

**Payroll/Personnel System Requirements
SR 16954 Salary Rate Limitation
EDB Maintenance Edits
Final 5/16/05**

**University of California
Office of the President
Payroll Coordination**

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1.0 Background

Various government agencies, including the National Institutes of Health (NIH) and the Substance Abuse and Mental Health Services Administration (SAMHSA), establish guidelines that restrict charging payroll expenses at payrates in excess of the Executive Level II of the Federal Executive Pay Scale.

In recent years, the federal government and its auditors have become much more active in their review of charges to federal funds, and salary caps present a specific area of concern to the University. University of California paid a total of \$2.1 million to settle NIH salary cap limitation disallowances for the period July 1, 1995 through June 30, 2002.

The Salary Rate Limitation, or cap, is a statutorily defined rate of pay affected by the federal fiscal year appropriations. The cap for the year 2005 is \$180,100 per year, or \$15,008.33 per month. The UCOP-Research Administration Office and UCOP-Costing Policy and Analysis Unit distributed an operating guide on February 17, 2000, to campuses. The Questions and Answers section defines the employee's rate of pay as the salary in dollars payable to the employee per unit of time worked, normalized to one person-month at 1.0000 Full Time Equivalent (FTE) effort. In other words, the cap is based on the rate at which an employee is paid and not on the gross pay received, so that employees who earn at rates above the cap are limited to the capped rate of pay multiplied by the percent of full time effort charged to the Capped Fund. The Salary Cap monthly pay rate is further reduced for the 9-month/academic year employees who work for the 9-month academic year but are paid over 12 months. In that case the capped rate is multiplied by 75% to reflect the fact that the employee worked 9 or 12 months of the year, but is paid for 12 months.

At present, each campus has initiated its own method and procedure for verifying salary caps. Because of the varying methods and procedures, campus controllers requested that UCOP develop a uniform process using the Payroll/Personnel System (PPS) to assist with the task of ensuring compliance.

2.0 Overview

Ensuring compliance with salary caps is difficult because the rules governing the cap are complex. While it is not possible to define the salary cap for all funds with 100% accuracy, it is possible, with appropriate system edits, to provide edit messages and reports which can ensure a high degree of accuracy. Editing for compliance with salary caps may still be problematic on multi-year funds where all funding was appropriated at one time, or for no cost extensions of projects for which the salary cap was not increased with the annual federal cap limit adjustment.

The general approach will be to store the funds and/or fund groups subject to a given cap, and the capped rate for each fiscal year, in a table that could be updated each year with new rates. Edits will be provided in the EDB Maintenance process to prevent salary rates over the applicable cap from being established on the EDB. Additionally, reports will be provided to monitor pay transactions that may result in payment over the capped rate.

This document will request that a mechanism to identify funds subject to a cap be implemented in PPS. It will also define system edits to help ensure compliance with the Salary Cap guidelines established by federal agencies.

A separate, subsequent document will define reports to be produced to audit pay transactions that are entered into the compute process.

3.0 PPS Modifications

3.1 Control Table Modifications

A mechanism must be developed to identify the funds that are subject to a federal cap, and to identify the rate limit for each cap for each fiscal year.

It is suggested that this information could be available in a Control Table in PPS. During preliminary discussion on this project, it was suggested that the Fund Group Table be used to identify funds subject to a cap, and the Assessment Rate Table be used to store the salary limits (caps). The actual solution will be determined during the design phase of the project, subject to approval by the Payroll Coordinator's office.

3.2 EDB Explicit Maintenance Edits

3.2.1 Edit for pay rate over cap

An edit should be developed to check for a pay rate that is over the Cap amount when the fund source is subject to a cap.

This edit should be triggered whenever any of the following data elements are changed (including addition of a new appointment or distribution):

- Appointment Rate Code (EDB 2015)
- Appointment Basis Code (EDB 2010)
- Paid Over Code (EDB 2011)
- Appointment Pay Schedule Code (EDB 2016)
- Distribution Begin Date (EDB 2053)
- Full Accounting Unit
- Distribution Pay Rate (EDB 2055)

The edit should first check to see if the fund source associated with the distribution is subject to a cap. This should be done by comparing the fund number associated with the FAU (returned from a 'below the line' process) to entries in the Fund Group Table. If the fund number is identified in the Fund Group table as subject to a cap, then the Distribution Pay Rate should be compared against the salary cap for the appropriate year, as follows:

- If the Distribution Begin Date (EDB 2053) is in the current month or earlier, the cap for the current fiscal year should be used for comparison.
- If the Distribution Begin Date is for a future month, the cap for the fiscal year in which that month falls should be used for comparison.

