


Personnel Compensation & Fringe Benefits

SMART 3.0 Training

<https://grantsapplicationandmanagement.workforcegps.org/resources/2019/12/15/21/50/SMART-3-0-Webinar-Training-Series>



SMART

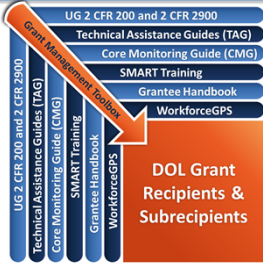
- S Strategies
- M Monitoring
- A Accountability
- R Risk Mitigation
- T Transparency

SMART 3.0 Training Series:
The training modules are focused on strategies for sound grant management that includes: Monitoring, Accountability, Risk mitigation and Transparency

These four themes are weaved throughout the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards also known as the Uniform Guidance (2 CFR Part 200 and 2 CFR Part 2900).




Grant Management Toolbox





- UG 2 CFR 200 and 2 CFR 2900
- Technical Assistance Guides (TAG)
- Core Monitoring Guide (CMG)
- SMART Training
- Grantee Handbook
- WorkforceGPS

DOL Grant Recipients & Subrecipients



✓ **Module Overview**

- ✓ Standards
 - ▶ Identify documentation requirements for personnel services
- ✓ Compensation: Personal Services
 - ▶ Identify the standards for allowable personal services
- ✓ Compensation: Fringe Benefits
 - ▶ Identify the standards for fringe benefit costs
- ✓ ETA Salary Cap
 - ▶ Define and apply the salary cap limitations associated with ETA grants




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✓ **Basic Standards for Documentation – Definition**

[2 CFR 200.430\(i\)](#)


- ✓ Compensation – Personal Services
 - ▶ Supported by a system of internal controls
 - ▶ Provides reasonable assurances that charges are:
 - › Accurate
 - › Allowable and reasonable
 - › Properly allocated



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✓ **Basic Standards for Documentation – Payroll Distribution Records**

- ✓ Incorporated into the official records
- ✓ Supported by a system of internal controls
- ✓ Reasonably reflect the employee’s total activity
- ✓ Encompass Federally assisted and all other activities compensated on an integrated basis (method of documentation is used consistently across all programs and encompasses all Federal and non-Federal activities)
- ✓ Comply with accounting policies and practices
- ✓ Support the distribution of salary or wages among specific activities or cost objectives



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Use of Budget Estimates

- ✓ Alone does not qualify as support
- ✓ May be used for interim accounting purposes provided:

They reasonably approximate actual activity performed	Entity identifies and records significant changes in activity	Entity has an internal control system to review after-the-fact actual charges and make needed adjustments	Payroll distribution is reasonable over the long term
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Substitute Systems

[2 CFR 200.430\(i\)\(5\)](#)

Limited applicability

- ✓ Only states, local governments, Indian tribes
- ✓ Requires approval of cognizant agency for indirect costs
 - ▶ Random moment sampling
 - ▶ "Rolling" time studies
 - ▶ Case counts
 - ▶ Other quantifiable measures of work performed
- ✓ Sampling must meet statistical sampling standards
- ✓ Cognizant agencies encouraged to approve proposals based on outcomes and performance milestones

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Substitute Systems?

- ✓ Establish controls for efficiency and payroll disbursements
- ✓ Audit testing of payroll distribution method as part of internal control system review
- ✓ Allow non-Federal entities the flexibility to design and implement an internal control system that best fits its needs

Overall emphasis on a strong internal control system

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✓ Knowledge Check 1 - Questions

True or False?

1. Budget estimates alone provide sufficient documentation of payroll distribution as long as they are approved by the CFO.
2. Substitute systems may be used to document the distribution of payroll costs whenever they are consistent with the entity's system of internal controls.
3. A Federal agency may require the use of personnel activity reports if the recipient fails to meet the payroll distribution standards in the Uniform Guidance.

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✓ Knowledge Check 1 - Answers

True or False?

1. Budget estimates alone provide sufficient documentation of payroll distribution as long as they are approved by the CFO. **False**
2. Substitute systems may be used to document the distribution of payroll costs whenever they are consistent with the entity's system of internal controls. **False**
3. A Federal agency may require the use of personnel activity reports if the recipient fails to meet the payroll distribution standards in the Uniform Guidance. **True**

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✓ Compensation: Personal Services

✓ Identify the standards for allowable personal services expenses

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Basic Criteria for Compensation – Personal Services

[2 CFR 200.430](#)

- ✓ Reasonable level of compensation
- ✓ Conforms to established written policy
- ✓ Follows an allowable appointment
- ✓ Meets documentation requirements (needs to have written policies & procedures)
- ✓ Same standards apply to salaries and wages used to meet cost sharing or match requirements


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Reasonable Level of Compensation



If consistent with level of compensation paid to employees doing similar work in other activities



Or if no similar position, cost is comparable to that paid for similar work in the local labor market



Separate salary cap requirement applicable to ETA-funded grants (addressed later)

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Reasonable Level of Compensation (cont.)


