

Time and Effort Documentation – Concepts and Best Practices

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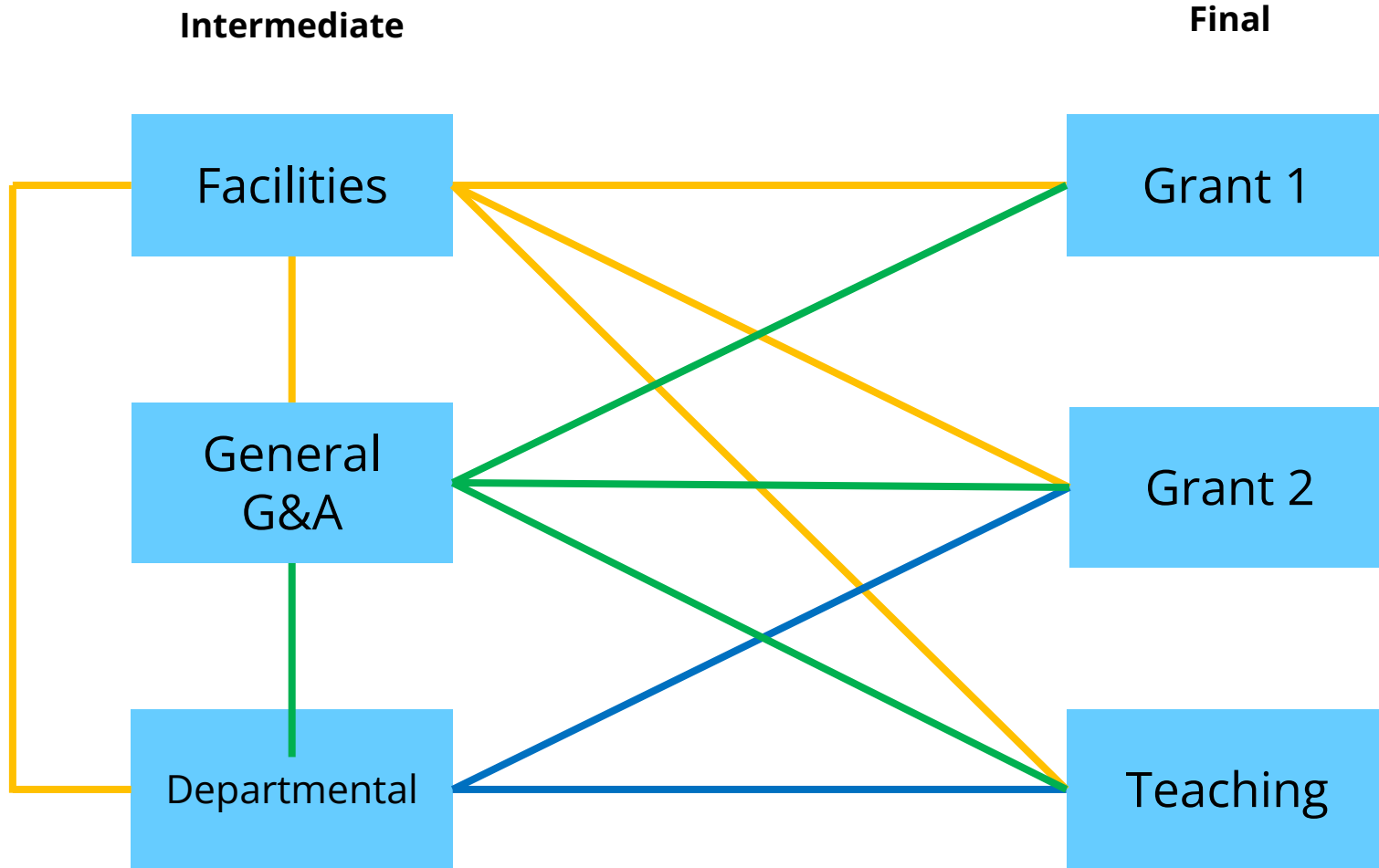
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TIME AND EFFORT AGENDA

- Financial Management System Thoughts
- The Purpose of Time and Effort Reporting
- Urban Myths – woven throughout
- How to do it and When to do it – Nuts and Bolts
- Compliance Strategies

START WITH A VISUAL



ALLOWABLE COSTS SUMMARIZED

1. **Reasonable** –
 - a) Prudent Person
 - b) FMV – Arms Length, Sound Business Judgment
 - c) Ordinary and Necessary
2. **Allocable** –
 - a) Who received benefit of expenditure?
 - b) Fair and Equitable; Cause and Effect
3. **Consistent Treatment** – Like to Like as in “each item of cost incurred for the same purpose be treated consistently in like circumstances...” 45 CFR §75.412
4. **Conformance** – are there legal limitations or prohibitions on a particular costs that must be accounted for?
5. **Documentation** –
 - a) Valid and reliable
 - b) Contemporaneously collected

Time and Effort is primarily concerned with # 2 and 5.

