

Fiscal Guidance For Federal Grant Programs



Division of Financial and Administrative Services

Dr. Ronald Lankford, Deputy Commissioner

<http://www.dese.mo.gov/fas/>

It is the policy of the Missouri Department of Elementary and Secondary Education not to discriminate on the basis of race, color, religion, gender, national origin, age, or disability in its programs or employment practices as required by Title VI and VII of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975 and Title II of the Americans with Disabilities Act of 1990. Inquiries related to Department programs and to the location of services, activities, and facilities that are accessible by persons with disabilities may be directed to the Jefferson State Office Building, Office of the General Counsel, Coordinator–Civil Rights Compliance (Title VI/Title IX/504/ADA/Age Act), 6th Floor, 205 Jefferson Street, P.O. Box 480, Jefferson City, MO 65102-0480; telephone number (573) 526-4757 or TTY (800) 735-2966, fax (573) 522-4883, email civilrights@dese.mo.gov.

INTRODUCTION

The purpose of this document is to provide a reference to the fiscal requirements and procedures necessary for responsible financial management of federal grant programs. The intent is to provide a general overview of federal requirements and assist subgrantees/recipients in the proper fiscal accountability for federal funds as prescribed by law. Fiscal oversight of federal grants is assigned to the Division of Financial and Administrative Services within the Missouri Department of Elementary and Secondary Education.

This guidance document references the Code of Federal Regulations, OMB Circulars, and the Education Department General Administrative Regulations (EDGAR). Since this document is not all-inclusive; the reader is encouraged to refer to specific program legislation and regulations as needed. In such instances where state statute is more restrictive than federal requirements, the state statute applies. Although every effort has been made to ensure that this document is accurate, if this guidance conflicts with state or federal statutes or regulations the statutes or regulations should be followed.

For detailed information about specific grant requirements, please contact the appropriate section as indicated below.

Afterschool Programs (21st CCLC/SAC)

Contact: Cindy Heislen, Director

Phone: (573) 522-2627

Email: eelect@dese.mo.gov

Website: http://dese.mo.gov/divcareered/afterschool_grants.htm

Adult Education and Literacy

Contact: Elaine Bryan, Assistant Director

Phone: (573) 526-4822

Email: ael@dese.mo.gov

Website: http://dese.mo.gov/divcareered/adult_ed_and_literacy_index.htm

Individuals with Disabilities Education Act (IDEA)

Contact: Angie Nickell, Director

Phone: (573) 751-0622

Email: spedfunding@dese.mo.gov

Website: <http://www.dese.mo.gov/divspced/Finance/>

No Child Left Behind

Contact: Pat Kaiser, Director

Phone: (573) 751-4420

Email: federalfinancial@dese.mo.gov

Website: <http://www.dese.mo.gov/divimprove/fedprog/financialmanagement/>

Perkins

Contact: Andy Martin, Director

Phone: (573) 751-0449

Email: andy.martin@dese.mo.gov

Website: http://dese.mo.gov/divcareered/perkins_iv_finance.htm

School Food Nutrition Programs

Contact: Karen Wooten, Coordinator

Phone: (573) 751-3526

Email: schoolfoods@dese.mo.gov

Website: <http://www.dese.mo.gov/divadm/food/>

TABLE OF CONTENTS

The following sections describe a general overview of federal requirements for subgrantees/recipients receiving federal grant awards. All requirements outlined below are federal policies established by legislative or executive authority which apply to all federal programs. Subgrantees/recipients must have policies and procedures to implement and perform these requirements. They are to be reviewed as part of an audit of each state and local government or other entity which receives federal financial assistance.

Allowable Costs	5
Cash Management and Improvement Act (CMIA)	6
Construction	7
Davis-Bacon Act	7
Debarment and Suspension	7
Equipment and Real Property Management	8
Financial Management/Separate Tracking	9
Fraud and Abuse	9
Indirect Costs	9
Nondiscrimination	10
Period of Availability	10
Political Activity	11
Procurement	11
Program Income	11
Record Retention	11
Single Audit	12
Supplement/Supplant Requirement	12
Time and Effort	15

Additional resources are posted on the Division webpage at:
<http://www.dese.mo.gov/fas/>

ALLOWABLE COSTS

Subgrantees/recipients assume responsibility for ensuring that federal funds have been expended and accounted for consistent with program regulations and approved applications. Allowable costs generally are categorized as either direct or indirect.

