



BRIGHT FROM THE START
Georgia Department of Early Care and Learning
10 Park Place, Suite 200, Atlanta, Georgia 30303
(404) 656-5957

Sonny Perdue
GOVERNOR

Marsha H. Moore
COMMISSIONER

September 8, 2005

Dear CACFP Independent Centers and Center Sponsors,

The enclosed policy memorandum pertains to compensation plans that must be on file in order to claim labor or any other elements of compensation under the Child and Adult Care Food Program. This policy memo is to provide additional guidance for compensation plans in accordance with federal regulations on Financial Management for all independent centers and center Sponsors that participate in the Child and Adult Care Food Program (CACFP).

FNS Instruction 796-2 Rev. 3 requires institutions to establish and maintain a written compensation plan for every element of compensation charged to the CACFP. The enclosed policy memo provides guidance and lists the minimum elements of compensation required in the compensation plan; therefore, an organization's compensation plan may encompass many more areas, it must at a minimum include the areas covered in the memo.

Also attached is a sample compensation plan for your review. This compensation plan is a sample only and should only be used for guidance when developing a compensation plan. Institutions must develop their own compensation plan based on their specific needs and benefits offered.

For questions, concerning this memorandum, please contact Marissa L. Hamm, Nutrition Policy Administrator, at (404) 651-7181. Thank you for joining us in our continuing commitment to eradicate hunger and ensure nutritious meals for all Georgians.

Sincerely,

Jackie Romain, Director
Nutrition Services Division

JR :jg

Enclosure: Guidance for Establishing Compensation Plans
Sample Compensation Plan



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MEMORANDUM

Date: September 8, 2005

To: CACFP Independent Centers and Center Sponsors

From: Jackie Romain, Director
Nutrition Services Division

RE: Guidance for Establishing Compensation Plans

This policy memo is to provide guidance concerning compensation plans in accordance with federal regulations on Financial Management for all independent centers and center sponsors that participate in the Child and Adult Care Food Program (CACFP).

FNS Instruction 796-2 Rev. 3 requires institutions to establish and maintain a written compensation plan for every element of compensation charged to the CACFP. Elements of compensation include salaries/hourly rates, employment taxes and fringe benefits, overtime compensation, holiday pay and incentive payments/awards and severance pay. When an institution does not have a compensation plan that meets the following criteria, it may not charge labor costs to the CACFP. Upon determining that an institution does not have the required documentation to support charging labor costs to the CACFP, the institution will be given the opportunity to correct this inconsistency. If the institution does not sufficiently address the minimum items that must be included in a compensation plan, it will be required by Bright from the Start to utilize CACFP reimbursement in a cost area other than labor costs.

The compensation plan must at a minimum include the following items:

- 1) Rates of pay
- 2) Hours of work including breaks and meal periods
- 3) The institution's plan and payment schedule for regular compensation, employment taxes, fringe benefits, overtime, compensatory time, holiday pay, awards, severance pay, and payroll tax withholding.
 - a. Overtime, compensatory time, holiday pay, incentive payments/awards, and severance pay require specific prior written approval from Bright from the Start for each instance and should be included in the institution's plan and payment schedule when applicable.

The compensation plan must reflect the requirements of the United States Department of Labor's Fair Labor Standards Act (FLSA) for all FLSA nonexempt employees.

1. Rates of Pay

Rates of pay for individual positions or position groups must be indicated in the compensation plan and 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).

Salaries or hourly rates for all labor must be consistent with rates paid for similar or exact positions in the same area in which the institution is located. Institutions may determine a salary or hourly rate based on the salary/hourly rate range for a specific occupation provided by the US or GA Department of Labor which can be found at the following web pages:

The US Department of Labor at www.bls.gov/oes/current/oes_ga.htm#otherlinks
Georgia Department of Labor at www.dol.state.ga.us/em/occupational_wages.htm

The institution's compensation plan and supporting documents used to ensure that all labor costs for positions of the Institution are not only necessary but also reasonable according to FNS Instruction 796-2 Rev. 3 and the US/GA Department of Labor must be on file. Bright from the Start reserves the right to determine what is a necessary and reasonable cost according federal regulations.

