

FEDERAL WORK STUDY

A. Synopsis of Key Federal Regulations

1. The federal share of gross wages is currently 75%. It may not exceed 75%, but may be less. That is, we may provide more than a 25% match from our PHEAA/University funds.
2. The administrative cost allowance for FWS is 5% of gross wages paid. This allowance is taken off the top of the Federal Capital Contribution (FCC). Thus, a portion of the FCC is used for gross wages, and a portion is used for administrative allowance and credited as revenue to the University budget (Debit fund 2004X-7770, Credit 49100-5410).
3. We can take administrative expense on any of the campus-based programs (Perkins Loans, FSEOG grants, FWS) from any of the programs. For example, we could charge all of the administrative expense for FWS, FSEOG, and Perkins to the Perkins account. The administrative allowance for FSEOG is 5% of grants awarded and for Perkins it is 5% of loans made. If we take the administrative expense on FWS from another program, the extra FCC in FWS is used for gross wages and total FCC = 75% of gross wages rather than the typical 80% of gross wages.
4. PHEAA provides a match based on previous allocations and current projected FCC. Since PHEAA no longer provides enough to cover the 25% of gross wages, the University must provide the difference. However, the PHEAA match is not drawn down on a percentage basis, and it appears that we can substitute any extra PHEAA money for the University match. If required, the University matching fund shall be transferred as a mandatory transfer from E&G to the Federal Work Study account.
5. At least 5% of initial and supplemental federal funds (or 100% of supplemental funds, whichever is greater) must be spent on the federal share of the Community Service Program. Thus the CSP gross wage must be at least $FCC \times 5\% \div .75$. CSP wages are treated like any other FWS wages for calculation purposes. We simply charge them to separate cost center(s). CSP may be used on campus for qualified public service programs such as Jenkins or Wellness, or off-campus in the not-for-profit sector. We should maximize the on-campus use, since we shouldn't have to provide the match and benefits for off-campus employers. We should also avoid for-profit employers because the regulations become more complicated and it would not be appropriate to provide match from University funds.
6. PHEAA is currently providing an additional 40% match on CSP gross wages. The Financial Aid Office reports CSP students to PHEAA and we receive reimbursement ultimately. This is in addition to the regular PHEAA match. These extra monies will be credited like regular PHEAA match to the FWS/PHEAA account and may be utilized to replace the University match on the regular FWS gross wages.
7. We can transfer up to 25% of FWS FCC to FSEOG. We can't transfer FSEOG to FWS. We can carry over up to 10% of FWS FCC to the next year (we must so indicate on the FISAP report). We can't carry over any FSEOG. Our 25% match on FSEOG grants consists of our PHEAA grants.
8. There is an off-campus Federal Work Study program (unrelated to the Community

Service Program) in which MU students work with various agencies and companies, but they are paid by the employer and no funds are run through the University.

B. Normal FWS Calculations (based on 75%/25% split of gross wages and administrative expense taken from FWS)

	<u>Example</u>
1. Federal Capital Contribution (FCC)	189,658
2. Less Transfer of FCC to FSEOG	0
3. Plus Carryover FWS FCC from previous year	12,575
4. Adjusted FCC	202,233
5. Gross Wages (Adjusted FCC ÷ .80)	252,791
6. Administrative Allowance (Gross Wage x 5%)	12,640
7. Required Matching Funds (Gross Wages x 25%)	63,198
PHEAA Allocation	57,699
MU Match	5,499
8. Adjusted FCC (Gross Wages x 80%)	202,233
9. Gross Wage Set Aside for Community Service Program (FCCx5% ÷ .75)	13,482
10. Extra PHEAA match on CSP (CSP gross wages x 40%) *	5,393

Proofs:

Adjusted FCC	202,233
+ Required Matching Funds	<u>63,198</u>
Total Available	265,431
- Administrative Allowance	<u>12,640</u>
Gross Wages	252,791

FCC used for Administrative Allowance	12,640
+ FCC used for Gross Wages (GW x 75%)	<u>189,593</u>

Total Adjusted FCC 202,233

* This may be used to replace MU match. Requested extra PHEAA match should not exceed MU match in any given year to avoid gross wage and other adjustments.

