

**PRESENTATION SPONSORED BY THE:
RHODE ISLAND ASSOCIATION OF SCHOOL BUSINESS
OFFICIALS &
RHODE ISLAND DEPARTMENT OF EDUCATION**

*EVERYTHING YOU ALWAYS WANTED TO
KNOW ABOUT:*

- PERSONNEL ACTIVITY REPORTS
- INVENTORY CONTROLS

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WHAT ARE PERSONNEL ACTIVITY REPORTS (PAR)?

Office of Management and Budget Circulars A87, A102, and A21 requires that all personnel who:

- A. work on federal programs, or
- B. have their funding split between federal and non federal sources

must **document their actual time spent on the programs through personnel activity reports.**

Personal Activity Reports allows salaries and other grant costs to be distributed to the funding sources that appropriately support those activities

DOES THE REQUIREMENT TO DO PERSONNEL ACTIVITY REPORTS APPLY ONLY TO EDUCATION GRANTS?

- **NO**. **All** staff charged to any federal grant program where funding is provided on a basis other than reimbursement of actual costs must prepare personal activity reports. This is true whether the funds are received directly from the federal government or indirectly through the state or other sources.
- **Some** staff who are paid with non federal funds. These staff may be:
 - used as a match to federal grant funds.
 - Split between an indirect cost activity and a direct cost activity
 - Split between two or more indirect activities which are allocated using different bases
 - Split between unallowable activities and a direct or indirect activity.

WHAT ARE THE DIFFERENT TYPES OF PERSONNEL ACTIVITY REPORTS?

There are two types:

1. Semi annual certifications, prepared every six months, or
2. Time distribution reports (aka time and effort reports), prepared at least once a month. The period chosen must coincide with the staff members pay period.

Staff do one or another, but not both (at least not for the same job)

WHAT TYPE OF PERSONNEL ACTIVITY REPORTS MUST A GIVEN STAFF MEMBER DO?

- Staff working on a single “cost objective” must complete a certification at least every six months attesting that they worked 100% of the time on that single objective.
- Staff working on more than one “cost objective” must do time and effort reports at least once each month. The reports must:
 - coincide with the staff members pay period, and
 - show the amount of **hours** and the type of activities they performed that justify their charges to the specific grant

WHAT IS A “COST OBJECTIVE”?

- According to the Montana Compact (included in your packets), a “Cost Objective” is “ a function, organizational subdivision, contract, or other work unit for which cost data is desired or for which provision is made to accumulate and measure the cost processes, products, jobs, capitalized project, etc.
- A simpler definition of “cost objective” is a federal award, or a category of costs *within* a federal award that under the grant law or regulations requires the recipient to track specific costs related to that category. At RIDE we call those specific cost categories “set aside” requirements. Each of the “set aside” requirements is for a different purpose, and thus constitutes a different “cost objective”.



HOW DO YOU DETERMINE IF A STAFF MEMBER IS WORKING ON A SINGLE “COST OBJECTIVE” OR MULTIPLE “COST OBJECTIVES”?

- The difference between single or multiple cost objectives is how an employee works, not how they are paid. Whether they need to do certifications or T & E depends upon both the funding source and the activities
- A staff member working on single federal funding source is *usually* working on a single cost objective. That staff member must do semi annual certifications.
- A staff member whose costs is split between two or more categories within a single grant (e.g. Title I administration and Title I program), is *usually* meeting two or more “cost objectives”. That staff member must do time and effort reports

HOW DO YOU DETERMINE IF A STAFF MEMBER IS WORKING ON A SINGLE “COST OBJECTIVE” OR MULTIPLE “COST OBJECTIVES” (continued)?

- However, it is possible for a staff member to be funded from one funding source and still need to do T & E or to be supported by two or more funding sources (i.e., grant funds and local funds) and still be working on a single “cost objective” funded by both sources.
- In general, if they are working on two or more funding sources, and doing different functions or serving different populations on those two or more sources, those are multiple cost objectives. They should be doing time and effort. If they are funded from two or more sources and doing the same function to the same eligible population for both of those sources, it is a single cost objective.
- The Washington State Time Distribution information included in your packet has multiple scenarios to help determine whether an employee is working on a single or multiple cost objectives. It is an excellent review.

WHAT INFORMATION MUST BE DOCUMENTED IN A PERSONNEL ACTIVITY REPORT?

