

TIME AND EFFORT GUIDANCE

What is “Time and Effort”?

Federal funding is often used to pay employee wages. While this is an allowable use of funding, employees (paid in whole or part with federal funds) must track the time and effort of their work. This process is known as “Time and Effort” (2 CFR 200.430 (i)). Time and effort documentation proves that federal funds were charged only for time actually worked on allowable cost activities. All recipients and subrecipients of SLFRF funding are required to track the “time and effort” of their wholly or partially federally funded employees. An absence of this documentation will result in significant audit findings.

What should be included in “Time and Effort” documentation?

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Records must be able to provide reasonable assurance that charges are accurate, allowable, and properly allocated (the federal project that paid the expense must benefit from the expense). The records must comply with established accounting practices and policies, reasonably reflect 100% of all activities the employee is compensated for by the organization (or non-Federal entity), and support the distribution of the employee’s salary or wages among specific activities or cost objectives. A cost objective is defined as “program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc...” (2 CFR 200.1) Some examples of situations that include multiple cost objectives include if the employee works on: more than one Federal award, indirect cost activity and direct cost activity, two or more indirect activities allocated with different bases; and an unallowable activity and a direct or indirect cost activity. Time and effort documentation must be incorporated into the official records of the organization or non-Federal entity.

What should be included in a “Time and Effort” tracking system?

There are different systems to use for “Time and Effort” tracking. However, there are some common elements that must be included to make sure that the system is both compliant and effective. Time and effort documentation should be consistent with agency policy, applied equally to Federal and non-Federal activities, correctly calculated, and supported by documentation. When tracking the time and effort of an employee, only use after-the-fact determination of the actual activity rather than estimates. A budget estimate to support labor costs on a Federal Award is not allowable. See 2



CFR 200.430 (i)(viii) for budgeted amounts for interim accounting purposes. Reports should account for 100% of the effort for which employees are compensated, not just the time spent working on the Federal grant.

Example of Time and Effort Reporting:

$\% \text{ of effort paid by Federal Grant} + \% \text{ of effort paid by non-federal sources} = 100\% \text{ effort reported}$

Reporting must be signed by the employee or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee.

Common mistakes and how to avoid them:

1. Charges made to the grant for wages were based on budget amounts not actual costs.
 - a. Budget estimates do not qualify as time and effort documentation. Creating and using an internal policy for timekeeping will allow all time spent on grant-related activities to be accurately tracked and approved.
2. Contractor payments were charged to the grant as part of the salaries category.
 - a. Only grantee's employees' time should be charged to the salaries category.
3. Employees were unaware and did not understand the time-tracking requirements.
 - a. Creating and providing training (along with a refresher training) allows all employees to receive adequate training on timekeeping records.
4. The total time that employees were compensated for was not tracked.
 - a. The training process above will help to eliminate this mistake.
5. Time sheets were not signed by the employee or approved by a supervisor.
 - a. Communication processes should include the amount of time employees are expected to devote to grant activities and a comparison of actual spending to date against the grant budget so it is clear what the actual spending is and if it is in accordance with the approved grant spending plan.
6. Time amounts allocated to the grant did not have documentation to support it.
 - a. Create a process for timecard submission and approval that will allow employees to know:
 - i. When to submit their timesheets
 - ii. All hours required to be reported, even those hours not working on the grant
 - iii. Who must approve the timesheet and when it should be approved
 - iv. Certification by both the employee and supervisor
7. Time and Effort expenditures were not supported by actual payroll records.



- a. Monitoring along with training will help to avoid this mistake.
8. There are expenditures for employees not associated with or working on the grant.
 - a. The ability to enter grant time on an employee's timesheet should be limited to employees listed on the approved grant budget.

Time and Effort Checklist

- Time and effort charged to the grant award based on actual costs and not estimates.
- Timesheet signed and certified by the employee and supervisor.
- Accurate documentation to support the time and effort reported.
 - Charges are accurate, allowable and properly allocated
 - Complies with standard accounting processes
 - Reasonably reflects 100% of the employee's activities (not just those charged to the federal grant)
 - Incorporated into the official record of the organization

Sample Time and Effort Timesheet

The following link is a great example of a time and effort timesheet for your wholly and partially federally funded employees. Please feel free to use this within your agencies and with your subrecipients.

[Sample Time and Effort Timesheet](#) (warning: sample timesheet is not accessible)

