



Georgia Department of Early Care and Learning

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Governor

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Commissioner

MEMORANDUM

To: All Institutions Participating in the Child and Adult Care Food Program (CACFP) and Sponsors Participating in the Summer Food Service Program (SFSP)

From: Falita S. Flowers, Nutrition Services Director (*Original Signed*)

Date: October 1, 2017

Subject: Guidance for Establishing a Written Compensation Plan (v2)

Legal Authority: [2 CFR § 200](#), FNS Instruction 796-2 Rev. 4, FNS Instruction 796-4 Rev. 4

Definitions: *Institution* means a sponsoring organization, child care center, at-risk afterschool care center, outside-school-hours care center, emergency shelter or adult day care center which enters into an agreement with the State agency to assume final administrative and financial responsibility for Program operations.

Sponsor means a public or private nonprofit school food authority, a public or private nonprofit residential summer camp, a unit of local, municipal, county or State government, a public or private nonprofit college or university currently participating in the NYSP, or a private nonprofit organization which develops a special summer or other school vacation program providing food service similar to that made available to children during the school year under the National School Lunch and School Breakfast Programs and which is approved to participate in the Program. Sponsors are referred to in the Act as “service institutions”.

Program means the Child and Adult Care Food Program and or the Summer Food Service Program.

The purpose of this memorandum is to provide additional guidance for CACFP institutions and SFSP sponsors on developing a written compensation plan for their organizations. Additionally, this guidance provides detailed information on the required staffing plan component of the compensation plan. This

memorandum replaces Bright from the Start: Department of Early Care and Learning's (DECAL) Policy Memoranda:

- *Guidance for Establishing a Written Compensation Plan*, May 20, 2016
- *Guidance for Establishing Compensation Plans-Admin/DCH Sponsors*, July 20, 2005 (CACFP)
- *Guidance for Establishing Compensation Plans-Institutions/Center Sponsors*, September 8, 2005 (CACFP)

Organizations participating in the CACFP and SFSP must maintain a compensation plan which illustrates how the organization incorporates employee compensation into its overall business practices. Additionally, the organization's compensation plan must demonstrate how employee compensation is consistently applied throughout the organization and for all its activities, whether Program or non-Program related.

In accordance with 2 CFR § 200.430, CACFP institutions and SFSP sponsors are required to establish and maintain a written compensation policy for every element of compensation charged to the CACFP and/or the SFSP, depending upon which Program(s) the organization is operating. Total compensation must be reasonable, meaning the compensation paid to an institution's or sponsor's employees, must be consistent with compensation paid for similar work in the labor market. Additionally, institutions and sponsors must possess a system of internal controls to monitor significant changes to the plan as well as to ensure integrity in the institution's/sponsor's overall compensation practices (for CACFP, see also DECAL Policy Memorandum, *Ensuring Institutions Implement Adequate Oversight and Internal Controls of CACFP Operations*, May 15, 2015, <http://www.decal.ga.gov/documents/attachments/EnsuringInstImplementAdequateOversightInternalControls.pdf>).

Elements of compensation include salaries, hourly rates, employment taxes and fringe benefits, overtime compensation, travel/mileage reimbursement, holiday pay and incentive payments/awards and severance pay. When a CACFP institution or SFSP sponsor does not have a written compensation plan or a plan that meets the following criteria, the institution or sponsor may not charge labor costs to the CACFP or to the SFSP. Organizations must be mindful of CACFP or SFSP costs which require prior approval or specific prior approval from DECAL.

In accordance with federal regulations, DECAL reserves the right to determine which costs are deemed allowable, necessary, and reasonable. If upon a Program review or assessment, DECAL determines an organization does not have the required documentation to support labor costs charged to the CACFP or SFSP, the institution or sponsor will be cited and the cost shall be disallowed. The institution or sponsor will then have an opportunity to submit corrective action documentation to verify the finding has been permanently corrected.