Moving On To The Main Event . . .

URBAN MYTHS (NO SHORTCUTS PLS!)

- Our Staff work twice as much as the grants are charged so leave us alone!
- Clocking in and clocking out is T&E
- I know what my employees are doing, so my signature is good enough
- Position Descriptions show what my employees are doing
- If I don't charge budget, the numbers won't add up
- We can just say what we did later
- Of course, our employees are working on the grant, what else would they be doing?

MNEMONIC GUIDANCE

You are sending a bill to Uncle Sam for work by your employees (other faculty, students, staff, etc.) and he wants to know what he is paying for.....



THREE DIFFERENT PIECES OF THE PUZZLE

1. **Payroll** – What it costs to have employees (salaries, fringe benefits, employment taxes, etc.).
2. **Time and Effort** - “Personnel Activity Reports” “Time Sheets” “Time and Effort Reports,” does not matter what you call it, question is – does your documentation show why the payroll cost of a particular employee is being charged to one or more intermediate or final cost objectives?
3. **Charging Costs to Your Grant** – When you go to Payment Management and drawdown federal funds to pay allowable costs or when you file your final SF 425, does the T&E documentation support your actions?

RULES FOR DOCUMENTATION OF T&E (§ 200.430(I)(1) / § 75.430(I)(1))

Documentation must **“accurately reflect the work performed”**

Records must:

- “(i) Be supported by a **system of internal control** which provides **reasonable assurance** that the **charges are accurate, allowable, and properly allocated**;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the **total activity for which the employee is compensated** by the non-Federal entity, not exceeding 100% of compensated activities;



MORE ON T&E DOCUMENTATION...

- (iv) **Encompass both federally assisted, and all other activities compensated** by the non-Federal entity on an integrated basis, but may include the use of **subsidiary records** as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and

[Yes, the UG is missing number (vi), so it is “reserved”]



MORE ON T&E DOCUMENTATION...

- (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."



AND EVEN MORE...MOST COMMONLY FOR R&D

(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 award 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.

FINALLY, ALTERNATIVES OR SUBSTITUTE SYSTEMS

For State, Tribal, and Locals – still can use old RMTS and similar, statistically valid systems

For Everyone – two options:

- a) With federal approval “alternative proposals based on outcomes and milestones for program performance where these are clearly documented”
- b) Use “performance plans” to “incorporate funds from multiple federal awards and account for their combined use based on performance-oriented metrics, provided such plans are approved in advance by **all** federal awarding agencies”

What could a T&E report look like?



SAMPLE TIMESHEET #1

Sample Simple Timesheet

Period Covered	Pay Period: April 1 through April 14, 2021
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Activity	Percent of Time
Classroom Supervision	80%
Curriculum Development	10%
Teaching Children	15%
PTO	5%
Total	100%

Employee Certification:

I have reviewed the time allocations set forth above and confirm they accurately reflect my effort during the covered period.

Name

Date

SAMPLE TIMESHEET #2

Sample Detailed Timesheet

Period Covered Pay Period: August 1 - 14, 2022

Activity	Week 1							Week 2							Total Hours	Percent
	1	2	3	4	5	6	7	1	2	3	4	5	6	7		
Research																
Admin																
CQM																
Clinical Work																
Total																