For example, assume the following salary caps are recorded in the system:

Year begin	Amount
7/1/2004	171,900
7/1/2005	180,000
7/1/2006	190,000

When distributions are updated, caps would be selected for comparison against the pay rate as follows:

1.	On 7/5/05, add a distribution with a 7/1/05 begin date	Use 7/1/2005 cap of 180,000
2.	On 7/5/05, update the pay rate on an existing distribution with a 1/1/04 begin date and an indefinite end date.	Use 7/1/2005 cap of 180,000
3.	On 6/15/06, add a distribution with a 7/1/06 begin date	Use 7/1/2006 cap of 190,000
4.	On 6/15/06, update the pay rate on an existing distribution with a 6/1/06 begin date	Use 7/1/2005 cap of 180,000
5.	On 6/15/07, add a distribution with a 7/1/07 begin date.	Use the 7/1/2006 entry (latest entry available)
6.	On 7/3/06, update a distribution with a 6/30/06 end date.	Use the 7/1/2005 cap of 180,000

Once the annual cap is retrieved, a monthly cap should be developed for comparison against the employee's pay rate as follows:

- If the Appointment Basis Code is '9' and the Paid Over Code is '12' the monthly cap should be calculated as:

$$(\text{Annual Cap Amount} / 12) \times 9/12$$

For example, for 2003, the annual cap is \$171,900, so the calculation would be:

$$171,900 / 12 = 14,325$$

$$14325 \times .75 = 10,743.75$$

- For all other cases, the monthly cap should be calculated as:

$$\text{Annual Cap Amount} / 12$$

For 2003, the calculation would be:

$$171,900 / 12 = 14,325$$

All results should be rounded to the nearest cent.

The Distribution Pay Rate should be converted to a monthly rate as follows:

- If the Appointment Rate Code is 'A' or 'B' and the Appointment Pay Schedule is 'MO' or 'MA', the Distribution Pay Rate represents the monthly pay rate and should be compared to the monthly cap
- If the Appointment Rate Code is 'A' or 'B' and the Appointment Pay Schedule is 'SM', the Distribution Pay Rate should be converted to a monthly amount as follows:

$$\text{Distribution Pay Rate} \times 2 = \text{monthly pay rate}$$

- If the Appointment Rate Code is 'A' or 'B' and the Appointment Pay Schedule is 'BW', the Distribution Pay Rate should be converted to a monthly amount as follows:

$$(\text{Distribution Pay Rate} \times 26) / 12 = \text{monthly pay rate}$$

- If the Appointment Rate Code is 'H', the Distribution Pay Rate should be converted to a monthly amount as follows:

$$\text{Distribution Pay Rate} \times 174 = \text{monthly pay rate}$$

The result should be rounded to the nearest cent.

The calculated monthly cap rate should be compared to the monthly pay rate. If the monthly pay rate is greater than the monthly cap rate, an error message should be issued: "Pay Rate is greater than allowable cap for fund source". The message should have a severity of Employee Reject in batch and on-line.

3.2.2 Edit for by-agreement rate on capped fund source

An edit should be developed to check for a by-agreement payment associated with a capped fund source.

This edit should be triggered whenever the FAU or DOS Code is updated, including when a distribution is added.

The edit should check to see if the fund source associated with the distribution is subject to a cap. This should be done by comparing the fund number associated with the FAU (returned from a 'below the line' process) to entries in the Fund Group Table. If the fund number is identified in the Fund Group table as subject to a cap, then the DOS Table entry should be checked to determine if the DOS code Calculation Type is 'A', indicating that the distribution

pay rate amount is added to gross with no time factor. If it does, then a message should be issued with the text "By Agreement DOS Not Allowed With Capped Fund Source." The message should have a severity level of Warning in batch and on-line.