- ✓ An employee's time and effort may rely on time sheets or other reports, but the total activity must not exceed 100 percent
- ✓ An employee only gets paid for actual work performed
 - ▶ Doing the job of two people is not justification to earning more \$ - any additional responsibilities and/or compensation should be reflected in the job description and in approved written policies
 - ▶ Does your written compensation and fringe benefit policies or employee handbook address situations where employees have outside jobs that may conflict with the goals and missions of the agency?
- ✓ See [2 CFR 200.430\(h\)\(4\)](#) and [2 CFR 200.430\(i\)\(1\)\(iii\)](#) for provisions regarding extra service pay.

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Incentive Compensation



- ✓ If based on cost reduction, efficient performance, suggestions/safety awards, etc.
- ✓ Allowable to extent that overall compensation is determined to be reasonable
- ✓ Pursuant to an agreement between recipient and employee before services were rendered or pursuant to established plan



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Federal Funding Accountability and Transparency Act (FFATA)

- ✓ Direct Grant Recipients - Prime recipients (receiving Federal funding through Federal awards) see 2 CFR Part 170
 - ▶ Awards over \$25,000
 - ▶ Report subawards
 - ▶ Report five highest compensated individuals
- ✓ Single, searchable website www.fsrs.gov
 - ▶ Data uploaded into USASpending.gov
 - ▶ Not an ETA reporting system
 - ▶ ETA pre-populates prime recipient award information
 - ▶ Details available online in ETA training library




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Knowledge Check 2 - Questions

True or False?

1. Compensation for personal services is reasonable if it is comparable to an employee doing similar work in the organization or in the same labor market.
2. If there is no similar position in the organization, compensation may be established at any level needed to attract qualified candidates.



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Knowledge Check 2 - Answers

True or False?

- 1. TRUE Compensation for personal services is reasonable if it is comparable to an employee doing similar work in the organization. **True**
- 2. FALSE If there is no similar position in the organization, compensation may be established at any level needed to attract qualified candidates. **False**



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Compensation: Fringe Benefits

- ✓ Identify the standards for allowable fringe benefit costs

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Definition for Compensation – Fringe Benefits

[2 CFR 200.431](#)

- ✓ *Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.*
- ✓ There should be written policies and procedures related to Fringe Benefits.



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✓ Fringe Benefit Standards

✓ General Standard is Allowable if:

Reasonable and required by:	Applies to:
<ul style="list-style-type: none">• Law• Employer -employee agreement• Established written policy of entity	<ul style="list-style-type: none">• Leave• Life and Health Insurance• Incentive and/or severance pay• Workers Compensation• Pension Plans

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✓ Assigning Cost of Fringe Benefits to Cost Objectives

✓ Identifying the cost of specific benefits for specific individual employees

or

✓ Allocating costs on the basis of entity-wide salaries and wages

- ▶ Separate allocations to selective groupings of employees unless costs in relationships to salaries and wages do not differ significantly for different groups of employees

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✓ Recognition of Leave Costs

Cash basis	<ul style="list-style-type: none">• Cost recognized when taken and paid• Unused leave after retirement or termination allowable in year of payment as indirect cost
Accrual basis	<ul style="list-style-type: none">• Accrued as a liability at the time the leave is earned but not yet paid• The amount of liability is valued at the lesser of the amount accrued or funded

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Pension Costs

✓ Allowable if:

- Reasonable
- In accordance with established policy
- Method of allocation is not discriminatory
- If accrual basis, assigned to each fiscal year in accordance with GAAP
- Funded for all plan participants within six months after year-end

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Severance

✓ Allowable, if required by:

- ▶ Law,
- ▶ Employer-employee agreement,
- ▶ Established policy that constitutes an implied agreement, or
- ▶ Circumstances of the particular employment.