PAR'S MUST:

- **DOCUMENT ACTUAL EFFORT, NOT ESTIMATED OR BUDGETED EFFORT**

Staff should consult support documentation when preparing monthly reports

- Document the Total Activities for which the employee is compensated, not just the federal part.
- Be submitted at least monthly, unless a substitute system has been approved
- Be signed and dated by a supervisor who has knowledge of his/her work. It should preferably also be signed by the employee.

WHAT INFORMATION MUST BE DOCUMENTED IN A PERSONNEL ACTIVITY REPORT (continued)?

- The federal government does allow supervisors of multiple staff doing a single cost objective to prepare and sign an aggregate semi annual certification for those staff members (an example is included in your packet)

ARE TEACHERS REQUIRED TO DO TIME & EFFORT?

Yes. If teacher or other instructional staff are charged to a federal grant, used as match, or otherwise meet the T&E criteria previously noted, they must have appropriate time distribution records or equivalent documentation.

However, the federal government has recognized that the PAR or semi-annual certification forms may be too rigid for instructional staff. They are allowed to meet OMB A87 circular standards if they keep “equivalent documentation”

WHAT CAN BE ‘EQUIVALENT DOCUMENTATION’ FOR A TEACHER OR INSTRUCTIONAL STAFF’S PAR?

- Teachers can use many methods to document their time, for example,
- Class schedules or lesson plans that:
 - Have after the fact notes on them to indicate the completion of each scheduled activity
 - Account for the total time the employee is compensated
 - Are prepared at least monthly and coincide with one or more pay periods, and
 - Are signed by the instructional employee
- Paraprofessionals may use regular time sheets in lieu of PAR’s as long as they meet the same standards listed above.

The district must keep the lesson plans as the instructional staff’s time and effort records.

ARE SUBSTITUTES REQUIRED TO DO T & E?

If they are long term subs (in other words, teaching on the federal grant on a regular basis), then they probably should. If the substitute is working on the day T&E signatures are required, they can sign their T&E report just as any regular employee would sign. However, for substitutes who come in on an irregular basis, time and effort can be allocated as follows:

1. Charge the substitute based on time reported from the individual who was replaced or,
2. Pool the salary of all temporary employees and allocate the total based on the time of all the individuals replaced

WHAT IF THE EMPLOYEE IS PAID OVER 12 MONTHS BUT WORKS ONLY 9?

Payment of the salary over 12 months is allocated based on the time distribution records provided during the 9 months that the staff member worked.

WHAT ABOUT PERSONNEL ACTIVITY REPORTS FOR STAFF IN “SCHOOLWIDE” PROGRAMS?

A Schoolwide program is considered by the federal government to be a single cost objective. However, the federal government has not clearly responded to whether staff in a Schoolwide need to do PAR's. Right now, all RIDE can do is give you the guidance provided in 2006. In it they said:

- If a Schoolwide school combines its federal/state/local funds into a Schoolwide “**single account**” Schoolwide staff are not required to keep any time distribution records

- If a Schoolwide school does not combine its federal/state/local funds into a “**single account**” it must follow the normal rules, i.e. For staff working on a
 - Single cost objective- semi annual certification
 - Multiple cost objectives –T & E

WHAT IS A “SINGLE ACCOUNT”:

- The federal government has not provided a clear answer to that question. They have not specified whether that means one bank account, one accounting code, etc.
- As a consequence, RIDE’s current advice is to follow the normal rules previously detailed for a single or a multiple cost objectives, whichever applies to that staff member.
 - Assume the school has no “single account”
 - Keep time and effort based on how much time the employee is dedicated to the Schoolwide function.

MUST TIME AND EFFORT BE DONE FOR STIPENDS, SUPPLEMENTAL CONTRACTS, OR EXTRA HOURS?

Yes it must. How it is done depends on the cost objective's for the additional funds

- If the stipend, supplemental contract, or extra hours are a part of a staff member's regular position (i.e. overtime), then it should be reported on the same basis as their regular personnel activity reports
- If they are being paid for a separate position, then both positions must do personnel activity reports. The type of PAR they need to do would be determined by each position. If their regular position was for a single "cost objective", they would do a semi annual certification for that position. If their stipend, etc., was for a function with multiple "cost objectives", they would have to do a time distribution report for that job.

WHAT ABOUT CONSOLIDATED ADMINISTRATION UNDER NCLB?

