This session will *not* be recorded, but this PowerPoint can found https://medschool.ucla.edu/research/researcher-resources/administrative-support/department-medicine-office-research-administration/fund-management-training

Monthly Reconciliation Payroll

UCLA DEPARTMENT OF MEDICINE
OFFICE OF RESEARCH ADMINISTRATION
ZOOM TRAINING

Agenda

- Significance of Payroll Reconciliation
- Payroll Reconciliation Checklist
- Necessary Reports

Lab tomorrow 4/11/24

- How to Process Adjustments
  - Salary Cost Transfer (SCT)
  - Benefit Cost Transfer (BCT)

Why do we reconcile payroll?

- **Reconciliation** is an accounting process that **compares two sets of records** to check that figures are correct and in agreement
- Performed to ensure costs for personnel effort are allocated to C&G or Unrestricted funds as budgeted
  - C&G Funds may only fund payroll up to the level of effort committed
    Example:
    - *Dr. Bruin commits 20% effort to her R01, therefore, the R01 may fund up to 20% of Dr. Bruin's effort.*
    - *Her remaining 80% effort must be funded via other sources.*
  - Unrestricted funds must be utilized for non-research effort, and for OTC commitments
    Example:
    - *Dr. Bruin's TNS is greater than the NIH Cap rate, therefore, her Cap Gap for her 20% effort on her R01 must be paid using unrestricted funds.* *(See **Payroll-Faculty** and **UC Path MCOP** training slides for more information about Cap Gap commitments)*
    - *Non-research effort may be funded via unrestricted sources. Speak with your MSO to identify Department funds available (i.e. Compensation Plan or 19900)*
- Ensure changes to supported effort are reflected in UC Path, and on the General Ledger in a timely manner
- Address errors in a timely manner, as required by UC Policy 910 *(within 120 days)*

Records to Compare

- Department Reference:
  - The Departmental reference should be created by the Fund Manager. This document should identify the *intended* amounts (in dollars and/or % effort) per FAU. Examples include:
    - MCOP Funding Update Wizard Worksheet
    - DOM Funding Update & Direct Retro Backup Template
    - *Funding Entry Inquiry downloaded data*
      - *NOTE: Because Funding Entry transactions do* ***not*** *account for retroactive distribution changes, this option should only be used if the Fund Manager is 100% confident it is accurate.*
      - *For Faculty – it is recommended to refer to the "FAU Monthly Preview" download from the MCOP Worksheet*
- Ledger Reference:
  - The Ledger reference should be a query report from the payroll ledger. This document should identify the *actual* amounts per FAU. Examples include:
    - UC Path CDW DOPE Report
    - DGSOM FPM/QDB Employee Sum Report
    - DG Inform Employee Sum Report

Reports to Use

- **QDB Reports**
  - Salary & Percentage by Month
    - Summary Report, not detailed
    - Useful if you only need to confirm % Effort and/or $ Amount
  - Employee Sum
    - Detailed Report
    - Includes Pay Rate, Earned Date, Earn Codes, Employee IDs, GL Month posted, etc.
- **DG Inform**
  - Salary & Percentage by Month
    - Same details as QDB Salary & Percentage by Month Report (Summary Report)
    - *Enhancement: Includes salary projections according to UC Path Funding Entry*
- **CDW**
  - Distribution of Payroll Expense (DOPE)
    - Detailed Report
    - Includes all Employee Sum details **plus**…
      - GAEL redirect details from federal to Dept fund
      - Restatement flags, used to identify Direct Retros ("*No Restatement*", "*Restated Entry*", "*Reversing Entry*")
  - Benefit Cost Template Report
    - Used to process adjustments to benefits or GAEL expenses

Sample Distribution (Department Reference)