At a minimum, an organization's compensation plan must detail the information listed below.

1. Positions Titles and Job Functions/Descriptions with Attached Current Staffing Plan

In addition to providing a job description and list of job functions for each position title, the organization's staffing plan must detail the following information:

- a. Staff title/position*
- b. Staff job function(s)/activity category, i.e., Administration, Food Service, Monitor, etc.;
- c. Staff job function(s) – administrative costs vs. operating costs
- d. Staff type, i.e., employee (W-2), staff/contractor (1099), external contractor, volunteer/intern;
and

e. Salary/wage funding source, i.e., CACFP, SFSP, or other **funding source**.

* *Title* must include all job functions performed including positions that are shared between CACFP and non-CACFP duties and for the SFSP, positions that are shared between SFSP and non-SFSP duties. When shared positions are indicated, the average percentage of time performed for each position must also be listed. Additionally, *title* must include all titles/functions performed by the employee (e.g., Jane Smith: Cook-CACFP-60%, Admin Assistant-CACFP-30%, Other-non-CACFP-10%). Compensation must not exceed 100% of compensated activities. **Not only must institution/sponsors capture this information on the Budget Detail and Management Plan, but institutions/sponsors must provide further detail on how shared costs are allocated by using the staff distribution worksheet or a similar form where shared cost allocations are fully disclosed. Use of an alternate form must, at minimum, include all aforementioned elements in this section.**

2. Salary Ranges and/or Rates of Pay

Rates of pay for individual positions or position groups must be indicated in the compensation plan and must be listed as a range. The range indicates the minimum to the maximum salary or wage that will be paid to the individual(s) that holds a position(s). An organization may use its respective CACFP or SFSP funds to pay its share of salaries and wages for employees or employees who perform Program duties. Charges for salaries and wages must be based on records that accurately reflect the work performed, and must be consistent with the organization's CACFP and/or SFSP budget and management plan.

Salaries or hourly rates for all labor must be consistent with wages paid for similar or exact positions in the same geographic area in which the organization is located or consistent with the salary/hourly rate range for a specific occupation provided by the US Department of Labor and/or the GA Department of Labor Statistics which can be access at: <http://www.bls.gov/>.

DECAL realizes that in some cases, an employee's salary or hourly rate as indicated on the Budget Guidance Manual, or reported by US Department of Labor and/or GA Department of Labor may not be consistent with the employee's credentials (i.e. education, skills, experience, and/or certifications). However, although compensation rates may be increased to reflect an employee's credentials, it must also be consistent with rates for that specific occupation (Refer Georgia's Department of Labor for information on wages for various occupations by education and training). Note: For Day Care Home Sponsors, compensation increases may not be made due to an increase in the number of facilities recruited or solely for the purpose of maximizing available reimbursement.

Note: For CACFP, administrative sponsors with employees that perform both Program duties and non-Program duties are required to prorate administrative labor costs, appropriately. Moreover, administrative sponsors that act as a daycare home sponsor must separately prorate administrative labor costs of employees who work on both sponsorships in addition to prorating operating labor and/or non-Program activities (Please review DECAL's Policy Memorandum, *Labor Cost Documentation*, May 23, 2005).

For compensation to members of non-profit organizations, trustees, directors, associates, officers, or the immediate families, a determination should be made to ensure the compensation is reasonable for the worked performed rather than a distribution of earnings in excess of costs (e.g., executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, and cost of living differentials).

Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization, so consistently as to imply, in effect, an agreement to make such payment.

For institutions of higher education, certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under the CACFP and or the SFSP (Refer to 2 CFR § 200.430 (h) for additional information).

Costs charged to the CACFP or the SFSP for fringe benefits may require DECAL's prior approval or specific prior written approval, and must be an allowable expense. Refer to and FNS Instruction 796-2 Rev. 4 and DECAL's Budget Guidance Manual for further information on costs approvals at: <http://dec.al.ga.gov/documents/attachments/budgetguidancemanual.pdf> for (CACFP only); and 2 CFR § 200.430 for all stipulations concerning salaries and wages.

