



<b>Policy Title:</b>	<b>Compensation Policy and Procedures for Grants and Contracts</b>		
<b>Approval Authority:</b>	President	<b>Date Effective:</b>	July 1, 2015
<b>Responsible Office:</b>	Accounting/HR	<b>Responsible Office Contact:</b>	Vice President for Business and Finance

**1. POLICY STATEMENT/REASON FOR POLICY**

The purpose of this policy is to establish general guidelines to ensure that compensation (personnel and fringe benefits) charged to federal grants and contracts is in compliance with federal regulations and the terms and conditions of the award.

**2. ENTITIES AFFECTED BY THIS POLICY**

All BMCC Departments

**3. WHO SHOULD READ THIS POLICY**

All BMCC Department Heads

**4. WEB SITE ADDRESS FOR THIS POLICY**

-This policy can be found at:

<http://www.bmcc.edu/about-bmcc/governance-administration/college-policies>

**5. FORMS/INSTRUCTIONS**

No forms required.

**6. HISTORY**

-Amended: June 6, 2016

-Next Review Date: June 6, 2019

-BMCC reserves the right to revise policies at any time.

## 7. THE POLICY

### **BAY MILLS COMMUNITY COLLEGE COMPENSATION POLICY AND PROCEDURES FOR GRANTS AND CONTRACTS**

#### **POLICY STATEMENT**

One of the largest expenditures charged to federal grants and contracts at Bay Mills Community College is compensation for personnel and associated fringe benefits. The College is responsible for ensuring that the compensation charged to federal awards is reasonable for the services rendered, consistently applied to federal and non-federal activities, and properly allocated in accordance with the rules and regulations as set forth by grantor agencies, the Office of Management and Budget (OMB), and College policy. The personnel and fringe benefit requirements are contained in OMB's 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles § 200.430 Compensation – personal services and § 200.431 Compensation – fringe benefits.

#### **PURPOSE**

The purpose of this policy is to establish general guidelines to ensure that compensation (personnel and fringe benefits) charged to federal grants and contracts is in compliance with federal regulations and the terms and conditions of the award.

#### **POLICY PROCEDURES AND REQUIREMENTS**

##### **I. Definition of Key Terms**

- A. Compensation for Personal Services – All remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits.
- B. Reasonable – Compensation for employees engaged in work on federal awards is consistent with that paid for similar work performed in other activities of the College.
- C. Consistent – Compensation charged to federal and non-federal programs are treated similarly.
- D. Allowable Activities – Reasonable amounts charged to federal awards for activities contributing and directly related to work under an agreement, such as delivering special lectures about the ongoing grant project, writing reports, and attending meetings and conferences.
- E. Extra Service Pay (also called Overload Compensation) – Additional compensation above the faculty base salary which may be charged to a federal award if consistent with the College's written policies, applied uniformly to faculty members working on federal and non-federal projects, and can be determined conclusively that work beyond the base level has occurred.
- F. Fringe Benefits – Allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits may include: the costs of leave (vacation, short term, and personal), health insurance, retirement, disability and life insurance, workers compensation, and other government required benefits.

## II. Compensation Requirements

### A. Allowable Costs of Compensation

Costs of compensation are allowable if they satisfy the following requirements:

1. The cost is reasonable for the services rendered, conforms to the established written policy of the College, and is consistently applied to both federal and non-federal activities.
2. The cost follows an appointment made in accordance with the College's laws and/or rules or written policies and meets the requirements of federal statute, where applicable.
3. The cost is determined and supported by the College's established written personnel policies and adequately documented.
4. The fringe benefits are reasonable and are required by law, College-employee agreement, or an established policy of Bay Mills Community College.

### B. Standards for Documentation of Personnel Expenses

Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
2. Be incorporated into the official records of the College.
3. Reasonably reflect the total activity for which the employee is compensated by the College.
4. Encompass both federally assisted and all other activities compensated by the College on an integrated basis, but may include the use of subsidiary records as defined in the College's written policy.
5. Comply with the established accounting policies and practices of the College.
6. 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.
  - *Note: Budget estimates alone do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that: a) the estimates are reasonable approximations of the activity actually performed, b) significant changes in work activity are identified and entered into the records in a timely manner, and c) the College's system of internal controls includes a process to review after-the-fact interim charges and adjust federal award charges, as necessary.*
7. It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to federal awards, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

## III. BMCC Grant Personnel Policy and Procedures

Bay Mills Community College (BMCC) strives to ensure that the recruitment, hiring, and compensation of employees is equitable, nondiscriminatory, in compliance with federal laws and regulations, and any special terms and conditions of the grant award.

