Time and Effort: Documenting Personnel Under the UGG

Bonnie Graham, Esq.

bgraham@bruman.com

(202) 965-3652

www.bruman.com

BRUSTEIN & MANASEVIT, PLLC
ATTORNEYS AT LAW

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THE OLD TIME AND EFFORT RULES

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A-87 Standards

Semi-Annual Certifications

- If an employee works on a single cost objective:
  - After the fact
  - Account for the total activity
  - Signed by employee **or** supervisor
  - Every six months (at least twice a year)

Personnel Activity Reports (PARs)

- If an employee works on multiple cost objectives:
  - After the fact
  - Account for total activity
  - Signed by employee
  - Prepared at least monthly and coincide with one or more pay periods

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A-21 Standards

Plan Confirmation

- Budgeted allocations for professional/professorial staff
- Updated to reflect any significant changes in actual work

Multiple Confirmation Records

- Variety of records kept in combination at least monthly.

After-the-Fact Activity Reports

- Professional/Professorial staff keep records every six months
- All other employees keep monthly records
- Signed by employee, principal investigator, or responsible official using suitable means of verification.
- Must reflect activity applicable to each sponsored agreement and to each category needed to identify F&A costs

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A-122 Standards

Personnel Activity Reports (PARs)

- After the fact
- Account for total activity
- Signed by employee or supervisor with first hand knowledge
- Prepared at least monthly and coincide with one or more pay periods

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THE NEW TIME AND EFFORT RULES

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Tracking Personnel Expenses 200.430(i)

- All employees must maintain documentation showing that their salaries are allocable to a federal program 200.403(a).
- That documentation must be based on records that accurately reflect the work performed.

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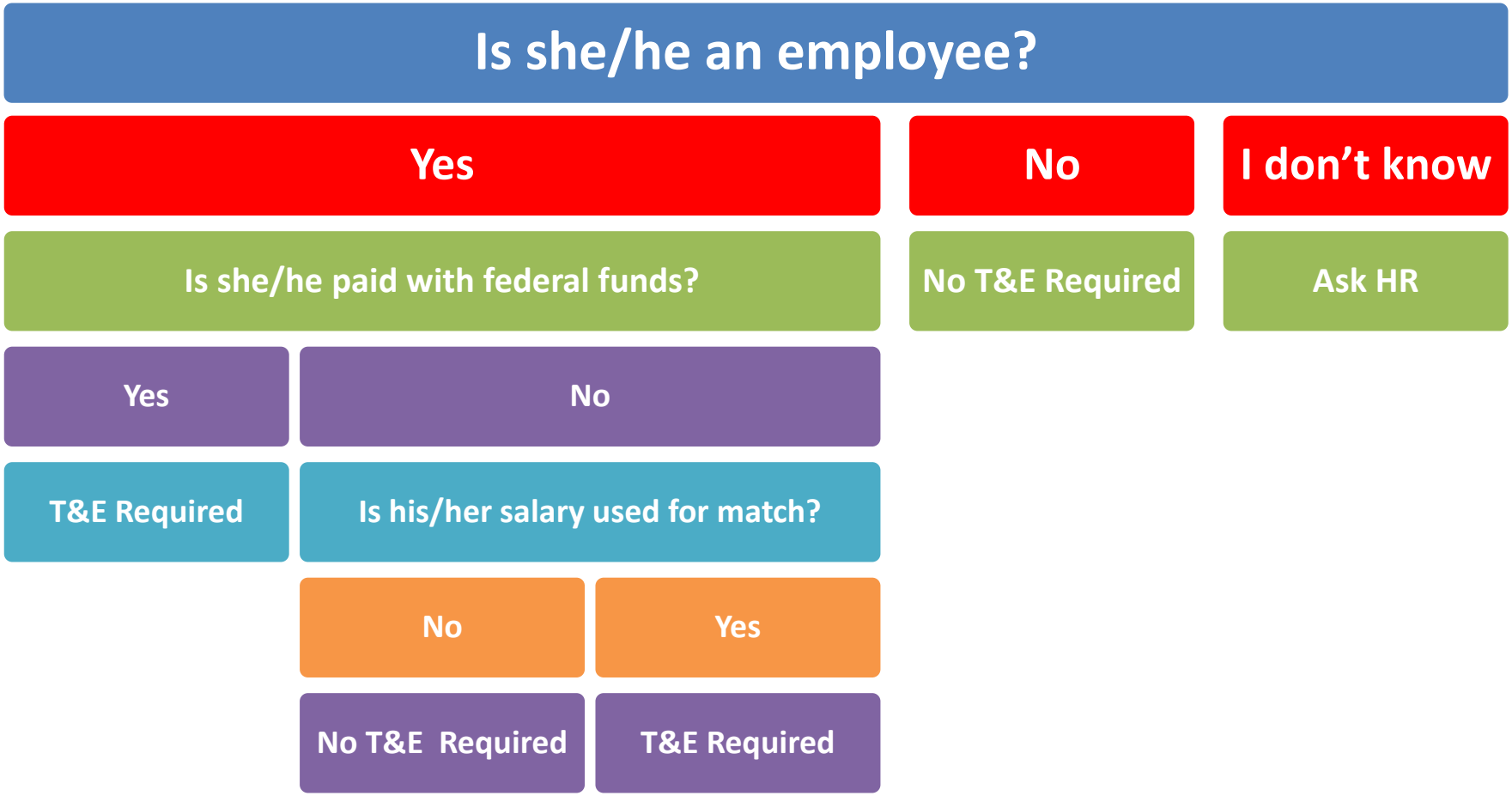
Does “X” Have to keep time and effort records?



