



# **SALARY & BENEFITS ADJUSTMENT (SBA)**

## **Business Procedure**

Last updated: August 1, 2017

## **OVERVIEW**

Salary & Benefit Adjustment (SBA) is the transfer of current fiscal year salary and benefit expenses from one combination code (i.e. ChartField string) to another in PeopleSoft HCM. SBA is a “correction entry” that creates financial entries in PeopleSoft HCM (both debit and credit) which are then posted to the General Ledger.

The purpose of this procedure is to outline when an SBA is appropriate, the supporting documentation and approvals required and the filing and retention of those source documents.

For information on how to process SBA transactions, once they have been approved, refer to PeopleSoft HCM User Training Guide – Salary & Benefits Adjustment (SBA)

Terms used in this document:

- salary, includes benefits
- faculty, includes central services units

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## **SUPPLEMENTAL INFORMATION**

### **When to use SBA:**

SBA should be avoided as much as possible. It is strongly recommended that salary be charged to the correct combination code(s) when paid. If adjustments are necessary, the SBA should be completed within three months after the salary is incurred. In general, SBA is used for:

- Salary Transfer – Salary was expensed to an incorrect combination code.
- Clear suspense - When a ChartField (e.g. deptID, program, project) for research (restricted) or operating becomes inactive, the salary is expensed to the department suspense account (F210, account 500001 – Payroll Suspense). Salary expense is then moved to the correct combination code.

### **Risks of SBA:**

The majority of SBA activity is in the Research (restricted) funds. When salary expenses are transferred, it brings into question that the expense incurred is relevant to the research project and why the employee salary was not expensed to the correct project at the outset. The risks to the university are:

- Financial reports sent to granting agencies are incorrect (expense is either over or understated).
- Claims are incorrect (expense is either over or understated), resulting in some sponsors overpaying and other sponsors underpaying.
- Financial data reviewed by auditors is incorrect.
- Salary expense being moved may not be eligible (In many instances salary incurred prior to the start date of the research project are ineligible expenditures.)
- Corrections between operating and research means that the university’s consolidated financial statements were incorrect when issued in previous quarters and if over a fiscal year.

A number of the above risks have been identified by external auditors. All SBA should be done as soon as possible to reduce these risks. The SBA tool in HCM does not allow adjustments into the prior fiscal year (effective July 31, 2017).

### **Guidance for the SFO to Consider:**

Faculties should consider centralizing (as much as practical) the preparation (including independent review) and the data entry functions for efficiency and control purposes. This will assist in ensuring:

- The faculty has an opportunity to assess the volume, timeliness, and reasons to determine if there can be

proactive measures or change in procedures to reduce the reliance on the SBA.

- SBA is used only when appropriate. It should not be used as a mechanism to “process now – fix later” or where it is more accurate to move other expense types. Research expenses must accurately reflect the resources used by the project.
- Job Change eForms are prepared (where applicable) to further reduce reliance on SBA.
- Supporting documentation is prepared consistently, appropriately approved, and filed in a secure location as centrally as possible to protect the confidentiality of the employee’s salary and benefit information.

**Roles and Responsibilities:**

The approval roles below are consistent with all other financial transaction processing (including electronic workflow). For more information on budget owner and independent reviewer roles refer to: Guide to Financial Management/General Financial Information/Signing Authority and Approvals.

Senior Financial Officer (SFO)

The most senior financial officer in the faculty, the SFO has overall responsibility to ensure transaction processing is compliant with university policies and procedures. Specifically, the SFO approves access to the SBA data entry role and each Prior Year Salary Correction Form.

Budget Owner

The individual who has been assigned budget in the financial system and therefore has signing authority to make expenditures within the amounts and scope of his/her budget. Budget Owner includes the Project Budget Owner (project holder or delegate) and the DeptID Budget Owner.

Independent Reviewer (for Research (restricted) only)

The individual responsible for ensuring the University of Alberta withholds approval of any expenditure that contravenes sponsor requirements or UofA policies and procedures.

Data Entry

The individual with the data entry role is responsible for processing (only upon receipt of appropriately completed and supported SBA form) and filing the SBA and supporting documentation.

