



MAXIMUS Higher Education

Pooled Fringe Rates – How to Determine if they are Right for Your Institution

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Agenda

- Introduction to MAXIMUS and Higher Education Practice
- What We Know About Fringe Benefits
- Methods to Charge Fringe Benefits
- Pros/Cons of Each Method
- Considerations for Transitioning to a New Method

MAXIMUS Higher Education Practice

- Serves more than 200 colleges and universities in 49 states plus Puerto Rico and the U.S. Virgin Islands
 - 90 of top 100 research institutions
 - Ranging from <\$1M to >\$1B in research
- Headquartered in Northbrook, Illinois
 - Satellite offices in: Colorado Springs, Colorado | Lexington, Kentucky | Columbus, Ohio | Phoenix, Arizona | Charlottesville, Virginia | Bluffton, South Carolina
- MAXIMUS is a leading provider of government services worldwide with more than 30,000 employees and \$2.0+ billion annual revenue

MAXIMUS Higher Education Practice

F&A Consulting Services

- F&A Cost Rate Proposal Preparation (Long and Short Form)
- Negotiations (DHHS-CAS & ONR/DCAA)
- Space Surveys/Reviews
- Fringe Benefit Rates
- Federal Disclosure Statement (DS-2) and Direct Costing Policy
- Service Centers and/or Recharge Centers Rates and Policies

F&A Software

- Comprehensive Rate Information System (CRIS®)
 - 200+ universities use CRIS
- WebSpace® – Space Utilization Software
 - 60+ universities use WebSpace

The logo for CRIS (Comprehensive Rate Information System) features the letters "CRIS" in a bold, blue, sans-serif font with a slight shadow effect.

WebSpace

Other Services and Products

- Internal Controls Consulting and Effort Reporting Software (ERS)
- Uniform Guidance Diagnostics and Compliance Consulting
- Pre and Post Award Consulting Services and Training
 - Research Operational Reviews – Business Process Review and Improvement – Change Management
 - Policy Review and Development
 - Onsite and Online Training in Grant Management
 - Fringe Benefit Rates

What We Know About Fringe Benefits

- Fringe benefits (Fringe) are costs incurred by employers for employee health plans, pension plans, workman's compensation, etc.
- Funders reimburse for most Fringe costs provided to employees.
- Fringe is typically included in a proposal budget as a percentage of total salary requested by employee.
- Salaries and Fringe generally represent the largest component of cost on a project so recovery for fringe benefit costs is important

What We Know About Fringe Benefits – Examples

- FICA
- Medicare
- Worker's Compensation
- Health insurance premiums paid by employer
- Employee tuition remission (not dependent)
- Flex-transportation
- Unemployment insurance
- Short/long term disability
- Life insurance
- Staff/faculty assistance
- Child/elder care, employee physicals

What We Know About Fringe Benefit Costs – Types

Regular compensation paid to employees during periods of authorized absence (i.e. vacation)



Employer matching contributions (i.e. FICA)




Additional employer only contributions
(i.e. Workers Compensation)

Fringe Benefits – Definition per 2 CFR 200

200.431(a)- Compensation-fringe benefits

- Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages
- Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-federal entity employee agreement, or an established policy of the non-federal entity