3. Hours of Work

Organizations must document the potential and actual range of work hours (for group of employees or positions), for all employees in that position. Hours of work includes breaks and meal periods. For example, the working hours of the position with the title of secretary, may be between the hours 8:00 a.m. to 5:00 p.m. with one hour of (unpaid) lunch.

Time and attendance and/or time distribution reports are required for all labor costs charged to the Program for hourly or salaried employees for part-time, full-time, or piece-work. In some cases, it may be necessary for employees to submit either reports, or a combined report and in others cases, only a time and attendance report may be required. These reports must identify the total time actually worked by the employee, not just the time spent on Program activities (for CACFP, see also DECAL's Policy Memorandum, *Labor Cost Documentation*, May 23, 2005).

4. Plan and Payment Schedule for the Organization

a. Regular Compensation

As previously mentioned, salary and hourly rates must reflect those listed in the DECAL Budget Guidance Manual or the US/GA Department of Labor for all nonexempt employees. Also, the organization's salaries and wages must be comparable to salaries/wages for similar positions in the same geographical area. A schedule providing projected dates for compensation disbursement is also required.

The plan must list the form of compensation that will be provided to positions. Most employees will be compensated monetarily according to the salary/wage ranges listed in the compensation plan. If any other type of compensation will be made, this should also be listed. The payroll timing and frequency must also be noted, i.e. weekly, biweekly, monthly, etc.

b. Employment and Social Security Taxes

The compensation plan must indicate how the institution or sponsor pays employment and social security taxes and payment frequency.

Organizations are required to pay their share of their employee's Federal, State, and local tax

such as Social Security withholding and state unemployment tax; however, because these taxes are based on wage benefits, organizations must record employment taxes in the same manner (i.e. cash or accrual) and at the same time as the wage benefit upon which these costs are based. Religious organizations may request exemption from Social Security and Medicare taxes. Please review Internal Revenue Service's (IRS) Employer's Tax Guide supplement (Publication I5-A).

c. Fringe Benefits

The compensation plan must specifically state any fringe benefits that the employee is provided by the organization. Fringe benefits include, but are not limited to, annual leave, family-related leave, sick leave, court leave, military leave, employee life and disability insurance, retirement plans, health/dental insurance portions paid by the organization, administrative leave, or any other type of benefit to the employee.

An organization may use its respective CACFP or SFSP funds to pay its share of fringe benefits for Program employees or employees who perform Program duties when all employees (whether Program or non-Program) receive the same benefits. Organizations must also record fringe benefits costs in the same manner (i.e. cash or accrual) and at the same time as the wage benefit. When using the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment. Accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When the institution or sponsor uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded. Similar to wages, fringe benefits must be prorated for employees who work on both Program and non-Program activities.

Fringe benefits may also include employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in 2 CFR § 200.447, Insurance and indemnification); pension plan costs; and other similar benefits may potentially be allowable, provided such benefits are granted under established written policies.

Overtime, compensatory time, holiday pay, incentives payments/awards, and severance pay are all classified as fringe benefits. The organization's plan for paying overtime, compensatory time, holiday pay, and severance pay must be specifically noted and the cost for such benefits must be consistent. If monetary incentives or awards are provided, the criteria for receiving the incentive or award must be specifically listed along with the monetary value. Additionally, overtime, compensatory time, holiday pay, incentives payments/awards, and severance pay have several stipulations and require special consideration and specific prior approval from DECAL. For example, the compensation plan must reflect the U.S. Department of Labor's Fair Labor Standards Act (FLSA) which directs whether non-salaried employees are compensated for overtime or compensatory time whenever time work exceeds eight hours per day or forty hours per week. Additionally, incentive payments are allowable to the extent the costs are paid or accrued based upon a prior agreement or based on an employee's work plan prior to the work performed.