This individual requires the PeopleSoft HCM role ZHPY\_SALBEN\_DIST\_ADJUSTMT

**Operating vs Research (Restricted):**

The control requirements (e.g. approvals) for operating versus research (restricted) are different. Research (restricted) funds have additional external sponsor requirements relating to expenses. The following lists these two categories by fund distinction:

| Category              | Funds  |
|-----------------------|--|
| Research (restricted) | F530 Sponsored Research Grants<br>F531 Sponsored Research YE Deferral<br>F535 Sponsored Research Grants 2  |
| Operating             | F100 Central Institution<br>F210 Operating<br>F310 Ancillary Services<br>F330 Research (operating)<br>F5xx Remaining restricted funds that are not research (restricted)<br>Exxxx Endowments |

**MINIMIZE THE USE OF SBA**

Every effort should be made to minimize the use of SBA as this process requires additional resource efforts across all stakeholders and increases risk of financial reporting errors. The following practices will assist in this objective:

Effective and pro-active use of the Pay Action Form:

- Staff who prepare Pay Action Form or eForm know how the employee’s salary will be distributed and understand payroll distribution options.

- The employee should be assigned to the correct combination code(s) in PeopleSoft HCM when the appointment is first processed using a Pay Action Form or eForm. Pay Action Forms or eForms can be used to distribute salary to multiple budgets/projects.
- Changes to combination code distribution should be made before the pay period in which the change takes effect using a Job Change eForm.
- If an employee will be temporarily allocated to another combination code (full or partial) for more than three months, a Pay Action Form or eForm must be submitted for the temporary time period.
- When a manual correction of a combination code distribution is needed for an employee identified on the suspense notification, please submit the Job Change eForm as soon as possible so it can be processed within PeopleSoft HCM before the next pay confirm process runs.

Every effort should be made to minimize transactions going to the suspense account. The following practices will assist in this objective:

- Suspense notifications are addressed within the timeframe to allow for the correction to occur before pay confirm:
  - Semi Monthly payroll - approx. 8-9 days prior to pay confirm and monthly payroll - 3 days prior to pay confirm.
  - Suspense notification emails are sent to the department budget owner. Anyone who has the View Suspense security role in PeopleSoft HCM (ZHPY\_SUSPENSE\_VIEW) will also receive notifications for the DeptID(s) attached to their security profile.
- Research (restricted) – monitor upcoming end dates, in certain situations it is appropriate to request an authorization for over expenditure.
- Operating – when a ChartField (e.g. program) is inactivated, ensure there are no salary commitments attached to the inactivated ChartField.

## **PREPARE, APPROVE, PROCESS AND FILE**

1. Supporting documentation must include the following:

- a) Provide a copy of the report that shows the salary expense being transferred:
  - i. For operating SBA attach - Salary and Benefit Expenditures Report (eTRAC Report can also be used for research (operating) (F330))
  - ii. For research (restricted) attach – Salary and Benefit Expenditures Report or eTRAC Report (Research and Trust Expense and Commitment Detailed Report)

Mark up the report (e.g. new combination code, correct account ChartField for suspense transaction) to provide the required information for data entry. The report should be marked up for any pertinent supporting information including method and amount of adjustment.

When correcting suspense transactions the supporting documentation must include the salary and benefits account ChartField that the expense will be transferred to (i.e. the expense (debit) on the transaction).

2. Prepare form

- a) Select the correct form.

The form required is dependent upon the fund that the salary expense will be transferred to (i.e. the expense (debit)).

- b) Explain reason for the transfer.

An explanation of the adjustment is required. This information must be entered on the form for review and approval and subsequently entered into the SBA Comments field. The Comment field in HCM is required but limited to 250 characters, if additional explanation is required the following note may be added “for further detail refer to source documents”.

**Research (restricted):**

Provide a clear explanation as to why the new project (i.e. the project being debited) is now absorbing prior period salary expense with a clear descriptions of the work performed and how it relates to the research objective. All salaries charged to a research project (including SBA transactions) must be reasonable and reflect actual work performed. A salary transfer must represent actual time spent on the research project. Examples of insufficient support would include:

- *“to clear over expenditure”* or
- *“transfer J Smith salary”* or
- *“use unspent balance”*

These do not explain why another research project is now being charged with this expense. A more appropriate explanation would be:

- *“J Smith worked on project “x” for Sept to Dec but was incorrectly charged to project “y”. J Smith was developing computer simulation models on the effects of...”*

b) Put in total amount that will be transferred.

An estimated amount can be used when doing a % split and it is not quickly determinable what the exact amount will be. The purpose of the estimate is to provide the budget owner with a reasonably accurate amount upon which they are approving.

c) Attach the supporting documentation.

d) Secure the required approvals.

3. Submit to data entry

Data entry ensures the form is completed prior to keying.

