

The graphic shows the letters S, M, A, R, and T stacked vertically. Each letter is inside a circle. A dashed orange line connects the top of the S circle, goes around the M and A circles, and ends with a downward-pointing arrowhead at the bottom of the T circle.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Personnel and Fringe Benefits

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor.

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risks Identification and SMART Practices!**

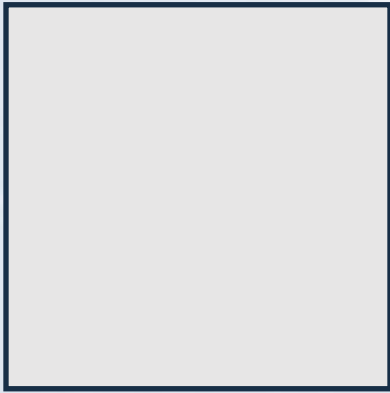


Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

If, in any instance, there appears to be a conflict with the program statute, Federal regulations, or OMB guidance, such conflict must be resolved in favor of the statute, Federal regulations, or OMB guidance. All the information in the SMART 4.0 modules may not be reproduced or distributed for a fee or profit.

Today's Speakers



First Last

Occupation/Title
Company Name



First Last

Occupation/Title
Company Name

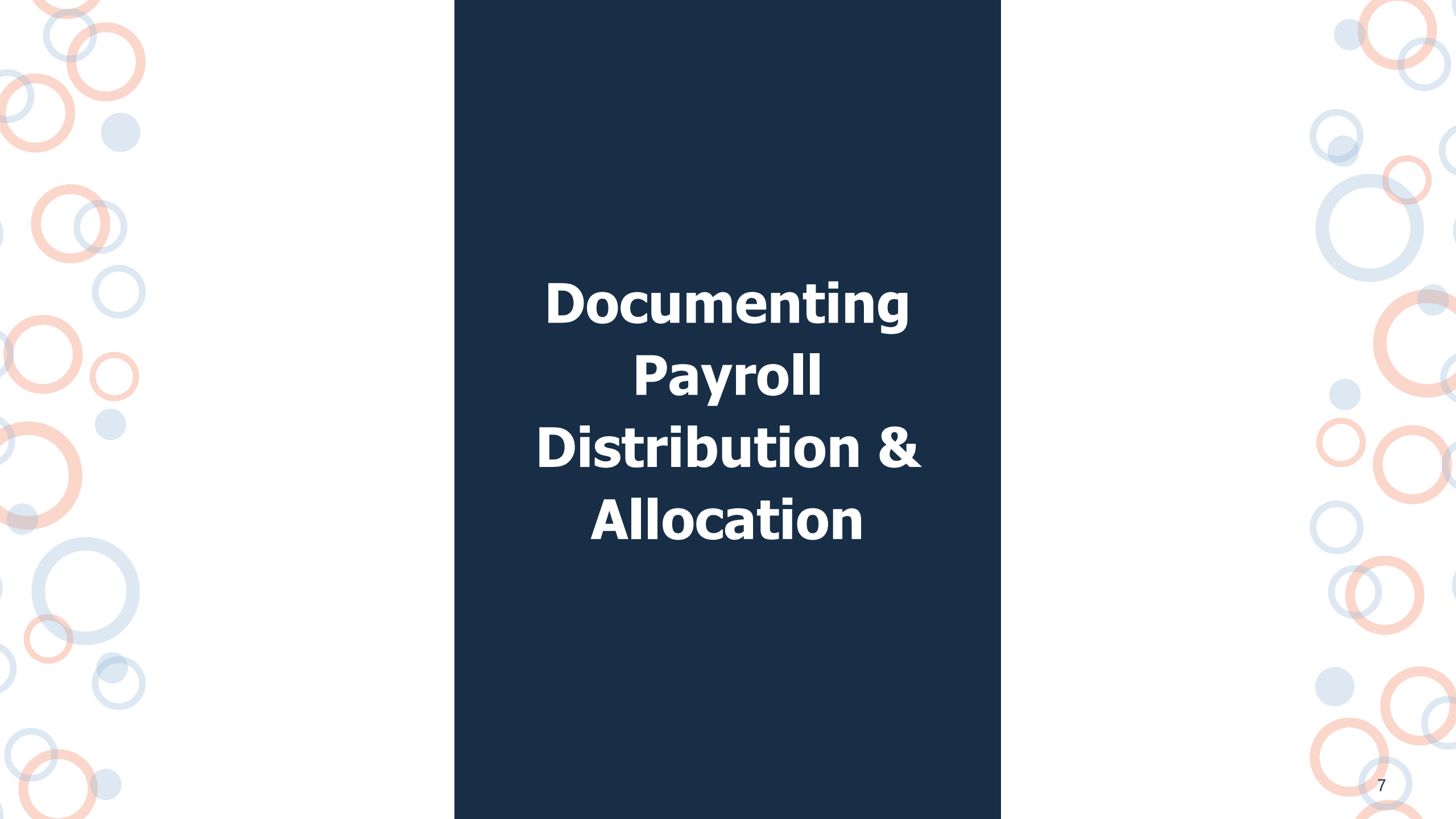
Module Overview

- Personnel.
 - Documenting Payroll Distribution & Allocation.
 - Compensation – Personal Services.
 - ETA Salary and Bonus Limitations.
- Fringe Benefits.
- Conflict of Interest.
- Risks and SMART Practices.



S
M
A
R
T

Personnel



Documenting Payroll Distribution & Allocation

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.

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.

Basic Standards for Documentation – Standards

Meets Standards

- Payroll records meeting these standards do not need to further document work performed.
- Non-exempt employees must record a total number of hours worked each day to comply with FLSA.
- Same standards apply to documenting salaries and wages for cost-sharing and match requirements.

Does Not Meet Standards

- Federal government may require personnel activity reports or equivalent if records do not meet these standards.
- Institutions of Higher Education may express categories of activities as a percentage.
 - Intermingled duties: precision not always feasible.

Payroll Distribution – 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.

Payroll Distribution – Substitute Systems (1)

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

Limited applicability:

- Only states, local governments, and 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 are encouraged to approve proposals based on outcomes and performance milestones.

Payroll Distribution – Substitute Systems (2)

- Establish controls for efficiency and payroll disbursements.
- Audit testing of payroll distribution method as part of internal control system review.
