



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

## **Business Procedure**

Last updated: April 7, 2017

## **OVERVIEW**

Salary & Benefit Adjustment (SBA) is the transfer of 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 SBA requirements are designed to meet the needs of all stakeholders (i.e. preparers, approvers, data entry staff, sponsors, auditors). 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 an SBA transaction, once it has been approved, refer to PeopleSoft HCM User Training Guide – Salary & Benefits Adjustment (SBA)

Note: terms used in this document

- o salary, includes both salary and benefits
- o faculty, includes central services units

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### **SUPPLEMENTAL INFORMATION**

#### **Research (restricted):**

The majority of SBA activity is in the Research (restricted) funds. There are some concerns regarding the volume and timeliness of these adjustments as they pose a risk to the university. The risks are:

- Prior to processing the SBA:
  - o Financial reports sent to granting agencies are incorrect (expense is either over or understated).
  - o Claims are incorrect (expense is either over or understated), resulting in some sponsors overpaying and other sponsors underpaying.
  - o Financial data reviewed by auditors is incorrect.
- Salary expense being moved may not be eligible  
Note: In many instances salary incurred prior to the start date of the research project are ineligible expenditures.
- When salary expense incurred over a long period of time (months or years) are transferred, it brings into question the ability to adequately support 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.

Info Item:

The 2016 Sponsor audit required that the university to quantify the error in the sponsor financial statements that was caused by late adjustments.

#### **Operating:**

The remainder of the SBA activity is primarily within F210 (operating).

#### **Corrections between Research (restricted) and Operating:**

Corrections between these two categories means that the university's consolidated financial statements were incorrect when issued in previous quarters and if over a fiscal year.

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

Due to the resource effort associated with SBA transactions the Faculty 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 (i.e. it is not used as a mechanism to “process now – fix later”).
- It is appropriate to move salary expense versus other expenses.  
Note: research expenses must accurately reflect the resources used by the project.
- Pay Action Forms are prepared (where applicable) to further reduce reliance on SBA.
- Provides more assurance that the supporting documentation is prepared consistently is appropriately approved and is filed as centrally as possible.  
Note: To protect the confidentiality of the employee’s salary and benefit information, source documents must be filed in a secure location with limited access.

**Roles and Responsibilities:**

The roles listed below are the same as the roles/responsibilities in all other financial business processes.

- o 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. The SFO approves the SBA data entry role.
- o Budget Owner  
An employee 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.
- o Independent Reviewer (for Research (restricted) only)  
The independent review role is required for research transactions. The independent reviewer carries out the University of Alberta’s obligation to withhold approval of any expenditure that contravenes sponsor requirements
- o Data Entry  
The individual with the data entry role is responsible for ensuring the appropriate approvals are in place prior to processing the SBA, processes the SBA, files the SBA and supporting documentation.  
  
This individual requires the PeopleSoft HCM role ZHPY\_SALBEN\_DIST\_ADJUSTMT

Note: The approval roles 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

**MINIMIZE THE USE OF SBA**

Every effort should be made to minimize the need for, or use of SBA as this process requires additional resource efforts across all stakeholders. The following practices will assist in this objective:

- Effective and pro-active use of the Pay Action Form:
  - o The employee should be assigned to the correct combination code in PeopleSoft HCM when the appointment is first processed using a Pay Action Form. Changes to combination code distribution should be made before the pay period in which the change takes effect. Staff who prepare Pay Action Forms must:
    - know how the employee’s salary will be distributed and
    - understand payroll distribution options
  - o Pay Action Forms can be used to distribute salary to multiple budgets/projects.
  - o If an employee will be temporarily allocated to another combination code (full or partial) for more than three months, a Pay Action Form must be submitted for the temporary time period.
  - o If an SBA is required consideration should be given to submitting a Pay Action Form to correct the combination code distribution and prevent the need for SBA in future pay periods.
- Ensure suspense notifications are addressed within the timeframe to allow for the correction to occur before pay confirm, thus eliminating the need to process an SBA.

Timing of suspense notification emails:

Semi Monthly payroll - approx. 8-9 days prior to pay confirm and monthly payroll - 3 days prior to pay confirm.

Note: When a manual correction of a combination code distribution is needed for an employee identified on the suspense notification, please submit the appropriate Pay Action Form as soon as possible so it can be processed within the PeopleSoft HCM before the pay confirm process runs.

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.

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

- o Research (restricted) – monitor upcoming end dates, in certain situations it is appropriate to request an authorization for over expenditure.
- o Operating – when a ChartField (e.g. program) is inactivated, ensure there are no salary commitments attached to the inactivated ChartField.

**CATEGORIES - 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 F531 Sponsored Research YE Deferral F535 Sponsored Research Grants 2
Operating	F100 Central Institution F210 Operating F310 Ancillary Services F330 Research (operating) F5xx Remaining restricted funds that are not research (restricted) Exxxx Endowments

Note: The majority of SBA are in research (restricted) funds. Because of the small volume of SBA transactions in funds other than research and F210, all other funds are included in the Operating category. The Operating SBA Request Form will highlight specific approval requirements for funds other than F210.

**WHEN TO USE SBA**

The requirement for SBA can be reduced with proactive management, however there are situations when an SBA is appropriate, as outlined in the table below:

Note: Research reason codes are used when the SBA is debiting the research project in the research (restricted) funds.(i.e. where the salary expense will be reflected).

