

## Guidelines for Retaining Documentation to Support Expenditures

**The following addresses the documentation required to support expenditures incurred with federal and state grant funds and allocated state funds.**

### Overview

The South Carolina Department of Education's (SCDE's) Office of Audit Services (OAS) provides assurance and consulting services to management to ensure its financial and operational objectives are being achieved and to ensure the agency and its subrecipients are in compliance with applicable federal and state laws and regulations. To determine this compliance, OAS conducts audits of the SCDE's subrecipients in accordance with generally accepted governmental auditing standards. During an audit, subrecipients are required to provide documentation for expenditures submitted to the SCDE for reimbursement of federal and state grant funds. In addition, expenditures incurred with allocated state funds are reviewed during an audit. These guidelines have been developed to communicate the agency's documentation expectations to substantiate reimbursements of expenditures under federal and state grants as well as required documentation to support expenditures incurred with allocated state funds.

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### Guidelines for Retaining Documentation

In accordance with SCDE's Assurances and Terms and Conditions for Federal Subawards and the Assurances and Terms and Conditions for State Awards, each subrecipient must maintain adequate support documentation for the expenditures and in-kind contributions, if any, that it makes under grant awards. These guidelines detail the type of documentation that substantiates expenditures submitted to SCDE for reimbursement. These documentation requirements also apply to allocated state funds.

All expenditures must be appropriately recorded in the entity's books and records (e.g., ledgers, journals, payroll registers), and the entity's financial management system must distinguish expenditures by grant award. Each subrecipient must be able to provide a copy of its general ledger to show expenditure transactions incurred under the grant award and for allocated funds when requested by the SCDE. For reimbursements, all expenditures must be both incurred and paid prior to submitting the expenditures to SCDE for reimbursement. Please remember that a claim of reimbursement for expenditures indicates that the following statement, included in SCDE's Grants Accounting Processing System (GAPS), is true and confirmed:

“By submitting this report through the GAPS system, I certify to the best of my knowledge and belief that the report is true, complete, and accurate. Also, that the expenditures reported have been incurred and are for the purposes and objectives set forth in the terms and conditions of

the Grant award. I understand that the payment for this claim must not be duplicated or reimbursed from any other source and the related documentation to support this claim are on file and available for review at any time. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise.”

As a result of the aforementioned certification, expenditures for **future purchases or projected costs cannot be submitted** to the SCDE at any time on a claim of reimbursement.

In submitting all claims, the subrecipient should review the SCDE’s Financial Accounting Handbook (<https://ed.sc.gov/finance/auditing/manuals-handbooks-and-guidelines/financial-accounting-handbook/>) to ensure that expenditures are charged to the appropriate accounts and reflected as such on the submitted expenditure report. For allocated state funds, expenditures must be charged to the appropriate accounts as well. Allowable expenditures are noted in the SCDE’s Funding Manual (<https://ed.sc.gov/finance/financial-services/manual-handbooks-and-guidelines/funding-manuals/>), program Requests for Proposals (RFPs), and other federal and state guidance.

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## Required Documentation to Support Expenditures

A). To support the expenditures for **Salaries**, the following should be retained for all personnel:

1. Record of Time and Effort – All salaries charged to federal awards are required to be supported by appropriate time and effort reporting. To fulfill both Department of Labor requirements and the requirements of 2 CFR Part 200, **both a timesheet and a personnel activity report (PAR)** are required for non-exempt employees (unless a timesheet contains all of the required elements of a PAR as discussed below). **A PAR or a certification is required for exempt employees.**

**Note – Time and Effort documentation (PARs or Certifications) is only required to support salaries paid with federal funds. It is not required for state grants or allocated state funds.** Timekeeping records such as timesheets are required for personnel paid with state grant funds or allocated state funds. In addition, the documentation listed for Terms of Employment to support non-exempt and exempt personnel paid with state grant funds and allocated state funds is required.