SAMPLE #3

SEMI-ANNUAL CERTIFICATE

DATE: _____

SEMI-ANNUAL CERTIFICATION

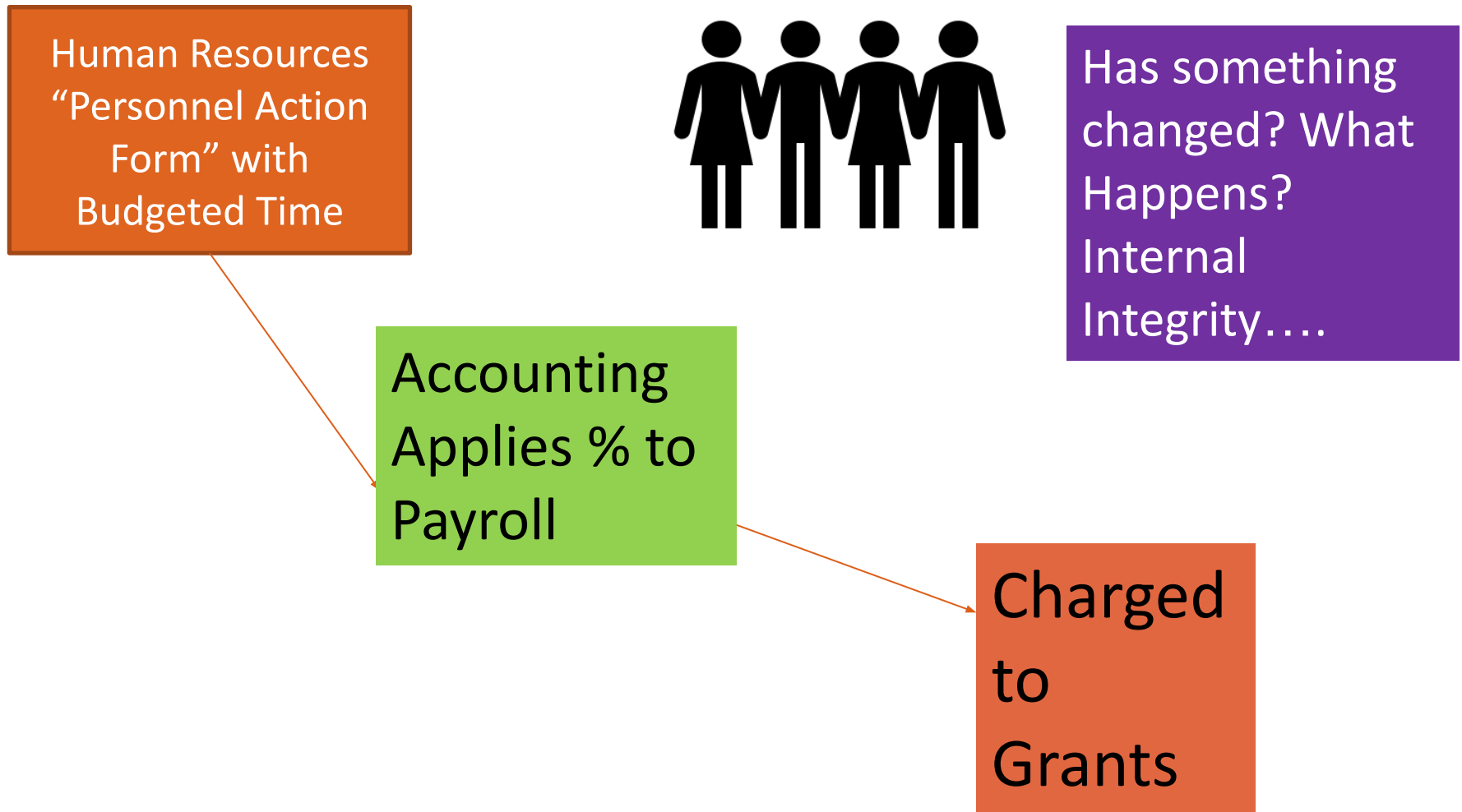
This is to certify that the following individuals have worked **100%** of their time during the last six months under the cost objective identified below:

First Name	Last Name	Cost Objective	Position	Location	Signature
Ima	Worker	\$330	Physician	East Clinic	_____
Happy	Camper	\$330	R.N.	West Clinic	_____
Green	Eyeshades	G&A	Accountant	Headquarters	_____

Signature of Supervisor: _____ Date: _____

Perils and Pitfalls...

TYPICAL MODEL FOR SOME INSTITUTIONS ...



