Chapter 3 Fringe Benefits

FRINGE BENEFITS: The budget narrative must provide a description and breakdown of the benefits received by personnel when rates are higher than 35%.

1. Are fringe benefits identified as a separate item?
2. Are all the elements that comprise fringe benefits indicated?
3. Do the fringe benefits and charges appear reasonable?
4. Are the total charges for each person listed along with an explanation of how the charges were calculated?
5. Are fringe benefits charged to federal and matching categories in the same proportion as salaries?

The key for Grant Specialists to focus on is the negotiated indirect rate agreement (NICRA). As long as the organization is using the NICRA rate and applying the appropriate base of application, then whatever the rate, there is no need to justify the costs.

For example, the NICRA has a fringe benefit rate of 50% with a base of application of direct salaries and direct salaries in the proposal are $100,000, then the fringe benefit cost would be $50,000.

The problem develops when the organization's NICRA does not support a fringe benefit rate. Grant Specialists would follow

the established GMD policy as bolded above. Request support for fringe benefit costs that exceed the 35% rate. If thefringe benefit costs are such that the rate is less than 35%, note this fact in the cost analysis memo and move on to the next item.

When providing additional support for fringe rates that exceed 35%, organizations may provide their fringe benefit cost pool divided by their total salaries or their
audited financial statements showing the fringe rate or their unaudited financial statements showing their fringe rate. A review must be done in these circumstances
to determine if the fringe pool include costs that would be unallowable to recover such as alcoholic beverages, entertainment costs, country club or social club memberships. Note your findings on the cost analysis memo.