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Documentation Requirements 200.430(i)(1)

These records MUST:

1. Be supported by a system of internal controls which provides reasonable assurance charges are accurate, allowable and allocable;
2. Be incorporated into official records;
3. Reasonably reflect total activity for which employee is compensated;
4. Encompass all activities (federal and non-federal);
5. Comply with established accounting polices and practices; and
6. Support distribution among specific activities or cost objectives.

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Focus on Internal Controls!

COFAR Comments on UGG Rule:

By focusing more on internal controls, the rule "mitigates the risk that a non-Federal entity… will focus on prescribed procedures... which alone may be ineffective in assuring full accountability."

- Uncovering weaknesses in internal controls or instances of fraud is goal. Not audit findings.

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Retains Capturing Time By Cost Objective

- What is a cost objective? 200.28
  - Program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc.

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Cost Objectives (cont.)

- Multiple Cost Objectives 200.430(vii):
  - More than one Federal award.
  - A Federal award and a non-Federal award.
  - An indirect cost activity and a direct cost activity.
  - Two or more indirect activities that are allocated using different allocation bases.
  - An unallowable activity and a direct or indirect cost activity.

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Use of Budget Estimates 200.430(i)(1)(viii)

- Budget estimates alone do not qualify as support for charges to Federal awards.
- May be used for interim accounting purposes if:
  - Produces reasonable approximations
  - Significant changes to the corresponding work activity are identified in a timely manner
  - Internal controls in place to review after-the-fact interim charges based on budget estimates

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Flexibility for IHEs

"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." 200.430(i)(1)(x)

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Reconciliation 200.430(i)(1)(viii)(C)

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

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Percentages 200.430(i)(1)(ix)

- Because practices vary as to the activity constituting a full workload, records may reflect categories of activities expressed as a percentage distribution of total activities.

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Substitute Systems 200.430(i)(5)

- States, local governments and Indian tribes encouraged to adopt "substitute systems" if approved by cognizant agency for indirect cost.
  - —No longer applies to nonprofits.
- Still acceptable to allocate sampled employees' supervisors, clerical and support staffs, based on the result of the sampled employees.

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Alternative Proposals 200.430(i)(6)

- Cognizant agencies for indirect costs are encouraged to accept alternative proposals based on outcomes and milestones for program performance.
- These plans are acceptable as alternatives to the UGG's standards.

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Blended Funding 200.430(i)(7)

- A non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-based metrics, if approved.
- Must submit a request for a waiver that includes certain information, including the method of charging costs.

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Compliance 200.430(i)(2)

- For records which meet the standards, the non-federal entity <u>will not be required to provide additional support or documentation for the work performed.</u>

❖ DOL regulations for Fair Labor Standards Act must still be met (i.e. charges must be supported by records indicating the total number of hours worked each day).

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Noncompliance 200.430(i)(8)

- For a non-Federal entity where the records do not meet these standards:
  - Personnel activity reports (PARs) may be required, including prescribed certifications or equivalent documentation that support the records as required in this section.
    - PARs are not defined!!

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What's the PAR Difference?

A-87 PARs

(for employee working on multiple cost objectives)

- After the fact
- Account for total activity
- Prepared at least monthly and coincide with one or more pay periods
- Signed by employee

A-122 PARs

(all employees)

- After the fact
- Account for total activity
- Prepared at least monthly and coincide with one or more pay periods
- Signed by employee or supervisor with first hand knowledge

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What We Know!

- ✓ Consolidated 3 different sets of rules (A-87, A-21 and A-122)
- ✓ Must have some type of documentation
- ✓ Time can be tracked by percentage or hours
- ✓ Track time by cost objectives
- ✓ Reconcile documentation to budgeted amounts
- ✓ Substitute Systems still acceptable to meet these requirements

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What We Don't Know!

What We Don't Know:

- ✓ Signatures?
- ✓ Time Periods?
- ✓ Electronic system?
- ✓ What is a good system of internal controls?