Costs charged to the CACFP or the SFSP for fringe benefits may require DECAL prior approval or specific prior written approval, and must be an allowable expense. Refer to and FNS Instruction 796-2 Rev. 4 and DECAL's Budget Guidance Manual for further information on costs approvals at: <http://dec.al.ga.gov/documents/attachments/budgetguidancemanual.pdf> for (CACFP only); and 2 CFR § 200.431 for all stipulations concerning fringe benefits.

Travel Reimbursement

Organizations participating in the CACFP and/or SFSP must have an established travel policy. Additionally, the institution and sponsor must have an established plan for paying an employee's reimbursement for CACFP and SFSP official business travel (e.g., monitors' travel to Program site visits, Program training, etc.), including transportation, lodging, subsistence, and related items. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances. Note: automobile costs furnished that relate to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

Costs for lodging, other subsistence and incidental expenses must be considered reasonable and otherwise allowable only to the extent the costs does not exceed what is normally allowed for such expenses in the institution's or sponsor's regular Program operations. Documentation for such costs must verify that the individual's travel is necessary and the costs are reasonable are consistent with the institution and sponsor's established travel policy (Refer to 2 CFR § 200.474 for additional guidance on travel costs.)

e. Payroll Tax Withholding

The compensation plan must describe how organizations that hire employees (not contractors) to perform CACFP or SFSP duties and/or pay employees with Program funds, will pay employment taxes regardless of the "or profit" or "nonprofit status." As part of the organization's compensation plan, the frequency for filing and payment of taxes must be noted.

Although, 501(c) 3 tax-exempt nonprofit organizations are exempt from federal and some State income taxes, employees of these organizations are not exempt from employment taxes. Before an organization hires employees, it must have a federal Employer Identification Number (EIN), and the organization is responsible for withholding certain taxes from its employee's paycheck; this is not the case for contractors. Keep in mind, for both CACFP and SFSP, management responsibilities cannot be contracted out; however, institutions and sponsors may contract out specific administrative tasks that are not Program responsibilities of the organization (i.e. bookkeeping and data processing) (For CACFP institutions, please review DECAL Policy No. CACFP/02-22 and DECAL Policy No. SFSP/09-17 for SFSP Sponsors for further policy guidance on management responsibilities). As part of the institutions' and sponsors' compensation plan, a schedule providing dates for filing and payment of taxes is required.

The compensation plan must state whether certain items will be deposited (or filed) on a semi-monthly, monthly, quarterly or annual basis.

The following employment taxes should be addressed, when applicable:

1. Federal income tax withholding (FITW); Social security and Medicare taxes (FICA)- Forms W-2, W-3 and W-4, 941, and 1099-(contractors only)
2. GA state income tax withholding- Forms G-4, G-7, G-1003
3. GA unemployment tax -Non-profit organizations are exempt from federal unemployment tax, also known as FUTA, but are required to pay GA state unemployment tax if four (4) or more workers are employed. For-profit organizations must pay both federal and state unemployment taxes. Regardless of an organization's status (nonprofit/for-profit), all state unemployment tax must be paid by the employer without any deduction from the wages of any employee.

For more detailed information on withholding, depositing, reporting, or paying employment taxes, please review the following:

Internal Revenue Service's (IRS) Employer's Tax Guide (Publication I5) and its supplement (publication IS-A).

Web link: <https://www.irs.gov/pub/irs-pdf/p15.pdf>

Georgia Department of Revenue's Employer Tax Guide.

Web link:

https://dor.georgia.gov/sites/dor.georgia.gov/files/related_files/document/2016%20WH%20Employers%20Tax%20Guide.pdf

Georgia Department of Labor's Unemployment Insurance: The Employer's Handbook.