- Direct costs may include salaries, fringe benefits, purchased services, supplies and equipment.
- Indirect costs are those costs which are not readily identified with the activities funded by the federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the subgrantee/recipient. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation/maintenance of plant are examples of services which typically benefit several activities and programs and for which appropriate costs may be attributed to the federal program by means of an indirect cost allocation plan.

Basic Guidelines:

To be allowable under a federal award, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of federal awards and be allocable thereto under these principles.
- Be authorized or not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, federal laws, or other governing limitations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the governmental unit.
- Be accorded consistent treatment. Consequently, a cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles appropriate to the circumstances.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-supported activity in either the current or a prior period.
- Be net of all applicable credits.
- Be adequately documented.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the federal award.

- The restraints or requirements imposed by such factors as sound business practices, arms length bargaining, federal, state and other laws and regulations, and terms and conditions of the federal awards.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large and the federal government.
- Deviations from the established practices of the governmental unit which may unjustifiably increase the federal awards cost.

Reference: 34 CFR 80.22, OMB Circulars

CASH MANAGEMENT

The Cash Management Improvement Act (CMIA) was placed in operation to prevent interest earnings on federal funds. Section 34 CFR 80.20-21 states that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee and subgrantee/recipient. Therefore, the Department must ensure that payments to subgrantees/recipients are for reimbursements or for expenditures anticipated to be made within three days. The Department must monitor payments to assure that they conform to the federal regulations. This applies to both monthly payment requests and final expenditure report (FER) payments.

For example, to consider the funds “spent,” the payroll transactions should be recorded on the subgrantee/recipient’s books **and** the funds delivered to the recipients.

In the event that expenditures were made with state and local funds, and need to be charged to federal funds, the journal voucher entry should be completed within three days of the federal funds receipt.

Interest earned on any federal funds by a subgrantee/recipient is required to be submitted at least quarterly to the federal agency (through the Department). Up to \$100 per year may be retained by the subgrantee/recipient for administrative expenses. For Higher Education Institutions, up to \$250 per year may be retained by the institution for administrative expenses. It is the responsibility of the subgrantee/recipient to document administrative expenses claimed as an interest offset.

Calculating Interest

The interest calculation is the amount of the reimbursement times the annualized federal interest rate for the fiscal year times the number of business days the funds were held until delivery (less three days). Federal interest rates are located at <http://www.fms.treas.gov/cmia/index.html> for the applicable July 1-June 30 fiscal year. If the United States Treasury has not established a current rate, use the most recent rate.

Example: ABC School District delivered payroll checks in the amount of \$25,000 on July 29; however, they requested and received reimbursement on June 22. This is in violation of CMIA rules; therefore, the calculation of the interest is:

\$25,000	Reimbursement
X .0000033	Most recent fiscal year annualized federal interest rate
X 25	<u>Business days (exclude weekends and banking holidays)</u>
\$2.00	Interest due

CMIA applies to all federal funds.

Reference: 34 CFR 80.20-21

CONSTRUCTION

No subgrantee/recipient may use its grant funds for construction unless specifically permitted by the authorizing statute, regulation and Department.

Reference: 34 CFR 76.533 and 76.600

DAVIS-BACON ACT

Laborers and mechanics employed by contractors or subcontractors to work on approved construction projects financed using federal assistance must be paid wages not less than those established for the local project area by the Secretary of Labor. Prevailing wage rates are located at: <http://www.gpo.gov/davisbacon/MO.html>

Reference: 40 Stat 1494, Mar.3, 1921, Chap. 411, 40 U.S.C. 576A-276A-5

DEBARMENT AND SUSPENSION

A person who is debarred or suspended shall be excluded from federal financial and nonfinancial assistance and benefits under federal programs and activities.

Prior to any procurement or subgrant, the grantor must check the Excluded Parties List System (ELPS) to ensure that the subgrantee/recipient is not on the list. The list can be found at: <https://www.epls.gov/>

Reference: 34 CFR PARTS 85

EQUIPMENT AND REAL PROPERTY MANAGEMENT

The following items are subject to the inventory management and control requirements: 1) Equipment items with an acquisition cost of \$1,000 or more per unit, and 2) Items with an acquisition cost under \$1,000 per unit which are considered attractive or easily pilfered. These “sensitive” items may include audio-visual equipment, PDAs, digital cameras, laptops, television sets, DVD players, VCRs, power tools, computers, and computer accessories.

