

University of Missouri System

Accounting Policies and Procedures



Policy Number: APM-60.40

Policy Name: Federal Flat Rate

General Policy and Procedure Overview:

The University of Missouri, as a land-grant research institution, strongly supports the participation of its faculty and staff in the discovery, application, and dissemination of knowledge including extramurally-sponsored teaching, research, and service projects. The University incurs costs in carrying out sponsored activities and it is, therefore, appropriate for the University to seek compensation for all costs in a responsible and equitable manner.

This policy discusses the allocation of fringe benefit costs to federally sponsored awards. A flat rate benefit charge is used to post benefit charges against all appropriate cost centers for the University. This rate may differ from the federally negotiated flat rates for the campuses, Hospital, and the School of Medicine. Any differential in the flat rate benefit charge and the negotiated federal rate must be adjusted on the federally sponsored program and funded by other sources.

Definition of Key Terms:

Flat Rate Benefit charge - Rate used by the University when charging departments for the cost of benefits on eligible employees. The rate is re-calculated by the University's Employee Benefits office ("Benefits Office") on an annual basis using historical and actuarial data. The rate is applied to all benefit-eligible employees, regardless of the benefit programs in which they are enrolled.

Federally Funded Projects and Programs - The University uses certain designated Program and Project ChartFields to reflect any revenues that have an original source of federal dollars from federally sponsored projects, federal appropriations or they may flow through state grants or other universities or agencies.

CFDA number - The Catalog of Federal Domestic Assistance (CFDA) number reflects the program source of federal dollars. This number must be recorded on all federal direct or flow-through Projects in the Award Profile of the PeopleSoft Grants Module.

Cost Sharing - University funds that are committed and spent in conjunction with a sponsored program. These funds must have the corresponding ChartField on the transaction.

Negotiated Federal Rate – The benefit rate that is applicable to federally funded awards. This rate is negotiated between the University (Benefits Office, Controller's Department, and Office of Sponsored Programs) and the United States Department of Health and Human Services ("DHHS"). All campuses have the same negotiated rate except for a separately negotiated rate for the Hospital and the School of Medicine—Columbia.

Bridge Table - Table in the PeopleSoft Finance system that stores payroll detail by employee when the payroll interface is run from the HR/Payroll system. This table is used for financial reporting drilldown and is updated when payroll correcting entries are made.

Detail Policy and Procedure:

The University charges benefits to applicable ChartField strings using the Flat Rate Benefit Charge. This flat rate may vary from the rate negotiated with DHHS; thus, it is necessary to adjust for discrepancies between the Negotiated Federal Rate and the University calculated flat rate.

A separate benefit rate has been negotiated for the campuses, the School of Medicine, and the Hospital. The rates and differentials are listed below:

	FY 2009	FY2010	FY2011	FY2012
Flat Rate for University (excluding HOSPT and School of Medicine)	21.22%	24.00%	22.72%	24.22%
Negotiated Federal Rate	<u>24.00%</u>	<u>21.40%</u>	<u>16.60%</u>	<u>19.60%</u>
Differential	2.78%	2.60%	6.12%	4.62%
Flat Rate for School of Medicine	18.77%	21.20%	19.88%	20.56%
Negotiated Federal Rate	<u>21.20%</u>	<u>18.60%</u>	<u>14.20%</u>	<u>16.60%</u>
Differential	2.43%	2.60%	5.68%	3.96%
Flat Rate for Hospital	23.64%	24.00%	24.66%	26.50%
Negotiated Federal Rate	<u>24.00%</u>	<u>21.40%</u>	<u>16.60%</u>	<u>19.60%</u>
Differential	.36%	2.60%	8.06%	6.90%

Flat Rate is entered into PeopleSoft by the Benefits Office. The Negotiated Federal Rate adjustment is entered by the Controller’s Office into PeopleSoft. As a control, an independent review takes place in the Controller’s Office to verify the rates and calculations and ensure accuracy with every payroll process.

Cost sharing dollars in non-grant funds must show the same benefit rate charge as the grant. The differential between the calculated and negotiated benefit expense is charged to the same ChartField string but with a Project of 00. This differential is recorded in the general ledger in a clearing ChartField under the Benefits Office and is funded by the campuses.

University Extension and the College of Agriculture use a Program to designate expenses funded by federal dollars on non-grant ChartFields. The determination of whether a grant Project is funded with federal dollars is identified using the CFDA field in the grants tables.

The allocation process in PeopleSoft is used to analyze all benefit transactions that meet the defined criteria and create an entry to cause a reduction in benefit charges on that ChartField string. The reduction is not shown by employee, only by ChartField string. These entries do not update the bridge table so all employees are shown in the bridge table and in the drill down at the full benefit rate. The adjustment is only made at the ChartField string level.

The allocation process runs every time a payroll is confirmed and the interface is run. It is also run on the first working day of the month for any correcting entries that have been posted since the last time it was run.

Responsibility:

Office of Sponsored Programs:

- Ensure the CFDA field on grant projects is correct.

Benefits Office:

- Monitor the balance in the clearing fund.

Controller's Office:

- Verify the clearing ChartField string is zero and that the balances have been transferred to the proper ChartFields annually.
- Review the Flat Rate Benefit Charge and Negotiated Federal Rate adjustments in PeopleSoft and test calculations to ensure their accuracy after every payroll is posted to the finance system.
- Maintain and run the allocations to adjust the benefit charges.

Effective Date: July 1, 2009

Revised Date: June 1, 2009

Questions and Comments?

Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.