Web link:

https://dol.georgia.gov/sites/dol.georgia.gov/files/related_files/document/dol224.pdf

5. Outside employment policy.

Organizations participating in the CACFP and SFSP must make reference to, or include in their written compensation plan language of an outside employment plan that restricts other employment by employees that interferes with an employee's performance of Program-related duties and responsibilities, including outside employment that constitutes a real or apparent conflict of interest.

Attached to this memorandum is a sample compensation plan. This sample plan must only be used for guidance when developing a written compensation plan and intended to be incorporated into the institutions' and sponsors' plans. All organizations participating in the CACFP or SFSP must develop their own compensation plan based on their specific needs and benefits offered.

For questions concerning this memorandum, please contact Sonja Adams, Policy Administrator at (404) 651-8193.

ABC, Inc.

Compensation Plan

NOTE: This sample compensation plan is not all inclusive of its required components. The plan must be customized based upon the organization's business structure and in accordance with State and Federal policies and regulations. This plan is a sample and must only be used as a guide.

A. Positions/Titles and Job Functions

This information can be summarized and attached as a separate document or incorporated into the body of the plan.

B. Rates of Pay

Rates of pay will be determined by the most recent Georgia State Occupational Employment and Wage Estimates provided by the US Department of Labor.

<u>Functional Areas</u>	<u>Salary Ranges: Annually/Hourly</u>
Executive Director	\$73,985.00 to \$83,291.00 / \$35.57 to \$40.04
Program Manager	\$53,128.40 to \$69,248.40 / \$25.54 to \$33.29
Training	\$62,074.65 to \$69,248.40 / \$29.84 to \$33.29
Monitoring	\$42,035.00 to \$62,296.00 / \$20.21 to \$29.95
Food Service	\$36,092.00 to \$47,253.00 / \$17.35 to \$22.72
Operations/Supervisory/Delivery	
Clerical	\$28,288.00 to \$37,889.28 / \$13.60 to \$18.22

B. Hours of Work

The hours of operation are twelve (12) hours, between 6:00 a.m.-6:00 p.m. However, the hours of work are eight (8) hours, between 9:00-6:00 with a lunch break of one hour.

<u>Group of Employees</u>	<u>Ranges of Hours</u>
Executive	6:00 a.m. – 6:00 p.m.
Program Administration	6:00 a.m. – 6:00 p.m.
Training	9:00 a.m. – 6:00 p.m.
Monitoring	9:00 a.m. – 6:00 p.m.
Food Service	6:00 a.m. – 6:00 p.m.
Operations/Supervisory/Delivery	
Administrative Support	9:00 a.m. – 6:00 p.m.

C. Plan and Payment Schedule for Regular Compensation, Overtime, Compensatory Leave, Holiday Pay, Benefits, Awards, Severance Pay and Payroll Tax Withholding.

Regular Compensation Plan and Schedule

- All employees will receive monetary compensation through salaries/wages established at the time of the offer of employment based on the market value for the similar job as represented in the DECAL Budget Guidance Manual or Georgia State Occupational Employment and

Wage Estimates provided by the US Department of Labor. All salary/wage offers will be approved by the Owner and/or Board of Directors.

- Salaries and wages will be formally reviewed annually and adjusted based on the results of each employee's performance appraisals. Performance increases range between 1% and 10%, but cannot exceed the maximum salary or wage represented in the Georgia State Occupational Employment and Wage Estimates provided by the US Department of Labor for the similar job.
- New hires, terminations, pay rates changes; voluntary/court ordered payroll deductions will be approved by the Owner and/or Board of Directors.
- Regular compensation will be dispersed the 15th and the last business day of each month.

Overtime*

- Nonexempt employees will be paid overtime in accordance with Fair Labor Standards Act (FLSA) in which they will receive overtime pay for hours worked in excess of 40 in a workweek of one and a half times their regular rate of pay.
- Overtime hours will be approved by the Owner/Director prior to working.
- ABC, Inc. does not pay extra for weekend or night work or double pay.

