

ATTACHMENT 3



Office of State Programs

Inuksuk #1:

Documenting Personnel Costs for LSTA Expenditure and Matching Requirements

I. Background

This guidance addresses the documentation required by the federal government when staffing is supported with any federal grant funds. In the case of LSTA State Program Grants, an SLAA may pay staff working on the state's current Five-Year Plan activities with LSTA funds. Documentation, as explained in detail below, is required for those personnel costs charged to LSTA grants AS WELL AS state and local personnel costs being used for Match. This documentation is an important record of appropriate use of funds relevant to any program audit. Beginning with the FY 2008 grant award, the Grant Award Guidance addresses this issue as well.

Documentation is also required at the sub-grantee level. Libraries covered under 2 CFR 230 (Non-Profits) must comply with the regulations as outlined in 2 CFR 225 below. Academic libraries must comply with 2 CFR 220 Appendix A, Section J.10.b. This regulation allows somewhat more flexibility in the manner of documentation.

II. The Regulation

2 CFR 225 (formerly OMB Circular A-87) covers this subject in:
Appendix B

- 8. Compensation for personal services
- h. Support of salaries and wages

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(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 which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,*
- (b) A Federal award and a non-Federal award,*
- (c) An indirect cost activity and a direct cost activity,*
- (d) Two or more indirect activities which are allocated using different allocation bases, or*
- (e) An unallowable activity and a direct or indirect cost activity.*

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,*
- (b) They must account for the total activity for which each employee is compensated,*
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and*
- (d) They must be signed by the employee.*
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:*
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;*
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and*
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.*

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

- (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:*
 - (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection 8.h.(6)(c) of this appendix;*
 - (ii) The entire time period involved must be covered by the sample; and*
 - (iii) The results must be statistically valid and applied to the period being sampled.*
- (b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.*
- (c) Less than full compliance with the statistical sampling standards noted in subsection 8.h.(6)(a) of this appendix may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to*

Federal awards than a system which complies with the standards.

(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

III. Required Action

This regulation addresses three employee scenarios:

- 1) The employee works full time on federal [LSTA] priority activities in the Five-Year Plan and is being paid with LSTA funds;
- 2) The employee works part time on LSTA priority activities in the Five-Year Plan and is being partially paid with LSTA funds; and
- 3) The employee's salary is being paid with non-LSTA funds which are being used to meet the Match requirement for the LSTA funds.

A. The employee works full time on LSTA priorities and is paid entirely with LSTA Funds.

If the employee works solely on LSTA priorities in the Five-Year Plan and is paid entirely with LSTA funds, the SLAA must prepare, at least on a semi-annual basis, certification that the employee worked solely on those priorities for the period covered by the certification. This certification must be signed by the employee or supervisory official having first hand knowledge of the employee's work.

B. The employee works part time on LSTA priority activities and is being partially paid with LSTA funds

If an employee works on multiple activities, only some of which meet LSTA priorities in the Five-Year Plan, then LSTA funds may be used only in proportion to the LSTA activities. The SLAA must support this with activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix [see above] unless a statistical sampling system (see subsection 8.h.(6) of this appendix) [see above] or other substitute system has been approved by IMLS.

IMLS suggests that the SLAA use the procedure that best suits its reporting methods. If an SLAA would like to propose an alternate method, please contact State Programs to discuss the issue.

C. The employee's salary is being paid with non-LSTA funds which are being used to meet matching requirements for the LSTA funds.

If an SLAA is using an employee's salary as Match for LSTA funds, it must document activities in the same manner as those covered in A (the entire salary is being claimed as Match) or B (part of the salary is being claimed as Match) above.

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