



Via Electronic Transmission

DATE: September 18, 2013

TO: School Superintendents/Directors
School Business Managers
Directors of Special Education
Directors of Title I

FROM: Brenda Cassellius, Commissioner

SUBJECT: Time and Effort Recording Updates and Alternatives

The U.S. Department of Education (USDE) Office of Chief Financial Officer (OCFO) issued a Letter to Chief State School Officers on Granting Administrative Flexibility for Better Measures of Success on September 7, 2012 (the Letter). In this Letter the OCFO clarified the definition of a cost objective and provided an example of a substitute system for time and effort reporting that can be used effective immediately.

In response to concerns about administering a complicated time and effort system, USDE undertook the task of identifying the problems and how to ease the burden of the requirements. The resulting Letter and enclosures A-C can be found at the [U.S. Department of Education website](#). The discussions below will have reference to the enclosures.

Cost Objective

The definition of a cost objective in 2 C.F.R. Part 225 (formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) is "A function, organization subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred." An employee who works on one cost objective is required to complete a semi-annual certification while an employee who works on more than one cost objective has been required to complete a personnel activity report at least monthly.

Over the previous two years, based on guidance Minnesota Department of Education (MDE) had received, this definition was interpreted to mean, in part, that an employee that has more than one cost objective paid with more than one funding source, with at least one of those sources being federal funds, must complete a personnel activity report at least monthly. Districts were directed to proceed with this understanding and we acknowledge that many districts across the state worked diligently in updating their internal processes to adhere to this interpretation.

Enclosure C of the Letter explains that a single cost objective can be a single function OR a single grant OR a single activity. A person may be paid out of more than one funding source but still be working on only one cost objective because only one activity is being completed using both funding sources. The Letter further states, "The key to determining whether an

employee is working on a single cost objective is whether the employee's salary and wages can be supported in full from each of the Federal awards on which the employee is working, or from the Federal award alone if the employee's salary is also paid with non-Federal funds." This new interpretation, now in effect, should reduce for many schools the number of employees required to complete a personal activity report (PAR) each month. Enclosure C of the Letter has several staffing examples where a certification can now be used rather than a PAR. In addition, MDE staff have prepared examples of cost objectives for special education based upon this new guidance from the U.S. Department of Education. These examples are attached.

Substitute System

Available in 2 C.F.R. Part 225 is the option of a substitute system for time and effort reporting if approved by the funding source. The Letter authorizes MDE as the state educational agency (SEA) to approve proposals from local educational agencies (LEAs) to use a substitute system which complies with the guidelines provided in Enclosure A.

The substitute system can be utilized for employees who would normally have to complete a PAR, even after this new understanding of a cost objective. The employee must work on multiple cost objectives with a predetermined schedule that does not change and the work on multiple cost objectives is not at the exact same time. The employee's schedule must specify the work activity or cost objective for each segment of time during the day. It must account for the total hours for which the employee is compensated and be certified at least semi-annually. Schedule revisions must be documented and certified and significant deviations from the schedule must be documented through the use of a PAR. Enclosure A of the Letter outlines these requirements in greater detail while Enclosure B shows an example of what the schedule and substitute certification may look like for an employee.

MDE has determined that a 5 percent (.05) cumulative deviation in the schedule of the employee will be considered a significant deviation from an employee's established schedule that would warrant an individual reverting to a PAR for the remainder of the fiscal year.

It is recommended, although not required, that a substitute system be modeled off the example the OCFO provided. However, a district may propose for MDE approval its own substitute system as long as it fulfills the requirements outlined in Enclosure A of the Letter.

Application Procedures

To implement a substitute system the district must obtain permission from MDE annually. Each district/charter school and cooperative must complete the certification information, sign and date it, and mail it to the following:

Attention: Steve Collins
Minnesota Department of Education
Division of School Finance
1500 Highway 36 West
Roseville, MN 55113

Do not send PDF documents through email as it may not be received by the individual at MDE. After submission of this document, MDE will review and approve the district's application, or

follow up with the district if there are further questions. Once this document is approved, the district will receive an approval letter valid for the current fiscal year. A district can implement the substitute system effective the date of the approval letter.

A copy of the approval letter should be provided to the district's auditor and kept on file for sub-recipient monitoring. Approval covers all federal programs funded through the Minnesota Department of Education.

Considerations for Substitute System for Time and Effort Reporting

- For special education, the cooperative and each member of the cooperative must submit an application in order for the Substitute System for Time and Effort to be effective for federal special education funding reporting. If not all member districts submit an application, then the cooperative and its member districts will not be able to participate in this alternate
- The Substitute System for Time and Effort Reporting will be an annual application – it is good only for the fiscal year of the application.
- A 5 percent (.05) cumulative deviation in the schedule of the employee will be considered a significant deviation that would require an individual to complete personnel activity reports for the remainder of the fiscal year.

Questions regarding Time-and-Effort Recording Updates and Alternatives should be directed to Steve Collins, Division of School Finance, Special Education at 651-582-8467 or Stephen.collins@state.mn.us

Attachments:

ED-02468-01 "Substitute System for Time and Effort Reporting Application"

Examples of Cost Objectives