CHARGING OF FRINGE BENEFIT COSTS POLICY

I. POLICY STATEMENT

This policy documents the charging of fringe benefit rates to Auburn University (the University) FOAPs, including sponsored project funds.

II. POLICY PRINCIPLES

In order to ensure the University's benefit costs are properly and equally charged among users and to ensure University units are not improperly charging for benefits, the University has adopted a federally approved fringe benefit rate.

III. EFFECTIVE DATE

This policy is effective October 1, 2009 and revised October 1, 2016.

IV. APPLICABILITY

This policy applies to any University FOAP which has been charged salary or wages for a faculty member, staff member (including administrative and professional), or graduate student. The employee may be full or part-time personnel.

V. POLICY MANAGEMENT

Responsible Office: Business & Finance

Responsible Executive: VP Business & Finance and CFO

Responsible Officer: Controller

VI. DEFINITIONS

College Work Study Plan AU/AUM:	The amount the University pays in wages for college work study students for AU and AUM.
Compensatory Pay Termination:	The amount the University pays in addition to an employee's regular salary or wage cost.
Employee Tuition Reimbursement:	The amount the University expenses related to the *Employee Educational Improvement Benefit*.
FICA:	The amount the University pays for Social Security payroll taxes, which are collected under the authority of the Federal Insurance Contributions Act (FICA).
FOAP:	Acronym used to refer to the University's Chart of Accounts.

	F: Fund (source of money) O: Organization (department) A: Account (revenue or expense description P: Program (function of expenditure)
Fringe Benefit Rate:	Expression of the University's cost of fringe benefits expressed as a percentage of salary and wage costs.
Health Insurance:	The amount the University pays to support the self-insured group health insurance program for eligible employees.
Life Insurance:	The amount the University pays related to eligible employees' coverage for life insurance.
Long-Term Disability:	The amount the University pays to provide coverage up to 60% of the employee's salary. This begins after the first six month period an employee is on disability.
Mandatory Retirement:	The amount the University pays for each employee who participates in the Retirement Systems of Alabama.
On-The-job Injury:	The amount the University pays related to on-the-job injury claims.
Paid Leave Costs:	Paid leave is included as part of the normal cost for salaries and wages when leave time is granted. University leave policies can be found in the University Policy Database: https://sites.auburn.edu/admin/universitypolicies/default.aspx
Professional Improvement Leave Payments:	The amount the University pays in salary costs while an eligible employee is on Professional Improvement Leave.
Retiree Insurance (PEEHIP):	The amount the University pays for retiree insurance (PEEHIP).
Severance Pay:	The amount the University pays in association with a compensation package offered at termination.

Sick Leave at Termination:	The amount the University pays at termination for eligible employees related to accrued sick leave.
Supplemental Pay:	The amount the University pays in addition to an employees' annual salary or wage.
Termination Payments:	The amount the University pays to employees for accrued vacation or sick leave, which was unused at the time of termination.
Undergraduate Student:	The amount the University pays in wages for undergraduate students.
Unemployment:	The amount the University pays for unemployment insurance claims for eligible employees.
Vacation Leave at Termination:	The amount the University pays at termination related to accrued vacation leave.
Voluntary Retirement Matching:	The amount the University matches for an eligible employee's contribution to a voluntary retirement program.

VII. POLICY PROCEDURES

7a. Annually, the University estimates the benefit costs for the following year to project a benefit rate for that year. Costs are projected for each benefit by referring to actual prior year costs and adjusting them, taking into consideration factors such as cost escalation for each program and element, plan changes, and anticipated changes in staffing and salary costs. Carry forward adjustments or over/under recoveries as determined by Department of Health and Human Services-Division of Cost Allocation (DHHS-DCA) are anticipated in future negotiated rates. To determine each new benefit rate, projected benefit costs are divided by anticipated wage and salary costs. The University maintains separate cost elements for each benefit plan and program as well as the benefit allocation.

7b. The benefit expense charged to the unit's FOAP is calculated for each pay cycle by multiplying the negotiated benefit rate times the salaries and wages, inclusive of the paid leave costs for salary and hourly employees. The benefit rate is negotiated with DHHS-DCA.

7c. Fringe benefit costs include the following categories:

a) On-the-Job Injury
b) FICA
c) Unemployment
d) Mandatory Retirement

e) Voluntary Retirement Matching
f) Retiree Insurance (PEEHIP)
g) Life Insurance
h) Long-Term Disability
i) Health Insurance
j) Employee Tuition Reimbursement
k) Termination Payments
l) Professional Improvement Leave Payments

7d. Since the above benefits are included in the negotiated rate, the unit's FOAPs will not be individually charged for these benefits. The Banner Human Resource system will automatically account for items a-j listed above. However, when a unit is paying an employee for termination pay or professional improvement leave, the employee's earn code must be changed, so these payments will not be charged to the current funding source denoted in Banner. The appropriate earn codes for termination pay are 'VCT' for accumulated vacation leave pay, 'SKT' for accumulated sick leave pay, and/or 'CMT' for accumulated compensatory pay. If a faculty member is moving from a 12-month position to a 9-month position, the appropriate earn code is '129' for accumulated vacation leave pay. If an employee is moving from a bi-weekly position to a monthly position, the appropriate earn code to use for accumulated compensatory leave is 'CMP'. The appropriate earn code for an eligible employee on professional improvement leave is 'PIL'. By changing the earn code, the system will automatically charge the fringe fund for these payments. A University employee eligible for this benefit should not receive additional compensation as a result of the professional improvement leave. Compensation should be limited to the employee's base pay. For 9-month faculty, the fringe fund will only cover compensation for the defined academic year. Generally, employees on professional improvement leave should not incur time or salary charges on sponsored agreements. If an exception is warranted, it should be properly reflected in the employee's labor distribution, so that there is not additional compensation. Please contact Human Resources to determine the appropriate earn code to use.

7e. The benefit rate base consist of salaries and wages for all bi-weekly, semi-monthly, and monthly paid employees. The salary and wages are separated into three different rate bases:
a) Full-time
b) Part-time
c) Graduate Assistants

7f. The benefit allocation charge is based on the salaries and wages paid to employees excluding the following earnings elements or category of costs:
a) Compensatory Pay Termination
b) Sick Leave at Termination
c) Supplemental Pay
d) Severance Pay
e) Vacation Leave at Termination

f) College Work Study Pay at AU
g)College Work Study Pay at AUM
h) Undergraduate Students

7g. The current year's fringe benefit rates can be found at the Budget Service's web page at: http://www.auburn.edu/administration/business-finance/budget/

VIII. SANCTIONS

The fringe benefit rate is administered centrally; therefore, non-compliance is not applicable.

IX. EXCLUSIONS

For contract or grant funds, occasionally a sponsor does not allow reimbursement of a fringe benefit rate. In those rare cases, the fringe rate will be recorded onto the sponsored project fund as normal. Subsequently, Contracts and Grants Accounting will handle any discrepancy between expense and reimbursement with a manual journal entry on a case-by-case basis.

X. INTERPRETATION

The Vice President for Business & Finance and CFO, or designee, will interpret what the policy means and how to apply it.

ADOPTED: October 1, 2009
REVISED: October 1, 2016