C. Accounting for Federal Work Study

1. Payroll Processing/Labor Feed

The student payroll master file (HRS) carries only two values for Earnings Code - Regular and Graduate Assistant. The labor feed therefore distinguishes Regular from Graduate Assistant earnings and crosses Regular wages to object 6340 and Grad Asst stipends to 1580 (additional Grad Asst hours are crossed to 6340).

The Student Payroll Office accesses a QMF screen to correct the Financial Aid Employment History files for any necessary changes to Graduate Assistants working additional hours or cost center corrections by pay period. The Student Payroll Office must also report these corrections to the Budget Office so that journal entries in BFS may be completed. The Payroll Office will post any name changes to both HRS and the QMF screen. Changes are not made for late hours or rate corrections, since earnings are reported when paid. Student Hour reports are distributed biweekly by the Student Payroll Office. The source for Student Hour Reports is BFS budgets and actuals.

2. Financial Aid/Employment History

The Financial Aid Office identifies students eligible for FWS. Payroll information from the labor feed is crossed to a Financial Aid Employment History file, which is updated biweekly. The Financial Aid Office inputs the FWS status to this file, and makes any necessary retroactive changes using the QMF screen. Employment history summaries are provided biweekly to the Accounting Office for drawdown purposes. The year-end Employment History report summarizing FWS dollars expended by department is provided to Accounting for use in processing journal entries to BFS.

3. Accounting Entries

- a. FWS earnings are charged to departmental accounts in BFS via biweekly labor feeds similarly to regular earnings (xxxxxx-6340). Benefit costs on FWS earnings are also charged to these accounts and remain there.
- b. The FWS/PHEAA account is credited with federal grants (4110) as FCC is drawn down, and with state grants (4130) as PHEAA match is received. The regular PHEAA allocation is typically received twice per year. Any additional PHEAA 40% match on the Community Service Program is also credited here, and we may need to establish receivables at year-end since it is received late.
- c. Administrative expense is charged to the FWS/PHEAA account as a fund deduction (7770).
- d. The Accounting Office maintains a spreadsheet to track FWS gross wages with information obtained from the Financial Aid Employment History report. This spreadsheet is provided to the Bursar's Office periodically to request the FCC drawdown. The periodic drawdown should equal Year-to-date FCC on gross wages plus administrative allowance (80% of gross wage), less the FCC previously drawn down. The Accounting Office simultaneously posts:

Dr 2204X-6340

100% FWS Gross Wage

Cr 49520-6340 100% FWS Gross Wage

and

Dr 2004X-7770 5% FWS Gross Wages

Cr 49100-5410 5% FWS Gross Wages

Since 100% of gross wage is charged to the FWS account during the year, any final MU match piece will need to be journal entered at year end back to 49520.

- e. At year end the Accounting Office will process journal entries to credit code 6340 in E&G departmental accounts, Auxiliaries, Independent Operations, the CLS org (49522) and any others for 100% of FWS gross wages, and debit 49520-6340. Year end BFS totals for E&G and Independent Operation student wage expense will therefore not include any FWS wages, nor will Common Cost Accounting totals. Budget recaps for Independent Operations will be adjusted to include FWS expense by eliminating the 6340 credit amount. Within Auxiliaries, the Budget Office will post journal entries to debit the FWS credit amounts to object 6340 in the appropriate accounts (not in the overhead accounts) and credit 49520-6340. Thus account 49520 should zero out except for the MU match wages in 6340 and the Auxiliary credits for FWS usage in 6340.
- f. If Agency accounts need to use student hours in general, we create an E&G account and then bill for wage/benefits, crediting 200200-0680. Agency accounts should not be permitted to utilize FWS.
- g. When the Current Restricted Fund revenue and expense statement is prepared breaking down functional expenditures, the 6340 credit amounts in all accounts are used to distribute the FWS/PHEAA account to appropriate categories.
- h. The Community Service Program account(s) such as 49522 are E&G accounts used to expense these wages during the year. 100% of gross wage is credited to 6340 at year end as with other accounts, so student wage expense should be zero. Any MU match on CSP is expensed in 49520, and the benefits remain in 49522.