The required elements for both timesheets and PARs are as follows:

2. Employee Timesheet – The individual employee timesheet should include the following elements:
  - i. Employee’s Full Name
  - ii. Employee’s Position
  - iii. Specific Dates (e.g., daily & work week ending)
  - iv. Specific Times (e.g., time/in & time/out)
  - v. Calculation of Time Worked (e.g., daily & work week ending)

- vi. Calculation of Other Time (e.g., Sick, Vacation, Holiday)
  - vii. Employee's Signature and Date
  - viii. Supervisor's or Approving Agency Official's Signature and Date
- b. Personnel Activity Report – 2 CFR Part 200.430(g)(1) Standards for Documentation of Personnel Expenses states that “charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These 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;
  - 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
  - vi. 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.”

The SCDE maintains that completion of a PAR or semi-annual certification meets the stated requirements in 2 CFR Part 200.430(g)(1). For an employee who works on more than one cost objective, the distribution of salaries and wages to awards must be supported by PARs (except when a substitute system has been **approved in writing by the cognizant agency**). PARs must be maintained for all staff members (professional and non-professionals) whose compensation is charged, in whole or in part, directly to a federal award or cost objective. The PAR should reflect an after-the-fact distribution of the **actual activity** of each employee and account for the **total activity** for which each employee is compensated. The reports must be **prepared at least monthly and coincide with one or more pay periods**. These reports should be completed when employees work on more than one federal award or a federal award and a non-federal award.

- c. Timesheet as a PAR – A timesheet may be a PAR if all of the required elements of the PAR are present on the timesheet. The timesheet then is considered a multi-purpose record. This time and effort information should contain the following elements in order to be considered a multi-purpose record:

- i. Grant Number, Grant Name, or other identifying grant information (Cost Objective)
  - ii. Employee's distribution of time between each grant award or cost objective
  - iii. Employee's Full Name
  - iv. Employee's Position
  - v. Specific Dates (e.g., daily & work week ending)
  - vi. Specific Times (e.g., time/in & time/out)
  - vii. Calculation of Time Worked (e.g., daily & work week ending)
  - viii. Calculation of Other Time (e.g., Sick, Vacation, Holiday)
  - ix. Employee's Signature and Date
  - x. Supervisor's or Approving Agency Official's Signature and Date
- d. Semi-Annual Certification – Employees who work on a single Federal award or cost objective are required to certify at least semi-annually that they indeed worked solely on the federal award covered by the period of certification. This certification should be signed by both the employee and the supervisor or approving agency official. An entity has the option of using a Blanket Semi-Annual Certification (see Attachment E) if more than one employee worked solely on a single federal award or cost objective covered by the period of certification. A semi-annual certification should include the following elements:
  - i. Certification that the employee worked on a single cost objective
  - ii. Specific time period for which the certification applies
  - iii. Grant Number, Grant Name, or other identifying grant information (Cost Objective)
  - iv. Employee's Full Name
  - v. Job Title
  - vi. Employee's Signature and Date
  - vii. Supervisor's or Approving Agency Official's Signature and Date
- e. **A blanket semi-annual certification should** include the following elements:
  - i. Certification that the employees worked on a single cost objective
  - ii. Specific time period for which the certification applies
  - iii. Grant Number, Grant Name, or other identifying grant information (Cost Objective)
  - iv. Employees' Full Name
  - v. Job Titles
  - vi. Supervisor's or Approving Agency Official's Signature and Date

**Please note that multiple funding sources charged for an employee's salary does not necessarily mean that more than one federal award is being charged.** If the job function meets one objective, the semi-annual certification is only required, not the PAR. For example,

a teacher's salary is funded 50% with state funds and 50% with federal funds but the teacher works 100% of her time with Special Education students. The teacher is only required to complete the semi-annual certification because only one cost objective is being met.

3. Terms of Employment – When selected for an audit, in addition to maintaining time and effort reporting, the entity should, at a minimum, provide the full name and position/job title of each employee; job descriptions or detailed listing of duties for each employee; and records of wages or salary agreements that support the hourly wages or annualized salary for each employee.