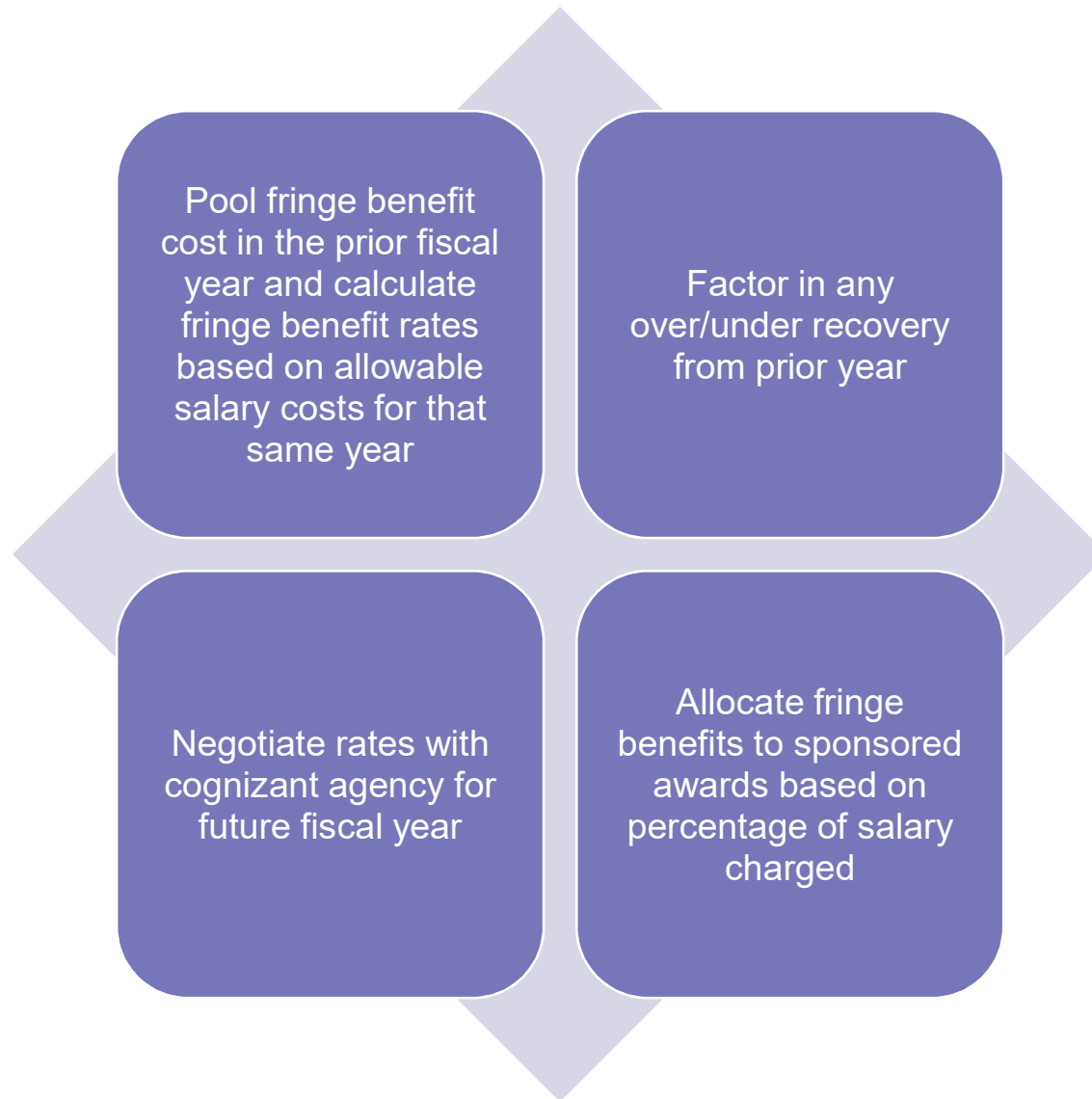
Methods for Charging Fringe – “Charge Actuals”



Determine the actual fringe benefit costs incurred during the pay period for each employee paid from a sponsored award

Allocate total fringe benefit cost based on the salary charged by each employee paid from a sponsored award

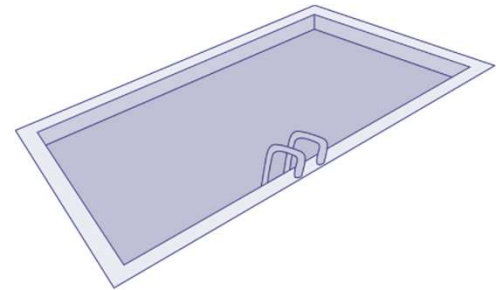
Methods for Charging Fringe – Composite Rate



Methods for Charging Fringe Benefits – Composite Rate

More about pools...

- **Fringe Benefit Pool consists of both:**
 - The actual cost of fringe benefits provided to each employee
 - The recovery of these costs through application of a fringe benefit rate.
- Fringe benefit sub-pools may be used
- Accounted for similar to a service center



Methods for Charging Fringe Benefits – Composite Rate

More about annual submission...

- Due date: six months after fiscal year end
- Must be able to reconcile to financial statements
- Must be able to reconcile between Finance and HR systems
- Must be able to support your costs and carryforward
- Recommend cover letter, narrative and supporting schedules by rate requested
- Fixed with carryforward rates

Methods for Charging Fringe Benefits – Composite Rate

More about annual submission...maybe not

- Due date: six months after fiscal year end
- Submit with F&A proposal for Fyxx base year
- Typically only available to short form institutions
- Easier submission but won't fully recover your costs, especially health insurance and retirement

After Submission – Government Review or Audit

Focused on largest rate drivers

- Health insurance
- Retirement
- Wage base

Concerns

- Equitable distribution of costs to employee groups
- Consistency in charging and budgeting
- Excessive carry forwards

Pros/Cons of Charging Actuals

Pros

- Recovery happens in real time
- Generally no changes to technology solutions

Cons

- Some institutional costs do not get reimbursed due to difficulty in allocating by employee
- Inconsistent with proposal budget
- More difficult to project/budget costs
- More transactions; increased burden