D. Budgeting for Federal Work Study

Beginning in 1996-97, departments receive a combined allocation for FWS and Regular student employment and do not need to separately track their FWS utilization. The Financial Aid Office monitors usage and takes any necessary steps to ensure full utilization of FWS dollars (e.g., advising Vice Presidents that their departments must hire eligible students). During the year the Financial Aid Office will encourage departments to employ students with financial need by supplying lists of eligible students, referring such students, etc.

The general goal within the student employment area is to maintain a level budget in terms of student hours. Therefore, as FWS funding varies from year to year, the University budget is adjusted up or down to maintain level funding within discretionary areas. Funding is also provided for minimum wage or other increases if budget permits. Current policy does not permit carryover of student employment balances as a general rule, and beginning in 1996-97 student employment dollars may not be transferred to the operating budget within discretionary areas.

In terms of establishing various student employment budgets, the following procedures are utilized, keeping in mind that FWS dollars are intended to benefit the E&G budget, and Auxiliaries and Independent Operations are charged for FWS usage.

- 1) In Auxiliaries, separately budget whatever is necessary for student employment. Auxiliaries are encouraged to utilize FWS, but any such usage is fully charged to their operation. Since the actual expense for FWS is charged to the FWS grant account and a year end credit to 6340 is posted by the Accounting Office, this requires a journal entry to debit the Auxiliary account (object 6340) and credit E&G (49520-6340). Thus, any FWS usage does not diminish the full FWS credit to E&G.
- 2) In Grants/Gifts, separately budget whatever is necessary for student employment. Since it may not be appropriate to charge grants for FWS, we should never reflect FWS within these restricted accounts.
- 3) Independent Operations are E&G accounts, but they receive an overall budget (whether subsidized or not) which can be used for any purpose. They may use FWS, but are budgeted and charged as if regular. Thus, any FWS usage does not diminish the full FWS credit to the E&G budget. Since any FWS gross wage is backed out at year end, budget recaps must be adjusted to include the 6340 credit as an expense.
- 4) Discretionary E&G accounts receive a combined FWS and Regular budget which is based on prior historical total allocations. This expense budget is unrelated to specific revenue sources.

In terms of overall E&G revenue and expense budgeting, the following procedures are utilized. In the most basic sense, the Federal Capital Contribution and PHEAA match for FWS could be considered a source of funds to the E&G budget to be used for any purpose (as long as we expense at least the FWS gross wage on eligible students). However, since these monies must be accounted for within a restricted grant account, we treat this source of funds as an E&G expense credit. The administrative cost allowance portion of FCC is budgeted as indirect cost revenue (49100-5410). The remaining FCC/PHEAA match amount (gross FWS wages less MU match) is budgeted as a credit to 49520-6340. This is the amount of student wage expense budgets which will be journal entried out of E&G to the FWS grant account. On the expense budget (debit) side, unrelated to revenues/credits, the total combined student wage budgets are posted to discretionary accounts (6340). The gross wage which must be spent on the Community Service Program is budgeted to a separate E&G account (49522-6340). Any student wage component of overall Independent Operation budgets is posted to I.O. accounts (6340). It is not necessary to budget a debit to 49520-6340 for the MU match on gross wages, since the credit in 49520 is only the FCC/PHEAA match portion of gross wages, and the credit in 49520 is less than the debits in departmental accounts by the amount of the MU match. Total student employment budgets for Auxiliaries are posted to appropriate accounts (6340). The credits for Auxiliary FWS usage are already built into the E&G budget in 49520-6340 (see above), which in essence drops to the E&G bottom line.

Thus, there is no need to budget specific FWS targets for Auxiliaries, Independent Operations, or E&G accounts. We simply budget Independent Operation total budgets, E&G combined student employment budgets, a Community Service budget at 5% of gross wages, indirect cost revenue, and a credit to expense (49520-6340) totaling FWS gross wages less MU match. Any credit remaining in 49520 from Auxiliary usage is available for other E&G needs.