Reason Code	Description
002 – Research (restricted) project not setup	Salary expense has been incurred while a research (restricted) project is being setup/awarded. Once the project is setup, the salary expense is then moved to the new project, if permissible by the Sponsor.
003 – Research (restricted) project salary	Salary was expensed to an incorrect research (restricted) project. Salary expense is then moved to

transfer	the correct research (restricted) project.
007 –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. Note: 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).
011 – Operating salary transfer	Salary was expensed to an incorrect combination code. Salary expense is then moved to the correct combination code.

The reason code used is dependent upon the fund that will be debited (i.e. the salary expense) and, this will also determine which form to use.

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

#### 1. Supporting documentation must include the following:

##### a. Support for the transaction amount.

Provide a copy of the report that shows the salary expense being transferred:

- i. For operating SBA use – Salary and Benefit Expenditures Report  
Note: eTRAC Report can also be used for research (operating) (F330)
- ii. For research (restricted) SBA use – 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.

Note: the report can be marked up for further information detailing the adjustment, method and amount of adjustment and other pertinent information that supports the transaction amount calculation.

##### b. Explanation for the transfer

The support may be in the form of additional documents (e.g. email) or input into the Comment field on the SBA Form.

It is recommended that the explanation be input on the form for ease of review, however the Comment field can also “refer to attached” and reference the document attached.

#### **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. A salary transfer must represent actual time spent on the research project.

For example:

To state “to clear over expenditure” or “reduce unspent balance” is not adequate support, as this does not explain why another research project is now being charged with this expense.

To state “J Smith worked on project “x” for Sept to Dec but was incorrectly charged to project “y” does provide a clear explanation.

#### 2. Prepare form

##### a. Select the correct form and reason code.

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

##### b. Fill in Comment field.

Note: it is optional as to whether or not this information is keyed into the system.

Refer to point 1(b) for further information regarding requirements.

**Research (restricted):**

It is recommended that the support for the explanation for the transfer be input onto the form and keyed into the system or that the “referred to attach” document is easy for the person with the data entry role to input. Capturing this information into the system will be result in efficiencies for users of this information and for audit.

- c. Put in total amount that will be transferred.  
Note: 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.
  - d. Attach the supporting documentation.
  - e. Secure the required approvals.
3. Submit to data entry  
Data entry confirms the form is approved 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  
To protect the confidentiality of the employee’s salary and benefit information, source documents must be filed in a secure location with limited access.  
Note: Documents (i.e. these are source documents) should be filed as centrally as possible to ensure the supporting documentation is maintained in an orderly fashion, are secure (due to confidentiality) and available for ready access by auditors.

Filing order:

- File by month (within fiscal year)
- Recommend two separate files for research (restricted) and operating.

HRS will process Salary & Benefit Adjustments only in the following circumstances (occurs rarely):

- Employee has moved from faculty “a” to faculty “b” and faculty “a” is now required to do a prior pay period SBA for that individual. Faculty “a” 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, the faculty must send the Research or Operating Salary & Benefits Adjustment Form with supporting documentation and include the additional information listed below: HRS will retain these source documents for six prior years plus the current fiscal year.

SBA Transaction	Amount	%	From Existing Combo Code	To New Combo Code	Effective Date
Salary					
Benefits					
Statutory Deductions					

**TIMELINESS OF PROCESSING AND CROSSING FISCAL YEAR**

All SBA should be done as soon as possible.

**Operating:**

For funds: F100, F210, F310 – corrections for prior fiscal year(s) is not required/not applicable and therefore not

allowed.

Note: any corrections required in the next fiscal year would be managed via budget or transfer of funds.

**Research (restricted):**

The university strongly discourages the use of SBA for prior year(s) transactions (refer to info item below).

Note: SBA for salary that was expensed prior to November 2016:

If a SBA is required for expense incurred prior to Nov 2016 the unit must submit a Research GLJE Request and submit (with supporting documentation) to RSO for approval and processing. Use only one benefit account (501110 – Government Plans) for this transaction. Due to significant concerns, being raised by sponsors and auditors related to SBA's of prior period salaries, all SBA's using the Research GLJE Request must be submitted by May 31, 2017.

Info Item:

The previous GL Redistribution Training Guide indicated that prior year corrections were not allowed; however this was not prevented by the PeopleSoft HCM 9.0 functionality. Therefore the PeopleSoft HCM 9.2 SBA functionality has replicated this function (i.e. allows prior year(s) corrections).

In the upcoming year, central services units will be putting in place restrictions on the usage of prior period corrections. The correction of prior period expense identifies that there were inaccuracies in the financial data (prior to processing the SBA) which resulted in inaccurate financial reporting and claims that were sent to the Sponsor.

**POSTING / PROCESSING**

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

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.

**FILING AND RETENTION OF SOURCE DOCUMENTS**

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 supporting documentation is maintained in an orderly fashion, are secure (due to confidentiality) and available for ready access by auditors.

**RELATED LINKS**

PeopleSoft User Training Guide – Salary & Benefits Adjustment (SBA)

Research (Restricted) Salary & Benefits Adjustment (SBA) Form

Operating Salary & Benefits Adjustment (SBA) Form



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