
Procedure 905 Documenting Salaries and Wages

Documentation of salaries and wages is often necessary to support charges to specific funding sources (resources), instructional settings (goals), and activities (functions). Some level of formalized time documentation is needed for all salaries and wages paid from federal funding. However, formalized documentation is usually only necessary for salaries and wages paid from state funds when the funds are restricted, when positions are split between goals or certain functions, or when program guidelines require it.

In reviewing this procedure, LEAs should keep in mind that written policies and procedures are essential to implementing an effective labor distribution system. LEAs must develop a time documentation process (i.e., forms, employee training, internal controls, and compliance checks) that meets their particular needs.

Salaries and Wages Charged to Restricted Programs

Costs of salaries and wages are usually an allowable charge to programs with a restricted funding source. However, LEAs are required to have time documentation to support the charging of their salaries and wages to a restricted source.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, is a policy directive affecting which costs are allowable charges to federal programs, which costs are not allowable, and how costs charged to federal programs must be documented. OMB Circular A-87 applies to all local educational agencies (LEAs) receiving federal funds. The standards for documenting salaries and wages charged to federal programs are specified in OMB Circular A-87, Attachment B, Section 8(h). These standards are in addition to those for payroll documentation.

The time documentation requirements for charging salaries and wages to state programs are based on the OMB Circular A-87 federal time documentation guidelines. However, there is also an alternative method available to document salaries and wages charged to state restricted programs.

Cost Objectives

OMB Circular A-87 defines a cost objective as "a function, organizational subdivision, contract, grant, or other activity for which cost data are

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needed and for which costs are incurred." For purposes of supporting salary and wage expenditures, the identification of cost objectives allows funding sources to be pooled for a common objective.

In practical terms, a cost objective is a set of work activities allowable under the terms and conditions of a particular funding source. In the determination of whether an employee works on a single cost objective or on multiple cost objectives, the most significant factor is not the number of funding sources supporting the salary but rather the activity being performed.

Single Cost Objective

A set of work activities may be considered a single cost objective when both the service(s) being performed and the population(s) being served are allowable under any of the programs supporting the cost objective (i.e., the funding sources are homogeneous). Stated another way, costs allocable to that cost objective must be allowable under any of the programs that fund the activities. If these criteria are met, an activity that benefits two or more programs may be considered a single cost objective.

Homogeneous funding sources are the exception rather than the rule. If it is not clear whether the funding sources are in fact homogeneous, the activities should be treated as separate (multiple) cost objectives rather than as a single cost objective.

An example of a single cost objective at its most basic is an employee who works solely on one activity and that activity is funded by a single source. While this type of one-to-one relationship does occur, it is also possible to have a single cost objective that is funded by multiple sources. For example, if an employee works in a position that is funded by multiple federal programs, but the employee does similar activities all day and the federal programs have the same requirements with regard to allowable costs and eligibility of participants, then that employee may be considered as working on a single cost objective.

Following are examples of employees working on a single cost objective:

1. **Single Funded Activity:** An employee who works solely (100 percent) on activities of a single federal or state restricted program or on a single nonfederal program used in meeting cost sharing or matching requirements of federal awards.
2. **NCLB Consolidated Administrative Funds:** An employee who works solely on administrative activities of the No Child Left

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Behind Act (NCLB) where the administrative funds have been consolidated in Resource 3155, NCLB Consolidated Administrative Funds (see Procedure 780).

3. **Schoolwide Program (SWP):** A school-site employee working solely on an SWP plan approved by CDE. This is a single cost objective because for an approved SWP plan the LEA may use NCLB Title I funds in combination with other federal funds and state and local general-purpose funds to upgrade the entire educational program in a school (Title I, Part A, Subpart 1, Section 1114).

Employees working on an SWP plan who are paid in part by federal programs that have not been combined in the SWP and employees who work on both SWP and non-SWP plan activities are not considered to be working in a single cost objective.

4. **School-Based Coordinated Programs (SBCPs):** California's SBCPs combine several state categorical programs in a manner similar but not identical to an SWP. Under *Education Code* Section 52853, employees of an SWP at a school site funded from SWP and SBCP funds (assuming those are the only two funding sources) may be considered as funded by a single cost objective.

Prior to identifying the SWP and SBCP funds as a single cost objective, an LEA must ensure that the SBCP school plan includes the proposed expenditure of NCLB funds available to the school. If NCLB funds are not included, the existing SBCP school plan should be revised to include them. For SWP and SBCP funds to be considered as a single cost objective, the school must operate the state-approved SWP in a manner consistent with the expenditure of funds available to the school under SBCP, which means that the SWP and SBCP funds must be used for the same purpose.

Essentially, for a school site to consider its SWP and SBCP funding sources as a single cost objective, the school's funding sources must be contained in an SBCP and a state-approved Title I SWP. That means that the school would use all the funds available to upgrade the entire educational program in the school. If all the funds are not available for all the students, the SBCP and SWP funding sources may not be considered a single cost objective. There may be individual NCLB funds used at an SBCP school, such as for Title I Targeted Assistance schools; however, those funds may not be considered a single cost objective unless they are

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included in a state-approved SWP that benefits all the pupils at the school.