- With the approval of RIDE, an LEA may consolidate administrative funds under most NCLB program (Title I, IIA, IID, III, IV, and V in the CPR).
- According to the federal government, should an LEA consolidate NCLB administration, they don't have to keep separate records by individual program to account for administrative costs related to the program that have been consolidated. In truth, however, you do. Since you are not allowed to exceed the administration amount allowable for each program, you still have to keep records of how much administration is charged to each program.
- For time distribution purposes, consolidated administrative funds are considered a single cost objective. Therefore, they can do a semi annual certification.

WHAT ABOUT TRANSFERABILITY PROVISIONS UNDER NCLB?

- NCLB allows certain of its programs to transfer a limited amount of funds to other NCLB programs. The transferable percentages and programs vary, so the district should check with RIDE on that if they wish to transfer funds. For instance, Title IIA Teacher Quality Improvement, can transfer 50% of its funds to Title IV, Drug Free School. The funds transferred then become additional Drug Free money. This is known as “flexibility”
- Should an employee chargeable to Title IV Drug Free Schools spend 100% of her time on Drug Free School’s activities, even if her funding comes from Title IIA funds transferred to Drug free schools, she is still considered to be meeting a Single Cost Objective. She can do a semi annual certification.

MAY ADMINISTRATORS CHARGE TIME TO FEDERAL PROGRAMS?

- **NO!** But with some **limited** exceptions
- The federal program director (e.g., the Title I director), can do so if they maintain monthly time and effort records
- Chief executive officers, however, usually cannot. Chief executive officers in school districts are:
 - Superintendents
 - Assistant Superintendents
 - Building Principals
 - Assistant Building Principals
 - Support staff for those listed above

MAY ADMINISTRATORS CHARGE TIME TO FEDERAL PROGRAMS (continued)?

- Chief executive officials are considered general government costs and are rarely chargeable to federal grants. It can be very problematic to try to charge Chief Executive Officials to federal funds because it is nearly always raises violation of supplement, not supplant issues
- A Chief Executive Official could be charged **ONLY IF**
 - they have specific program administration or direct student services duties to a particular grant and,
 - they document actual time spent in the performance of those duties by completing monthly time and effort records.

MAY ADMINISTRATORS CHARGE TIME TO FEDERAL PROGRAMS (continued)?

- Even if the requirements above are met, a Chief Executive must meet further documentation requirements:
 - In order to avoid violating supplement not supplant, the administrator will need to document that he/she has assumed a second position to meet the federal grant requirements. They must, for instance, be able to provide minutes of Board meetings at which it was determined that the CEO position would not be a full time one.
 - The must also have a position description and/or employment contract that clearly delineates the time spent on administrative duties and stipulates the additional performance of specific federally funded duties under the particular grant award.

WHAT ABOUT SUBSTITUTE TIME DISTRIBUTION SYSTEMS?

- Under OMB Circular A87, grantees and subgrantees that are subject to time and effort requirements may develop alternative documentation methodologies.
- LEA's must obtain permission to use them from the state prior to their implementation. A substitute system will be reviewed by the state, and approved by the state and federal governments before they can be used.
- OMB A87 requires that the alternative system has to use a statistically sound method that will allow T & E to be allocated to each of the cost objectives based on a limited, but representative sample of actual work done.

WHAT ABOUT SUBSTITUTE TIME DISTRIBUTION SYSTEMS (continued)?

- Substitute systems must be a quantifiable measure of employee effort for a time period. The system may include, but is not limited to:
 - Random moment sampling
 - Case counts
 - Client counts
 - Transaction counts
- Whatever system is used, it must be statistically valid

WHAT DO WE DO WHEN THE TIME AND EFFORT ACTUAL DIFFERS FROM THE BUDGETED AMOUNT?

- No budget is perfect, so it may well differ from the budgeted amount, so when the actual T & E differs from the budgeted charges, two changes have to be made:
 - The district **must** adjust the budgeted amounts charged to that time period so that the charges agree to the actual amounts documented on the time and effort reports.
 - **After making changes to actual based on the time and effort report**, the district may:
 - change the responsibilities of the staff member so that in the future they may more closely agree to the time budgeted, or
 - change the time and effort budget to agree with the actual.

HOW OFTEN MUST BUDGET BE ADJUSTED TO ACTUAL?

Budget to actual must be compared at least quarterly

- If the difference between the budgeted charges and actual charges is 10% or more, the actual charges must be adjusted quarterly
- If differences are less than 10%, the budget to actual charges must be adjusted annually
- In both cases, however, the budget to actual adjustment **must** be made

WHAT HAPPENS IF THE BUDGET IS NOT ADJUSTED TO ACTUAL T&E?