Note: While the federal government maintains an acquisition cost of \$5,000 or more per unit for inventory management and control requirements, state regulations are more restrictive at the \$1,000 or more per unit threshold and therefore supersede the federal government amount.

Acquisition cost is defined as the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the costs of installation, transportation or taxes should be included in the unit acquisition cost.

Inventory Management Records must be maintained and include:

- Description of the property
- Serial number or other identification number
- Funding source of property
- Who holds the title, if applicable
- Acquisition date
- Cost of the equipment
- Percentage of federal participation
- Location, use and condition of the property
- Any ultimate disposition data including the date of disposal and sale price of the property.

A physical inventory of the property must be taken and documented at least once every two years. A control system must be developed to prevent loss, theft, or damage. Adequate maintenance procedures must be developed to keep the equipment in good condition.

Equipment Disposition:

When the equipment with a current per unit fair market value (current value less depreciation) is less than \$5,000 and is no longer needed for the original federal program or for other federal programs, it may be retained or sold with no further obligation to the awarding agency. The disposition of such items should be noted on the equipment inventory maintained by the subgrantee/recipient.

Equipment with a current per unit fair market value in excess of \$5,000 may be retained or sold and the awarding agency shall have a right to an amount calculated by multiplying the current

market value or proceeds from sale by the awarding agency's share of the equipment. Proper sales procedures must be established to ensure the highest possible return.

Equipment Transfer:

When original or replacement equipment acquired under a grant is no longer needed for the original project or program, the equipment may be transferred and used in other projects or programs currently or previously funded by the awarding agency. The transfer of such items should be noted on the equipment inventory maintained by the subgrantee/recipient.

Real Property:

Real property means land, including land improvements, and structures.

No subgrantee/recipient may use its grant for real property unless specifically permitted by the authorizing statute, regulation and Department.

Real property (if approved) should be used only for the originally authorized purposes as long as needed for that purpose. When real property is no longer needed for the original purpose, the subgrantee/recipient shall request prior approval and instruction for disposal from the department.

Reference: 34 CFR 74.37 and 34 CFR 80.31

FINANCIAL MANAGEMENT/SEPARATE TRACKING

Subgrantees/recipients must maintain records which adequately identify the source and application of federal funds. These records must contain financial information pertaining to the grant award/contract which identifies that grant/contract's activities. Grant/contract revenues, expenditures, etc must be separately identified with codes and must not be comingled with other state, federal, and local funds.

Reference: 34 CFR 74.21 and 34 CFR 80.20

FRAUD AND ABUSE

To report fraud, waste and abuse of federal funds, contact the Office of Inspector General (OIG) at:

- Phone: 1-800-MIS-USED
- Fax: 1-202-260-0230
- Email: OIG.Hotline@ed.gov

Reference: Office of Inspector General

INDIRECT COSTS

Indirect costs are those costs which are not readily identified with the activities funded by the federal grant but are nevertheless incurred for the joint benefit of programs of the subgrantee/recipient. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation/maintenance of plant are examples of services which typically benefit several programs and for which appropriate costs may be attributed to the federal program by means of an indirect cost allocation plan. The indirect cost rate used in calculating the indirect costs depends on whether the grant is a restricted or unrestricted grant.

Reference: Missouri School Finance Accounting Manual

NONDISCRIMINATION

A subgrantee/recipient shall not discriminate on the basis of race, color, national origin, sex, disability, or age in its programs or activities.

Reference: 34 CFR 76.500

PERIOD OF AVAILABILITY/OBLIGATIONS

Each federal grant has a period for which funds can be obligated and spent. When a grant is awarded, it is important to note what the approved project period is and the time frames for which obligations may be incurred and liquidated. Where a funding period is specified, a subgrantee/recipient may charge to the award only costs resulting from obligations incurred during the funding period. Also, if authorized by the applicable federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period.