5. **Combined Federal and State Awards:** An employee such as a drug prevention counselor or a special education instructional aide who is funded by a mixture of federal and/or state awards, where the services provided and the populations served are eligible and allowable under any of the awards (see the note following item 6).

6. **Combined Federal, State, and Local Awards:** An employee who is funded by a mixture of federal, state, and local resources, where the services provided and the populations served are allowable and eligible under any of the funding sources. For example, the salary of a cook working in a school cafeteria may be funded from a mix of federal funds (free or reduced-price meal reimbursement), state funds (additional reimbursement funds), and local funds (lunch sales). If the cook spends all of his or her time in the preparation and serving of school lunches and if all of the activities performed by the cook are allowable under any of the funding sources, then the cook's activities can be considered a single cost objective.

Similarly, an aide working in a child care center is paid from child development funds, which may include federal, state, and local resources. If the aide spends 100 percent of his or her time providing child care to children that could be served under any of the funding sources, the aide's time may be considered a single cost objective.

Note: Items 5 and 6 are simplistic examples and are provided for explanatory purposes only. More complex situations may indicate multiple cost objectives rather than a single cost objective (refer to the discussion on homogeneous funding sources on page 905-2). To ensure that timekeeping efforts comply with OMB Circular A-87, LEAs need to evaluate each situation to determine the proper time documentation requirements.

Multiple Cost Objectives

When an employee works on more than one award and the activities performed may not be considered a single cost objective, the employee is considered to work on multiple cost objectives.

Following are examples of employees working on multiple cost objectives:

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1. An employee provides similar services all day, but his or her position is supported by multiple federal awards that have different rules as to the eligibility of participants or allowable costs.
2. The employee works on dissimilar activities for more than one federal program, and the programs are not combined in an approved SWP.
3. The employee works on dissimilar activities for a mixture of federal and state programs, and those programs are not combined in an approved SWP.
4. The employee works on a mixture of federal and general-purpose activities that have not been combined in an approved SWP.
5. The employee is funded by more than one nonfederal program source, and one of the sources is used in meeting the cost sharing or matching requirements of federal awards.
6. The employee works on both an indirect cost activity (e.g., business services) and a direct cost activity (e.g., special projects administration or an approved SWP plan).
7. The employee works on an unallowable activity (e.g., school board) and an indirect cost activity or a direct cost activity.

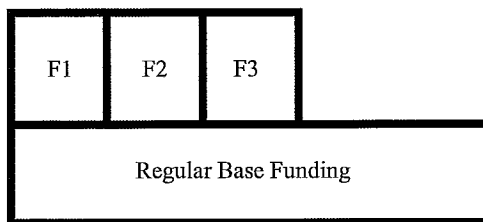
Illustrations Showing Single and Multiple Cost Objectives

XYZ School has three federal categorical programs (F1, F2, and F3) that supplement the school's regular base funding. The following three illustrations show how different time documentation guidelines would apply:

Illustration A

In Illustration A, employees at XYZ School are multifunded, either by more than one federal program or by a federal program and other general-purpose revenues (regular base funding). The services provided and populations served vary by program. The school does not have an approved SWP.

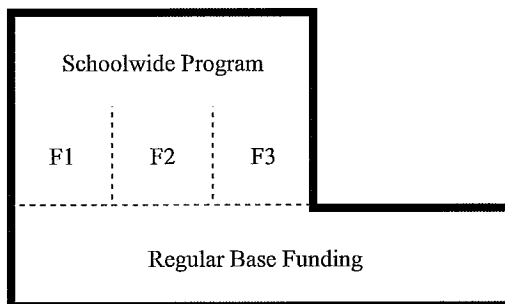
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Employees are considered to work on multiple cost objectives because the funding comes from two or more federal programs or from federal programs and general-purpose revenues, and the school does not have an approved SWP plan.

Illustration B

In Illustration B, XYZ School has an approved SWP plan. It has the same three federal categorical programs supplementing its regular base funding. In its SWP plan, XYZ School has combined F1, F2, and F3 and its regular base funding.

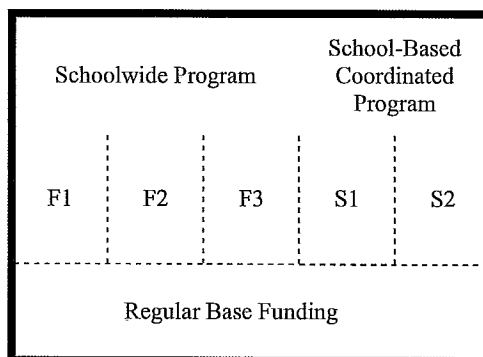


Employees that work solely at XYZ School on SWP activities are considered to work on a single cost objective because the school has an approved SWP plan that combines the funds.

Illustration C

In this illustration, XYZ School has an approved SWP plan and has combined its regular base funding, its three federal categorical programs (F1, F2, and F3), and its SBCP funds from two state categorical programs (S1 and S2).

