

## How should personnel expenses be properly recorded?

### Rules governing the personnel expenditures when charging to federal grants

#### *Uniform Guidance*

§200.430 Compensation—personal services.

(8)(i) *Standards for Documentation of Personnel Expenses*

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

§200.430(i)(1)(viii)

Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

- (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
- (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

#### *DOJ Financial Guide*

##### *3.9 Allowable Costs, Compensation for Personal Services*

Charges made to Federal awards for salaries, wages, and fringe benefits must be based on records that accurately reflect the work performed and comply with the established policies and practices of the organization. See [2 C.F.R. § 200.430](#).

## Should **DIRECT TIMEKEEPING** or **BUDGET ESTIMATES** be used to allocate personnel costs?

Option 1: Continue to use contemporaneously maintained time & effort records to allocate costs;  
**OR**

Option 2: Use budget estimates to allocate costs followed by review & adjustment to cost allocation.

**Failure to comply with rules governing documentation of personnel expenses is the number one finding in audits**

***OVC “audit” of CVSD***

Finding: Administrative Costs - After reviewing employee timekeeping for hours charged to the VOCA Assistance awards for administrative costs, OVC was unable to verify that costs were accurately billed to the awards.

***Common Audit Findings***

- 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
- Salaries and wages charged to the grants based on estimates or budgeted amounts instead of actual after-the-fact time

**Consequences of timekeeping findings**

- May disallow entire claim for salary for all staff over the course of the entire grant
- Grantee staff may spend excessive time on alternative documentation years after the fact
- Unmet match requirement
- Loss of funding
- Financial penalties

**Best practices for preventing timekeeping and timesheet pitfalls**

- Know the regulatory and other requirements
- Have a written timekeeping policy and procedure
- Regularly review the written timekeeping policies and procedures
- Ensure timesheets (manual or electronic) meet requirements
- Ensure staff are trained and follow the timekeeping policies and procedures
- Review timesheets to ensure timesheets are completed and approved/signed as required
- Maintain secure timesheet records and establish a written records retention policy
- Record time allocations daily - actual hours worked is better than “in-out” time
- Record time rounded to the nearest ¼ hour (if a particular activity took 1 hour and 20 minutes, record as 1.25 hours)
- Do not record time before the date, except for planned leave
- Do not sign the timesheet until end of pay period
- Double-check your time for accuracy
- Implement procedures for a supervisor to review and approve all timesheets before processing

## **How to meet TIMEKEEPING requirements?**

### **Documentation requirements vary depending on how time is allocated**

#### ***Requirements when 100% of personnel expenses are paid from a single grant***

- Semi-annual certification confirming that the individual's time and effort were 100% directed toward a specific federal grant.
- Semi-annual certification must be completed after the work has been performed.
- Semi-annual certification must be signed by the employee or a supervisor with first-hand knowledge of the work performed.

#### ***Requirements when personnel expenses are paid from multiple grants***

- A personnel activity report, timesheet, or equivalent documentation, must be completed.
- Must be submitted at least monthly.
- Must coincide with one or more regular pay periods.
- Must account for 100% of the actual after-the-fact time spent working on the federal grant..
- Must reflect actual work performed (not based on budget estimates alone).
- Must be signed and dated by the employee and the supervisor (this can be electronic).

#### ***Requirements when personnel expenses are paid 100% from indirect costs***

- Payroll documentation in accordance with the organization's accepted practice and approval by a responsible official from their organization.
- No further documentation is required.

### **Documentation requirements for personnel expenses used as match**

#### ***Requirements when personnel expenses are used to meet matching requirements***

- Must be supported in the same manner as salaries and wages claimed for reimbursement

### **Documentation requirements for Indian tribes and local governments**

#### ***Requirements for state, local governments and Indian tribes***

- Substitute processes or systems for allocating wages and salaries may be used in place of or in addition to the requirements described above is approved by the federal cognizant agency for indirect cost.
- Should follow requirements described above until such time that substitute processes or systems are approved by the federal cognizant agency for indirect cost.