Monthly Reconciliation Payroll

UCLA DEPARTMENT OF MEDICINE
OFFICE OF RESEARCH ADMINISTRATION
ZOOM TRAINING
Agenda

• Significance of Payroll Reconciliation
• Payroll Reconciliation Checklist
• Necessary Reports
• How to Process Adjustments
  • Direct Retros
  • Benefit Cost Transfers
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.
      - Non-research effort must 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).
Sample Calculations

- Dr. Bruin’s TNS is $300,000
- 37% HSR, 29% HSP and 34% HSN
- 70% of her effort is committed to NIH Grants (Cap rate $199,300)
- 20% of her effort is committed to uncapped C&G funds
- 15% can be charged to the Comp Plan as-needed
- $93,190 is available on 19900

<table>
<thead>
<tr>
<th>What amount ($) is available from capped C&amp;G Funds?</th>
<th>How much unrestricted funding is needed for OTC?</th>
<th>What amount ($) is available from uncapped C&amp;G Funds?</th>
<th>What Amount ($) is available from unrestricted funds?</th>
<th>Total Available</th>
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<td>$199,300 x 70%</td>
<td>$300,000 - $199,300 x 70%</td>
<td>$300,000 x 20%</td>
<td>$93,190 plus 15% x $300,000</td>
<td>90% Research Effort</td>
</tr>
</tbody>
</table>
Sample Calculations (cont.)

- Dr. Bruin’s TNS is $300,000
  - 37% HSR, 29% HSP and 34% HSN
  - 70% of her effort is funded via NIH Grants (Cap rate $199,300) ← Priority 2/3 ($139,510 available)
  - 20% of her effort is funded via uncapped C&G funds ← Priority 2/3 ($60,000 available)
  - 15% can be charged to the Comp Plan as-needed ← Priority 4 ($45,000 available)
  - $93,190 is available on 19900 ← Priority 1

Dr. Bruin determined the priority, use all 19900 funds, then C&G funds, then Comp Plan if needed.

- 19900 Can only be used for HSR. Two options:
  - Option 1: Use all $93,190 for effort: $93,190/$300,000 = 31.063333%
    - This is less than the maximum effort we can have on HSR (37%) so this is allowable, but
    - If we do this, the only remaining unrestricted funding for OTC costs is Comp Plan ($45,000 available)
    - 100% effort to distribute – 31.063333% effort on 19900 = 68.936667% effort can charge to C&G
      - **OTC Liability if we Prioritize NIH:**
        68.936667% capped effort x ($300,000 TNS - $199,300 cap rate) = $69,420 OTC needed **we do not have enough Comp Plan funds**
      - **OTC Liability if we Prioritize uncapped C&G:**
        20% uncapped effort, no OTC liability
        48.936667% remaining effort, capped x ($300,000 TNS - $199,300 cap rate) = $49,280 OTC needed **still not enough Comp Plan funds**
Sample Calculations (cont.)

- Dr. Bruin’s TNS is $300,000
  - 37% HSR, 29% HSP and 34% HSN
  - 70% of her effort is funded via NIH Grants (Cap rate $199,300) \( \leftrightarrow \) Priority 2/3 ($139,510 available)
  - 20% of her effort is funded via uncapped C&G funds \( \leftrightarrow \) Priority 2/3 ($60,000 available)
  - 15% can be charged to the Comp Plan as-needed \( \leftrightarrow \) Priority 4 ($45,000 available)
  - $93,190 is available on 19900 \( \leftrightarrow \) Priority 1

Dr. Bruin determined the priority, use all 19900 funds, then C&G funds, then Comp Plan if needed.

- 19900 Can only be used for HSR. Two options:
  - Option 2: Use 19900 for a combination of effort and OTC support for the NIH effort
    - Formula to identify minimum amount to charge to 19900:
      \[
      \frac{(19900 \text{ $ Funds Available} - (\text{HSR } \% \text{ Effort} \times (\text{Actual Rate} - \text{Capped Rate})))}{\text{Cap Rate}} = \% \text{ to charge to 19900 as effort (minimum)}
      \]
      \[
      \frac{($93,190 - (37\% \times ($300,000 – $199,300)))}{$199,300} = 28.063723\%
      \]
    - HSR Component: 37%
      - 28.063723\% \times $300,000 = $84,191.17 charged as effort to 19900 (8,998.83 left for OTC)
      - 8.936277\% HSR effort remaining \times ($300,000 TNS - $199,300 cap rate) = $8,998.83 OTC liability exactly matches 19900 available
  - HSP/HSN Components: 63%
    - OTC Liability if we Prioritize NIH:
      61.063723\% \times ($300,000 TNS - $199,300 cap rate) = $63,441 OTC liability we do not have enough Comp Plan funds
      1.936277\% uncapped effort, no OTC liability
    - OTC Liability if we Prioritize uncapped C&G:
      20\% uncapped effort, no OTC liability
      43\% remaining effort, capped \times ($300,000 TNS - $199,300 cap rate) = $43,301 OTC needed enough Comp Plan funds are available
Sample Distribution