IF THE OBLIGATION IS FOR...	THEN THE OBLIGATION IS MADE WHEN...
Acquisition of real or personal property.	On the date on which the State or subgrantee/recipient makes a binding written commitment to acquire the property.
Personal services by an employee of the State or subgrantee/recipient.	When the services are performed.
Personal services by a contractor who is not an employee of the State or subgrantee/recipient.	On the date on which the State or subgrantee/recipient makes a binding written commitment to obtain the services.
Performance of work other than personal services.	On the date on which the State or subgrantee/recipient makes a binding written commitment to obtain the work.

Public utility services.	When the State or subgrantee/recipient receives the services.
Travel.	When the travel is taken (exceptions: airfare/registrations when paid.)
Rental or real or personal property. A preagreement cost that was properly approved by the State under the cost principles.	When the State or subgrantee/recipient uses the property.

A subgrantee/recipient may begin to obligate funds on the later of the following two dates:

- The date that the State may begin to obligate funds,
- The date that the applicant submits its application to the State in substantially approvable form.

Reimbursement for obligations is subject to final approval of the application.

In addition, the Department has to follow period of availability requirements as well; therefore, it is important for subgrantees/recipients to submit invoices and final expenditure reports (FER) by the due dates to ensure timely payments.

Reference: 34 CFR 74.28 and 76.707-708

POLITICAL ACTIVITY

Federal funds cannot be used for partisan political purposes of any kind including advocacy by any person/organization involved in the administration of federally assisted programs.

Reference: Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970, as amended by Title VI of Civil Services Reform Act and Public law 95-454 Section 4728

PROCUREMENT

Procurement standards apply to the purchase of supplies, equipment, construction (if approved) and other services funded in whole or in part by federal grant funds. Subgrantees/recipients' procurement policies must be in accordance with 34 CFR 80.36 when using federal funds, which include the following:

- Subgrantees/recipients will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law.

- Subgrantees/recipients will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- Subgrantees/recipients will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.
- Subgrantees/recipients will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items.
- Subgrantees/recipients will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.
- Subgrantees/recipients will maintain records sufficient to detail the significant history of the procurement. The records include, but are not limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price and award.
- Subgrantees/recipients will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

Reference: 34 CFR 80.36

PROGRAM INCOME

Program income means gross income received by the subgrantee/recipient directly generated by a grant supported activity. Program income shall be deducted from reimbursements unless the Federal agency regulations or the grant agreement specify another alternative.

Reference: 34 CFR 80.25

RECORD RETENTION

All subgrantees/recipients of federal funds must keep records that fully disclose the amount and use of those funds, the total cost of the activity for which the funds are used, the share of cost provided from other sources, and other pertinent information which will facilitate an effective financial or programmatic audit.

The federal retention period is three years for all financial and programmatic records. The starting date of retention begins on the day the final expenditure report is submitted. The retention period for equipment records starts on the date of disposition or replacement or transfer. If any litigation, claim, negotiations, audit or other action involving the records started before the end of the three year period, the records must be retained until completion of the action and resolution of all issues or until the end of the three year period, whichever is later.

Reference: 34 CFR 80.42

SINGLE AUDIT

Effective January 2004, the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires subgrantees/recipients that expend \$500,000 or more a year in federal funds to have a single or program-specific audit conducted. The OMB Circular is located at:

http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf

In addition, Section 165.121, RSMo discusses the requirements for biennial audits for school districts. This requirement is located at: <http://www.moga.mo.gov/statutes/c100-199/1650000121.htm>

Audits are to be submitted to the Federal Clearinghouse at <http://harvester.census.gov/sac/>

Reference: OMB Circulars and RSMo

SUPPLEMENT/SUPLANT REQUIREMENT

Under the federal “supplement, not supplant” requirement, subgrantees/recipients may use federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the federal funds, be made available from non-federal sources for the education of participating students. In no case may subgrantees/recipients use federal program funds to supplant (take the place of) funds from non-federal sources.

Supplement, not supplant provisions generally operate the same way for all programs. Supplanting is presumed to occur in the following instances:

- The subgrantee/recipient uses federal funds to provide services that it is required to make available under other federal, state or local laws.
- The subgrantee/recipient uses federal funds to provide services that were provided with non-federal funds in the prior year.
- The subgrantee/recipient uses Title I funds to provide services for eligible children that it provides with non-federal funds to other children. The law does permit subgrantees/recipients to exclude state and local funds expended for any entity that operates as a Schoolwide program under section 1114, and for any school or school attendance area as part of a state or local program that is very similar to Title I (comparable program provision).