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Severance Categories

Normal Turnover Severance	Mass Abnormal Severance
<ul style="list-style-type: none">• Allocated to all activities, or• Reserve acceptable if charge to current operations is reasonable in light of past payments and if charged to all activities	<ul style="list-style-type: none">• Accruals generally not allowable; prior approval required

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Other Provisions (2)

- ✓ Provision on employee morale replaced by allowing for the limited use of Employee Health and Welfare Costs that improve working conditions
- ✓ Institutions of Higher Education only
 - ▶ Tuition for individual employees are allowable if granted per established policy and distributed to all activities on equitable basis
 - ▶ Not allowable for family members
- ✓ Other detailed provisions in Uniform Guidance



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Pay-As-You-Go Methods

-  Insurance premiums for Unemployment Insurance, Workers Compensation, health insurance, etc.
-  Pension plan termination insurance premiums under Employee Retirement Income Security Act (ERISA)
-  Leave when taken and paid for
-  Direct payments for workers compensation, unemployment compensation, severance pay, post-retirement health insurance, and similar benefits using a consistent costing policy



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Funded Reserves


- ✓ For Unemployment Compensation and Workers Compensation ONLY, reserves for self-insurance allowable if:
 - ▶ Based on reasonable estimates of the liabilities and the types and extent of coverage
 - ▶ Rates/premiums would have been allowable had insurance been purchased to cover the risks



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Funded Reserves – Methods of Calculating

- ✓ Pension plan costs, and post-retirement health plans not included in a pension plan, may be computed using two methods:
 - ▶ Pay-as-you-go method, or
 - ▶ Acceptable actuarial cost method (in accordance with established written policies)
- ✓ See [2 CFR 200.431](#) for extended provisions on methods of calculation and timeframes for payments.




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Conflict of Interest and Code of Conduct (Ethics)

- ✓ Conflict of Interest
 - ▶ **Must** – [2 CFR Part 200](#) requires a Conflict of Interest (COI) policy in place for any employee participating in a procurement transaction
 - ▶ **Should** – Good business practice to apply COI policies to all employees
- ✓ Code of Conduct (Ethics)
 - ▶ **Should** – Good business practice to have an agency-wide code of ethics policy for all employees, managers and board members
 - ▶ Policy should address situations where employees have outside or additional employment




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Employee Handbook – Written Policies

- ✓ Employee Handbook should identify the criteria for compensation and fringe benefits
- ✓ Management compensation and fringe benefit packages should be consistent with industry standards
- ✓ Handbook should outline salary and bonus limitations
- ✓ Ensures submission and reporting to USASPENDING.GOV (www.fsr.gov)
- ✓ Specifies restrictions and unallowable compensation and fringe benefits



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Unallowable Payments

Automobiles unallowable for personal use as fringe benefit or indirect F&A expense	Late charges, excise taxes, penalties under ERISA	Severance in excess of normal amounts or paid contingent on change in management control
Pension fund losses	Increased pension costs due to delay in funding the actuarial liability beyond 30 days after each quarter	Penalties, fines, interest expense

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Knowledge Check 3 - Questions

True or False?

1. Unused leave after retirement or termination is allowable in the year of payment as an indirect cost.
2. An entity may establish a funded reserve account to cover selected fringe benefit costs instead of using a pay-as-you-go method of payment.


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Knowledge Check 3 - Answers


True or False?


1. Unused leave after retirement or termination is allowable in the year of payment as an indirect cost. **True**
2. Under specific circumstances an entity may establish a funded reserve account to cover fringe benefit costs instead of using a pay-as-you-go method of payment. **True**

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 Taxable or Not?


✓ Questions on whether a fringe benefit or payment is taxable must be directed to the:
Internal Revenue Service (IRS)


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 ETA Salary Cap

✓ Define and apply the salary cap limitations associated with ETA grants

✓ Current Pay limits on OPM.gov – Executive Schedule (EX) Level II
OPM site: <http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>

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 Personnel Compensation Caps – Implementing PL 109-234


✓ PL 109-234, imposes a cap on compensation for many ETA grants

- ▶ Applies to all ETA appropriate funds including: grants, contracts, and interagency agreements
- ▶ Applies to funds available beginning June 15, 2006
- ▶ Limits salary and bonus payments to individuals

✓ Cap is included in [WIOA Section 194\(15\)](#)

✓ ETA provided guidance in [TEGL 5-06](#)

✓ Measured on a calendar year basis

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Salary Cap Applicability

- ✓ Cap applies to ETA-funded programs, including:
 - ▶ WIOA
 - ▶ Wagner-Peyser
 - ▶ UI Administration
 - ▶ Older Worker programs
 - ▶ Native American 166 programs
 - ▶ Veterans' programs
 - ▶ The portion of other programs funded from ETA appropriations



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Salary Cap Exclusions

- ✓ The salary cap does not apply to the following programs:
 - ▶ H-1B grants – funded by revenues generated by employer fee payments
 - ▶ DUA benefits – funded from FEMA appropriated funds
 - ▶ Job Corps – there is a separate limitation that is applicable
 - ▶ WIOA Incentive grants – funded by Department of Education appropriation
 - ▶ UI Benefits – paid through each state's UI Trust Fund



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What is Included?