- Allow grant recipients the flexibility to design and implement an internal control system that best fits their needs.
- Policies and procedures can be written to ensure that staff duties and functions are separated so that no one individual has complete control over a multiple-step process or transaction.

Tip: Overall emphasis on having a strong internal control system.

Check Your Knowledge in 60 Seconds

Answer True or False:

1. The Uniform Guidance places primary emphasis on internal controls to support the documentation of personal services costs.
2. Budget estimates alone provide sufficient documentation of payroll distribution as long as the CFO approves.
3. Substitute systems may be used to document the distribution of payroll costs whenever they are consistent with the entity's system of internal controls.
4. 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.





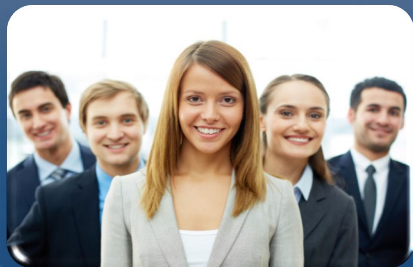
Compensation – Personal Services

Basic Criteria 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 and procedures).
- Same standards apply to salaries and wages used to meet cost sharing or match requirements.

Reasonable Level of Compensation (1)



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 labor market.



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

Reasonable Level of Compensation (2)

- An employee's time and effort may rely on time sheets or other reports, but the total activity must not exceed 100%.
- An employee only gets paid for actual work performed.
 - Doing the job of two people or working 2 full time jobs for 2 grantees is not a justification for earning more money – any additional responsibilities and/or compensation should be reflected in the job description and in approved written policies.
 - Written compensation and fringe benefit policies or employee handbook should 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.

Reasonable Level of Compensation (3)

Incentive Compensation 2 CFR 200.430(f)

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

Reasonable Level of Compensation (4)

Hazard Pay

- Fair Labor Standards Act (FLSA) does not require hazard pay.
- FLSA generally requires only payment of at least the Federal minimum wage (*currently \$7.25 per hour as of January 1, 2023*).
 - Many states also have minimum wage laws. In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages.
- State or local laws may also impose higher rates.

Reasonable Level of Compensation (5)

Salary and Bonus Cap on Compensation

- PL 109-234 imposes a cap on compensation for many ETA grants at the rate of **Executive Level II**.
 - 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](#).