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Similar to Illustration B, Illustration C represents a single cost objective for employees that work solely at XYZ School on SWP or SBCP activities because the funds are combined by the SWP and SBCP.

How to Document Federally Funded Salaries and Wages

The cost objective(s) on which an employee works is the main factor in determining whether federal time documentation requirements can be satisfied by a periodic personnel certification or whether the requirements must be met through the more detailed form of a personnel activity report or equivalent documentation.

Salaries and wages used in meeting cost sharing or matching requirements of federal awards must also be supported by one of these methods.

Each LEA needs to determine its time documentation requirements based on its own circumstances, and each LEA must ensure that its timekeeping efforts comply with the requirements of OMB Circular A-87.

Periodic (Semiannual) Certification

Employees who work solely on a single federal award or cost objective need only complete a periodic certification. Pursuant to OMB Circular A-87, Attachment B, Section 8(h)(3), the periodic certification must:

- Be prepared at least semiannually.
- Be signed by the employee or the supervisory official having firsthand knowledge of the work performed by the employee.

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- State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.

Where multiple employees work on the same cost objective, a blanket certification may be used as the documentation for all employees who worked on the cost objective. For example, a school with an approved SWP may choose to prepare a blanket certification that lists all employees that worked solely on the SWP. Because periodic certifications may be signed by either the employee or supervisor and because the purpose of a blanket certification is to simplify the time documentation process, the school may choose to include only the signature of the supervisor, which in this SWP example would be the school principal.

Sample periodic certifications are provided on pages 905-23 and 905-24. Note that the sample documents are very basic and may require enhancements to meet time documentation requirements of certain programs.

Personnel Activity Report

Except as provided in "Substitute System for Time Accounting" (following), employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report (PAR) or equivalent documentation (OMB Circular A-87, Attachment B, Section 8[h][4], [5], and [7]).

A PAR may be as detailed as a document that identifies the employee's activity daily by hours, or it may be as simple as a report of the total hours or percentage of hours spent in each categorical program or cost objective. The level of detail can generally be determined by the diversity and variation of the employee's work activities. The safest approach is to provide more documentation rather than less.

OMB Circular A-87 states that PARs or equivalent documentation must:

- Reflect an after-the-fact distribution of the actual activity of each employee.
- Account for the total activity for which each employee is compensated.
- Be prepared at least monthly and coincide with one or more pay periods.
- Be signed by the employee.

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Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards, but these figures may be used for interim accounting purposes provided that:

- The LEA's system for establishing the estimates produces reasonable approximations of the activities actually performed.
- Comparisons of budgeted distributions with actual costs based on the monthly activity reports are made at least quarterly. If the variances between total budgeted and total actual costs are 10 percent or more, adjustments must be made at least quarterly to the LEA's financial records, including to billings made to federal grantor agencies. If the variances are less than 10 percent, the adjustments may be recorded annually.
- The budget estimates or other distribution percentages are revised at least quarterly if necessary to reflect changed circumstances.

A sample PAR is provided on page 905-22. Note that the sample document is very basic and may require enhancements to meet time documentation requirements of certain programs.

Substitute System for Time Accounting

As an alternative to a PAR, OMB Circular A-87, Attachment B, Section 8(h)(6) allows for substitute systems of time accounting using sampling methods that meet statistical sampling standards for allocating salary and wages. Such substitute systems are subject to prior federal approval. The United States Department of Education has approved such a system for California's LEAs to use, at their option, for substantiating federal salary and wage charges for those employees working on multiple-funded activities or cost objectives.

The substitute system is intended to simplify recordkeeping for LEAs that must substantiate salary and wage charges to federal programs through the use of PARs or equivalent documentation. Unless the LEA uses this approved substitute system, PARs must be prepared at least monthly for employees working on multiple cost objectives whenever federal funds are involved.

Under the substitute system approved for California, PARs are required less frequently than monthly. Specifically, the approved substitute system allows LEAs to collect PARs from employees every fourth month (three times a year). The information from the PARs is used both to reconcile the

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federal timekeeping estimates from the previous three months and to estimate the percentage of time employees will spend on various federal programs in the next three months. This system works best when the composite workload produces an even distribution of salaries to accounts over the full 12-month period.

LEAs may choose any month to begin the cycle for the substitute system. Because the starting month establishes the recordkeeping cycle for the year, LEAs should choose a starting month that most accurately reflects their annual average labor cost experience.

The following is a description of the substitute system process. The description assumes that the LEA begins the substitute recordkeeping at the beginning of the fiscal year and the first PARs are collected in July.

