

ADMINISTRATIVE MEMO

Date: April 2, 2015
To: Missouri School Administrators, Federal Program Coordinators, and Finance Administrators
From: Ron Lankford, Deputy Commissioner
Subject: FAS-15-003 - Time and Effort under the OMNI

The new OMNI Circular that goes into effect on July 1, 2015 has changed the requirements for documentation of personnel expenses. Charges for salaries must be based on records that accurately reflect the work performed. These records must be:

- Supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Incorporated into the official records;
- Reflecting the total activity for which the employee is compensated, not to exceed 100%;
- Encompassing all activities (federal and non-federal);
- Compliant with established accounting policies and practices; and
- Distributed among specific activities or cost objectives.

The OMNI does not require semi-annual certifications or PAR reports as support for compensation expenses. However, the department will continue to require that all LEAs use their current internal control system of semi-annual certifications, PAR reports, or approved substitute systems for the upcoming school year. Continuing with the current system will ensure compliance with the new OMNI and give the federal government time to issue implementation guidance for this issue.

Currently, the requirements are:

Time and Effort: Records are required for all employees, including teachers, paraprofessionals, administrators, and other staff that are paid with federal funds to document the time and effort they spend within the program. The portion of the federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that federal program. Time and effort reporting is required when any part of an individual's salary is charged to a federal program or used as match for a federal program.

Semi-Annual Certification: Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are required to be prepared at least semi-annually.

Monthly Personnel Activity Report (PAR): Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Substitute System for Time and Effort: State educational agencies (SEAs) are authorized to approve local educational agencies (LEAs) to use a substitute system for time and effort reporting in accordance with the following guidelines. In permitting an LEA to use the substitute system, the SEA must obtain from the LEA a management certification certifying that only eligible employees will participate in the substitute system and that the system used to document employee work schedules includes sufficient controls to ensure that the schedules are accurate. Substitute system guidelines include:

- (1) To be eligible to document time and effort under the substitute system, employees must:
 - a. Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;
 - b. Work on specific activities or cost objectives based on a predetermined schedule; and
 - c. Not work on multiple activities or cost objectives at the exact same time on their schedule.
- (2) Under the substitute system, **in lieu of personnel activity reports**, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the standards under section (3). An acceptable work schedule may be in a style and format already used by an LEA.
- (3) Employee schedules must:
 - a. Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;
 - b. Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and
 - c. Be certified at least semiannually and signed by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Any revisions to an employee's established schedule that continue for a prolonged period must be documented and certified in accordance with the requirements in section (3). The effective dates of any changes must be clearly indicated in the documentation provided.
- (5) Any significant deviations from an employee's established schedule, that require the employee to work on multiple activities or cost objectives at the exact same time, including but not limited to lengthy, unanticipated schedule changes, must be documented by the employee using a personnel activity report that covers the period during which the deviations occurred.

Time and Effort for Non-profits and Community Based Organizations:

Time and Effort: For compensation to members of non-profit Organizations/Community Based Organizations, determination must be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earning in excess of costs. The organizations are required to maintain monthly certification for all employees funded with federal funds regardless whether the employee is funded 100% or split effort.

Monthly Personnel Activity Report (PAR): Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will 1) reflect an after-the-fact distribution of the actual activity of the employee; 2) account for the total activity for which the employee is compensated; 3) be signed by the employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee; and 4) be prepared at least monthly and coincide with one or more pay periods.

Time and Effort for Institutions of Higher Education:

Time and Effort: Any employee at an institution of higher education (universities and community colleges) whose salary (wage) is funded in whole or in part by federal funds must complete a time and effort report.

Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

- Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement.
- Incidental activities for which supplemental compensation is allowable under written institutional policy need not be included in the records.

The personnel records should reflect the distribution of activity expended by the employee (must indicate all of the federal and non-federal activities the employee worked on). Reflect an after-the-fact reporting of the percentage distribution of activity of the employee (must be based on how the employee actually worked). Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if differences are indicated by the time and effort reports.

To confirm that the distribution of activity represents a reasonable estimate of the work performed during the reporting period, the employee accomplishing the work should sign the report. Reports may be signed by the employee, principle investigator, or responsible official(s) using suitable means of verification that the work was performed.

Stipends and Extra-Duty Pay

When a non-Federal entity pays for extra work beyond an employee's regular contract, then the non-Federal entity must develop a written agreement with the employee that indicates the extra work to be performed, the date(s) of performance, and the amount to be paid to the employee. The agreement must also be signed by the non-Federal entity and the employee to show the acceptance of the terms.

In addition, the employee must complete time and effort documentation that supports the extra work beyond the employee's regular contract. This documentation could be a semi-annual time certification or monthly personnel activity reports.

Reference: 2 CFR Part 200.430

For additional information, please contact the appropriate section of the Department:

Perkins, (573) 751-0449, andy.martin@dese.mo.gov
Special Education, (573) 751-0622, spedfunding@dese.mo.gov
State and Federal Compliance, (573-751-1297, andrea.beck@dese.mo.gov