**B).** To support the expenditure reimbursement of **Employee Benefits**, the following should be retained:

1. Payroll registers – A payroll register serves as initial documentation to support the amount withheld from each employee's pay for FICA, which is matched by the employer.
2. Copies of tax forms – Tax forms to governmental agencies showing the total owed for FICA, unemployment insurance, etc. Copies of the appropriate checks to support payment should also be maintained.
3. Invoices – Invoices from insurance providers for medical, life, disability, etc., should be maintained in the entity's records.
4. Support for allocations – If an entity has an allocation methodology for how it charges benefits to both state and federal programs, the methodology and procedures should be written and retained.

**Note** – Federal and state income taxes withheld are not considered benefits and should not be included as employee benefits in expenditure claims submitted to SCDE for reimbursement.

**C).** To support the expenditure reimbursement of **Purchased Services**, the following should be retained:

1. Contractual Services
  - a. Contractual Agreement or Terms of Services – For all contractual agreements with vendors or consultants for goods or services, the subrecipient should ensure it follows its written procurement procedures, which must also be in accordance with state and federal laws and regulations. The entity should ensure its agreements include appropriate clauses, include details of services to be provided (who, what,

when, where, and why), and include a fee schedule (if applicable). The agreements should be signed by an authorized representative of both the subrecipient and the contracting entity.

Compensation for personnel employed by a subrecipient (assuming the IRS's definition of an employee is met), should typically be classified as expenditures for salaries. If a subrecipient's expenditure report includes a claim of reimbursement for personnel compensation classified as Purchased Service, contractual agreements should be signed and maintained.

- b. Invoices – Invoices received from vendors for provided goods or services should be maintained, as well as, proof of payment.
- c. Purchase orders
- d. Timesheets – Timesheets from vendors for provided services should be maintained.

## 2. Purchased Services – Travel – Lodging

Travel costs, if allowable in the federal or state grant award, **must not exceed** limits noted in the United States General Services Administration (GSA) ([www.gsa.gov](http://www.gsa.gov)) regulations for lodging. It is allowable for an entity to reimburse its employees at a lower rate than the GSA rate, if that is its policy. For lodging related to allocated state funds, follow your district's travel policy regarding lodging rates. The entity should retain the following documentation to support lodging:

- a. Conference or Event Itinerary (to help explain the need for lodging)
- b. Itemized Lodging Receipt (showing "-0-" balance due)

## 3. Purchased Services – Travel – Mileage

Mileage reimbursement for federal and state grants must follow the current South Carolina Office of Comptroller General instructions, which is consistent with the published IRS rates. The entity should retain travel documentation (e.g., a mileage log) capturing dates traveled, departure and arrival times, travel destinations, and miles traveled. For mileage reimbursement related to allocated state funds, follow your district's travel policy.

## 4. Purchased Services – Travel – Meals

Meals and incidentals related to federal and state grants are limited by State Proviso 117.20 of the South Carolina General Appropriations Act, currently not to exceed \$35 per day for in-state travel and \$50 per day for out-of-state travel. The daily breakdown for in-state travel is \$8 for breakfast, \$10 for lunch, and \$17 for dinner. The daily breakdown for out-of-state travel is \$10 for

breakfast, \$15 for lunch, and \$25 for dinner. Trip departure and arrival times determine which meals are allowable on travel days. Any meal included as a part of a conference registration fee should not be claimed for reimbursement. The entity also should ensure it documents the purpose of meal purchases (e.g., *site visit travel*). Alcoholic beverages purchased during meals, or at any time, should not be included in expenditures submitted to SCDE for reimbursement. For meal reimbursements related to allocated state funds, follow your district's travel policy.

5. Purchased Services – Travel – Registration

- a. Conference or Event Itinerary
- b. Record of Registration Fee
- c. Proof of Payment

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6. Purchased Services – Travel – Transportation

The entity should retain the following documentation to support costs for airline travel, bus fare, car rental, and other transportation costs:

- a. Conference or Event Itinerary
- b. Itemized Transportation Receipt
- c. Proof of Payment

**D).** To support the expenditure reimbursement of **Supplies and Materials**, the following should be retained:

- a. Copy of Invoice or Purchase Receipt
- b. Purchase Order
- c. Receiving Document
- d. Packing Slip (if applicable)
- e. Proof of Payment