- All multiple cost objective employees where at least one of the cost objectives is federally funded or is used in meeting cost sharing or matching requirements of federal awards must keep PARs for the full month of July to account for 100 percent of their time spent on activities for which they are compensated. From the PARs, labor distribution reports for July are generated to support effort distribution and charges for costs incurred in July and to provide the basis for employee salary and fringe benefit allocations for August, September, and October.
- In November and March, the multiple cost objective employees keep PARs that are used to:
 1. Support effort and labor costs incurred in November and March.
 2. Compare with and make any necessary adjustments to the budgeted effort distribution for August through October and December through February.
 3. Project salary and fringe benefit allocations for December through February and April through June.
- The process starts over again the following July to support incurred labor cost allocations for that month and to compare and adjust the budgeted effort distribution for April through June. Further, the July PARs start another round of labor distribution estimates for the second year.
- After the first full year on the system, LEAs may shift from collecting PARs three times a year (e.g., July, November, March)

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to two times a year (e.g., July, January) if the deviation between the total estimated time and total actual time charged is consistently less than 10 percent. Thereafter, the twice-yearly PAR collection may be maintained as long as the deviation is consistently less than 10 percent.

Important rules for LEAs choosing to use the substitute system for time accounting are as follows:

1. All aspects of the substitute system must be implemented in accordance with the guidelines shown in this section. As with any time documentation method, adherence to the substitute system is subject to monitoring.
2. All multifunded employees who would otherwise be required to complete PARs (i.e., multiple cost objective employees) must participate in the substitute system. They will still complete PARs that cover the entire months being sampled, but the PAR reporting frequency is lessened from every month to only four times (or less) a year.
3. Employees funded solely (100 percent) from a single federal source or who work on a single cost objective must not participate in the substitute system because their data would distort the aggregate results of the multifunded data. Those employees must continue to prepare semiannual certifications.

As with all time documentation methods, written policies and procedures are essential to implementing an effective substitute system for time accounting. LEAs should develop forms and provide employee training before implementing the substitute system. It is suggested that a trial run be done before beginning the actual substitute system process.

The following elements should be addressed as an LEA develops and implements a substitute system for time accounting:

1. Proper completion of PARs, including how frequently PAR data must be recorded and what constitutes adequate documentation
2. Required review and approval cycle
3. Handling of completed forms
4. Internal review process to ensure compliance

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Generally, this information should provide enough detail to permit an understanding of how the substitute system will operate from the point labor is expended to the point it is recorded in the accounting records and charged to federal awards.

Documentation of Supplemental Employment Contracts

As stated previously, PARs or equivalent documentation must account for the total activity for which an employee is compensated. This would include additional hours worked as part of that activity, such as overtime. However, if an employee has a supplemental contract in addition to their regular position (e.g., a teacher during the school day and a coach after school), then each is evaluated to determine the time documentation needed.

Following are sample scenarios including supplemental employment contracts and the time documentation requirements for each:

1. **Regular contract requires time documentation but supplemental contract does not.** An employee has a regular contract to work as a Title I teacher during the school day and a supplemental contract to provide athletics coaching after school. Time documentation that includes 100 percent of the teacher's school day is required for the teaching position (either a PAR or semiannual certification, depending on the duties). The supplemental coaching position is outside the scope of the employee's regular position and, if funded from unrestricted monies, generally would not require time documentation.
2. **Both regular contract and supplemental contract require time documentation.** An employee has a regular contract to provide both Title I and basic education services during the school day, plus a supplemental contract to work as a tutor for the 21st Century Learning program after school. A PAR or equivalent documentation would be required for the regular contract because it is considered multiple cost objectives. The supplemental tutoring position is outside the teacher's regular position, but since it is paid for with federal funds, the rules for time documentation apply and a semiannual certification would be required.

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Salaries and Wages Charged to State Funded Programs

LEAs are required to provide supporting documentation for salaries and wages charged to state restricted programs (resources). Documentation is also required for certain state unrestricted activities, such as when the activity has specific documentation requirements (e.g., state mandated programs), or when salaries and wages are charged to a specific program (goal), or when salaries and wages are split between a direct cost and an indirect cost activity (function).

As with federal programs, the level of documentation needed to charge salaries and wages to a state program or activity is predominately determined by whether the employee works on a single cost objective or on multiple cost objectives. LEAs must also take into consideration any specific documentation requirements a state program may have, such as if a program requires use of the state documented method (discussed following) or if a program has specific limitations or requirements regarding the type(s) of services provided, such as direct services to students.

How to Document State Restricted Salaries and Wages

In the absence of more stringent state program guidelines, when documenting salaries and wages charged to state restricted programs, LEAs may use the documentation methods described in "How to Document Federally Funded Salaries and Wages" beginning on page 905-7. These methods include monthly PARs, semiannual certifications, and the substitute system for time accounting.

When using federal methods to document state programs, LEAs will follow the single and multiple cost objective guidelines to determine the level of time documentation needed. For example, an employee who works on multiple state cost objectives will complete a PAR (or equivalent documentation) or participate in the substitute system for time accounting rather than completing a semiannual certification.

In addition to the federal time documentation methods, California also has an alternative method that LEAs may use to support salaries and wages charged to state restricted programs. This alternative method is referred to as the state documented method and is similar to the federal PAR process.

