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**Timekeeping Case Study #1** [OIG Audit Report No. 11-15]**Finding:**

1. This local government grantee claimed \$8,940 of site supervisor salaries in January 2009 for work performed in December 2008. It provided site supervisor timesheets and certifications by the program director supporting only \$6,000 of the \$8,940 claimed. The grantee could not locate documentation to support the remaining \$2,940 of site supervisor labor costs. In addition, site supervisors did not sign their timesheets.

**Applicable Criteria for Compliance:**

1. 2 CFR 225 Cost Principles [formerly A-87], *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Subsection 8.h., Support of salaries and wages requires charges for salaries and wages for individuals working solely on a single Federal award or cost objective to be supported by periodic certifications that the employee worked solely on the program for the period covered by the certification. These certifications must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Further, personnel activity reports are required for employees working on multiple activities. These reports must be signed by each employee and account for all time worked.
2. 45 CFR § 2541.420, Retention and access requirements for records, requires retention of supporting documents and records pertinent to an award for 3 years from the date of submission of the final expenditure report.

**Corrective Actions Needed:**

1. Develop and implement timekeeping policies and procedures that are compliant with applicable cost principles.
2. Ensure costs reported on the Financial Reports are supported with documentation (without supporting documentation they are not allowable).
3. Conduct training on proper way to complete timesheets, and retain evidence of this training, such as agenda and attendance sign-in sheet.
4. Ensure the program director reviews the timesheets for accuracy and completeness before approving the timesheets and submitting them to the payroll office.
5. Ensure record retention policy and procedures are compliant with applicable cost principles
6. If implementing electronic records system, ensure it complies with the electronic record keeping requirements described in the grant provisions.

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## Timekeeping Case Study #2 [OIG Audit Report No. 11-14]

### Findings:

1. Grantee 1, a non-profit organization, claimed staff personnel costs to the grant based on budgeted percentages of staff salaries. We found that there were no job descriptions or employee contracts to alternatively justify the personnel costs claimed to the grant. Grantee 1 officials believed that an allocation plan was acceptable and precluded them from completing timesheets. However, our discussion with the Commission staff found that there is no such plan and that it is currently developing a plan for subgrantees.
2. Grantee 2, an educational institution, claimed 100 percent of the Program Director's wages to the grant. This corresponds with the award budget and also with their job description. However, we determined there was no record of time nor was there any certification prepared by a supervisor for the effort. We asked Grantee 2 program and Human Resource Department officials, as well as the Payroll Accountant, about timekeeping policies or certifications that would meet the standards described under the cost principles. We found that it appears that Grantee 2 does not have any policy on timekeeping. Grantee 2 is not tracking staff effort in administering the program and therefore may not be reporting their time and effort accurately.

### Applicable Criteria for Compliance:

1. 2 CFR 230 Cost Principles [formerly OMB Circular A-122], *Cost Principles for Non-Profit Organizations*, Attachment A. Selected Items of Cost, Paragraph 8.m. Compensation for personal services states:

#### **Support of salaries and wages.**

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

- (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

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(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

2. 2 CFR 220 Cost Principles [formerly OMB Circular A-21], *Cost Principles for Educational Institutions*, Section J. General Provisions for Selected Items of Cost, Paragraph 10.b.

Payroll Distribution, states:

(1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented.

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will—

- (1) Be in accordance with Sections A.2 and C of this Appendix;
- (2) Produce an equitable distribution of charges for employee's activities; and
- (3) Distinguish the employees' direct activities from their F&A activities.

**Corrective Actions Needed:**

1. (#1) Develop and implement employee contracts and job descriptions.
2. (#1) Develop a timesheet that uses activity-based reporting for all employees whose compensation is charged, in whole or in part, whether direct or indirect, and professional or nonprofessional.
3. (#1, #2) Develop and implement timekeeping policies and procedures that are compliant with applicable cost principles.
4. Ensure costs reported on the Financial Reports are supported with documentation (without supporting documentation they are not allowable).
5. Conduct training on proper way to complete timesheets, and retain evidence of this training, such as agenda and attendance sign-in sheet.