2. Hours of Work

For a group of employees or positions, the actual range of work hours any employees in that position may work must be documented. For example, the working hours of the position title of secretary, may be between the hours of 8:00am to 5:00 pm.

3. The Institution's Plan and Payment Schedule

a. Regular compensation

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 frequency at which employees are paid most also be noted, i.e. weekly, biweekly, monthly, etc.

b. Employment and Social Security taxes

The compensation must indicate how the institution pays employment and social security taxes and the frequency at which these items are paid. Institutions are required pay its 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, institutions must record employment taxes in the same manner (i.e. cash or accrual) and at the same time as the wage benefit. Religious organizations may request exemption from Social Security and Medicare taxes. Please review Internal Revenue Service's (IRS) Employer's Tax Guide supplement (Publication 15-A).

c. Fringe Benefits

The compensation plan must specifically state any fringe benefits that the employee is provided by the institution. Fringe benefits include vacation leave, sick leave, retirement plans, health/dental insurance portions paid by the institution, or any other type of benefit to the employee.

Institutions may use CACFP funds to pay its share of fringe benefits for CACFP employees or employees who perform CACFP duties when all employees receive the same benefits. Institutions must also record fringe benefits costs in the same manner (i.e. cash or accrual) and at

the same time as the wage benefit. Similar to wages, fringe benefits must be prorated for employees who work on both Program and non-Program activities. All stipulations for fringe benefits must be in accordance with FNS Instruction 796-2 Rev.3.

- d. Overtime, Compensatory time, Holiday pay, Incentives payments/Awards, and Severance pay
The institutions plan for paying overtime, compensatory, holiday pay, and severance pay must be specifically noted. If monetary incentives or awards are provided, the criteria for receiving the incentive or award must be specifically listed along with the monetary value.

Overtime, compensatory time, holiday pay, incentives payments/awards, and severance pay have several stipulations and require special consideration and specific prior approval from Bright from the Start. Please review FNS Instruction 796-2 Rev.3.

- e. Payroll Tax Withholding

The compensation plan must describe how institutions participating in the CACFP that hire employees (not contractors) to perform CACFP duties and/or pay employees with CACFP funds will pay employment taxes regardless if the institution has proprietary (for profit) or nonprofit status. As part of the institution's compensation plan, the frequency for filing and payment of taxes must be noted.

The plan should 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 if 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 15) and its supplement (Publication 15-A). Available at: <http://www.etax.dor.ga.gov/taxguide/1204empTaxGuide.pdf> and www.irs.gov/pub/irs-pdf/p15a.pdf, respectively.

Georgia Department of Revenue's Employer Tax Guide. Available at: www.etax.dor.ga.gov/taxguide/1204empTaxGuide.pdf

Georgia Department of Labor's Unemployment Insurance: The Employer's Handbook. Available at: www.dol.state.ga.us/pdf/forms/dol224.pdf

If you have any questions concerning this memorandum, please contact the Policy Administrator at (404) 651-7181.

ABC, Inc.

Compensation Plan

A. 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>Group of Employees</u>	<u>Salary ranges; Annually or per hr</u>
Cooks	\$15,720-29,180/yr
Childcare worker	\$15,610-19,019/yr
Monitors	\$8.48-17.05/hr
Office and Administrative	
Support Workers	\$22,560-25,040/yr
Dietitians or Nutritionist	\$12.00-25.38/hr

B. Hours of Work

The hours of operation are twelve (12) hours, between 6:00am –6:00pm.

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>
Cooks	6am-6pm
Monitors	9am-6pm
Office and Administrative	
Support Workers	9am-6pm
Dietitians or Nutritionist (contractor)	9am-6pm

C. Policy 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 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.

Mileage Reimbursement†

- Employees who use their own vehicle will be reimbursed at the Federal mileage reimbursement rate for the current year.

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 Years Day
Martin Luther King Day
Memorial Day
Independence Day
Thanksgiving Day
Friday after Thanksgiving
Christmas Eve
Christmas Day

- 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
 - ABC, 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 FUTA (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 aW-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 Bright from the Start: Georgia Department of Early Care and Learning

† - Indicates that item requires **prior approval** from Bright from the Start: Georgia Department of Early Care and Learning