- If budgets are not adjusted based on T & E, then that could be a very serious and possibly costly finding for the district. Essentially that would mean the district made:
- Inappropriate charges to federal funds
- Inaccurate decisions based on incorrect management information

INVENTORY CONTROLS

- Another area that LEA's need to be aware of is inventory controls. Equipment purchased with federal funds are also subject to federal regulations.
- According to A87, "equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition costs which equals or excess the lesser of the capitalization levels established by the governmental unit for financial statement purposes, or \$5,000.

WHAT MUST BE DONE ABOUT EQUIPMENT PURCHASED WITH FEDERAL FUNDS?

- Education Department General Administrative Requirements (EDGAR) says that equipment purchased with federal funds has to be:
 - tagged by funding source, and
 - physically inventoried at least every two years.
- The regulation is to assure that:
 - Equipment is being used by the appropriate populations, and for the appropriate purposes targeted by the funding source
 - Replacement equipment purchased with federal funds only replaces original equipment purchased with federal fund. For example, computers purchased originally with local funds must be replaced by computers purchased with local funds, not with federal funds. Otherwise, it is considered supplanting.

WHAT RECORDS NEED TO BE KEPT ABOUT EQUIPMENT?

- The LEA's inventory records should have:
 1. A description of the property;
 2. A serial number or other identification number;
 - 3. The funding source of the property**
 4. Who holds title
 5. The acquisition date and cost of the property
 - 6. The percentage of federal participation in the cost of the property**
 7. The location, use, and condition of the property; and
 8. Any ultimate disposition data including the date of disposal and the sale price of the property.

WHO OWNS EQUIPMENT PURCHASED WITH GRANT FUNDS?

- EDGAR also discusses ownership, use, and disposition of equipment. Basically it says that:

Title

- Subject to the obligations and conditions set forth in this section, title to equipment acquired under a grant or subgrant will vest upon acquisition in the grantee or subgrantees respectively.

HOW CAN EQUIPMENT BE USED?

Use

- Equipment shall be used by the grantee or subgrantee in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed by the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
- Notwithstanding the encouragement to earn program income, the grantee or subgrantee must not use equipment acquired with grant funds to provide services for a fee to compete unfairly with private companies that provide equivalent services unless specifically permitted or contemplated by Federal statute.

HOW CAN AN LEA DISPOSE OF OLD EQUIPMENT?

Disposition

- When original or replacement equipment acquired under a grant or subgrant is no longer needed for the original project or programs or for other activities currently or previously supported by a Federal agency, disposition of the equipment will be made as follows:
 1. Items of equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency.

HOW CAN AN LEA DISPOSE OF OLD EQUIPMENT?

Disposition (continued)

- **2.** Items of 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 the right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment
- **3.** In cases where a grantee or subgrantee fails to take appropriate disposition actions, the awarding agency may direct the grantee or subgrantee to take excess and disposition actions.

WHAT DOES ALL THAT MEAN?

The translation of all that is:

- A subgrantee has title to the equipment it purchased with its own federal grant funds.
- In cases where a nonpublic school within the district purchases equipment, title to and responsibility for the appropriate use of the equipment still rests with the **public** LEA
- If the LEA no longer has use for its own purchases in the federal program that it was purchased for, it must first see if it can be used in other federal programs supported by the district.
- Keeping in mind the \$5,000 fair market value rules, if the other federal programs supported by the district cannot use the equipment, the LEA may use it or dispose of it as it sees fit as long as it is not used to unfairly compete with private businesses.

WHAT REFERENCES/RESOURCES CAN I USE TO LEARN FURTHER INFORMATION ON PERSONNEL ACTIVITY REPORTS AND OTHER FEDERAL GRANT ADMINISTRATION?

The Federal Grants Management laws and regulations about personnel activity reports and inventory come from a variety of sources. They include:



Office of Management and Budget Circulars (OMB) on Grant Administration

OMB Circular A102-Grants and Cooperative Agreements with State and Local Governments: This circular, along with the “Common Rule” below details federal agencies responsibilities for grant administration.

The “Common Rule”: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. This circular articulates grant administration requirements for federal grantees and subgrantees.

OMB Circular A110-Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations: The focus in this circular is on grant administration for colleges and non profits. Most of the requirements are similar to those in A102, and the Common Rule, but there are some differences, so if you have grants with colleges or non profits, it may be worth reviewing.

OMB Circulars on Allowable Costs

The federal government has three sets of cost principals for grants. Many of the cost principals in each of these circulars echo each other. Again, however, there are some important differences, so you may wish to consult the appropriate source when dealing with any of these agencies.

