Proper Management of Federal Grants –
Support for Salaries and Wages or
Time & Effort Reporting
USDA Forest Service Presenters

- Lynne Sholty
- Von Erkert
- Jaelith Hall-Rivera

Guest from Office of Inspector General (OIG)

- Donna Smith
As a result of an Office of Inspector General (OIG) audit, this presentation was developed to address one of the more serious findings – proper support and charging of compensation for personal services.
Common Audit Findings Related to Salary

- No documentation, or documentation that doesn’t meet Federal standards.

- Employees charging salary as budgeted rather than as actually worked.

- Time worked on multiple grants/projects not recorded separately.
What is Time & Effort Reporting?

• Any employee funded by federal grants must document the time they spend working on the grant’s objectives.

• All employees charged to federal grants must maintain time and effort reporting.

• Documentation must reflect “actual” time spent by employees on awards being charged.
Where Is this Requirement Established?
Grant Regulations

States, Local, and Tribal Governments:

• 2 CFR 225, Cost Principles
  (formerly OMB Circular A-87)
  Appendix B – Selected Items of Cost
  8 – Compensation for Personal Services
    h – Support of Salaries and Wages
Grant Regulations

Educational Institutions:

• 2 CFR 220, Cost Principles
  (formerly OMB Circular A-21).
  Section 10 – Compensation for Personal Services
  b – Payroll Distribution
  (2) Criteria for Acceptable Methods & Examples
Grant Regulations

Non-Profit Organizations:

  Section 8 – Compensation for Personal Services
  m – Support of Salaries and Wages
Grant Regulations

For Profit / Commercial Organizations:

• 48 FAR part 31, Cost Principles & Procedures
Grant Regulations

Uniform Administrative Requirements:

- State, Local & Tribal Govt’s – OMB Circular A-102
- All Other Entities – 2 CFR 215
Resources

Contact the G&A Specialist listed in your award.

To find the Cost Principles or Admin Requirements:

• www.whitehouse.gov/omb/circulars
• http://www.gpo.gov/fdsys/
• Or just use Google, Bing, Yahoo etc

Training:

• Management Concepts or online trainings
Time for Questions!

Ask over the phone: dial *1 on your phone.

- OR –

Type your question in the Q&A panel & click “Ask.”

Note: To edit or add to a question you asked, click “Edit.” Type the edits and click “Ask.”
Compensation for Personal Services
Each of the referenced Cost Principles address Compensation for Personal Services.

This presentation will focus on the requirements for State, Local, and Indian Tribal governments, and non-profit organizations.
Compensation for Personal Services for Educational Institutions is addressed in 2 CFR 220, Appendix A. Those regulations will not be covered specifically here.

These regulations are different and do not require personnel activity reports.
Definition

Compensation for personal service includes all compensation paid for services of employees rendered during the period of the award, including but not limited to wages, salaries, and fringe benefits.
Allowability

• Total compensation is reasonable for the services provided and conforms to the organizations’ established policy.
• Charges are documented and supported
Unallowable Costs

- Costs which are **unallowable** under other sections of the applicable Cost Principles shall **not be allowable** under this section solely on the basis that they constitute personnel compensation.
Reasonableness

- Compensation is consistent with that paid for similar work in the organization or in the labor market.
Fringe Benefits

• Include, but are not limited to, leave, insurance, pensions, and unemployment benefit plans.
• Provided equitably under written policy.
• Treated consistently (same for grant funded activities and other non-grant activities)
Support of Salaries & Wages

• Charges will be distributed, or split out, as actually worked, not as budgeted.

• Charges to awards for salaries, whether treated as direct or indirect costs, will be based on documented payrolls approved by a responsible official within the organization.
Time Distribution

Recipients should distribute employee time and effort using one of the following:

- 100% Indirect Activities
- 100% Direct Activities
- Multiple Activities
100% Indirect Activities

• When an individual’s salary or wage is not readily assignable to a specific cost objective, or a specific grant, then their salary is captured in an approved indirect cost rate or cost allocation plan.
100% Indirect Activities

Example

A State Forester or a Non-Profit Executive Director has responsibilities to every program area. It would be impossible to allocate their time to a particular grant.