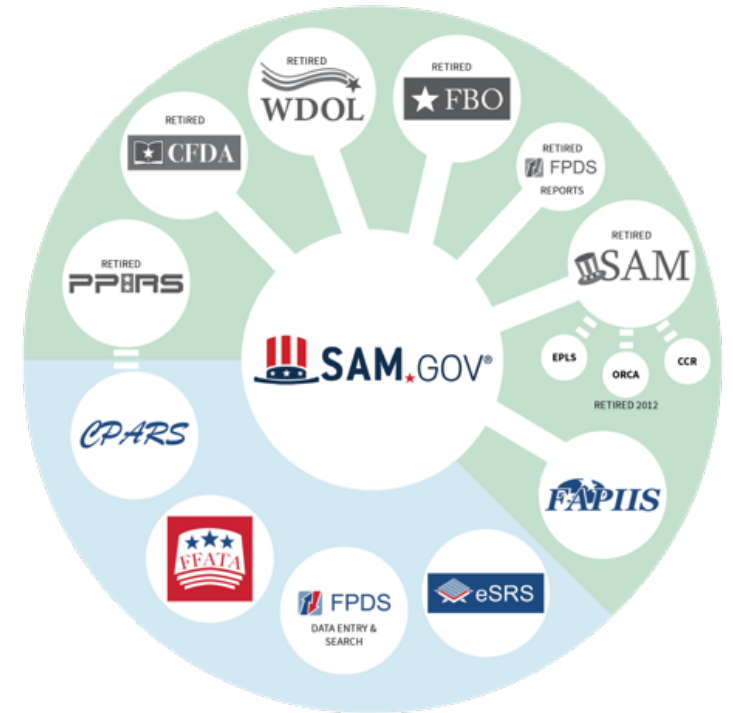
Merit Staffing

- Wagner-Peyser Flexibility (84 FR 29433 and TEN 13-19).
 - Give states increased flexibility in the administration of Employment Service (ES) activities funded under the Wagner-Peyser Act.
 - Removes the requirement to use merit staff for ES activities.
- TAA (TAA Final Rule 2020).
 - States have the flexibility to provide employment case management services using a combination of State employees, local government employees, contracted services, and other staffing models.
 - Also removes merit staffing requirements.

Other Reporting Systems (1)

Systems used to submit these reports:

- **System for Award Management ([SAM](#)).**
 - Responsibility/Qualification Report – previously under FAPIIS.gov, or
 - Federal Awardee Performance and Integrity Information System.
 - This report (also called the integrity record).
 - **Register in SAM and obtain UEI.**
 - › Responsibility/Qualification Report (previously Federal Awardee Performance Integrated Information System (FAPIIS)) is integrated into [SAM.gov](#).



Other Reporting Systems (2)

SAM Reminders:

Single access point for information about the recipient records and data via data extracts and systems accounts.

- **Multifactor authenticated through login.gov.**
 - › Use the same email address associated with FSRS and SAM to create an account on login.gov.
 - › **Use login.gov to access SAM and FSRS.**
- **For any technical support** – contact the Federal Service Desk visit: www.fsd.gov, or call the toll-free number **866-606-8220**.

Other Reporting Systems (3)

- Reporting of first-tier subaward and executive compensation data as required by the Federal Funding Accountability and Transparency Act (**FFATA**).
- First-tier subrecipient subaward information for contract, grant, and loan transactions of equal to or more than \$30,000.
 - Prime recipient and first-tier subrecipient's executive compensation.
 - › Names and total compensation for each top 5 executives.
 - Must report subaward information by the end of the month following the month the subaward is obligated.

Other Reporting Systems (4)

- FFATA Subaward Reporting System (FSRS).
 - FSRS users must register in SAM to get a UEI, have a login.gov account to use the FSRS system and report on the subaward.
 - FSRS will be incorporated into SAM.gov as part of the modernization efforts.
 - Information is accessible on www.USASpending.gov.

Check Your Knowledge in 60 Seconds

Answer True or False:

1. Compensation for personal services is reasonable if it is comparable to an employee doing similar work in the organization.
2. If there is no similar position in the organization, compensation may be established at any level needed to attract qualified candidates.
3. Payment of incentives is allowable if it is earned, reasonable in amount, and awarded in accordance with established policy.
4. FFATA only requires that recipients report the name and total compensation for its highest five compensated employees.