Included

- Compensation included on IRS form W-2
- Includes monetary awards, bonus payments, and monetary prizes
- Profit sharing, when paid pursuant to established personnel policies as supplement to salary
- Sole proprietor or partnership compensation for income realized on IRS Schedule C or E

Excluded

- Fringe benefits
- Non-monetary compensation and corporate profit
- Corporate profits paid on per share basis that have required investment



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Salary Cap Example 1

✓ Full Time Employees Charged to an ETA Funded Grant or WIOA Funds

Position	Annual Rate	Time spent on the Grant	Salary Cap Limit	Amount over Cap
Director	\$200,000	100%	\$192,300	\$ 7,700
Manager	\$100,000	100%	\$192,300	0
CFO	\$180,000	100%	\$192,300	0



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Salary Cap Example 2

✓ Part-Time Employees Charged to an ETA Funded Grant

Position	A) Annual Rate	B) % of Time on ETA grant	C) ETA Grant Share (A * B)	(D) Salary Cap Limit (B * \$192,300)	(E) Amount over Cap (C - D)
Director	\$200,000	50%	\$100,000	\$96,150	\$3,850
Manager	\$100,000	25%	\$25,000	\$48,075	0
CFO	\$194,000	50%	\$97,000	\$96,150	\$850
Special Assistant	\$100,000	75%	\$75,000	\$142,200	0

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Salary Cap Example 3

✓ Indirect Costs Charged to an ETA Funded Grant

Position	% of Indirect Costs Allocable to ETA Grant	Actual Salary	40.5% of Salary Allocable to ETA Grant	Salary Cap Limit 40.5% * \$192,300	Amount Over Cap Limit
HR Director	40.5%	\$180,000	\$72,900	\$77,881.50	0
CFO	40.5%	\$200,000	\$81,000	\$77,881.50	\$3,118.50



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Knowledge Check 4 - Questions

True or False?

- 1. The salary cap limit applies to direct recipients but not to subrecipients.
- 2. Salaries of employees in an indirect cost pool or only working part-time on a DOL grant are excluded from the salary cap limitation.



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Knowledge Check 4 - Answers

True or False?

- 1. The salary cap limit applies to direct recipients but not subrecipients. **False**
- 2. Employees who charge indirect costs to a WIOA award are excluded from the salary cap limitation. **False**



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Module Summary

- ✓ The Uniform Guidance relies on the entity's internal control system as the basis for supporting and documenting payroll distribution.
- ✓ Payroll and related costs must be allocated on the basis of actual work performed.
- ✓ The amount of personnel compensation must be reasonable in amount and conform to established written policy.
- ✓ To be allowable fringe benefits must be reasonable and required by law, employer-employee agreement, or established written policy.
- ✓ The ETA salary cap limitation applies to all WIOA funded awards, other awards funded by ETA appropriations, and to direct recipients and subrecipients of those funds.



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ETA and Uniform Guidance Resources

- ✓ **Core Monitoring Guide**
 - ▶ [Objective 2.d Procurement and Contract Administration](#)
- ✓ **Grant & Financial Management Technical Assistance Guide**
 - ▶ [Chapter 6: Procurement, Contracts, and Leases](#)
- ✓ **TEGL 5-06: Implementing the Salary and Bonus Limitations in Public Law 109-234**
- ✓ **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Part 200**
 - ▶ [2 CFR 200.430](#)
 - ▶ [2 CFR 200.431](#)
- ✓ **OPM Salary Web-site**
 - ▶ [Select year](#)
 - ▶ [Select Executive pay link](#)
 - ▶ [Find Executive Level II pay rate](#)
 - ▶ [Updated annually](#)

Web Resources

- ✓ **What is the best way to find your local American Job Center (AJC)?**
 - ▶ See [DOL's Service Locator](#)
- ✓ **Want More Information?**
 - ▶ [DOLETA.gov/Grants](#)
 - [Funding Opportunities](#)
 - [How to Apply](#)
 - [Manage Your Awarded Grant](#)
 - [Resources and Information](#)
 - [ETA Grantee Handbook](#)
 - [Annual Grant Terms Template](#)
 - [Core Monitoring Guide](#)
 - [Technical Assistance Guides](#)
 - [Uniform Guidance Quick Reference Sheet](#)

- ✓ **Want More Training?**
- ▶ [Workforce GPS's Grants Application and Management Community of Practice](#)
 - [Financial Reporting](#)
 - [Subrecipient Management and Oversight](#)
 - [Indirect Cost Rates](#)
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Questions?



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✓ Thank you.



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