

Executive Summary
CFR 200.430 Compensation – personal services

2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards went into effect on December 26, 2014.

Substantive changes were included in this section and there is a new emphasis on strong internal controls to support the documentation of salary charges instead of the previous prescriptive examples that were included in A21. References to certification have been **eliminated** as well as the requirement for an ‘independent internal evaluation’ system, i.e. a separate system is not required to ensure salary and wages are accurate, reasonable for the work performed and properly allocated. The emphasis is on written policies, strong internal controls and “consistent definition of work covered by IBS”. There is an expectation that “the non-Federal entity’s system of internal controls includes processes to review after-the-fact” charges for personal services must reflect the work performed.

Section (h) includes revised and new language (e.g., allowable salary activities, institutional base salary, etc.), which in most situations, more accurately describes concepts applicable to institutions of higher education.

Section (h)(2) defines Institutional Base Salary as “...the annual compensation paid by an IHE for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE.”

Most significant are the *Standards for Documentation of Personnel Expenses* detailed in 200.430(i), highlights of which include:

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

(i) Be supported by a system of internal control...

(ii) Be incorporated into the official records...

(iii) Reasonably reflect the total activity for which the employee is compensated..., not exceeding 100%...

(iv) Encompass both federally assisted and all other activities compensated...

(v) Comply with the established accounting policies and practices...

(vii) Support the distribution of the employee’s salary or wages among specific activities or cost objectives...

(viii) Budget estimates...may be used for interim accounting purposes, ...

[Note: Institutions will need to have a process in place that allows for after the fact review as well as when the estimate becomes an expense.]

(ix) ...records may reflect categories of activities expressed as a percentage distribution of total activities.

(x)...a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) ...charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Cost sharing/matching S&W must be supported in same manner as S&W charged.

(5)*N/A to IHE*

(6) Cognizant agencies encouraged to approve proposed alternatives based on outcomes and program performance.

(7) Provides for alternative performance accountability for similar purpose or approved blended funding awards.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.