OMB Circulars on Allowable Costs

- **OMB Circular A87 (Revised)-Cost Principles for State, Local and Indian Tribal Governments:** This reference gives detailed information about what are costs are allowable for state and local governments. It includes a list of selected items of costs and their allowability. A87's "compensation for personal services" regulations, prepared by my colleague David Luther, is included in you packet)
- **OMB Circular A122 Cost Principles for Non Profit Organizations.** Per the title, this one describes allowable costs for non profits.
- **OMB Circular A21 Cost Principles for Educational Institutions:** This one is for colleges, universities, and other higher education institutions.

Federal Audit Guidance

- **The Single Audit Act of 1996, as amended:** This requires that any organization that spends more than \$500,000 per year of federal grant funds from all sources must have an audit done under the terms specified in this law. Fundamentally it is an audit of both the organizations complete financials, federal and non federal, and of its specific adherence to the financial and compliance requirements of its federal grant funds. The audit must be done by a public accounting firm or a designated auditor of the federal government, e.g., that state Auditor General's office.
- **OMB Circular A133-Audits of States, Local Governments and Non-Profit Organizations:** Implements the Single Audit Act of 1996 and establishes uniform audit requirements for recipients of federal grant funds

Education Department General Administrative Requirements (EDGAR)

• **Education Department General Administrative Requirements (EDGAR).** A compendium of the information provided in the OMB Circulars, General Education Provisions Act (GEPA), Code of Federal Regulations (CFR), Single Audit Act, and other education grant laws and regulations. Parts 75, 76, and 80 are the most relevant parts for education grants. They talk respectively about direct grant programs (i.e. competitive grants), state administered programs (allocation and discretionary), and other administrative requirement for education grants. EDGAR is the bible for grants management.

RIDE

- RIDE's sends a grants management procedures packet out yearly to all of its grant recipients. That packet is also on RIDE's website. It is listed under Federal and State funds/Grants Management Closeout/New Payment Request forms. It talks about what is required by the Single Audit Act, how to complete the fiscal forms and reports for each grant program, how to request funds, and other subjects germane to grants administration.
- RIDE's Finance Officers and Program Officers are always available for advice and technical assistance. Their names, offices, and email addresses are included in your CRP package that you received in our April Workshop, or you can just call RIDE and ask who are the Finance and Program people who work on a particular program.

Other Resources

- Individual program regulations for NCLB and IDEA, Perkins, and ABE grant funds
- Companies that provide publications, audio, video, and onsite training in education grants management. You can check these on the web. Among them are:
 - Thompson Publishing at www.thompson.com provides regulatory and compliance information for professionals in business and government. Among their publications is *Federal Education Grants Management: What Administrators Need to Know*, a very useful guide to frequently asked questions about grants management.
 - In cooperation with Thompson Publishing, the Washington based law office of Brustein and Manasivits has twice yearly conferences on federal grants management. The May one is in Washington. The November one is in Las Vegas. You can go to their website www.bruman.com for further information on those and other conferences that they offer.
 - USDOE website has numerous articles on grants management

WHERE DO WE GO FROM HERE?

- Available resources for further information are in your packets. The include
- The Montana Compact . This is the latest (May 2006) federal and state agreed upon guidance on time and effort. It is still in draft, but it does constitute some agreed upon processes and policies, so it provides very good guidance.
- The State of Washington Employee Compensation Guidance This guidance contains excellent examples of cost objective situations.
- A very useful article on OMB A87 Federal Cost Principles
- OMB A87 Circular guidance on Compensation for personal services. That includes time and effort and other personal services issues.
- Sample Time and Effort Forms (some are included within the sources listed above)
- Sample Certification forms

WHERE DO WE GO FROM HERE?

- OMB Survey of Single Audit Reports -Office of Management and Budget recently conducted a sampling of A-133 Single Audits that found that 36% of the audits they reviewed were unacceptable. An additional 16% were of limited acceptance. Less than 49% were acceptable and could be relied upon . This is one of several reasons the federal government is now requiring more accountability from its subrecipients
- Remember-RIDE and your LEA's auditors are here to help, but we have to depend on you for the day to day maintenance of your systems.

WHERE DO WE GO FROM HERE?

- To that end the district should:
- Plan & budget well
- Develop written time distribution and inventory policies
- Train, train, train employees on a regular basis
- Closely supervise all employee personnel activity records. It is really easy for the system to get away from you, so this is important.