ETA Salary and Bonus Limitations

Salary & Bonus Limitations and Exclusions (1)

- Public Law 109-234 and TEGL 05-6.
- None of the funds appropriated to ETA shall be used by a recipient or subrecipient to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of **Executive Level II**.
- Salary & bonus limitations, or “cap,” apply to ETA-funded programs, including:
 - WIOA, Wagner-Peyser, UI Administration, Older Worker programs, Native American 166 programs, Veterans’ programs, and the portion of other programs funded from ETA appropriation.

Salary & Bonus Limitations and Exclusions (2)

- This limitation does *not* apply to:
 - Programs funded by H-1B funds as these are revenues generated by employer fee payments.
 - DUA program (benefits and administrative funds) – funded from FEMA appropriated funds.
- Job Corps – This limitation does not replace the previous limitation set by Public Law 109-149, section 101, that was previously set for individuals paid through the Job Corps program.

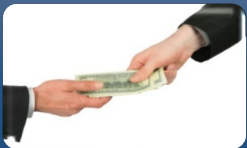
Who is Covered?



Individuals paid by ETA-appropriated funds and WIOA funds.



Direct recipients and/or subrecipients.



Anyone receiving wages or bonus payments from recipients or subrecipients whose grants are funded from ETA appropriations.



Direct costs or through an indirect cost rate, including cost allocation plans.



Contractors are not subject to limitation.

What is Included?

Included

- Compensation included on IRS form W-2.
- 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.

Salary and Bonus Limitation



Full-Time RATE not to exceed Executive Level II.

- 2023 maximum is \$212,100.
- Adjusted annually by OPM.
- Applicable for salary paid in the same year

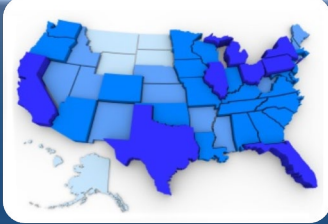


Expressed as annual or hourly amount.



Calendar year basis – IRS definition.

Other Provisions



States may set lower limits for subrecipients.



Salaries paid by multiple fund sources must be allocated and calculated accordingly.



Salaries paid through indirect cost rates must be calculated accordingly.



Does not impact consultant rate restrictions.

Salary Cap Example 1 – Grant

Full-Time employees charged to an ETA-funded grant or WIOA funds.

Position	Annual Rate	Time spent on the Grant	Salary Cap Limit for 2023	Amount over Cap
Director	\$220,000	100%	\$212,100	\$7,900
Manager for 2 LWIAs & 2 Boards	\$150,000 *2=\$300,000	50%	\$212,100	\$87,900
Project Coordinator	\$200,000	100%	\$212,100	\$0

Salary Cap Example 2 – Subaward

Part-Time employees charged to a subaward of an ETA funded grant.

Position	A) Annual Rate	B) % of Time on ETA grant	C) ETA Grant Share (A * B)	(D) Salary Cap Limit for 2023 (B * \$212,100)	(E) Amount over Cap (C – D)
Director	\$220,000	50%	\$110,000	\$106,050	\$3,950 over CAP
Manager	\$180,000	25%	\$45,000	\$53,025	\$0
Project Coordinator	\$213,000	50%	\$106,500	\$106,050	\$450 over CAP

Salary Cap Example 3 – With Bonus

Part-Time employees charged to an ETA-funded subaward.

- The sum of all bonuses received over the previous 12-month period, when added to the employee's salary, may not at any time exceed the limitation.

Position	A) Annual Rate	B) % of Time on ETA grant	C) ETA Grant Share (A * B)	(D) Salary Cap Limit for 2023 (B * \$212,100)	(E) Amount over Cap (C – D)
Director	\$220,000	50%	\$110,000	\$106,050	\$3,950
Manager	\$180,000	25%	\$45,000	\$53,025	\$0

Position	Limitation Based on Partial Time Spend on ETA Grant	Can Bonus be Paid through ETA Funds	Limit that ETA Funds Can Pay
Director	\$106,050	No	-
Manager	\$53,025	Yes	\$ 8,025

Salary Cap Example 4 – With Indirect Costs

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 for 2023 40.5% * \$212,100	Amount Over Cap Limit
HR Director	40.5%	\$180,000	\$72,900	\$85,900.50	\$0
CFO	40.5%	\$213,000	\$86,265	\$85,900.50	\$364.50

Check Your Knowledge in 60 Seconds

Answer True or False:

1. The ETA salary cap limitation applies to all ETA funded awards.
2. The salary cap limit is adjusted every year by OPM.
3. The salary cap limit is computed on the basis of a full-time rate of compensation and not exclusively an absolute dollar amount.
4. The salary cap limit applies to direct recipients but not subrecipients.
5. Salaries/wages, bonus payments, and fringe benefit costs are included as compensation used to calculate the the salary cap limitation.
6. Employees who charge indirect costs to a WIOA award are excluded from the salary cap limitation.