Pros/Cons of Pooled Rates

Pros

- Consistent with proposal budget
- Better for institutional and PI budgeting/planning
- Generally better recovery of costs including prior year loss
- Fewer transactions
- Reduction of administrative burden for campus users

Cons

- Annual calculation and negotiation during audit season
- Two-year lag in recovering actual costs
- System may not be able to store multiple and time-dated rates

Transition Considerations

Moving to Composite Rates

- Coordination with Human Resources, Information Technology, Sponsored Awards
- Pooling of actual fringe benefit costs and projections of future costs
- Human Resource, Payroll and Financial data integrity
- Policy, procedure, and technology changes

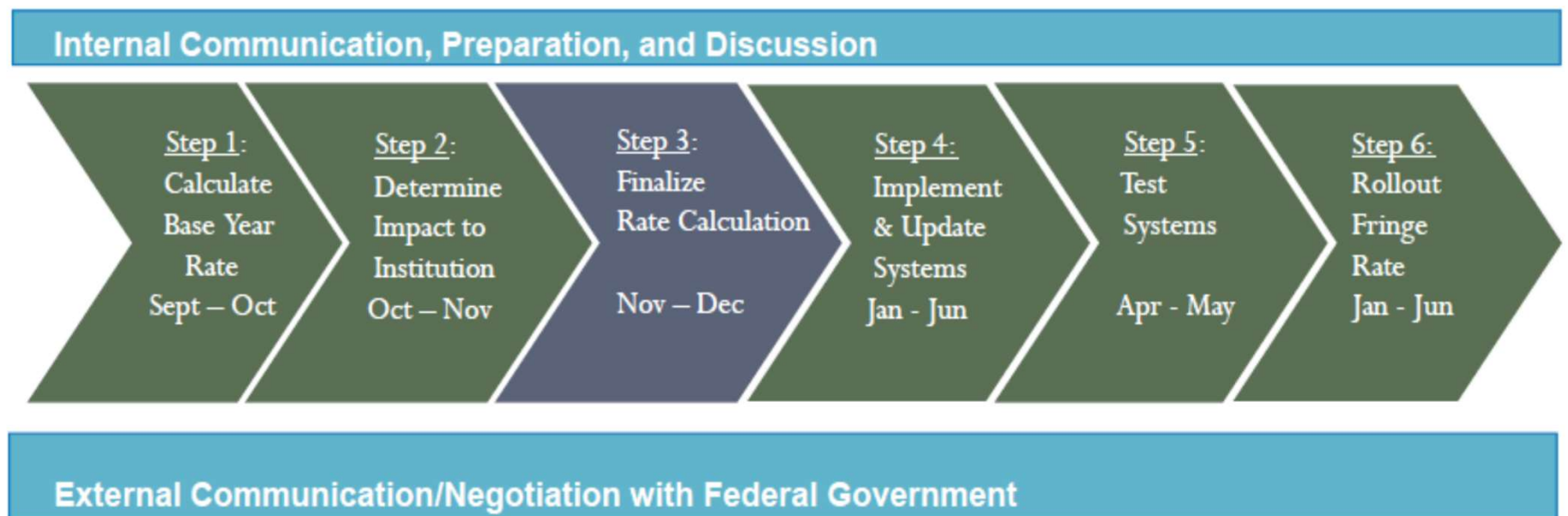
Transition Considerations

Moving to Composite Rates

- Campus Communications
- State System Rules / Limitations
- Determining Optimal Rate Structure

Developing Fringe Benefit Rates – Implementation

- Decide when you plan to implement
- Consider your F&A base year and next F&A Cost Rate Proposal timeline
- Identify who is going to be responsible for this project



So Yes...Composite Rates are Generally Great!

- But, are they right for your institution?
- Did you get the information you need here to start that evaluation?
- Additional questions?

Upcoming Webinars



Service Centers

June 4 | 2:00 p.m. ET

Information for F&A Short Form Institutions

July 16 | 2:00 p.m. ET

Tips for Becoming a CRIS Power User

August 20 | 2:00 p.m. ET

Alternative Methods for Documenting Compensation – October 2019

Upcoming Workshops and Annual Meeting



F&A Workshop

April 9 to April 11 | Chicago, IL

CRIS University:

Introduction to CRIS Workshop

May 14 to May 16 | Northbrook, IL

32nd Annual MAXIMUS Higher Education Practice Meeting

September 2019 | Location TBD

F&A Long Form Training Workshop –
in conjunction with Annual Meeting

Questions



thank
you

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