SPECIFIC WARNING FLAGS

- Charging Budgeted amounts with no reconciliation to actual
- Reports signed by individuals with insufficient knowledge of the work performed – *i.e.*, department administrator instead of faculty member
- Failure to include all effort in the percentage calculation – such as work performed above 40 hours
- Charging 100% of effort to grants – not accounting for other administrative responsibilities
- Lack of any reporting/monitoring system at the institutional level
- Failure to distribute and/or collect time and effort forms from staff
- Others???

HHS D.A.B. DECISIONS ON ADEQUATE DOCUMENTATION...

“The Board is generally reluctant to find that **non-contemporaneous documentation of personnel costs meets applicable record keeping requirements**, holding that such documentation must be closely scrutinized. [citations omitted.]... The Board has held, however, that documents such as summary time sheets, which indicate the time that an employee actually worked on grant-related projects, accompanied by signed affidavits, may constitute adequate documentation for wage and salary expenditures under cost principles requiring time sheets. *California Dept. of Health Services*, DAB No. 1155 (1990) (addressing similar requirements for documentation of salaries in the cost principles applicable to state and local governments and Indian tribal organizations, at OMB Circ. A-87, now at 2 CFR Part 225).”

Philadelphia Parent Child Center, Inc., DAB No. 2297 (2009)

AND FOR THOSE THAT LOVE MEDICAID AGENCIES...

“On the other hand, the **mere assertion** by the State's witness that this 18-month period is representative of the entire 60-month period is insufficient evidence upon which to base a claim for the months not covered by the summary time sheets. Without some other support, this unsubstantiated assertion simply cannot support a claim for FFP. Accordingly, we uphold the disallowance for the 42 months for which the State provided no documentation.”

California Dept. of Health Services, DAB No. 1155 (1990)

Beyond administrative sanctions

When the warning flags attract government attention under the False Claims Act



UNIVERSITY OF FLORIDA – \$19.875 MILLION SETTLEMENT

- Allegations that the university improperly charged the U.S. Department of Health and Human Services (HHS) for salary and administrative costs on hundreds of federal grants.
- The settlement resolved the alleged misuse of grant funds awarded by HHS to UF between 2005 and December 2010. The United States government contended that the university overcharged hundreds of grants for the salary costs of its employees, where it did not have documentation to support the level of effort claimed on the grants for those employees.
- The government also contended that UF charged some of these grants for administrative costs for equipment and supplies when those items should not have been directly charged to the grants under federal regulations.
- University response: the problems stemmed from bookkeeping deficiencies that were discovered almost nine years prior, and it had since addressed the issue in its systems and procedures.

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER - \$13 MILLION SETTLEMENT

- Self disclosure by UNTHSC to the United States that from January 2011 to February 2016, it failed to ensure its time and effort reports related to certain federally-funded grants were accurately and timely certified. Specifically, UNTHSC reported that it inaccurately tracked and paid researchers for effort spent on certain NIH-sponsored research grants.
- UNTHSC had received payments for inaccurately and untimely time and effort certifications and received salary payments when the correlating payments did not match the accompanying time and effort reports. The United States contended that this conduct resulted in false claims being submitted to the government.

IN SUM...

Time and Effort is an allocation of a cost, *i.e.*, payroll cost, to a benefitting activity, all of it to one activity or parts to multiple activities, regardless still need “adequate documentation.”



THE ESSENTIAL ELEMENTS OF A TIME AND EFFORT SYSTEM

- Written Policies and Procedures that set out:
 - Purpose
 - Requirements
 - Good Faith, “reasonable” Estimate
 - Frequency
 - Employees must use independent judgment
 - Penalties for Non-compliance
- Monitoring
 - Start with a simple checklist, did everyone turn in their timesheets?
 - Internal integrity?
- Training

ELECTRONIC SYSTEMS OK!

- Quickbooks: <https://quickbooks.intuit.com/time-tracking/>
- Kronos: <https://www.kronos.com/>
- Namely - <https://www.namely.com/>
- New World (Tyler Technologies) - <https://www.tylertech.com/products/new-world-erp>
- Maximus: <https://maximus.com/ERS>
- A number of clients have reported that they have paid for customization of ADP or PayChex
- Any others out there?

T&E SUMMARY

- Records must be kept for every employee charged to your federal awards
 - Even employees who work solely under one federal award
- Records must reflect the total activity for employees and actual activity, including both federally-assisted work and all other activities
- Unless approval of an alternate system, measurement is still how much time the employee spent working on grant activities

QUESTIONS?

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