S
M
A
R
T

Fringe Benefits

Compensation – Fringe Benefits

Definition

[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, grant recipient-employee agreement, or an established policy of the grant recipient.*
- There should be written policies and procedures related to Fringe Benefits.

Fringe Benefit Standards

General standard is allowable if:

Reasonable and required by:

- Law.
- Employer-Employee Agreement.
- Established written policy of entity.

Applies to:

- Compensate absences - leave.
- Life and Health Insurance.
- Incentive and/or severance pay.
- Workers' Compensation.
- Pension Plans.

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 relationship to salaries and wages do not differ significantly for different groups of employees.

Recognition of Leave Costs

Cash basis

- Cost recognized when taken and paid.
- Unused leave after retirement or termination allowable in year of payment as indirect cost.

Accrual basis

- 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.

Insurance

[2 CFR 200.431\(e\)](#) and [2 CFR 200.447](#)

Costs of insurance required or approved and maintained, pursuant to the Federal award, are **allowable** when **reasonably consistent** with policies.

- Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation when reasonable.
- Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility.
- Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits).

Pension Costs

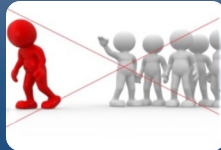
■ Allowable if:



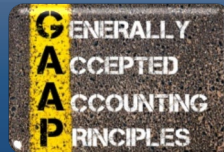
Reasonable.



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.

Severance

- Allowable, if required by:
 - Law,
 - Employer-employee agreement,
 - Established policy that constitutes an implied agreement, or
 - Circumstances of the particular employment.

Severance Categories

Normal Turnover Severance

- Allocated to all activities, or
- Reserve acceptable if the charge to current operations is reasonable in light of past payments and if charged to all activities.

Mass Abnormal Severance

- Accruals generally not allowable; prior approval required.

Other Provisions

■ [2 CFR 200.437](#)

- For the improvement of working conditions, employee health, and employee performance are allowable.
- Must be in accordance with written policies.
- Will be equitably apportioned to all activities.
- Income earned will be credited to the cost thereof.
- 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.

Fringe Benefit Payment Methods

Pay-As-You-Go Method

- Cash Basis of Accounting
- Direct Payments
- Example: Payment of insurance premiums

Funded Reserve Method

- Accrual Basis of Accounting
- Benefits reserved for future payment
- Example: Reserve of leave accrued per pay period for future use.

Fringe Benefits

- Insurance
- Unemployment Insurance
- Workers' Compensation
- Compensated Absences
- Severance
- Post Retirement Health Plan
- Pension

Self-Insurance

[2 CFR 200.431\(e\)](#)

- For Unemployment Compensation and Workers' Compensation, reserves for self-insurance are 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.



Pensions and PRHP

- Pension plan costs and post-retirement health plans not included in a pension plan may be computed using the two methods:
 - Pay-as-you-go method, or
 - Funded reserve method (*Recommended*) Acceptable actuarial cost method (in accordance with established written policies).
 - PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year.

Compensated Absences

Absences from the job paid to employees in the form of regular compensation during periods of authorized absences.

- For annual leave, family-related leave, sick leave, holidays, court leave, military leave, and administrative leave.
- Either accounting basis can be used to recognize the expense:
 - Pay-as-you-go method: Cash basis
 - › Liability recognized in the period that the leave is taken and paid for;
 - Funded Reserve method: Accrual basis:
 - › Liability is recognized when leave is earned and typically funded.
 - Allowable leave costs are the lesser of the amount accrued or funded.
 - GASB Statement No 101 – Compensated Absences (approved June 2022).

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.

Recommended Written Policies

- Recording and approval of staff time.
 - Ensure that it accounts for 100% of the staff's time. Identify vesting period.
- Policy on fringe benefits including:
 - Employer contributions.
 - Expenses for social security.
 - Employee life, health, unemployment, and worker's compensation insurance.
 - Pension plan.
- Management compensation and fringe benefit packages should be consistent with industry standards and vesting periods.
- A review of salary and bonuses to ensure that an individual has not exceeded the limit.
- Code of Conduct and required conflict of interest provisions.