FAU Monthly Preview

Fiscal Year 2023

FUNDING BY MONTHS

Bruin, Jane

Combo code	Location	Account/CC	FS Dept	Fund	Project	Sub Override	GL Bus Unit	OTC Indicator	2023 Jan	2023 Feb	2023 Mar	2023 Apr	2023 May	2023 June	Total
000058367	4	4010281C	1565	62246			LAFIN	Y-OTC001	$73.25	$73.25	$73.25	$73.25	$73.25	$73.25	$439.50
000058233	4	441341JB	1568	80108			LAFIN	N-OTC001	$176.75	$176.75	$176.75	$176.75	$176.75	$176.75	$1,060.50
000058369	4	4010281C	1565	62246			LAFIN	Y-OTC002	$1,428.38	$1,428.38	$1,428.38	$1,428.38	$1,428.38	$1,428.38	$8,570.25
000821141	4	441341JB	1568	31578			LAFIN	N-OTC002	$3,446.63	$3,446.63	$3,446.63	$3,446.63	$3,446.63	$3,446.63	$20,679.75
000058371	4	4010281C	1565	62246			LAFIN	Y-OTC003	$293.00	$293.00	$293.00	$293.00	$293.00	$293.00	$1,758.00
001326161	4	441341JB	1568	29949			LAFIN	N-OTC003	$707.00	$707.00	$707.00	$707.00	$707.00	$707.00	$4,242.00
000058373	4	4010281C	1565	62246			LAFIN	Y-OTC004	$559.14	$559.14	$559.14	$559.14	$559.14	$559.14	$3,354.85
001010423	4	441341JB	1568	81103			LAFIN	N-OTC004	$1,349.19	$1,349.19	$1,349.19	$1,349.19	$1,349.19	$1,349.19	$8,095.15
000054616	4	4010261A	1565	19900			LAFIN		$2,750.00	$2,750.00	$2,750.00	$2,750.00	$2,750.00	$2,750.00	$16,500.00
001298148	4	441341JB	1568	81103			LAFIN	N-OTC005	$2,185.81	$2,185.81	$2,185.81	$2,185.81	$2,185.81	$2,185.81	$13,114.85
000070674	4	4010281C	1565	62246			LAFIN	Y-OTC005	$905.86	$905.86	$905.86	$905.86	$905.86	$905.86	$5,435.15
001402529	4	441341JB	1568	29080			LAFIN	N-OTC006	$3,535.00	$3,535.00	$3,535.00	$3,535.00	$3,535.00	$3,535.00	$21,210.00
000079758	4	4010281C	1565	62246			LAFIN	Y-OTC006	$1,465.00	$1,465.00	$1,465.00	$1,465.00	$1,465.00	$1,465.00	$8,790.00
000107563	4	441341JB	1568	59882			LAFIN	N-OTC007	$382.96	$382.96	$382.96	$382.96	$382.96	$382.96	$2,297.75
000079761	4	4010281C	1565	62246			LAFIN	Y-OTC007	$158.71	$158.71	$158.71	$158.71	$158.71	$158.71	$952.25
000079487	4	441341JB	1568	59882			LAFIN	N-OTC008	$3,152.04	$3,152.04	$3,152.04	$3,152.04	$3,152.04	$3,152.04	$18,912.25
000079765	4	4010281C	1565	62246			LAFIN	Y-OTC008	$1,306.29	$1,306.29	$1,306.29	$1,306.29	$1,306.29	$1,306.29	$7,837.75
001158763	4	621340JB	1568	18933			LAFIN		$1,125.00	$1,125.00	$1,125.00	$1,125.00	$1,125.00	$1,125.00	$6,750.00
Monthly Total									$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$150,000.00

Sample Gross Earnings Reconciliation

- 81103 should have **$3,535** posted to the ledger monthly, as noted on our reference file
  - **$1,349.19** tagged N-OTC004 *(7.633333% Effort)*
  - **$2,185.81** tagged N-OTC005 *(12.366667% Effort)*
- Comparing this against our payroll Report (this example, QDB) we should confirm our intended distribution matches the ledger:

PAYROLL: UCPATH EMPLOYEE SUM ALL-ALL-ALL PAID FROM JANUARY 2023 TO MAY 2023 Date: 04/11/2023

Employee Name	LYM	Earned Date	Accou	CC	Fund	Project	Su	Objec	Earn Cod	Title Co	Title Description	Hours/ Effort	H	Pay Rate	Gross Earnings	Total Benef	Total Pay	OTC	Line Description
Bruin, Jane	202301	01/31/2023	441340	JB	81103		00	1000	HSP	1721	PROF-HCOMP	0.1237	%	16,975.00	2,099.28	0.00	2,099.28	N-005	
Bruin, Jane	202301	01/31/2023	441340	JB	81103		00	1000	HSR	1721	PROF-HCOMP	0.0763	%	16,975.00	1,295.73	0.00	1,295.73	N-004	
Bruin, Jane	202301		441340	JB	81103		06	8850		1721	PROF-HCOMP	0.0000	%	0.00	0.00	1,086.40	1,086.40		CBR Assessment - Expense
Bruin, Jane	202301		441340	JB	81103		06	8930		1721	PROF-HCOMP	0.0000	%	0.00	0.00	220.67	220.67		Leave Assessment - Expense
Employee Name Grand Total															**3,395.01**	**1,307.07**	**4,702.08**		

?

- When a variance exists Fund Managers are expected to
  - Verify if the variance is simply due to rounding
  - Investigate further, and process adjustments (SCT or BCT) as needed

Reconciling Benefits

- While it may be helpful to have a reference file for benefits, when variances occur, benefits need to be reconciled against the appropriate *rate* as opposed to $amount. Relevant benefits to reconcile are:
  - Composite Benefit Rate (CBR)
    - CBR covers the University share of benefits provided to employees. This benefit will post to every fund where Gross Earnings post
  - Vacation Leave Assessment (VLA)
    - VLA will be assessed when an employee is part of a vacation-earning employee group
      - Students & Employees with Limited Benefits do not accrue vacation
      - Postdocs do not accrue vacation
      - Summer Faculty do not accrue vacation
  - UCRP Supplemental Assessment Interest (RPNI)
    - RPNI will be assessed when an employee is part of the UC Retirement Plan, but ***only*** on non-Federal Funds!
  - Vacation Usage Fringe Assessment
    - When an employee takes vacation, benefits will post as a credit equal-and-opposite-to the amount posted to Gross Earnings (more on this in later slides!)

Reconciling Benefits *(sample calc)*

- If 81103 is a federal fund, and $3,395.01 posted as Gross Earnings (HSP/HSR) how much should post to 81103 for each benefit noted below?
  - Composite Benefit Rate (CBR)
    - Jane is an HCOMP Faculty, therefore her CBR rate is 32%
  - Vacation Leave Assessment (VLA)
    - The Faculty VLA rate for FY 22-23 is 6.5%
  - UCRP Supplemental Assessment Interest (RPNI)
    - The RPNI rate for FY 22-23 is 0.30%
  - Vacation Usage Fringe Expense
    - When applicable, this is -100% of expenses posted to VAC or VCN earn codes

Reconciliation Checklist

- Minimum requirements
  - Have a clear responsibility list (all personnel that should be reconciled by which Fund Manager)
  - Payroll distribution on the General Ledger matches Calculated Distribution
  - 19900 only charged to HSR
  - Effort charged per C&G fund (cumulative) does not exceed committed effort
    - If Dr. Bruin has committed to NIH she will work 20% on the research project, we cannot charge 30%!
  - OTC Flags on capped funds are "N-###"
    - Blank indicator is not allowable
    - "Y-###" is not allowable
  - Rate used for capped funds is cap rate, not full rate
  - Funding is still sufficient
    - No current deficit
    - No ***projected*** deficit
- What to Project
  - Gross Earnings: Subs 00, 01, 02
  - Benefits: Sub 06 (CBR, RPNI, Vacation, Graduate Fee Remission*)
  - Salary-Related Expenses: Sub 03 (TIFs, GAEL)
  - Overhead: Sub 9H

**Attend our GSR/Postdoc class for more on Graduate Fee Remissions!*

Break!

