


Cost Allocation: Documenting Employees' Personnel Costs



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Presentation to Categorical
Program Directors 3/16/11

Why should you care?

- Easy finding for auditors
- Unclear, contradictory guidance
- Expensive!!

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Essential Legal Resources

- OMB Circulars: The Cost Principles
 - A-87: State and Local Governments
- HHS Implementation Guide for A-87: ASMB C-10 (1997)
 - <http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>

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Resources, cont.

- Cost Allocation Guide for State and Local Governments (or "Green Book") (Sept 2009)
 - http://www.ed.gov/about/offices/list/ocfo/fipao/guidei_gcwebsite.pdf
- Montana Compact
 - www.bruman.com
- Program-specific guidance
- USDE officials

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OMB Circulars:

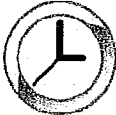
Compensation for Personnel Services:

- If federal funds used for salaries, then time distribution records are required.
- Must demonstrate= If employee paid with federal funds, then employee worked on that specific federal program/ cost objective.

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Terminology

- Time and attendance records
- Payroll records
 - Worked 8:00-4:00
- Time and effort records
- Time distribution records
 - Worked 50% on Title I administration and 50% on nonfederal



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Cost Objectives

- What federal program "cost objectives" did the employee work on?
- These "cost objectives" must be connected to employee's salary source.

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What is a "Cost Objective"?

- A-87 Definition: A function, organizational subdivision, contract, grant or other cost activity for which cost data are needed and for which costs are incurred.

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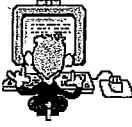
One example. . . .

- A Minimum Set-Aside or Maximum Cap:
 - Title I Part A- SEA administration maximum (1%);
 - Title I- LEA Parent Involvement minimum (1%);
 - Title I - LEA SES-Choice minimum (20%)

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Who must participate?

- ▶ Any *employee* working on a federal program
 - Not contractors
- ▶ All employees paid with federal funds
- ▶ Some employees paid with non-federal funds
 - Matching



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OMB Circular A-87:
If employee works 100% on single cost objective

- Semi-Annual Certification
 - Signed every six months by supervisor or employee
- "This is to certify that Kristen Cowan has worked 100% of her time for the period January 1, 2010, through June 30, 2010, on Perkins Administration."

Signature of employee:
 Date:

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OMB Circular A-87:
If employee works on multiple cost objectives


- Personnel Activity Reports (PAR)
 - Signed *every month* by employee
 - UNLESS, using "substitute system" (then 2 or 3 times per year)
- "For the month of September 2009, I spent my time 50% on Title I Program Services and 50% on non-federal programs."

Signature of Employee:
 Date:

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PARs must:

- After-the-fact record
- Total activity for which employee compensated
- At least monthly
(unless substitute system)
- Signed and dated by employee



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Substitute Systems
Must be approved by USDE

Substitute System: Available to LEAs in California

- Changes frequency of reporting
- Report 3 months (Sept, Jan, May)
- If difference between budget and actual is <10%, then report only 2 months in subsequent year (Jan, May)

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Keeping the right records is not enough!

Need reconciliation between:
programs that funded salaries
and
programs on which employees
actually worked

OMB Circular A-87:

1) At beginning of year, use budget estimates for salary allocations

- Budget estimates or other distribution percentages determined *before* the services are performed do not qualify as PARs
- May be used for interim accounting purposes

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2) Compare budget estimates to actual data and make adjustments


- Quarterly comparisons of actual costs to budgeted distributions
- If difference between actual cost and budgeted cost is 10% or greater, then make adjustment quarterly
- If difference is <10%, then make adjustment annually

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Blended cost objectives and other flexibilities

Consolidated Administration


- Combine administration for all NCLB programs
- NOT non-administrative activities
- Single Cost Objective
- Semi-annual certification
- LEA needs approval of SEA



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SFSF Funding

- OMB Circular A-87 Cost Principles do not apply
- No federal requirement to keep time and effort records for employees paid with SFSF
- Same rules as those paid with non-federal
- SFSF Guidance to Auditors, Dec 24, 2009



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BUT, must be "necessary and reasonable" . . .

- Contemporaneous records to show that SFSF-paid individuals:
 - Worked sufficient hours to justify salary
 - Level of salary was similar to other employees performing similar work
 - Not paid more than once for same work
 - Costs were reasonable
 - Service actually provided
 - No other funds were paid for the same service

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Ed Jobs Fund

- Compensation for school-level positions
- Conflicting info from US Govt
- USDE = OMB Circular A-87 applies
- Time and effort? Keep documentation showing time spent at school site vs. district level
 - If 100% at school = keep nothing (in CA)
 - If both school and district = PAR

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Schoolwide Programs

- Depends on the extent of consolidation of federal, state, and local funding.
- Can be "conceptual" or "virtual" consolidation - not literal
- The programs included in the Schoolwide Plan constitute a single cost objective
 - *** per S. Brown at NASTID, Jan 2011

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SAFEST:

IF:

- Works 100% on SWP Plan
- Paid 100% from single federal program (not consolidated)

THEN:

- Do semi-annual certs
- "I spent 100% of my time on SWP"

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CAUTION:

- Works 100% on SWP Plan
- Paid 50% from consolidated federal pool and 50% from non-federal money (not consolidated)

THEN:

- Keep semi-annual certification - "I spent 100% of my time on SWP Plan"
 - (per S. Brown - *working* on 1 cost objective - could have been funded 100% from either funding source, if had enough resources)

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SAFE:

IF:

- Works 50% on SWP Plan and 50% on Reading First (not included in Plan)
- Paid 50% from Title I Part A and 50% from Reading First

THEN:

- Keep monthly PARs
- "I spent 50% of my time on the SWP Plan and 50% on Reading First"

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“Blanket” Semi-Annual Certification

- Single cost objective (semi-annual cert)
- Multiple employees
- Signed by supervisor with first-hand knowledge (principal)

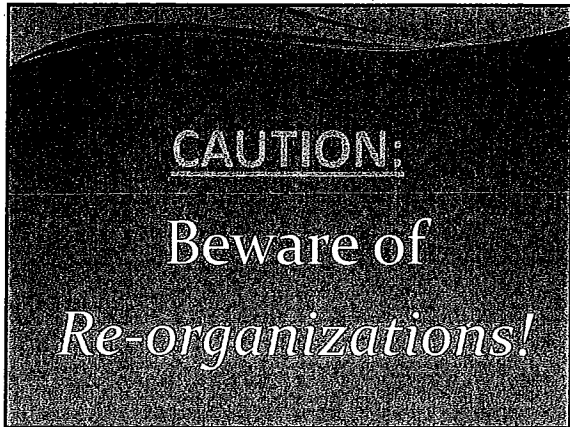
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How to set up a time distribution system

How to set up time distribution system:

1. **Plan** initial funding allocations well
 - May use “budget estimates” for initial allocations
 - Supervisors need to be on board

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2. Develop written time distribution policies and procedures

- "How to" instructions for employees
 - reporting vacation, travel, long-term leave
- Manual for fiscal side
 - Frequency of comparing estimates to actual costs, handling of deviations, monitoring of system

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3. Train employees

- On mechanics of filling out form
- On which federal program cost objective they are working
- Refresher training
- New employee training

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4. Close supervision

- Supervisors should be aware of deviations of effort from initial budget estimates
- Be ready to redirect work of employee or adjust grant supporting salary

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*QUESTIONS
and
ANSWERS*

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