

### What is Payroll?

Payroll is the total amount of wages paid by an entity to its employees. It can be the entity's largest business expense. The following is an overview of how payroll is processed and how to comply with Federal and state requirements (as applicable).

### What are payroll practices for new employees?

- ◆ Employees complete new employee orientation procedures, which consists of completing Forms I-9 and W-4s.
- ◆ A payroll staff member:
  - ◆ Verifies work eligibility of new employees through the Form I-9 Citizenship Employment Eligibility Verification (I-9) – both employees and employers must complete the form.
  - ◆ Gives the employee a Form W-4 Employee's Withholding Allowance Certificate to complete.
- ◆ The entity leadership ensures compensation for personal services complies with 2 CFR 200, such as having employee timesheets supported by a system of internal controls which reflect the accuracy, allowability, and actual activity for the payroll expenses.

### What payroll practices happen in advance of each payday?

- ◆ Employees submit "time and effort" signature-verified records for review and approval by their supervisors.
- ◆ Supervisors ensure employees' time is accurate, authorized, and appropriately coded to the correct cost center, project, or program.
- ◆ Payroll staff then:
  - ◆ Withhold federal income tax from employees' earning based on each employee's Form W-4 election
  - ◆ Withhold employees' share of social security and Medicare taxes
  - ◆ Withhold employer share of social security and Medicare taxes
  - ◆ Withhold state income or payroll taxes
  - ◆ Withhold tribal and local as applicable
- ◆ The entity leadership ensures payroll deposits are made by the appropriate schedule (e.g., monthly or semiweekly).
- ◆ For more information on salaries and wages charged to a Federal award, [see the OVC TFMC Time and Effort Tracking Guide](#).

## What payroll practices happen quarterly (by April 30, July 31, October 31, and January 31)?

- ◆ Payroll staff:
  - ◆ Files Form 941 Employer's Quarterly Federal Tax Return (paying the tax with the return if a deposit hasn't yet been required)
  - ◆ Deposits Federal Unemployment Tax if the un-deposited amount is over \$500
  - ◆ Files any payroll reports required by the state (income tax withholding, workers' compensation, state unemployment tax, etc.)

## What payroll practices happen annually?

- ◆ Payroll staff:
  - ◆ Reconcile Form W-2s with the quarterly Form 941
  - ◆ Furnish employees a Form W-2 and reconcile Form 941 with Forms W-2 and W-3
  - ◆ File Form 940 Employer's Annual Federal Unemployment Tax Return
  - ◆ File state payroll tax reports
- ◆ Tribal nonprofits and tribal governments are responsible for some of the same tax reports to the Internal Revenue Service (IRS) such as federal tax reports for payroll as shown in Table 1 below.
- ◆ Employees update their Form W-4s, if needed.
- ◆ See the [OVC TFMC Financial and Tax Reporting Guide](#) for additional guidance.

## References

- ◆ [U.S. Citizenship and Immigration Services](#)
- ◆ [IRS Circular E](#)
- ◆ [2 CFR 200 Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards; see section §200.430 Compensation—personal services](#)
- ◆ [2 CFR §200.431](#) – Compensation – fringe benefits

## Resources

- ◆ [OVC TFMC Time and Effort Tracking Guide](#)
- ◆ [OVC TFMC Financial and Tax Reporting Guide](#)



The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. OVC TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to [TFMC@OVCTFMC.org](mailto:TFMC@OVCTFMC.org)** or call **703.462.6900**. Visit [OVCTFMC.org](http://OVCTFMC.org) for additional resources and information.

## Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to [Evaluation@OVCTFMC.org](mailto:Evaluation@OVCTFMC.org).

*This product was supported by contract number GS-00F-010CA, awarded by the Office for Victims of Crime, Office of Justice Programs, U.S. Department of Justice. The opinions, findings, and conclusions or recommendations expressed in this product are those of the contributors and do not necessarily represent the official position or policies of the U.S. Department of Justice.*

*This resource has been carefully prepared by the OVC Tribal Financial Management Center (TFMC) for general financial management informational purposes only. This resource does not constitute legal, accounting, tax, or other professional advice. While OVC TFMC makes every effort to update content on a regular basis, we recognize each grantee's unique operating environment. OVC TFMC recommends consultation with independent advisors as well as review of the most recent versions of the [DOJ Grants Financial Guide](#) and the [OMB Uniform Guidance](#) when making any decisions about your award, requirements, or individual circumstances.*