- *Next – Vacation Overview*

Vacation Assessment Process in UC Path

- CBR, VLA and RPNI will only assess against Regular Pay
  - Monthly "Leave Assessment" expense to sub-obj 06-8930, current rate 6.7% of Gross Earnings for all regular pay earn codes (includes REG, HSR, HSP, HSN; not HZC or HZA)
  - Funds paid as VLA go to the central "Vacation Pool", to be applied when vacation is taken (pre-payment)
- Vacation Pool pays for Salary & Wages
  - When vacation is reported (taken) by employee, Dept FAUs receive an adjustment to correct the earn code associated with this time:
    - A *credit* for the current rate of pay for the number of hours reported, toward the regular pay components (REG, HSR, HSP, HSN; not HZC or HZA)
    - A *debit* to record this time as vacation on VAC or VCN
- Vacation Pool does not pay for Benefits
  - CBR (8850), Leave Assessment (8930) and RPNI (8690) do ***<u>NOT</u>*** assess on VAC/VCN gross earnings
  - Benefit costs are effectively *<u>reduced</u>* in months where vacation is reported
- "Vacation Usage Fringe Expense" (8931; VUF) posts equal-opposite to the VAC gross earnings
  - Effective net zero charge between payroll sub (00,01,02; VAC/VCN) and benefits sub (06; VUF)
- VLA charges continue when employee vacation reaches max
  - If an employee accrues their maximum (e.g. 240 hours), but does not take their vacation, Dept will continue to pay the 6.7% Leave Assessment (sub 06) indefinitely; however, the employee will not earn vacation time beyond their cap

How to reconcile: Key Facts

- When vacation is recorded, the transactions should post to the Payroll Ledger *for every FAU contributing to the monthly distribution* as follows:
  - *Gross Earnings* with VAC/VCN earn code (salary subs 00,01,02) *debit* commensurate to the hours reported. Earned date must align with the date vacation was *taken*
  - Regular pay *Gross Earnings* (salary subs 00,01,02; and earn codes REG,HSR,HSP,HSN) are reduced via *credit*. Earned date must align with the date vacation was *taken*
  - Regular Benefits assess (CBR, VLA, RPNI) against non-vacation Gross Earnings. Cumulatively and Individually, these must be less than months where no vacation was recorded
  - Vacation *Benefits* (Vacation Usage Fringe Expense, obj code 8931) is a *credit*, equal and opposite the VAC/VCN Gross Earnings

  - Resulting Changes:
    - **No change** to the $$ distributed for **Gross Earnings**
    - **Reduced Benefits** charges

UCPath 2-Month Example

Month 1. No Vacation

Sub 00/01/02	Type	FAU	Period	Sub 03	Type	FAU	Sub 06	Type	FAU
10,000	REG	Fund A	Current	100	GAEL	Fund A	5,000	CBR Assmnt	Fund A
							1,000	VLA Assmnt	Fund A
10,000				100			6,000		TOTAL

Month 2. Vacation Taken (50%)

Sub 00/01/02	Type	FAU	Period	Sub 03	Type	FAU	Sub 06	Type	FAU
10,000	REG	Fund A	Current	50	GAEL	Fund A	2,500	CBR Assmnt	Fund A
-5,000	REG	Fund A	Prior				500	VLA Assmnt	Fund A
5,000	VAC	Fund A	Prior				-5,000	Vac Usage CR	Fund A
10,000				50↓			-2,000↓		TOTAL

Configuration

Earn Code	GAEL	CBR	VLA
REG	Subject	Subject	Subject
VAC	Not	Not	Not

Key

CBR Rate = 50%

VLA Rate = 10%

GAEL Rate = 1%

- Month 1:
  - Gross Earnings $10,000
  - CBR $5,000
  - VLA $1,000
- Month 2:
  - Gross Earnings REG $5,000
    - $10,000 current debit Dept
    - ($5,000) *prior credit,* Vacation Pool
  - CBR $2,500; VLA $500
    - Assessed against cumulative REG gross earnings
  - Gross Earnings VAC $5,000
  - Vacation Benefits ($5,000)
    - Net zero charge for this transaction

Automatic Red Flags

- Earn code VAC appears on your FAU for an earned date, but no other payroll has posted to that FAU for that earned date
  - VAC debits **must always** be charged to the same FAU as the credits back to the regular earn codes (REG,HSR,HSP,HSN)
- The overall $$ Gross Earnings amount is not the correct amount, and the only difference to payroll for that month is VAC transactions posted
  - Typically this is the result of incorrectly prorated regular earn codes (credits back from vacation pool)
  - Resulting complication: effort on C&G FAUs is over/under-funded