In this case, management would capture their salary in an approved indirect cost rate or cost allocation plan.

The only requirement is payroll documentation in accordance with their organizations accepted practice and approval by a responsible official from their organization.

No further documentation is required for salaries and wages of employees who work in indirect cost activities.
100% Direct Activity

• Direct Activities occur when an all of an individual’s salary or wage is paid by a single grant.

• When a recipient organization allocates 100% of an individual’s time and effort to one grant, individual timesheets showing daily time recording are not required.

• All that is necessary is a semi-annual certification that is signed by the employee and their supervisor.

• These certifications are statements confirming that the individual’s time and effort were 100% directed toward a specific grant.
100% Direct Activity

Examples

A State Department of Agriculture finances an invasive weed coordinator with a federal grant. The coordinator spends 100% of their time and effort working on the objective of the grant.

A non-profit hires seasonal employees to work on hazardous fuel reduction projects funded by a grant. If all of their work is on approved grant funded projects, they will charge all of their time directly to the grant.
MULTIPLE ACTIVITIES

Multiple Activities occur when an individual works on more than one cost objective or grant, or when an individual is engaged part-time in indirect cost activities and part-time in direct cost activities.

When an individual’s time and effort are for multiple activities, a personnel activity report (PAR), or equivalent documentation, must be completed by the employee.

The PAR must be:

- Submitted at least monthly.
- Coincide with one or more regular pay periods.
- Account for 100% after-the-fact time distribution.
Example

A weed coordinator works on a program financed by the general fund and also provides classes to the community that are financed by a grant.

The weed coordinator must provide a signed, personnel activity report (PAR) that accounts for the actual time and effort spent on both activities. The PAR should be completed at least monthly.
# Personnel Activity Report Example

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thurs</th>
<th>Fri</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thurs</th>
<th>Fri</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant X</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>3.5</td>
<td>4</td>
<td>4</td>
<td>2.5</td>
<td>3</td>
<td>38</td>
<td>47.5%</td>
</tr>
<tr>
<td>General Fund</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>4.5</td>
<td>4</td>
<td>4</td>
<td>5.5</td>
<td>5</td>
<td>42</td>
<td>52.5%</td>
</tr>
<tr>
<td>Total:</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>80</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Employee Signature:**
Time for Questions!

Ask over the phone: dial *1 on your phone.

- OR –

Type your question in the Q&A panel & click “Ask.”

Note: To edit or add to a question you asked, click “Edit.” Type the edits and click “Ask.”
TYPES OF TIME REPORTING

• Semi-annual certification
  Kept by an employee with a “single cost objective” and completed at least every six months.

• Personnel Activity Reports (PARs)
  Kept by employees with “multiple cost objectives” and submitted at least monthly.
SEMI-ANNUAL CERTIFICATION
(Single cost objective)

• Must be signed by the employee
  - OR -
• Signed by the supervisor
  ** The supervisory official must have first-hand knowledge of the work performed by the employee.

• ALWAYS signed after-the fact to reflect actual time worked.
MULTIPLE COST OBJECTIVES

• Personnel activity report / timesheet must display the entire time period and breakdown, not just the hours charged to the grant activity.

• Submitted at least monthly

• Demonstrates the amount of actual time spent working on the federal grant objective

• ALWAYS signed after-the-fact to reflect actual time worked.
Personnel Activity Reports (PAR)

MUST include:

• Employee’s Identification (name, number, etc.)
• Reporting Period
• Breakdown of actual hours worked by the employee on each activity
• Employee’s signature and date (this could be electronic)
Summary of PAR Requirements

• Be completed after-the-fact
• Reflect **actual** work performed (not budgeted)
• Account for **total** activity of employee
• Submitted at least monthly
• Signed and dated by employee
• Maintained for **ALL** staff members/employees whose compensation is charged in part to the award
COMMON ERRORS???