**S
M
A
R
T**

Conflict of Interest

Laws, Regulations, and Guidance

- Applicable to conflict of interest in the management of Federal grants.
- Uniform Guidance:
 - 2 CFR 200.112.
 - 2 CFR 200.318(c).
- WIOA DOL Final Rule and WIOA Joint Final Rule.
 - 20 CFR 679.320 – Local WDBs.
 - 20 CFR 679.430 – Entities performing multiple functions.
 - 20 CFR 683.200(c)(5).
- Guidance and Technical Assistance.
 - TEGL 15-16, TEGL 21-16, and FAQs.

Conflict of Interest

Real, Apparent, and Organizational.

- Grant recipients - [2 CFR Part 200](#) requires a Conflict of Interest (COI) policy in place for any employee participating in a procurement transaction.
- No employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest ([2 CFR 200.318\(c\)\(1\)](#)).
- Grant recipients have an obligation to disclose conflicts of interest and avoid the appearance of impropriety.
- Routinely request and obtain updates to any COI form on file for employees and board members.

Conflict of Interest Policy and Annual Updates

- Establish a written policy addressing all types of conflict of interest.
- Routinely or schedule annual re-certifications of COI forms for each staff person or board member voting or deciding on a legal or financial matter.
- Keep a record of all forms and recorded conflicts.
 - Not every conflict is bad.

Conflict of Interest – Real (1)

- A real, or actual conflict of interest arises when an employee or person is assigned official responsibilities in a particular matter that will directly and predictably affect the employee's personal financial interests or the interests of other specific persons.
- The persons whose interests are attributed to the employee include the following:
 - a. Employee's spouse.
 - b. Employee's children.
 - c. Employee's general partner or outside business endeavors.
 - d. Any organization that the employee serves on or is an employee of;
- Any action, transaction both financial and non-financial that **could result in benefit** to the employee's financial and non-financial well being.

Conflict of Interest – Real (2)

Examples of Real Conflict of Interest:

- **Real:** You are employed as a procurement officer at an organization that has an ETA grant, and your spouse is an officer for a local accounting firm.
 - **Risk:** You do not recuse yourself from voting when the local accounting firm submits a proposal to become a fiscal agent.

Disclosing the conflict doesn't mitigate the risk.

Conflicts of Interest – Apparent (1)

- The **appearance** of a conflict of interest arises where an employee is assigned to participate in an official duty matter where an organization with which the employee has a covered relationship is or represents a party to that matter, or where the matter is likely to affect the interests of a household member, and there are circumstances that would **cause a reasonable person** with knowledge of the relevant facts to question the employee's impartiality in the official matter.
- Members of their households and relatives with whom they are deemed to have close personal relationships:
 - Persons or organizations with whom they have or seek a business, contractual or other financial relationship other than a routine consumer transaction;
 - Persons or organizations for whom their spouses, parents or dependent children are, to their knowledge, serving or seeking to serve as an officer, director, trustee, general partner, agent, attorney, consultant, contractor or employee; whose interests are attributed to the employee.

Conflicts of Interest – Apparent (2)

Examples of Apparent Conflict of Interest:

- **Apparent:** A LWIA is made up of three counties (Cook, DuPage and Will). WIOA funds are awarded to DuPage County Department of Training. Will County Purchasing's Office is responsible for drafting the one-stop operator request for proposal (RFP). Cook County Department of Aging submits a bid/proposal to become the one-stop operator. Cook County Workforce Department administers the WIOA grant.
 - **Risk:** Without sufficient firewalls or a clear separation of duties and supervision, an outside entity or party may consider this arrangement a conflict of interest.

Conflict of Interest – Organizational (1)

Organizational conflict of interest ([2 CFR 200.318\(c\)\(2\)](#)).

- Because of other activities or relationships with other entities, the organization is unable to: render impartial assistance or advice, perform the work in an objective way, or has an unfair competitive advantage compared to other entities.
- Grant recipients must maintain written standards of conduct covering organizational conflicts of interest.
- Contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements ([2 CFR 200.319\(b\)](#)).

Conflicts of Interest – Organizational (2)

Examples of Organizational Conflict of Interest:

- **Organizational:** You are an employee of the administrative entity and assist in monitoring the Local WDB, who is also the one-stop operator and service provider.
 - **Risk:** There is no organizational separation of duties between the two functions of acting as an administrative entity and monitor.
- **Organizational:** Your organization performs market research to procure a service provider. A contractor was used to draft solicitation specifications and evaluation criteria. The same contractor submits a proposal to be the service provider.
 - **Risk:** The contractor has an unfair advantage as it helps draft the solicitation specification and evaluation criteria.