These presumptions are rebuttable if the subgrantee/recipient can demonstrate that it would not have provided the services in question with non-federal funds had the federal funds not been available. For example, a subgrantee/recipient in the past year had used state or local

funds to pay the salaries of certain personnel. The subgrantee/recipient then experiences significant loss of revenue. In the next year that subgrantee/recipient may be able to demonstrate that the use of current year federal program funds to pay for the salary costs would not be supplanting because, without the federal funds, it would not have the resources needed to maintain these positions. This exception can also be used where the services are mandated by state law, but the state provides no funds for it.

When using this rebuttable exception it is very important that the subgrantee/recipient maintains good fiscal records and documentation from their Management (School Board, Board of Directors, Authorized Representatives, etc) that will permit an auditor or program monitor to conclude that they have not supplanted.

In particular, a subgrantee/recipient that believes it could not maintain services previously paid with state or local funds had federal program funds not been available should:

1. Be able to demonstrate a decrease of state and local funds from the prior year, and the maintenance or increase in standard operating costs (salaries, benefits, supplies, etc.) from the prior year;
-OR-
 Be able to demonstrate that any increase in state and local funds is less than increases of the standard operating costs, and state/local funds have not been redirected to a new activity;
-AND-
2. Be able to demonstrate that Management is on record as deciding to eliminate the activity under question unless a new source of funds is made available from non-state and non-local funds (in the absence of state and local funds), and the activities to be funded under a particular federal program are clearly consistent with the purpose of that program.

Federal Programs that have supplement, not supplant requirement (Restricted Rate Programs)

CFDA #	Title	Organization
84.003A	Transitional Bilingual Education Program	OBEMLA
84.003B	Developmental - Special Comp Middle School Priority	OBEMLA
84.003C	Developmental Bilingual Education Program	OBEMLA
84.003D	Transitional Bilingual Education - Math / Science Priority	OBEMLA
84.003	Special Alternative Instructional Program	OBEMLA
84.003F	Special Alternative Special Comp Middle School Priority	OBEMLA
84.003K	Special Alternative Instructional Program - Math / Science	OBEMLA
84.003L	Special Populations Program	OBEMLA
84.003M	Transitional Bilingual Ed. Special Comp - Recent Arrival Priority	OBEMLA
84.003N	Special Alternative / Special Comp Recent Arrival Priority	OBEMLA
	Bilingual Education: Program Development and Implementation	
84.288S	Grants	OBEMLA

84.289P	Bilingual Education : Program Enhancement Grants	OBEMLA
84.290U	Bilingual Education: Comprehensive School Grant	OBEMLA
84.291R	Bilingual Education: System Wide Improvement Grants	OBEMLA
84.010A	Title I Programs: Local Education Agencies	OESE
84.011A	Migrant Education: Basic State Formula Grant Program	OESE
84.041	Impact Aid Program	OESE
84.060A	Indian Education - Local Education Agencies	OESE
84.186A	Drug-free Schools / Community Prog - State and Local Program	OESE
84.207A	Drug-free Schools and Community / School Personnel Training	OESE
84.216A	Capital Expenses / Private Schools	OESE
84.241A	Drug-free Schools: Counselor Training	OESE
84.277A	Safe Schools Act	OESE
84.282A	Charter Schools	OESE
84.298A	Innovative Education Program Strategies	OESE
84.994J	Safe Schools Act	OESE
84.995A	Compensary Education Grant Back Awards - Reimbursable	OESE
84.287C	21st Century Community Learning Centers	OESE
84.203A	Star School Program	OERI
84.203B	Star School Program Special Statewide	OERI
84.203C	Star School Program Dissemination	OERI
84.215S	Elementary School Counseling and Demonstration Project	OERI
84.994T	National Writing Project	OERI
84.002A	Adult Education: State Grant Program	OVAE
84.048A	Vocational Education: Basic Grants to States	OVAE
84.048B*	Pacific Vocational Educational Improvement Project	OVAE
84.049*	Vocational Education - Consumer and Homemaking Education	OVAE
84.051*	National Vocational Education Research - NCRVE	OVAE
84.053*	Vocational Education: State Councils	OVAE
84.077*	Bilingual Vocational Training	OVAE
84.099*	Bilingual Vocational Instructor Training	OVAE
84.101*	Vocational Education: Indian Set-Aside	OVAE
84.174*	Vocational Education: Community Based Organizations Pre 94	OVAE
84.193*	Demonstration Center for the Training of Dislocated Workers	OVAE
84.199*	Cooperative Demonstration Programs	OVAE
84.243*	Tech-Prep Education	OVAE
84.244*	Business and Education Standards	OVAE
84.245*	Tribally Controlled Postsecondary VOC Institutions	OVAE
84.248*	Integration of Vocational and Academic Learning	OVAE
84.253*	Vocational Education: Supplementary Grants	OVAE
84.259*	Native Hawaiian Vocational Education	OVAE
84.027A	Handicapped-State Grants	OSERS
84.173A	Handicapped-Preschool Grants	OSERS