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## Timekeeping Case Study #3 [OIG Audit Report No. 11-10]

### Findings:

1. For 2 non-profit grantees, we identified that employees' timesheets did not segregate employees' time by project.

### Applicable Criteria for Compliance:

1. 2 CFR 230 Cost Principles [formerly OMB Circular A-122], *Cost Principles for Non-Profit Organizations*, Attachment A. Selected Items of Cost, Paragraph 8.m. Compensation for personal services states:

#### **Support of salaries and wages.**

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency.

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

### Corrective Actions Needed:

1. (#1) Ensure timekeeping policies and procedures that are compliant with applicable cost principles.
2. Ensure costs reported on the Financial Reports are supported with documentation (without supporting documentation they are not allowable).
3. Conduct training on proper way to complete timesheets, and retain evidence of this training, such as agenda and attendance sign-in sheet.
4. Ensure the program director reviews the timesheets for accuracy and completeness before approving the timesheets and submitting them to the payroll office.

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## Timekeeping Case Study #4 [OIG Audit Report No. 11-07]

### Findings:

1. We randomly tested one pay period and found that there was no supervisory review of the state commission Executive Director's timesheet for the pay period ending January 31, 2010. The salary of \$2,946 was charged to the grants. This is being noted as a compliance issue.
2. Salary costs for one non-profit Subgrantee employee was undercharged by \$470 to the grant. The actual hours worked supports an allocation of salary costs of 54 percent, but the allocation used was only 27 percent. The Subgrantee indicated that the accounting and payroll department had a software installation that made an error in its calculation. It subsequently worked with the software company to correct the problem and initiated a system to re-verify calculations during payroll processing.

### Applicable Criteria for Compliance:

1. The State Administrative Manual, Payroll Section, Time and Attendance 260.010 states, "Pay for an employee is based on time and attendance data recorded on a timesheet, travel questionnaire and Leave Request/Report forms 02-035 (leave slip) completed by the employee. An employee's timesheet accounts for all hours in the pay period and must be verified and approved by the employee's supervisor."
2. 2 CFR 230 Cost Principles [formerly OMB Circular A-122], *Cost Principles for Non-Profit Organizations*, Attachment A. Selected Items of Cost, Paragraph 8.m. Compensation for personal services states:

#### **Support of salaries and wages.**

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function).

### Corrective Actions Needed:

1. (#1) Commission needs to appoint an individual to verify and approve the Executive Director's timesheet in accordance with the State's policies and procedures and that future timesheets contain the supervisor signature and date of approval.
2. (#2) Commission needs to verify that the Subgrantee's new payroll software charges labor costs for employees based on actual hours worked for the grant.

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## Timekeeping Case Study #5 [OIG Audit Report No. 11-06]

### Findings:

1. The Finance Officer at the Commission records all her time to the AmeriCorps Formula grant. However, she is also performing a role as a fiscal officer for a separate project that has been privately funded from the Environmental Resource Foundation. As a result, this activity is being funded by the AmeriCorps Formula grant. The fiscal officer, however, indicated that her level of effort with the other project is minimal.
2. The Executive Director of the parent non-profit organization became a Program Director with the Subgrantee in May 2010. In July 2010, she left for a personal leave of absence and, as of the completion of audit fieldwork, had not returned. As a result, she has not completed a timesheet in over 6 weeks, but continues to receive full pay.
3. The Program Director at the non-profit did not sign his timesheet nor did he complete the employee sign in-out sheet.
4. Documents pertaining to the Commission's Finance Officer did not agree with each other. The amount of hours was different on the pay stub, the timesheet and the sign-in sheet. The amount from which she authorized payment for herself was the higher of the three source documents and was the result of differences in overtime hours.
5. The other Commission's Finance Officer's hours did not agree because her timesheet contained 40 hours, but the sign-in sheet indicated zero hours. Our analysis of her timesheet indicated that she had not signed the timesheet, nor had it been approved. In addition, her pay stub revealed that she had been paid for more than the normal 40 hour work week.