Conflict of Interest – WIOA (1)

[20 CFR 683.200\(c\)\(5\)](#)

In addition to the requirements at [2 CFR 200.318](#), which address codes of conduct and conflict of interest, the following applies:

- (i) A State WDB member, Local WDB member, or WDB standing committee member must neither cast a vote on, nor participate in any decision-making capacity, on the provision of services by such member (or any organization which that member directly represents), nor on any matter which would provide any direct financial benefit to that member or that member's immediate family.

Conflict of Interest – WIOA (2)

[20 CFR 683.200\(c\)\(5\)](#)

- (ii) Neither membership on the State WDB, the Local WDB, or a WDB standing committee, nor the receipt of WIOA funds to provide training and related services, by itself, violates these conflict-of-interest provisions.
- (iii) In accordance with the requirements of [2 CFR 200.112](#), **recipients** of Federal awards **must disclose in writing** any potential conflict of interest to the Department. Subrecipients must disclose in writing any potential conflict of interest to the recipient of grant funds.

Code of Conduct

A code of conduct is a set of values, rules, standards, and principles outlining what employers expect from staff within an organization.

- Offers principles defining the ethics of the organization, but it also contains specific rules for employee actions and behavior.
- Creating a code of conduct is a statement from leadership laying out their expectations and communicating the ethical principles they feel are most fundamental to success.
- Generally, it reflects the culture already present, or the culture leadership is looking to promote.

TIP:

- **Should** 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.

Check Your Knowledge in 60 Seconds

Answer True or False:

1. Fringe benefit costs are allowable only if reasonable in amount and approved in each instance by the agency Director.
2. Unused leave after retirement or termination is allowable in the year of payment as an indirect cost.
3. Severance pay is allowable if all former employees receive the same severance package.
4. 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.





Risks and SMART Practices

Common Risks

■ Examples:

- Not reviewing salaries and bonuses of individuals and not accounting if the individual is spending partial time on the grant.
- Not evaluating the compensation benefits packages among employees.
- Not tracking employee benefits in accordance with Federal, state, and/or local laws.
- Charging leave cost on a grant without having monies set aside.
- Earning a bonus when working part-time on a grant and the salary already surpasses the limitation.

SMART Practices (1)

- Incorporate into existing practices the salary and bonus limitations and exclusions established by ETA, and make sure they are clearly defined.
- Communicate to key personnel and specify the items of costs requiring prior approval.
- Incorporate into existing policies the salary and bonus limitations and exclusions established by ETA.
- Evaluate the compensation and fringe benefit packages among employee classes/divisions/departments for consistency and verify if employees are being paid for only time worked.

SMART Practices (2)

- Review the organization's policies and verify that liabilities for pension or employee benefit plans, such as vacation leave are funded in accordance with Federal, state and/or local laws.
- Incorporate and update procedures to ensure that allocated cost are consistent with the Uniform Guidance and the organization's cost allocation methodology.
- Communicate to staff how cost and time are tracked and reconciled among specific grants, activities, or cost objectives.

Questions?



Testing For Compliance – Core Monitoring Guide

ETA monitoring aims to assess compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that were discussed during the module's topic.

■ **Objective 2.h: Personnel.**

- The grant recipient's management and staffing are aligned with the SOW, State Plan, or project plan and designed to assure responsible and ethical management of the grant/project.
 - › Indicator 2.h.1: Personnel Policy and Procedures.
 - › Indicator 2.h.3: Salaries.

Personnel and Fringe Benefits Resources

- [Core Monitoring Guide](#)
- [TEGL 5-06: Implementing the Salary and Bonus Limitations in Public Law 109-234](#)
- [OPM Salary Website](#)
Executive Orders
E.O 13985
E.O 13166
- 22 U.S.C. 7102
- Department of Labor Exceptions [2 CFR Part 2900](#)
- WIOA Provisions [20 CFR Part 683](#)
- [WIOA Section 194\(15\)](#)
- [Uniform Guidance Crosswalk PDF](#)
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)
 - [2 CFR 200.430](#)
 - [2 CFR 200.431](#)
 - [2 CFR 200.437](#)
 - [2 CFR 200.447](#)

Thank You!