For information on how to process an SBA transaction, once it has been approved, refer to:

***PeopleSoft User Training Manual – Salary & Benefits Adjustment (SBA)***

4. File the SBA Request Form and supporting documentation

Units are required to maintain orderly and secure records by fiscal year for six prior years plus the current fiscal year. Source documents should be filed as centrally as possible to ensure the source documentation is maintained in an orderly fashion, are secure and available for ready access by auditors. To protect the confidentiality of the employee’s salary and benefit information, source documents must be filed in a secure location with limited access.

Filing order:

File by month (within fiscal year)

Recommend two separate files for research (restricted) and operating

5. HRS Processing

HRS will be required to process current fiscal year Salary & Benefit Adjustments on behalf of units in the following circumstances (occurs rarely):

- The faculty/department that requires the adjustment is not able to access the employee’s payroll information in the SBA tool. For example:
  - Employee has moved from department “a” to faculty “b” and faculty “a” is now required to do an SBA for that individual. Faculty “a” is not able to access the employee information.
  - Incorrect coding where the faculty/department requiring the adjustment is not able to access the employee information
- Unit selected incorrect account code when clearing suspense.

When submitting salary and benefit adjustments to HRS for processing ([payroll.operations@ualberta.ca](mailto:payroll.operations@ualberta.ca)), the faculty must send the appropriate Research or Operating Salary & Benefits Adjustment Form with supporting

documentation and include the additional information listed below:

| SBA Transaction | Amount | % | From Existing Combo Code | To New Combo Code | Pay Period |
|-----------------|--------|---|--------------------------|-------------------|------------|
| Salary          |        |   |                          |                   |            |
| Benefits        |        |   |                          |                   |            |
| Statutory       |        |   |                          |                   |            |

HRS will retain these source documents for six prior years plus the current fiscal year.

**POSTING / PROCESSING**

SBA entries for a pay period can be processed the day after the pay confirm process concludes within PeopleSoft HCM.

SBA transactions will have an accounting date of the pay period end date of the current pay period. For example SBA performed for:

- Monthly Payroll (excluding year-end)
  - between Jan 1 – Jan 31 will have an accounting date of January 31
- Semi-Monthly Payroll (excluding year-end)
  - between Jan 1 – 19 (pay confirm date) will have an accounting date of January 15
  - between Jan 20 – 31 will have an accounting date of January 31

The year-end schedule will detail the April deadlines for SBA processing to the March 31 period. All SBA transactions performed during the year-end period will be posted to March 31. Any SBA for the new fiscal year must wait until the year-end processing period has passed.

**PRIOR YEAR ADJUSTMENTS**

The university strongly discourages the adjustment of prior year salary transactions for research (restricted) and endowment funds. The expectation is that salary coding is monitored regularly to ensure accuracy of coding within the fiscal year.

Note: Prior year corrections within operating funds (F100, F210, F310) are not required and therefore not allowed. Any corrections required in the next fiscal year would be managed via budget or transfer of funds.

Similar to SBA, prior year salary corrections must include the following:

- Salary and Benefit Expenditures Report or eTRAC Report (Research and Trust Expense and Commitment Detailed Report)
- Justification for the transfer:
  - The nature of the duties of the employee(s) who's salaries are being moved
  - How the project being debited benefited from those duties (i.e. how did the employee's activities relate to the objectives of that project?)
  - Why were salaries originally being charged to an incorrect project or account?
  - How was the error detected?
  - What steps are being taken to ensure similar errors are prevented in the future?
- Completed Prior Year Salary Correction Form

Due to the increased risk of incorrect financial reporting all Prior Year Salary Correction Forms must also receive SFO approval.

***Prior Year Salary Correction Form – Research (Restricted):***

The completed form must be sent to RSO ([researchjv@ualberta.ca](mailto:researchjv@ualberta.ca)) for review and approval. If approved, RSO will send the adjustment to HRS for processing.

**Prior Year Salary Correction Form – Endowment:**

The completed form must be sent directly to HRS ([payroll.operations@ualberta.ca](mailto:payroll.operations@ualberta.ca)) for processing.

HRS will retain the source documents for six prior years plus the current fiscal year.

**RELATED LINKS**

[PeopleSoft User Training Guide – Salary & Benefits Adjustment \(SBA\)](#)

[Research \(Restricted\) Salary & Benefits Adjustment \(SBA\) Form](#)

[Operating Salary & Benefits Adjustment \(SBA\) Form](#)

[Prior Year Salary Correction Form – Research \(Restricted\)](#)

[Prior Year Salary Correction Form - Endowment](#)

The SBA procedure was developed in consultation with Financial Services and the Research Services Office.