Compensatory Time and Leave*

- ABC, Inc. does not provide compensatory time; employees are paid for hours worked. Non-exempt employees may not work in excess of 40 hours per workweek unless overtime is pre-approved.

Travel Reimbursement†

- Employees who use their own vehicle will be reimbursed at the Federal mileage reimbursement rate for the current year.
- Overnight travel is only approved with prior approval; employees are reimbursed for lodging during official business travel.

Fringe Benefits

- Vacations

The vacation year begins October 1 and ends September 30. Fulltime employees with the following years of continuous employment with ABC, Inc. will be paid for the following number of vacation days at the normal rate of compensation.

Years of Service	Vacation Days
<3	10
3-6	12
6-10	14
10-15	16
>15	18

- Sick leave
 - Employee of ABC, Inc. will earn sick leave credit in the amount of ten days (10 days) per year.
 - At the end of each year, any unused sick leave will be carried over to the next year up

to a maximum of thirty days. Any unused sick leave in excess of thirty (30) days or upon termination will be converted to annual leave, at a rate of four sick days to one annual leave day

- Holiday Pay*
 - ABC, Inc. will observe the following holidays:
 - New Year's Day
 - Martin Luther King Day
 - Good Friday
 - Memorial Day
 - Independence Day
 - Labor Day
 - Thanksgiving Day
 - Friday after Thanksgiving Day
 - Christmas Eve
 - Christmas Day

NOTE: ABC, Inc. will be closed on the days listed above and therefore does not provide holiday pay to hourly employees. Salaried employees are entitled to paid holidays at their usual compensation.

- Life and disability Insurance
 - ABC, Inc. offers life and disability insurance for all employees, but only pays 98% of the share of life and health insurance.
- Health Benefits
 - ABC, Inc. will pay the 50% of health insurance costs for the employee.
- Retirement
 - ABC, Inc. does not offer retirement plans at this time

Awards*

- ABC, Inc. may recognize an employee that demonstrated superior performance during the year in the form of certificates, pins or other items of minimal value. No monetary awards are provided.

Severance Pay*

- ABC, Inc. does not provide severance pay.

Payroll Tax Withholding Plan and Schedule

- New employees
 - A BC, Inc. will furnish and receive completed Forms W-4 and G-4 from each employee
- Each payday
 - ABC, Inc. will withhold GA state taxes
 - ABC, Inc. will withhold federal income tax
 - ABC, Inc. will withhold employees' share of social security and Medicare taxes (both

employees' and employer's share)

- Monthly
 - ABC, Inc. will remit GA state taxes on or before the 15th day of the following month with Form GA-V
 - ABC, Inc. will deposit federal income tax withheld, and both ABC, Inc.'s and its employees' social security and Medicare taxes using Form 8109 to an authorized financial depository.
- Quarterly
 - ABC, Inc. will submit Form G-7 quarterly reconciliation return on or before the last day of the month following the end of the quarter.
 - ABC, Inc. will pay state unemployment tax on or before the last day of the month following the end of the quarter.
 - ABC, Inc. will file Copy A of all Forms W-2 with Form W-3 with the Social Security Administration by February 28.
 - ABC, Inc will deposit FUT A (if applicable) in an authorized financial institution using Form 8109 on or before the last day of the month following the end of the quarter.
 - ABC, Inc. will file Form 941 on or before the last day of the month following the end of the quarter with the IRS.
- Annually
 - ABC, Inc. will submit all W-2's, 1099's and other income statements with Form G-1003 by the February 28 to GA Department of Revenue.
 - ABC, Inc. will file Copy A of all Forms W-2 with Form W-3 with the Social Security Administration by February 28.
 - ABC, Inc. will file Form 940 by January 31 with the IRS.

* -Indicates that item requires **specific prior written approval for each instance** from DECAL

† -Indicates that item requires **prior approval** from DECAL