CFDA #	Title	Organization
84.181A	Special Education: Grants for Infants and Families with Disabilities	OSERS
84.224A	State Grants for Assistive Technology	OSERS
84.231A	Innovation and Demonstration Technology Grants	OSERS
84.031A	Strengthening Program	OPE
84.031B	IAP - Strengthening HBCU Program	OPE
84.031G	Endowment Grant Program	OPE
84.031S	Strengthening Institutions - Hispanic Serving Inst.	OPE
84.142A	College Facilities Loan Program	OPE
84.153A	Business International Education	OPE
84.220A	Centers for International Business	OPE
84.269A	Institute for International Public Policy	OPE
84.274A	American Overseas Research Centers	OPE
*	Any funds awarded under the Perkins Act are subject to a restricted rate when used jointly with funds awarded under JTPA (section 123, Title II, and Title III). Additionally, funds awarded under Title II of the Perkins Act are always subject to a restricted indirect cost rate regardless of how they are used.	

Reference: OMB Circulars

TIME AND EFFORT

Depending on the subgrantee/recipient of a federal award, OMB Circulars may require documentation of time and effort for personnel. The following describes the time and effort requirements for LEAs, Non-profit/Community Based Organizations, and Institutions of Higher Education.

OMB Circular A-87 for LEAs:

Time and Effort: OMB Circular A-87 requires 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. For more information, go to: [Circular No. A-87.8. Compensation for personal services](#)

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. For more information about semi-annual certifications, see: [Circular No. A-87.](#)

8.(8).(3). A sample form is located at:
http://www.dese.mo.gov/divspeced/Finance/documents/A87Certification_000.pdf.

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. For more information about monthly personnel activity reports, see: Circular No. A-87. 8.(8).(4). A sample form is located at: <http://www.dese.mo.gov/divspeced/Finance/FiscalMonitoring.html>.

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.

OMB Circular A-122 for Non-profits and Community Based Organizations:

Time and Effort: For Non-profit Organizations/Community Based Organizations that are governed by A-122, and are required to maintain monthly certification for all employees funded with federal funds regardless whether the employee is funded 100% or split effort. For more information about A-122, see [OMB Circular A-122](#) (Section 8. 13. (1) & (2) Support of salaries and wages).

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, 4) be prepared at least monthly and coincide with one or more pay periods. For more information about PARs, see: [Circular No. A-122. 8. 13. \(1\) & \(2\)](#)

OMB Circular A-21 for Universities & Communities Colleges:

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 as required by OMB Circular A-21.

For professorial and professional staff paid from federal funds, the time and effort reports must be prepared each academic semester, but no less frequently than every six months. For non-professional and other staff, the time and effort reports must be prepared no less frequently than monthly. The time and effort reports must:

- 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. However, A-21 indicates that the reports may be signed by the employee, principle investigator, or responsible official(s) using suitable means of verification that the

work was performed. For more information, see [OMB Circular A-21](#). A sample time and effort report is located at:
http://www.dese.mo.gov/divcareered/perkins_iv_finance.htm#TandE.

Stipends and Extra-Duty Pay

When a subgrantee/recipient pays for extra work beyond an employee's regular contract, then the subgrantee/recipient 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 subgrantee/recipient 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 under A-87, monthly personnel activity reports under A-122, or a time and effort reports under A-21.