that the employee is assigned 100 percent to	employee" under FLSA. Refer to OMB Circular A-122 for more detailed information pertaining to charges to payroll under the section entitled "Compensation for personnel services."	description of the activity expended by employees. Charges may be made initially on the basis of estimates, provided that such charges are promptly adjusted if significant differences are indicated by activity records. (3) Multiple Confirmation Records: The distribution of salaries and wages is supported by records which certify separately for direct and F&A (i.e., facilities and administration; synonymous with "indirect") cost activities. Activity reports must be prepared for each academic term, but no less frequently than every 6 months and must be signed by the employee or a person having direct knowledge of the work performed. Charges may be made initially on the basis of estimates, provided that such charges are promptly adjusted if significant differences are indicated by activity records. Refer to OMB Circular A-21 for more detailed information pertaining to charges to payroll under the section entitled "Compensation for personnel services".

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the program or single cost objective. The job description must be updated annually or when a function or activity is added to or deleted from an existing job description, must clearly identify the function and activities performed by the employee for the applicable fund source(s) or cost objective, and must be maintained in the employee's personnel file. (3) <u>TIME AND EFFORT</u>: For employees: (a) who do <u>not</u> work 100 percent in administering programs that are part of LEA's consolidated administrative funds; (b) who work under <u>multiple</u> grant programs; or (c) who work under <u>multiple</u> cost objectives. These employees are required to maintain time and effort records or to account for their time under a substitute system. (See number 3.) Employees must prepare time and effort reports, at least monthly, to coincide with pay periods. Such reports must reflect an <u>after-the-fact</u> distribution of 100 percent of the <u>actual</u> time spent on each activity and must be signed by the employee. Charges to payroll must be adjusted at least quarterly to coincide with preparation and submittal of the quarterly expenditure report. Examples: a. Employees who work partially on administering programs that are part of the		

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LEA's <u>consolidated administrative funds</u> and partially from <u>other funds</u> must maintain time and effort or account for their time under a substitute system. b. Employees who are paid partially on administering programs that are part of the LEA's <u>consolidated administrative funds</u> and partially from <u>program funds</u> must maintain time and effort or account for their time under a substitute system. c. Employees who work a portion of their time in a <u>Title I schoolwide project</u> and a portion of their time in <u>another activity</u> must maintain time and effort or account for their time under a substitute system. (4) <u>SUBSTITUTE SYSTEMS</u> In Lieu of Time and Effort Reports: Substitute systems for allocating salaries and wages may be used in place of time and effort reports. Substitute systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. Substitute systems which use sampling methods must meet acceptable statistical sampling standards. Refer to OMB Circular A-87 for detailed requirements. Documentation of rationale and calculations for allocating salaries and wages must be maintained for audit purposes. It is recommended that a copy of a Certified Public		

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Accountant's (CPA) approval of a substitute system be kept on file for documentation. Using Budget Estimates As Support for Charges to Federal Grants: Budget estimates or other distributions determined <u>before</u> services are performed do <u>not</u> qualify as support for charges to federal grants. Budget estimates may be used for <u>interim</u> accounting purposes only provided that: (a) the estimates are a reasonable approximation of the activity performed; (b) comparisons of actual costs based on time and effort reports to budgeted costs are made at least quarterly; and (c) budget estimates are revised at least quarterly to reflect any changes in circumstances. If the quarterly comparison between budgeted and actual costs shows a difference of less than 10 percent, adjustments to charges to the grant may be made annually. The final costs charged to the grant and reported on the final expenditure report filed with the TEA must reflect the actual distribution of time reported by employees paid from grants. NOTE: Monthly time and effort reports are still required when using budget estimates. Refer to OMB Circular A-87 for more detailed information pertaining to charges to payroll		

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under the section entitled "Compensation for personnel services".		

Meeting Cost Sharing or Matching Requirements:

Salaries and wages of employees used in meeting cost sharing or matching requirements must be supported with time and effort records in the same manner.

- **Job Descriptions:**

A current job description for each employee which delineates the program(s) or cost objectives under which the employee works should be available for documentation to support charges to federal programs. For teachers and instructional aides, daily class schedules should provide adequate documentation. However, teachers and instructional aides must maintain on file a signed and dated job description, agreement or equivalent documentation identifying the function(s) and activities performed for fund sources before or after their normal work day. Job descriptions must be updated annually or when a function or activity is added to or deleted from an existing job description, must clearly identify the function and activities performed by the employee for the applicable fund source(s) or cost objective, and must be maintained in the employee's personnel file..

Authority References:

- OMB Circular A-87
- OMB Circular A-122
- OMB Circular A-21
- P. L. 107-110
- U. S. Department of Education audit exception