Known Defects/Issues

- Due to system limitations Academic Compensation was unable to record Faculty vacation until January, 2020
  - **Resulting Complication**:
    - Batches of vacation are processed toward this backlog well beyond the vacation earned date period
    - Vacation transactions assess according to the Funding Entry Distribution effective at the time the vacation is recorded in Path, and does not refer back to historical Distributions according to Earned Date
    - Fund Manager review/adjustment is required via Direct Retro to correct FAUs charged/credited
- Path programming incorrectly excluded HSP and HSN earn codes, not classifying these as "regular pay"
  - **Resulting Complication**:
    - Vacation frequently only assesses against the HSR earn code for Faculty
    - Fund Manager review/adjustment is required via Direct Retro to ensure VAC debits and credits are distributed proportionately to all FAUs applicable to that Earned Date
- Path programming incorrectly directs Vacation to the Default FAU, because the VAC earn code is not explicitly itemized in the Funding Entry
  - **Resulting Complication**:
    - *Gross Earnings VAC* ***debits*** are directed to the Default FAU, whereas the credits post back to the regular pay earn codes (REG, HSR, HSP, HSN)/Dept FAUs
    - Fund Manager review/adjustment is required via Direct Retro to align the VAC transactions from the Default FAU to the correct Dept FAUs, after ensuring above defects are resolved as well

Additional Obstacles affecting Direct Retros in General

- In some cases the credit back to the regular earn code(s) were not posted. Instead, the regular pay for the month was reduced instead.

Example: Vacation was taken in January, reported in February. The January VAC debits post against the same paycheck as February regular earnings. There *should* be January regular *credits*, but instead the February earned transactions are prorated (reduced).

  - **Resulting complications**:
    - The Gross Earnings "Earned" are artificially inflated/deflated in affected months (inflated for earned dates with VAC debits, and deflated for earned dates that were reduced). Looks like overpayment/underpayment on the Payroll Ledger.
    - It is impossible to adjust the regular earn code credits via Direct Retro/SCT because they never posted. Therefore VAC debits will consistently be un-reconcilable, because they artificially inflate the Gross Earnings for that earned date. Corrections must be processed as Journals, which post to the GL only.

- In some cases the Direct Retro workbook in UC Path "rolls up" charges by Earn Code, irrespective of Earned Dates, and does not allow Dept Fund Manager to adjust credits (prior, vacation earned date) separate from current earnings (new debits, earned date for the "current" month selected from DR list)
  - **Resulting complications**:
    - Dept Fund Manager is not able to process Direct Retros where adjustments to non-VAC Gross Earnings are required
    - If the funding distributions were different for the VAC earned month vs the month the transactions posted, it is impossible to adjust these separately. Corrections must be processed as Journals for all pay periods affected where Direct Retro is the only adjustment option.
  - **SOLUTION!**
    - NEW Salary Cost Transfer tool, released November 2023, allows for adjustments directly against the payroll ledger. If the pay period is not restricted to adjusting via Direct Retro, this issue has been addressed via release of this new tool.

Resolving Identified Errors/Updates

- If the funding distribution changes, must identify if SCTs are needed
  - SCTs are processed when the correct amount of Payroll was distributed to the employee, but was charged to (an) incorrect FAU(s).
    - When a SCT is processed, we adjust the Gross Earnings (Subs 00, 01, or 02) and all related costs (Benefits, TIFs, GAEL, Overhead) will automatically adjust proportionate to the change
- If Gross Earnings are distributed correctly, must identify if Benefit Cost Transfers, NPEARs, or Overhead Adjustments are needed
  - Benefit Cost Transfers adjust ***unallowable*** Sub 06 expenses, and/or GAEL*
    - Required for T32s or other grants that restrict benefits
    - BCTs should only ever be processed to address unallowable costs. If benefits have posted at an incorrect *rate* a ticket should be submitted to CRU to report the defect.
  - NPEARs may adjust TIFs *
    - Some sponsors (like AHA) do not allow TIFs
  - EFM may process a journal to correct Overhead Assessments
    - Not all sponsors use the same "Base" calculation for IDC. If your sponsor restricts IDC on salary expenses you may need to reconcile this manually

**Attend our Budget 101 class for more on GAEL/TIFs!*

Survey Link

http://goo.gl/forms/C3gdjsL5y1

We appreciate if you would take a few moments to complete a short 5 question anonymous survey to help us improve your training experience. Thank you!