Service Request: SR82820
Name: Salary Cap Edit on Expense Transfers

Objective
Develop edits to prevent the processing of expense transfers that are over the salary cap.

Project Type
PPS Modification

Requested by
University Controllers

Project Lead / Business Analyst
Shaun Ruiz, Payroll Coordination

Due Date
Urgent
**Background**
Various government agencies, including the National Institute of Health (NIH), have established guidelines that restrict charging payroll expenses at pay rates in excess of the Executive Level II of the Federal Executive Pay Scale.

Release 1647 implemented a front-end process to provide pay rate compliance within the EDB File Maintenance edit process. Most payments to individuals are based on these EDB normal pay attributes.

Release 1669 implemented a process that examines the actual earnings during the process month and reports warning conditions that indicate possible non-compliance with the stipulated cap guidelines. Modifications allowed Program PPP531 to read the DB2 PAR and screen these earnings for payments with FAUs that fall within the salary limitation categories identified on the Fund Group Table. When any of these restricted payments contain a warning condition, the employee’s earnings are included on the tab delimited “Salary Cap Error Reporting” output file.

**Current Process**
The Fund Group Table is used to record and identify the funds that are subject to a federal cap. The Assessment Rate Table is used to record and identify the rate limits for each cap for each fiscal year.

**Proposed Process**
Develop a compliance process in the online expense transfer module and in batch processes that:

1. Blocks expense transfers that exceed the cap.
2. Blocks zero gross transfers to and from restricted funds.
3. Reports by-agreement expense transfers that do not exceed the cap.
4. Rejects by-agreement expense transfers that exceed the cap.

Transaction types that are associated with expense transfers include TS, TM, E1, E2, and E3. It is suggested that online transactions (TS/TM) be blocked immediately and batch transactions (E1/E2/E3) be blocked during the pay edit process.

For each blocked transaction, one of the following TRANS REJECT error messages should be displayed (online) or reported (on the related PPP* report):

- **PAY RATE GREATER THAN ALLOWABLE CAP FOR FUND SOURCE**
- **ZERO GROSS TRANSFER NOT ALLOWED WITH CAPPED FUND SOURCE**

**Over/Under the Salary Cap Rule¹**
To determine if an expense transfer is over the cap, the calculated monthly cap rate should be compared to the monthly pay rate. The expense transfer should be considered over the cap if the monthly pay rate is greater than the monthly cap rate.

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¹ When applicable, existing business logic should be used to determine if an amount is over/under the cap.
To determine if an expense transfer is under the cap, the calculated monthly cap rate should be compared to the monthly pay rate. The expense transfer should be considered under the cap if the monthly pay rate is less than the monthly cap rate.

The following data should be used to determine if an amount is over/under the cap:

- The pay rate of the amount to be transferred.
- The pay period end date of the payroll expense to be transferred.
- The salary cap rate at the time the payroll expense took place (prior-year cap rates must be used for prior-year expense transfers).
  - Fund Group Table should be used to identify the funds that are subject to the cap.
    - Use of Group Definition SALRYCAP would be appropriate.
  - Assessment Rate Table should be used to identify the rate limits for the applicable salary cap rates.

**By-Agreement Expense Transfers**

A DOS code with a Calculation Type equal to ‘A’ should be considered by-agreement for purposes of this edit.

All by-agreement expense transfers that are “under the cap” should be reported and warning message, “BY AGREEMENT DOS NOT ALLOWED WITH CAPPED FUND SOURCE”, issued.

By-agreement expense transfers that are “over the cap” and would result in a credit to the restricted fund source should be rejected and message, “PAY RATE GREATER THAN ALLOWABLE CAP FOR FUND SOURCE”, issued.

**Fund Combinations – Under the Cap**

- Restricted Fund to Restricted Fund – all transactions should be reported.
- Restricted Fund to Unrestricted Fund – all transactions should be reported.
- Unrestricted Fund to Restricted Fund – all transactions should be reported.

**Fund Combinations – Over the Cap**

- Restricted Fund to Restricted Fund – all transactions should be rejected.
- Restricted Fund to Unrestricted Fund – reject if transaction is a credit to the unrestricted fund. (If a debit item, the transaction should be reported)
- Unrestricted Fund to Restricted Fund – reject if transaction is a debit to the restricted fund. (If a credit item, the transaction should be reported)

**Single Expense Transfers**

The single transfer process involves transferring a single line item from one account/fund/sub to another account/fund/sub.