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The State Documented Method

Salaries and wages paid from state restricted funds must have supporting documentation conforming to either the federal documentation methods or the alternative state documented method. For the state documented method to be used, the following criteria must be met:

1. The specific costs would not occur if the program being documented were discontinued.
2. The costs must be supported by auditable documentation, including time reports and contemporaneous records of activities.
3. All parts of the product or service (e.g., a position or service contract) must be documented.

Unless stated otherwise in the guidance following, personnel whose costs are being documented under the state documented method must complete an activity work sheet. The work sheet must include, as a minimum, the following elements, but additional information may be incorporated to meet local needs:

Activity Work Sheets

- *Reporting frequency.* An employee's activity work sheet must be completed at least monthly.
- *Information to be reported.* The following basic information must be recorded for each employee being documented:
 1. Name of the LEA
 2. Employee's name
 3. Employee's position title
 4. Period covered by the work sheet
 5. Signature of the employee
 6. Signature of the employee's supervisor
 7. Work activity (e.g., the name/description of the program or cost objective)

The basic activity work sheet generally provides the minimum required documentation when an employee's assignment is in support of only one program or cost objective. Additional information may be necessary in more complex situations or to meet specific program time documentation requirements.

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Employees who are assigned to positions that serve more than one program should also record the following:

8. Name/description of each program or cost objective
9. Dates worked
10. Hours worked

Record only actual hours worked. These hours will be used as the basis for distribution of costs to the programs or cost objectives. Include overtime hours worked, whether paid or unpaid. Exclude time off (vacation, sick leave, and any other time off) or report it as a separate line item. Report to the nearest quarter hour any time worked that is less than one hour. Substantiation of the time spent for each program is to include, at a minimum, a summary time sheet plus contemporaneous records that detail the time spent on each task.

Following are examples of various categories of employees. Under the state documented method, costs documented to single or multiple state restricted programs require at least the following documentation:

Program Staff. An activity work sheet must be completed if the program employee's time is to be charged to a state restricted program. Use of an activity work sheet to report time spent in various programs means that the employee must be able to substantiate the information that is reported. This substantiation consists of contemporaneous documentation such as appointment calendars, caseload records, and notices of meetings. The LEA must retain such documentation for a minimum of three years after the year of audit.

Employees working in more than one state activity or position whose time is being documented (e.g., an employee working half-time as a project director and half-time as a psychologist) need to maintain time-accounting records for each activity. Employees working part-time in a teaching position and part-time in a support position also need to maintain an activity work sheet to record the time spent in the teaching activity and that spent in the support activity.

Support Service Staff. Positions providing a support service function that are charged to multiple state activities need to maintain time-accounting records for each activity. When only one program is charged, consistent and verifiable supporting documentation is still needed and may be documented by identification with a position in the personnel/payroll system or an individual's contract.

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Clerical Staff. Activity work sheets are normally not needed for clerical staff charged to state restricted programs. The costs of clerical services should be charged in the same manner as the costs of the manager to whom the clerical staff report. An exception is if the clerical duties do not correspond to those of the manager, in which case clerical staff members should document their time by using an activity work sheet.

Note: These state time documentation requirements are provided as general guidance and may not be sufficient documentation for all state programs. It is recommended that LEAs obtain specific guidance from the programs to ensure compliance with all requirements.

Documenting State Unrestricted Salaries and Wages

Salaries and wages charged to state unrestricted programs or funding sources generally do not require documentation; however, certain activities may require documentation, such as when:

- The activity has specific documentation requirements. For example, state mandated programs' parameters and guidelines identify documentation requirements applicable to each mandated program.
- An employee's time is charged to a specific instructional goal or to multiple instructional goals (see "Documenting Salaries and Wages to a Goal," following).
- An employee works on both a direct cost activity and an indirect cost activity (see Procedure 915 for information on indirect cost activities). A monthly PAR or equivalent document is required unless the employee works in a position that fits one of the "in-lieu" distributions provided on page 905-20. Documentation is required because a mixture of direct cost and indirect cost activities is considered multiple cost objectives (OMB Circular A-87, Attachment B, Section 8[h][4]).
- An employee works 100 percent on indirect cost activities. The employee may use the LEA's regular payroll documentation process to document his or her time as long as the payroll is approved by a responsible LEA official (OMB Circular A-87, Attachment B, Section 8[h][1-2]). The indirect cost activities should be properly identified, such as on a timesheet or in a contract or job description.

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Documenting State Salaries and Wages to a Goal

As stated previously, documentation is required when charging salaries and wages to federal funds or state restricted funds. There are also instances when salaries and wages charged to state unrestricted funds must be substantiated, such as when the costs are direct-charged to an instructional goal. When documenting these unrestricted salaries and wages charged to a goal, a lesser level of documentation than that required for restricted salaries and wages may be acceptable.

The following are general guidelines and examples for documenting state unrestricted salaries and wages direct-charged to an instructional goal:

A. Instructional Salaries and Wages

Instructional activities must be direct-charged to a specific goal. Generally, the class roster provides sufficient documentation for substantiating the salaries and wages of classroom teachers charged to specific goals.

The documentation for instructional aides may be based on their assignment to teachers with class rosters or the category of students to whom they are assigned.

