



Guide Sheet

Payroll

Payroll is an organization's financial record of their employees. Payroll encompasses salaries, wages, and deductions. Employees receive earnings after deductions, such as federal and state taxes and benefits, have been paid. The earnings received are paychecks based on pay periods, specified by their employer.

Grant Financial Management Requirement

According to the DOJ Grant Financial Management Training, charges made to federal awards for salaries, wages, and fringe benefits must be based on records that accurately reflect the work performed under each specific grant award, and conform to the established written policies of the organization consistently applied to both federal and non-federal activities (see 2 CFR 200.430). All salaries, wages, and fringe benefits charges must be in line with federal laws, the recipient's or subrecipient's written policies, and state laws. They must be approved by an authorized official, and kept in accordance with generally accepted accounting principles.

Important Information to Know

The following is an overview of how organizations process payroll and how to comply with federal and state requirements (as applicable).

Collect employee information

- ▶ The organization verifies work eligibility of new employees through Form I-9—Employment Eligibility Verification.
- ▶ The employee will have to complete Form W-4—Employee's Withholding Allowance Certificate, as employers must withhold amounts for federal and state taxes.

Calculate net pay

- ▶ The organization collects employees' signature-verified time and effort records for review and approval by supervisors.
- ▶ Supervisors ensure employees' time is accurate, authorized, and appropriately coded to the correct cost center, project, or program.

Process payroll

- ▶ The organization withholds the federal income tax from employees' earning based on each employee's Form W-4 election.
- ▶ The organization withholds employees' share of Social Security and Medicare taxes.
- ▶ The organization withholds state income or payroll taxes, if applicable.



- ▶ The organization withholds tribal and local taxes, if applicable.
- ▶ The organization withholds benefit payments.

Issue Payments

- ▶ The organization pays the employee's net pay via direct deposit or by issuing a paper check.

How This Applies to Your Grant

If a grantee has payroll on their grant, they must follow specific guidelines to ensure compliance.

- ▶ The payroll system must provide reasonable assurance that each payroll charge is accurate, allowable, and properly allocated.
- ▶ Payroll charges must be officially documented in the organization's records.
- ▶ The supporting documentation should reasonably demonstrate the complete activity in which the employee was compensated.
 - ▶ The records may include the use of subsidiary records, as defined in the organization's written policies.
- ▶ The organization must have written documentation that reasonably supports the allocation or distribution of costs for specific activities or cost objectives when a grantee works on:
 - ▶ More than one federal award.
 - ▶ A federal award and non-federal award.
 - ▶ An indirect cost activity and a direct cost activity.
 - ▶ Two or more indirect activities, which are allocated using different allocation bases.
 - ▶ An unallowable activity and a direct or indirect cost activity.

Examples of Proper Documentation to Support Payroll Charge

- ▶ Timesheets
 - ▶ Time and effort reports
 - ▶ Certified activity reports
- ▶ In cases where two or more grant awards constitute one identified activity or program, salary charges to one award may be allowable after written permission is obtained from the awarding agency.
 - ▶ Payroll records should also reflect either after-the-fact distribution of actual activities or certifications of employee's actual work performed.

Salary Limitations

For awards that are more than \$250,000, grantees may not use their federal funds to pay employee's compensation at a rate that exceeds 110% of the maximum annual salary payable to a member of the federal government's senior executive service (SES) at an agency with a [Certified](#)



[SES Performance Appraisal System](https://www.opm.gov/policy-data-oversight/senior-executive-service/compensation/) for that year. This applies to all DOJ grantees. The current year's pay scale for SES is available at: <https://www.opm.gov/policy-data-oversight/senior-executive-service/compensation/>.

**Sample Calculation of Maximum Employee
Compensation From a Federal Grant**

$\$200,000 \times 110\% = \$220,000$
Project Director Salary: \$250,000
 $\$250,000 - \$220,000 = \$30,000$

Organization is responsible for: \$30,000

Disclaimer: This is an example and it is not the actual federal salary maximum.

If a grantee has an employee with a compensation at a higher rate, they can pay the excess of the limitation with non-federal funds.



Resources

U.S. Department of Justice. (2024). *DOJ Grants Financial Guide*.
<https://www.ojp.gov/DOJFinancialGuide>

McBeth, K. (2020.) What is payroll? A 2021 guide to processing payroll.
<https://quickbooks.intuit.com/payroll/what-is-payroll/>

Disclaimers

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