



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

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STATE SUPERINTENDENT

**MEMORANDUM**

**DATE:** February 2, 2017

**TO:** Local and Intermediate School District Superintendents  
Public School Academy Directors

**FROM:** Kyle L. Guerrant, Deputy Superintendent *KG*

**SUBJECT:** Compensation-Personal Services

The purpose of the memorandum is to provide additional information to subrecipients regarding Compensation-Personal Services through Federal grants administered by the Michigan Department of Education (MDE). As a pass-through entity for Federal grants, MDE has a responsibility to administer and monitor all grants for which MDE serves as the State Education Agency (SEA). Non-Federal entities are required to comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 2 CFR Part 200. This additional information relates to Compensation-Personal Services under Section 200.430.

Policies and Procedures

Compensation-Personal Services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not limited to wages and salaries. Compensation-Personal Services may also include fringe benefits. Costs of compensation are allowable to the extent they satisfy the specific requirements of Federal program guidelines, and the total compensation for individual employees:

1. Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
2. Follows an appointment made in accordance with a non-Federal entity's laws and/or rules written policies and meets the requirements of Federal statute, where applicable; and
3. Is determined and supported as an allowable cost or activity.

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When developing and/or revising policies and procedures regarding Compensation-Personal Services under Section 200.430, here are guiding questions/considerations that must be included in order to be considered for compliance with the Uniform Guidance:

1. Does your organization have records that accurately reflect the work performed?

*Standards for Documentation of Personnel Expenses must:*

- a. Be supported by a system of internal controls to provide reasonable assurance that charges are accurate, allowable, and properly allocated;
  - b. Be incorporated into the official records of the non-Federal entity;
  - c. Reasonably reflect total activity for the employee, not exceeding 100% of compensated activities;
  - d. Encompass both Federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis;
  - e. Comply with established accounting policies and practices of the organization; and
  - f. Support the distribution of employee's salary or wages between specific activities/cost objectives if the employee worked on more than one activity.
2. If your organization is going to use budget estimates for interim accounting purposes, have procedures been implemented that meet the following requirements?

*Budget estimates do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:*

- a. The system for establishing the estimates produces reasonable approximation of the activity actually performed;
- b. Significant changes in the corresponding work activity are identified and entered into the records in a timely manner. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term;
- c. The organization's system of internal controls include processes to review the after-the-fact interim charges made to Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable and properly allocated; and
- d. The reconciliation or review between the time charged to Federal awards based on budget estimates and the actual time worked on Federal awards must be documented and retained for the required retention period (at least three years after the grant period closes).

3. Are salaries and wages of employees used in meeting the cost sharing or matching requirement of Federal awards supported in the same manner as salaries and wages claimed for reimbursement for federal awards?

#### MDE Monitoring Procedures

Program offices at MDE will monitor and/or determine compliance with the minimum requirements for compensation provided in 2 CFR Part 200.430, including the following:

1. Review and determine if charges to the Federal awards for salaries and wages are based on records that accurately reflect the work performed. For records that meet the requirements in the Uniform Guidance, subrecipients will not be required to provide additional support or documentation for the work performed. Personnel Activity Reports (PARs), including prescribed certifications may no longer be required. Agencies may be required to provide additional support or documentation for the work performed. These could include PARs, including prescribed certifications, or equivalent documentation that support the records.
2. Review and approve and/or provide technical assistance in regards to submitted compliance/corrective action plan from the subrecipient.
3. Review and approve completion of evidence as necessary.
4. Follow up and close the monitoring visit activity after the subrecipient is deemed compliant.

Each subrecipient is expected to develop a Compensation-Personal Services policy and procedure and update as necessary. Compensation records must be readily available when requested by MDE for monitoring. If you have specific questions regarding this memo, please contact the appropriate administering MDE program office.

cc: Michigan Education Alliance