B. Noninstructional Salaries and Wages

Charged to a Single Goal:

When supported by verifiable documentation, noninstructional salaries and wages may be direct-charged to a single goal. Examples of documentation that would be adequate include the contract or job description of a school employee, such as a nurse or counselor, that specifies the category of student they will solely serve, such as special education students; or the contract or job description of a project director that specifies the category of student served, such as Director of Adult Education or ROC/P Administrator.

If verifiable documentation does not exist, the costs should be charged to Goal 0000, Undistributed, and subsequently allocated to specific goals during the program cost accounting process (see "Allocating Support Costs Using Allocation Factors," page 910-4).

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Charged to Multiple Goals:

Direct-charging noninstructional salaries and wages to multiple goals requires contemporaneous documentation supporting the amount of time spent on each goal.

The salaries and wages of certificated administrators in instruction-related services (functions 2100 through 2700) or certain pupil services (functions 3100 through 3160 and 3900) that are direct-charged to multiple goals are to be supported by activity work sheets (see 905-14). In many cases, documentation (e.g., time cards, personnel activity reports, or activity work sheets) already provided to substantiate the charging of salaries and wages to federal or state restricted programs is sufficient for documenting to a goal.

The salaries and wages of classified support staff should usually be distributed to the same goals and in the same ratio as for the certificated personnel to whom they report.

Noninstructional salaries and wages of personnel other than administrators may be supported by activity work sheets, current job descriptions, or employee contracts. If job descriptions or contracts are used for documentation, they must be regularly reviewed and updated to ensure that they are current and reflect the actual activities of the staff. The actual charges should be based on actual time spent on specific goals rather than on budgeted figures.

In many situations, rather than charging noninstructional salaries and wages directly to specific goals, it is appropriate to charge them to Goal 0000, Undistributed, for later allocation to specific goals during the program cost accounting process, using standardized allocation factors (see "Allocating Support Costs Using Allocation Factors," page 910-5).

Charged to Multiple Resources and Goals:

Where salaries and wages are charged to multiple restricted funding sources (resources) and multiple goals, documentation provided to substantiate charging the costs to the resources (e.g., time cards, personnel activity reports, or activity work sheets) will also support charging the costs to the goals. For example:

A counselor, hired to serve all students, is paid with a combination of unrestricted resources, a special education apportionment, and a federal grant for low-income students. The activities performed

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by the counselor are varied and serve multiple cost objectives. As stated on page 905-8, because these are multiple cost objectives and part of this funding is federal, the salary split among these three resources must be documented by a personnel activity report or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A project director's salary is split among four state restricted funding sources. As discussed in "Salaries and Wages Charged to State Funded Programs," page 905-13, the salary split among four state resources must be documented by an activity work sheet, a personnel activity report, or equivalent documentation. This documentation of time by resource will also serve as the documentation between goals.

A school psychologist, under contract to serve all students, spends time doing assessment testing for special education children with existing individualized education programs (IEPs). If the salary is partially paid with special education money, the documentation of salaries split among resources will also support the split among goals. If the psychologist is paid solely with state unrestricted money but the LEA wishes to direct-charge this cost among goals, then those charges must be supported by time reports, calendars, or other documentation substantiating the actual time spent on the multiple goals.

Distributing Costs of State Programs Based on Activity Work Sheets

Monthly time documentation records (personnel activity reports, activity work sheets, time cards) for charges to state restricted programs detail the percentage of time employees spend on each activity and become the basis for the distribution of costs. In some instances the monthly documents support the charging of costs directly to programs during the year; in other instances the documents are used to distribute costs to programs periodically.

When state funds are involved, the distribution of costs to the specific programs or cost objectives may be done on a schedule that best meets local needs (e.g., monthly, quarterly, at the first or second interim budget reporting periods, or at some other periodic interval). To determine the distribution of costs, record the actual hours worked in each program or cost objective as reported on the time documentation. Determine a proration by computing a ratio of the time spent in each to the total time worked. Distribute the salary and wage costs on the basis of the computed

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proration. The same proration will be applied to all costs associated with the activity, including the cost of associated clerical staff.

Cost Distributions in Lieu of Time Documentation

The charging of state salaries and wages to more than one goal usually requires documentation of the time spent in each goal. Time documentation is usually also necessary when an employee works on a direct and an indirect activity. However, for salaries and wages paid from state unrestricted funds, certain standardized distributions may be used in lieu of time documentation. These standard time distributions are applicable for use only when the positions are paid from state unrestricted funds.