**A. Recruitment and Hiring**

1. It is the policy of BMCC to provide equal opportunity in employment to all employees and applicants for employment. No person will be discriminated against in employment because of race, religion, color, sex, age, national origin, disability, military status, or any other characteristic protected by applicable federal or state law. However, in accordance with the spirit of the Indian Preference Act, PL 88-352-Sec. 707 (1) July 2, 1972, BMCC may grant first consideration for employment to Indians. (Please refer to *BMCC Personnel Policy 201 – Equal Employment Opportunity* for implementation of Native American preference, responsibility of the President's Office, and complaints of discrimination.)
2. Bay Mills Community College's Personnel Policies must be followed for hiring all personnel, including grant-funded positions. (Please refer to *BMCC Personnel Policy 202 – Hiring* for a detailed description of the Hiring Policy and Procedure.)
3. Supervisors and managers who need to fill a job opening or want to add a new job position should submit a memo to the President's Office for approval. All memos will be reviewed, but those for new job positions will be evaluated in greater detail before being approved.
4. Supervisors and managers responsible for filling positions must pay close attention to how the grant describes the responsibilities and qualifications of the positions and any special requirements.
5. BMCC will normally try to fill job openings above entry level by promoting from within, if qualified internal applicants are available.
6. If candidates from outside BMCC are to be considered for job openings, the President's Office will be responsible for recruiting the candidates and should use the recruitment methods and sources it considers appropriate to fill the openings.
7. Applicants determined to be qualified for consideration for available job openings will be interviewed by the appropriate management team and given any tests required for the job.
8. The manager has the responsibility to determine whether an applicant is technically qualified for the open position and meets the other job-related criteria necessary to perform the job.
9. The decision whether to hire the applicant is made by the management team, but must also have the approval of the President.
10. Following a decision to hire an applicant, the management will make an offer of employment which should include any necessary contingencies or disclaimers.

**B. Compensation**

1. Salaries for grant-funded positions will generally be determined in accordance with established College policy.
2. It is the policy of BMCC to pay compensation that is nondiscriminatory and competitive. However, all compensation policy decisions must take into consideration BMCC's overall financial condition and competitive position. (Please refer to *BMCC Personnel Policy 301 – Salary Administration* for more information.)
3. BMCC uses a pay grid to determine the salary based on the level of responsibility and step. The pay grid has an 8% increase between levels and a 4% increase

between steps. Generally, employees in new positions will receive a step each year for the first three years of employment and then every other year thereafter. Some positions have a written employment contract that specifies the annual salary instead of using the pay grid.

4. Great care is taken to ensure that the pay is internally equitable; that is, fair when compared with the salaries established for other BMCC jobs. The Vice President for Business and Finance maintains a list of all employees, which includes their current salary and level/step on the BMCC pay grid. The President compares the responsibility of the new position with similar positions to determine the appropriate salary classification. The President also takes the step increases of new employees into consideration and compares with employees who may be receiving a step every other year.
5. New employees generally will be hired at the starting rate assigned to their job. Supervisors may recommend higher or lower starting rates depending on an applicant's experience or skill level or other competitive considerations. These recommendations will be reviewed and approved before implementation by the President.
6. The grant budget for both salaries and benefits should be reviewed to be sure sufficient funding is budgeted for the positions being filled.
7. In the event that grant funding is insufficient to pay the salary as determined by the normal process, the grant manager will request a reallocation of grant budget funds. If insufficient grant funds are available to pay the computed salary, the salary will be limited to funds available from the grant.
8. In the event that grant restrictions are of a nature that precludes setting grant salaries according to the regular College process, the grant manager may recommend a salary established according to the grant restrictions to the President. The President has the ultimate approving authority.
9. Grant-funded employees will receive the same increases as might be received by regular College personnel as long as the increases are either built into the grant budget or may be incorporated into the grant budget by reallocation of funds among budget categories.
10. BMCC offers certain benefits to eligible employees, including health, life, short and long term disability, and a retirement plan. Eligibility will depend on the specific requirements of each benefit plan. BMCC also provides a number of other benefits, such as leaves of absence and paid vacation, holidays, and sick days. (Please refer to *BMCC Personnel Policy 501 – Disclosure of Benefits* for more information.)
11. Employee benefits for grant-funded employees are the same as those provided to employees not funded by grants.
12. In the event that grant funding is insufficient to pay fringe benefits, the grant manager will request a reallocation of grant budget funds. If insufficient grant funds are available, the grant manager will discuss options, such as reducing the position from full-time to part-time, with the President. The options available will depend on terms and conditions of the grant award and the financial condition of BMCC.