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Will Prior OMB Circular Rules Comply with UGG?

Yes!

If your agency had a compliant system under A, 21, A-87, or A-122 that should meet the requirements under the UGG.

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Can you change your current time and effort practices from the OMB Circular rules?

Yes!

Any new system would be compliant assuming it meets the new 6 requirements.

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Pilot Payroll Certification

- Discussed July 5, 2016 COFAR Webcast (Panel 4)
- Pilot is Part of Federal Demonstration Partnership Initiative
- Between Federal 5 agencies (NSF, NIH, Energy Dept, USDA and Office of Naval Research) and various universities and university systems

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Pilot Payroll Certification (cont.)

- Time and effort is project based
  - Award specific certification verses personnel certification.
  - Relies on PI to certify all salaries are reasonable.
  - PI signs off on one certification for each award.
    - 3 awards, 30 workers. Now certify 3 documents for all employees working under each award.

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Pilot Payroll Certification (cont.)

- Concerns?
  - Employees working on multiple projects.
    - PI must be able to verify employees time across all programs/projects to verify percentage of time on applicable programs
    - This was noted as a concern in Report 15-1-017 (George Mason)
  - System must be accepted by all applicable agencies

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The Association of Education Federal Finance Adminsitrator's (AEFFA) Proposals for New Time and Effort Systems June 15, 2016

Located at:
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AEFFA Proposed T&E Flexibility

1. Certification of Actual Time Worked
2. Blanket Certification
3. Official Record of Employee Activities
4. Electronic Submissions/Approvals
5. Roll-up Time and Effort Tracking
6. Allocation of Effort Using a Basis Other than Time

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Certification of Actual Time Worked

Semi-Annual Certifications

- Under A-87, for an employee working on a single cost objective:
  - After the fact;
  - Account for the total activity;
  - Signed by employee or supervisor; and
  - Every six months (at least twice a year).

Under the UGG:

- Could apply to all agencies
- AEFFA Proposal: Annual Certification

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Certification of Actual Time Worked (cont.)

Personnel Activity Reports (PARa)

- Under A-87, for an employee working on multiple cost objectives and Under A-122:
  - After the fact;
  - Account for total activity;
  - Signed by employee (A-87) and/or supervisor with knowledge (A-122);
  - Prepared at least monthly and coincide with one or more pay periods.

Under the UGG:

- PARs could be signed by employee or supervisor
- PARs could be Quarterly or Per Semester

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Blanket Certifications

USED Permissible Blanket Certification:

- Supervisor has first hand knowledge of work performed by several employees:
  - He/she used a single certification listing all employees and the cost objective that they worked on and the time period covered.

  Under the UGG:
  - The above certification still acceptable documentation
  - AEFFA Proposal: The supervisor with knowledge could sign a single certification attesting that the named employees all worked in accordance with their stated job descriptions

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Official Record of Employee Activities

What is an Official Record of Employee Activities (OREA)?

- Examples: Job Descriptions or Employee's schedule
- Clearly identifies all cost objectives at beginning of the year
- Clearly identifies position and/or accounting codes.

- Single Cost Objective: OREA is sufficient documentation

- Multiple Cost Objectives: On an annual basis, employee or supervisor with knowledge certifies that the employee worked in accordance with the OREA
  - To ensure internal controls in place: A position/activity change form is used to track changes in an employee's job or activities and ensure proper reconciliation/ allocability.

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Electronic Submissions/Approvals

Types of Electronic Submissions Include:

- On-line or electronic form submission where employee logs in and completes their time using a "check the box" system.
- Email submissions from employee.
- Electronic timesheets.
- Key here: internal controls!
  - Passwords
  - Unique identifiers
  - Some record trail

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“Roll up” Time and Effort Tracking

Tracking Supervisors, Clerical and Support Staff

- This was permissible under A-87 with permission (as a substitute system).
- AEFFA Proposal: This is permissible under the new standard (and is not be a substitute system so no permission from the awarding agency is needed).

- How this works?
  - Time spent by a supervisor on purely supervisory activities may be allocated based on the average time allocations of the supervised employees.

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Allocation of Effort Using a Basis Other Than Time

Allocability 200.405

- When an employee benefits multiple cost objectives in a way that is indistinguishable, may determine the allocability of time using “any reasonable basis”.
- If proportions can not be determined because of the interrelationship of the work involved, costs may be allocated on “any reasonable documented basis”.

Meaning = you can use a measure other than time!

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Allocation of Effort Using a Basis Other Than Time

- Examples:
  - Accountant's salary – allocated based on the number of transactions from each funding course.
    - Permissible under USED's 1992 Guidance
  - Paraprofessional teaching supplemental class to students with varying eligibility – could allocate salary based on percentage of students from each funding source.

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