County Office of Education Services to School Districts. County offices with staff performing similar activities within the areas of County Services to Districts and county office support services may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

County offices with county board of education staff (Function 7100) performing similar activities within the areas of County Services to Districts and county office general administrative support may charge costs as follows:

- 50 percent to Goal 8600, County Services to Districts
- 50 percent to Goal 0000, Undistributed

Assistant Superintendents. The costs of assistant superintendents for instruction or equivalent positions having first-line responsibility for instructional administration and for participation in district/county policy may be charged as follows:

- 50 percent to Function 2100, Instructional Supervision and Administration
- 50 percent to Function 7200, Other General Administration

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Small School Districts and Charter Schools. Small school districts and charter schools with one person performing the functions of both the principal and the superintendent may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7100, Board and Superintendent

Small school districts and charter schools with staff performing support duties for both school administration and business office administration may charge costs as follows:

- 70 percent to Function 2700, School Administration
- 30 percent to Function 7200, Other General Administration

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Sample Personnel Activity Report

Personnel Activity Report (PAR)

Period Covered ¹ _____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

<u>Cost Objective/ Program Title</u>	<u>Account/Resource Code</u>	<u>Hours Worked</u>	<u>Percentage of Hours Worked</u>
Project A	1111	35	21.7% (35÷161)
Project B	2222	60	37.3% (60÷161)
Project C	3333	56	34.8% (56÷161)
Program Administration	4444	<u>10</u>	6.2% (10÷161)
Total Hours Worked		161	100.0%
Compensated Time Off		<u>7</u>	n/a
Total Compensated Time ²		168	n/a

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

Employee

Date

¹This report must be prepared at least monthly and coincide with one or more pay periods.

²This report must account for the total activity for which each employee is compensated.

Caution:

- This sample form will work well in those situations when an employee's time spent on programs is fairly predictable and does not vary much during the month. However, for those employees whose time is unpredictable and varies significantly from day to day, a more detailed personnel activity report may be appropriate. Hourly time accounting is the method most accepted by auditors and the safest approach is always to provide more documentation rather than less.
- This sample form may not include sufficient detail to meet the time documentation requirements of specific programs, such as the requirements related to state mandated costs or the direct services to students and administrative costs under Title I, Part A and Economic Impact Aid.

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Sample Periodic (Semiannual) Personnel Certification

Semiannual Certification¹

Period Covered ² _____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

<u>Cost Objective/ Program Title</u>	<u>Account/Resource Code</u>	<u>Percentage of Effort</u>
Program ABC	1111	100%

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

 Employee or Supervisory Official³

Date

¹This sample certification:

- Is for employees funded solely (100 percent) from a single cost objective charged to federal or state programs or from a single nonfederal categorical program used in meeting cost sharing or matching requirements of federal awards.
- May not meet certain program requirements, such as the direct services to students and administrative costs requirements of Title I, Part A and Economic Impact Aid.

²Certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).

³ Certification must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Pursuant to a recommendation by the United States Department of Education and to facilitate good internal control, LEAs may wish to require both signatures.

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The No Child Left Behind (NCLB) Act allows a local educational agency (LEA), upon approval by the California Department of Education (CDE), to consolidate funds from various NCLB programs for use in the administration of one or more NCLB programs (refer to *United States Code*, Title 20, Section 7823). LEAs may request permission to consolidate the funds in Part II of the Consolidated Application (for further information on the Consolidated Application, refer to CDE's Web site at <http://www.cde.ca.gov/jg/aa/co>).

Benefits of Consolidation

Consolidation of funds will provide flexibility in charging administrative costs and result in simplified accounting and personnel activity timekeeping. LEAs that consolidate administrative costs will have considerable discretion in how those costs get distributed back to the individual NCLB programs, as discussed later. Further, the consolidated funds may be treated as one cost objective; as such, LEAs are not required to maintain separate records by individual program to account for costs relating to administration, nor maintain personnel activity reports to document the time spent for administrative activities performed exclusively for the programs. (Note: Semiannual certifications are still required. Refer to Procedure 905, Documenting Salaries and Wages.)

Allowable Expenditures

For programs with no specified limits, the maximum amount available for administrative costs is what is reasonable and necessary for the proper and efficient administration of the programs, provided that the LEA budgets and expends at least 85 percent of the grant amounts at school sites for direct services to pupils.

When an LEA chooses to consolidate administrative funds in a particular fiscal year, it must pay all administrative costs from an administrative cost pool; no additional administrative cost may be charged directly to a participating program. (However, see treatment of indirect costs beginning on page 780-4.)

Consolidated funds may be used for the administration of any program included in the consolidation. The funds may be used at the school district and school levels for activities such as coordination of the NCLB programs with other federal and nonfederal programs, establishment and operation of peer-review mechanisms for NCLB, administration of Title IX of the Elementary and Secondary Education Act (ESEA) (General

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Provisions), dissemination of information regarding model programs and practices, technical assistance for any NCLB program, and training personnel engaged in audit and other monitoring activities.

Accounting for Consolidated Administrative Funds

Accounting for consolidated administrative funds is a three-step process. As costs are incurred, they are recorded in a pooled resource, and then the pooled costs are distributed to the various NCLB programs. Finally, using funds available for the consolidation, indirect costs are charged directly to the programs.