C. **Pay Procedure**

1. It is the policy of BMCC to pay by check on a regular basis and in a manner so that the amount, method, and timing of wage payments comply with any applicable laws or regulations. (Please refer to *BMCC Personnel Policy 304 – Pay Procedures* for more information.)
2. When a new employee is hired, the Bookkeeper provides them with a new hire packet that includes tax forms, benefit information and forms, and other policies that need to be signed and returned prior to their first paycheck.
3. Once the forms have been returned, the Bookkeeper creates the personnel file and sets up the employee in the payroll module of the accounting software.
4. The President or Supervisor provides the Accounting Department with a memo or acceptance letter which includes the approved salary or hourly rate.
5. The President notifies the Vice President for Business and Finance of the program to be charged.
6. The Vice President for Business and Finance assigns the allocation of salary or wages to the appropriate accounts based on a payroll distribution table. The accounting software also allocates the fringe benefit costs for each employee based on the payroll distribution table.
7. The Bookkeeper enters the annual salary and step/level (if applicable), and the accounting software calculates the bi-weekly earnings based on a 26 pay schedule. If the employee is hourly, the hourly rate is entered into the accounting software.
8. The Vice President for Business and Finance reviews the payroll information entered into the accounting software to verify that it is correct before the employee receives their first paycheck.
9. All employees must complete time and attendance records on a bi-weekly basis. Upon completion, the employee certifies that the information is correct by signing the timesheet and gives it to the supervisor. The supervisor signs the record as evidence of review and approval.
10. All time and attendance records are given to the Bookkeeper, who enters the hours worked, short term, vacation, and personal leave when processing payroll. In addition, the hours worked for hourly employees are entered into the accounting software for calculation of gross wages.
11. Payroll is processed every two weeks on Monday or Tuesday with the actual pay date being Thursday.
12. The payroll approval register for the current and prior pay period are given to an authorized check signer to review for consistency and to sign as approval for the checks being issued.
13. All employees are issued paper checks, which are printed with two automated signatures on the check. A few checks are mailed as the employees do not work on site; all others are put in the employee's internal mailbox and picked up by the employee.
14. Employees are eligible for step increases annually or every other year, depending on their year of service. The Vice President for Business and Finance creates a list of all employees eligible for a step increase for the new fiscal year and includes columns

for the current rate and increased rate. The salary of employees who are not eligible for a step increase are also included. The list is given to the President for review.

15. After the salary rates have been approved by the President, the Bookkeeper enters the new salary rates into the accounting software and the Vice President for Business and Finance verifies the salary calculations before the payroll checks are issued.

**D. Time and Effort Reporting**

1. BMCC utilizes an after-the-fact effort reporting system to certify that salaries charged or cost shared to grants and contracts are reasonable and consistent with the work performed. Effort certification is considered a reasonable estimate of how time was expended as opposed to an exact accounting of time.
2. Effort on grants and contracts is expressed as a percentage distribution. Each percentage must reasonably agree with actual effort devoted to each activity in relation to the employee's total effort.
3. The Vice President for Business and Finance maintains the "Employee Programs Charged" document, which lists all of the employees of BMCC during the fiscal year and the program(s) to be charged. It is continually updated throughout the year as employees are hired and for changes in time allocation, based on discussions with grant personnel and the President.
4. If an employee's payroll distribution changes, a journal entry is made in the accounting records to adjust the salaries and fringe benefits to the actual amount that should be charged to the federal award based on the actual payroll distribution.
5. Actual effort expended on each project must be certified by a person with suitable means of verification that the work was performed. On a yearly basis, the President certifies that the distribution of salaries charged to the programs are reasonable in relation to the work performed.

**Contact(s):** Vice President for Business and Finance

**Related Form(s)**

- None

**References**

§ 200.430 Compensation – personal services and § 200.431 Compensation – fringe benefits (Federal Register, Vol.78, No. 248/Thursday, Dec. 26, 2013/Rules and Regulations).

**Relevant Policy or Procedure(s):** Bay Mills Community College Personnel Policies

**Approved by:** President

**Date:** Effective July 1, 2015

**Revised:** June 6, 2016