- Dr. Bruin’s TNS is $300,000
  - 37% HSR, 29% HSP and 34% HSN
  - 70% of her effort is committed to NIH Grants (Cap rate $199,300)
    - 18.063723% is cost shared to 19900. This will be reported on the bi-annual effort report in ERS
  - 20% of her effort is funded via uncapped C&G funds
  - 15% ($45,000) can be charged to the Comp Plan as-needed
    - Only $43,301 is needed, and will be charged as OTC
  - $93,190 is available on 19900
    - This is used for a combination of effort, and OTC liability

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<th>Component</th>
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<th>$ Amount</th>
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Practice Calculations

- Dr. Doe’s TNS is $700,000
  - 37.185714% HSR, 29.742857% HSP and 33.071429% HSN
  - 84% of her effort is committed to NIH Grants (Cap rate $199,300)
  - 2% of her effort is committed to other capped C&G funds (Cap rate $200,000)
  - 50% can be charged to the Comp Plan as-needed
  - $201,826.38 is available on 19900

<table>
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<tr>
<th>What amount ($) is available from NIH capped C&amp;G Funds?</th>
<th>What amount ($) is available from other capped C&amp;G Funds?</th>
<th>How much unrestricted funding is needed for OTC?</th>
<th>What Amount ($) is available from unrestricted funds?</th>
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<tr>
<td>84% x $199,300</td>
<td>2% x $200,000</td>
<td>84% x ($700,000-$199,300) + 2% x ($700,000-$200,000)</td>
<td>$201,826.38 plus 50% x $700,000</td>
<td>86% Research Effort</td>
</tr>
</tbody>
</table>

84% Research Effort
Practice Calculations (cont.)

- Dr. Doe’s TNS is $700,000
  - 37.185714% HSR, 29.742857% HSP and 33.071429% HSN
  - 84% of her effort is funded via NIH Grants (Cap rate $199,300) ($167,412 available)
  - 2% of her effort is funded via other capped C&G funds ($4,000 available)
  - 50% can be charged to the Comp Plan as-needed ($350,000 available)
  - $201,826.38 is available on 19900

If Dr. Doe doesn’t want to charge OTC to 19900 funds, does she have enough Comp Plan funds to cover her OTC liability?

- Use all $201,826.38 for effort: $201,826.38 / $700,000 = 28.832340%
  - If we do this, the only remaining unrestricted funding for OTC costs is Comp Plan ($350,000 available)
  - 100% effort to distribute – 28.832340% effort on 19900 = 71.167660% effort can charge to C&G

% Effort distributed to the capped FAU(s) x (Actual Rate - Capped Rate) = $ OTC Liability

- **OTC Liability if we Prioritize NIH:**
  71.167660% NIH capped effort x ($700,000 TNS - $199,300 cap rate) = $356,336.47 OTC needed  
  *we do not have enough Comp Plan funds*

- **OTC Liability if we Prioritize other capped C&G:**
  2% other capped x ($700,000 TNS - $200,000 cap rate) = $10,000 OTC needed
  69.167660% remaining effort, NIH capped x ($700,000 TNS - $199,300 cap rate) = $346,322.47 OTC needed
  **TOTAL:** $356,322.47 OTC needed  
  *still not enough Comp Plan funds*
Practice Calculations (cont.)

- Dr. Doe’s TNS is $700,000
- 37.185714% HSR, 29.742857% HSP and 33.071429% HSN
- 84% of her effort is funded via NIH Grants (Cap rate $199,300) ($167,412 available)
- 2% of her effort is funded via other capped C&G funds (Cap rate $200,000) ($4,000 available)
- 50% can be charged to the Comp Plan as-needed ($350,000 available)
- $201,826.38 is available on 19900

What is the minimum amount of effort we need to charge to 19900 to ensure we use all of it? Use your lowest cap rate to calculate

\[
(19900 \text{ Funds Available} - (\text{HSR \% Effort} \times (\text{Actual Rate} - \text{Capped Rate}))) \div \text{Cap Rate} = \% \text{ to charge to 19900 as effort (minimum)}
\]

\[
(201,826.38 - (37.185714\% \times ($700,000 - $199,300))) \div $199,300 = 7.846217\%
\]

- HSR Component: 37.185714\%
  - 7.846217\% \times $700,000 = $54,923.52
  - 29.339497\% effort remaining \times ($700,000 TNS - $199,300 cap rate) = $146,902.86

What is our remaining OTC Liability on HSP/HSN that must be covered on the Comp Plan?