Incurring Costs

Expenditures for administration are initially recorded in Resource 3155, NCLB: Consolidated Administrative Funds, rather than in the resources of the individual participating programs. LEAs should charge administrative costs they incur for participating programs (except for indirect costs, as explained later) to Resource 3155 in combination with the optional Function 2150, Instructional Administration of Special Projects, or the more general Function 2100, Instructional Supervision and Administration:

<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
Certificated Supervisors' and Administrators' Salaries	01-3155-0000-2150-1300	\$5,500	
Clerical, Technical, and Office Staff Salaries	01-3155-0000-2150-2400	\$8,900	
Health and Welfare Benefits, Certificated Positions	01-3155-0000-2150-3401	\$2,000	
Health and Welfare Benefits, Classified Positions	01-3155-0000-2150-3402	\$2,300	
Materials and Supplies	01-3155-0000-2150-4300	\$700	
Noncapitalized Equipment	01-3155-0000-2150-4400	\$3,000	
Cash in County Treasury	01-3155-0000-2150-9110		\$22,400
To record expenditures made from funds available in the NCLB consolidated administrative cost pool.			
<i>(Note: After these entries, Resource 3155 has a negative cash balance of \$22,400.)</i>			

Distributing Accumulated Costs

Because Section 1127 of the ESEA, as amended by the NCLB Act, requires that allowable program carryover be calculated based on total program expenditures, LEAs must distribute the pooled costs (Resource 3155 expenditures) to the programs participating in the consolidation before carryover can be calculated. LEAs may do this at the end of the year or at other intervals they deem appropriate. The costs are distributed

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using Object 5710, Transfers of Direct Costs, and will result in zero net expenditures in Resource 3155 at the end of the year.

LEAs do not have to distribute pooled costs back to the individual programs on the basis of benefits received by each program or in the same ratio that each program contributed to the pool. Rather, LEAs may distribute the costs as they see fit provided that:

- The amount distributed to any program, when combined with the program's indirect costs, does not exceed 15 percent of total program expenditures or the program's maximum allowable administrative costs, whichever is less.
- The total grant amount is not exceeded after the distribution.

For the following example, assume that the LEA recorded expenditures in Resource 3155 with Function 2150, and it is now ready to distribute the expenditures to the following programs in the following amounts:

Title I, Part A (Resource 3010)	\$16,300
Title I, Part C (Resource 3060)	\$3,500
Title I, Part D (Resource 3025)	\$2,300
Title II, Part A (Resource 4035)	\$300
Total	\$22,400

The LEA records the distribution using Function 2150 in combination with Object 5710, Transfers of Direct Costs:

<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
Transfers of Direct Costs	01-3010-0000-2150-5710	\$16,300	
	01-3060-0000-2150-5710	\$3,500	
	01-3025-0000-2150-5710	\$2,300	
	01-4035-0000-2150-5710	\$300	
	01-3155-0000-2150-5710		\$22,400
Cash in County Treasury	01-3155-0000-0000-9110	\$22,400	
	01-3010-0000-0000-9110		\$16,300
	01-3060-0000-0000-9110		\$3,500
	01-3025-0000-0000-9110		\$2,300
	01-4035-0000-0000-9110		\$300
To distribute costs recorded in Resource 3155 to the various NCLB programs.			
(Note: After the distribution, Resource 3155 has zero net expenditures and zero cash balance, but the details of the accumulated costs and distribution are retained.)			

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Indirect Costs

Indirect costs are considered administrative costs for purposes of consolidating administrative funds. However, to simplify the necessary accounting entries CDE recommends that, rather than using Resource 3155, LEAs charge indirect costs pertaining to the individual programs directly to those programs after the LEA has distributed all pooled administrative costs.

The process is as follows:

1. At the end of the year, distribute all remaining Resource 3155 costs to the participating programs.
2. Compute indirect costs that may be charged to the programs. Depending on program guidelines, this is usually done by multiplying the direct costs of the program (objects 1000–5999, less object 5100) times the LEA’s approved indirect cost rate.
3. Charge up to the computed indirect cost amounts to the individual programs, making sure to take into account any indirect or administrative cost caps the programs may have.

As shown in the following example, the indirect costs are charged to the programs using Function 7210, General Administration Cost Transfers, and Object 7310, Transfers of Indirect Costs. The corresponding transfer of cash between resources is done at the same time.

<u>Object Title</u>	<u>SACS Account String</u>	<u>Debit</u>	<u>Credit</u>
Transfers of Indirect Costs	01-3010-0000-7210-7310	\$ 5,100	
	01-3060-0000-7210-7310	\$ 2,050	
	01-3025-0000-7210-7310	\$ 1,200	
	01-4035-0000-7210-7310	\$ 550	
	01-0000-0000-7210-7310		\$ 8,900
Cash in County Treasury	01-0000-0000-0000-9110	\$ 8,900	
	01-3010-0000-0000-9110		\$ 5,100
	01-3060-0000-0000-9110		\$ 2,050
	01-3025-0000-0000-9110		\$ 1,200
	01-4035-0000-0000-9110		\$ 550

To record transfers of indirect costs to programs included in the consolidation of NCLB administrative funds.

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The administrative costs, including indirect costs, charged to each program in the consolidation should be verified to make sure that administrative cost limits have not been exceeded.

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