### Applicable Criteria for Compliance:

1. 2 CFR 225 Cost Principles [formerly OMB Circular A-87], *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B. Selected Items of Cost, Paragraph 8. Compensation for personal services states: h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.  
(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.
2. 2 CFR 230 Cost Principles [formerly OMB Circular A-122], *Cost Principles for Non-Profit Organizations*, Attachment A. Selected Items of Cost, Paragraph 8.m. Compensation for personal services states:  
**Support of salaries and wages.**  
(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

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(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

- (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

**Corrective Actions Needed:**

1. Ensure timekeeping policies and procedures are compliant with applicable cost principles.
2. Conduct training on proper way to complete timesheets (signing, dating, approving, reconciling, completing before vacation) and sign in-out sheets, and retain evidence of this training, such as agenda and attendance sign-in sheet.
3. Ensure costs reported on the Financial Reports are supported with documentation (without supporting documentation they are not allowable).
4. (#1) Revise the Finance Officer's timesheets to reflect the time spent working on the Foundation project, and adjust the Financial Records and Reports accordingly, and adjust the drawdowns accordingly.
5. (#2) Ensure the Executive Director completes timesheets for the leave of absence.
6. (#2) Ensure the ED's leave of absence is compliant with relevant policies and procedures as allowable to be paid, the amount of time to be paid, the conditions allowed, how it should be charged to the AmeriCorps grant, or other funding.
7. (#3, #4, #5) Implement a policy and procedure that timesheets and sign in-out sheets are reconciled prior to payroll being administered. Policy should include that the supervisor should review and approve the reconciliations prior to the Finance Officer preparing payroll, and that under no circumstance can an employee approve his or her own payroll records.

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## Timekeeping Case Study #6 [OIG Audit Report No. 11-06]

### Findings:

1. The Commission PDAT/Disability Coordinator charges her time effort to both the PDAT and Disability grants evenly. Her timesheets reflect this allocation correctly. However, during fieldwork, we observed her performing activities outside the scope of those two grants; specifically administrative type functions that would be more aligned with the AmeriCorps program. These types of activities should be recorded to the Administrative grant.
2. The Commission PDAT/Disability Coordinator was also performing accounting type activities for a Subgrantee. She stated that she served in an accounting role for the subgrantee, but that she no longer performed those duties.
3. The Commission PDAT/Disability Coordinator traveled to a conference in Missouri and coupled the trip with a family visit to Chicago, Illinois. During her time in Illinois, she did not charge vacation time to her timesheet.
4. Our examination of timesheets for the period ending April 24, 2010, revealed that the Commission PDAT/Disability Coordinator had not received the Chairperson's authorizing signature on her timesheet.

### Applicable Criteria for Compliance:

1. 2 CFR 225 Cost Principles [formerly OMB Circular A-87], *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B. Selected Items of Cost, Paragraph 8. Compensation for personal services states: h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.  
(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

### Corrective Actions Needed:

1. Ensure timekeeping policies and procedures are compliant with applicable cost principles.
2. Conduct training on proper way to complete timesheets, and retain evidence of this training, such as agenda and attendance sign-in sheet.
3. Ensure costs reported on the Financial Reports are supported with documentation (without supporting documentation they are not allowable).
4. Ensure the Chairperson reviews the timesheets for accuracy and completeness before approving the timesheets and submitting them to the payroll office.
5. Revise the timesheets to reflect vacation time for period ending 4/24/2010.
6. Revise, as needed, the timesheets to reflect the time she spent working as the accountant for the subgrantee; make pay adjustments as needed, and adjust the Financial Reports, as needed.