- HSP/HSN Components: 62.814286\% \times (Actual Rate - Capped Rate) = \text{OTC Liability}
- OTC Liability:
  - 2\% other capped effort \times ($700,000 TNS - $200,000 cap rate) = $10,000 OTC needed
  - 54.660503\% remaining NIH effort capped \times ($700,000 TNS - $199,300 cap rate) = $273,685.14 OTC needed
  - 6.153783\% uncapped remaining effort \times $700,000 = $43,076.48

TOTAL: $326,761.62 needed from Comp Plan

UCLA Department of Medicine - Office of Research Administration
Practice Distribution

- Dr. Doe’s TNS is $700,000
  - 37.185714% HSR, 29.742857% HSP and 33.071429% HSN
  - 84% of her effort is funded via NIH Grants (Cap rate $199,300)
  - 2% of her effort is funded via other capped C&G funds (Cap rate $200,000)
  - 50% ($350,000) can be charged to the Comp Plan as-needed
    - Only $326,761.62 is needed, ~6% effort the rest OTC
  - $201,826.38 is available on 19900
    - This is used for a combination of effort, and OTC liability

<table>
<thead>
<tr>
<th>Component</th>
<th>Source</th>
<th>% Effort</th>
<th>$ Amount</th>
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<tr>
<td>HSR</td>
<td>19900</td>
<td>7.846217%</td>
<td>$54,923.52</td>
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<tr>
<td>HSR</td>
<td>NIH</td>
<td>29.339497%</td>
<td>$58,473.62</td>
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<td>HSR</td>
<td>19900</td>
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<td>$146,902.86</td>
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<tr>
<td>HSP</td>
<td>Other capped C&amp;G</td>
<td>2%</td>
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<td>HSP</td>
<td>Comp Plan</td>
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<td>$10,000</td>
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<td>HSP</td>
<td>NIH</td>
<td>27.742857%</td>
<td>$55,291.51</td>
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<td>HSN</td>
<td>Comp Plan</td>
<td>6.153783</td>
<td>$43,076.48</td>
</tr>
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</table>

100% $700,000
Reconciliation Checklist

What To Review By Report

- 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
- 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
Break!

• *Next – Vacation Overview*
Vacation Assessment Process in UC Path

• CBR and VLA assessed on Regular Pay (net of vacation taken)
  • Monthly "Leave Assessment" expense to sub-obj 06-8930, current rate 7% of Gross Earnings for all regular pay earn codes (includes HSR, HSP, HSN; not HZC or HZA)

• Vacation Pool pays for Salary & Wages
  • When vacation is reported “taken” by employee, Dept FAUs are credited back at the current rate of pay for the number of hours reported, toward the regular pay components

• Vacation Pool does not pay for Benefits
  • CBR (8850), Leave Assessment (8930) and RPNI (8690) do NOT assess on VAC gross earnings
  • Benefit costs are effectively reduced in months where vacation is reported

• Vacation Credit to FAU reimburses Salary & Wages
  • “Vacation Usage Fringe Expense” (8931) must be equal-opposite to the VAC gross earnings
  • Effective net zero charge between payroll sub (00,01,02) and benefits sub (06)

• VLA continues when employee vacation reaches max
  • If an employee accrues their maximum (240 hours), but does not take their vacation, Dept will continue to pay the 7% Leave Assessment (sub 06) indefinitely; however, the employee will not earn vacation time beyond their cap*

*Due to COVID there is a temporary lift on vacation caps through June 30, 2021
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 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 assessed (CBR, VLA, RPNI) against Gross Earnings must be less than months where no vacation was recorded, because benefits do not assess on VAC.
  
  • Vacation *Benefits* (Vacation Usage Fringe Expense, obj code 8931) is a *credit*, equal and opposite the VAC Gross Earnings.
  
• Resulting Changes:
  
  • *No change* to the $$ distributed for *Gross Earnings*.
  
  • *Reduced Benefits* charges.
UCPath 2-Month Example

### 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

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<td>1,000</td>
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<tr>
<td>CBR Rate = 50%</td>
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<td>VLA Rate = 10%</td>
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<td>GAEL Rate = 1%</td>
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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
What is an **MLC**?

- **MLC** = Mass Leave Correction: A batched salary cost transfer (**Direct Retros**) processed to address **known defects** affecting VAC Gross Earnings (**not benefits**)

- Processed by a CRU Associate on behalf of Department Fund Managers
  - Verifiable via “Process Direct Retro”, “Last Updated By”

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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 because they never posted. Therefore VAC debits will consistently be un-reconcilable, because they artificially inflate the Gross Earnings for that earned date.

• 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
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
Resolving Identified Errors/Updates

• If the funding distribution changes, must identify if Direct Retros are needed
  • Direct Retros are processed when the correct amount of Payroll was distributed to the employee, but was charged to (an) incorrect FAU(s).
    • When a Direct Retro is processed, we adjust the Gross Earnings (Subs 00, 01, or 02) and all related costs (Benefits, TIFs, GAEL, Overhead) should automatically follow
• If Gross Earnings are distributed correctly, must identify if Benefit Cost Transfers, NPEARs, or Overhead Adjustments are needed
  • Benefit Cost Transfers adjust Sub 06 expenses, and/or GAEL
    • Required for T32s or other grants that restrict benefits
  • 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
Live Demo!
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!