• Reporting time based on the budgeted amounts without regard to what employee actually worked

• Lack of maintaining source documentation (PARs) to support salary costs

• Failing to recognize a change in position, duties, or funding may result in a change of reporting

• Entire day’s schedule not accounted for (only federal time reported)
Matching requirements

• Salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the same manner as salaries and wages claimed for reimbursement.
- Remember -

Personnel Activity Reports **must show actual time** spent working on each award or cost activity.

Budget estimates are just that and do NOT qualify as support for charges to Federal awards.
What if we decide that it’s just too much work?

• Salary costs that are not accurately and properly documented are “unallowable costs” and will not be reimbursed.

• IF you have been reimbursed for salary that was not properly recorded and supported, you will be required to pay back the “unallowable” costs.
Summary

• Any salary charged to federal grant funds MUST be accurately recorded.

• Time must be charged as worked, not as budgeted.

• PARs must be submitted at least monthly.

……Know your Cost Principles…..
Questions?
Time for Questions!

Ask over the phone: dial *1 on your phone.
- OR –

Type your question in the Q&A panel & click “Ask.”

Note: To edit or add to a question you asked, click “Edit.” Type the edits and click “Ask.”
SF-425 Discussion

USDA Forest Service is taking two immediate actions, among others, in response to OIG audit findings:

• Offer this training webinar to grant recipients.

• Require grant recipients to insert a certifying statement in Remarks field (Box #12) of SF-425 as part of their next submittal.
Grant recipients must insert the following statement *VERBATIM* in Block 12 (Remarks) of their SF-425:

```
The salary component of the amounts on lines e and g complies with all OMB Circulars applicable to my organization and accurately reflects the actual time personnel spent working on this award.
```
<p>| | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Federal Agency and Organizational Element to Which Report is Submitted</td>
<td>2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Recipient Organization (Name and complete address including Zip code)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a.</td>
<td>DUNS Number</td>
<td>4b. EIN</td>
<td>5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Project/Grant Period From: (Month, Day, Year)</td>
<td>To: (Month, Day, Year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Basis of Accounting □ Cash □ Accrual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Transactions</td>
<td>Cumulative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Use lines 8–c for single or multiple grant reporting)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal Cash (To report multiple grants, also use FFR Attachment):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Cash Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Cash Disbursements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Cash on Hand (line a minus b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Use lines d–o for single grant reporting)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal Expenditures and Unobligated Balance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Total Federal funds authorized</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Federal share of expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Federal share of unliquidated obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Total Federal share (sum of lines e and f)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Unobligated balance of Federal funds (line d minus g)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Recipient Share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Total recipient share required</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Recipient share of expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Remaining recipient share to be provided (line i minus j)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties (U.S. Code, Title 218, Section 1001)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Telephone (Area code, number and extension)</td>
<td>□ Email address</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Date Report Submitted (Month, Day, Year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Standard Form 420
OMB Approval Number: 0348-0081
SF-425 Discussion

WARNING: If your organization is not currently complying with the OMB Circulars, then you cannot sign the SF-425 with this certifying statement!!!!

Then, what to do????

• Ask Forest Service for an extension to submit the SF-425….AND…. 
• Work with the Forest Service to determine how your organization can come into compliance.
Questions?

Direct questions about the certifying statement in SF-425 and compliance to:

• Your designated Grants & Agreements specialist

  – OR –

• Melissa Moreira, USDA Forest Service Branch Chief, Grants and Agreements
  703-605-4776 -or- mamoreira@fs.fed.us
Thank You!

The webinar recording, ppt file, and written response to all questions will be posted at:

http://www.fs.fed.us/spf