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2 When applicable, existing business logic should be used to determine if a DOS code is by-agreement or non by-agreement.
The Over/Under Cap Rule should be applied in the following situations:

- Restricted Fund to Restricted Fund – all transactions should be rejected if OVER the cap.
- Restricted Fund to Unrestricted Fund – reject if OVER the cap and the item to be transferred is a credit.
- Unrestricted Fund to Restricted Fund – reject if OVER the cap and the item to be transferred is a debit.

The Over/Under Cap Rule should not be applied in the following situations:

- Unrestricted Fund to Unrestricted Fund.

Mass Expense Transfers

The mass transfer process involves condensing several single transfers into one transaction. Although a mass transfer appears as a single line item in the PPS, the result is that several single transfers are created. Therefore, each single expense transfer must be reviewed whenever a mass expense transfer is created. If one single transfer item is found to be out of compliance (i.e., OVER the cap), the entire mass transfer should be rejected.

The Over/Under Cap Rule should be applied in the following situations:

- Restricted Fund to Restricted Fund – all transactions should be rejected if OVER the cap.
- Restricted Fund to Unrestricted Fund – reject if OVER the cap and the item to be transferred is a credit.
- Unrestricted Fund to Restricted Fund – reject if OVER the cap and the item to be transferred is a debit.

The Over/Under Cap Rule should not be applied in the following situations:

- Unrestricted Fund to Unrestricted Fund.

Zero Gross Transfers

Zero gross transfers should always be blocked. When blocked, the system should issue message, “ZERO GROSS TRANSFER NOT ALLOWED WITH CAPPED FUND SOURCE”.

Fund Combinations

- Restricted Fund to Restricted Fund – all transactions should be rejected.
- Restricted Fund to Unrestricted Fund – all transactions should be rejected.
- Unrestricted Fund to Restricted Fund – all transactions should be rejected.

NOTE: If the salary cap rates are stored as an annual amount then the rates should be converted to monthly rates prior to the “over/under cap” determination. The monthly salary cap should be calculated as follows:

- If the Appointment Basis is “09” and the Appointment Paid Over is “12”, the Monthly Salary Cap Rate should be calculated as follows:
If the Appointment Basis is “10” and the Appointment Paid Over is “12”, the Monthly Salary Cap Rate should be calculated as follows:

- (Salary Cap Rate / 12) X 10 / 12

For all other cases, the Monthly Salary Cap Rate should be calculated as follows:

- Salary Cap Rate / 12

NOTE: If pay rates need to be converted to monthly equivalents, prior to the “over/under cap” determination, then the following conversions will apply:

- If pay rate is hourly:
  - If schedule code is biweekly, the monthly rate = Pay Rate * 2080 / 12
  - If schedule code is not biweekly, the monthly rate = Pay Rate * 174
- If pay rate is not hourly (%):
  - If schedule code is biweekly, the monthly rate = Pay Rate * 26 / 12
  - If schedule code is semi-monthly, the monthly rate = Pay Rate * 2
  - If schedule code is monthly, the monthly rate = Pay Rate
Example 1 *(transfer item is UNDER the cap)*

Current Year Expense Transfer  
Current Salary Cap = $199,700.00  
Entire line is transferred

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee ID</th>
<th>DOS</th>
<th>Time</th>
<th>H%</th>
<th>Pay Rate</th>
<th>Gross</th>
<th>Matchng Contrib / FSS / SMSP</th>
<th>GSTR / IAPOF</th>
<th>OSDI / Medcr</th>
<th>Dent / Hlth / Vis / OPEB</th>
<th>UI / GSH</th>
<th>WC / ESP / GSPF2</th>
<th>Life / UCDI / GSFR</th>
<th>IAP / Leave</th>
<th>Total Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>123456789</td>
<td>REG</td>
<td>1.000</td>
<td>%</td>
<td>500000</td>
<td>50000</td>
<td>10000</td>
<td>0</td>
<td>37250</td>
<td>28645</td>
<td>3500</td>
<td>2770</td>
<td>1105</td>
<td>0</td>
<td>83270</td>
</tr>
</tbody>
</table>

Determine over/under cap  
\( (5,000 \times 12) = \$60,000 \) *(UNDER)*

System accepts transaction with no errors.

Example 2 *(transfer item is OVER the cap)*

Current Year Expense Transfer  
Current Salary Cap = $199,700.00  
Entire line is transferred

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee ID</th>
<th>DOS</th>
<th>Time</th>
<th>H%</th>
<th>Pay Rate</th>
<th>Gross</th>
<th>Matchng Contrib / FSS / SMSP</th>
<th>GSTR / IAPOF</th>
<th>OSDI / Medcr</th>
<th>Dent / Hlth / Vis / OPEB</th>
<th>UI / GSH</th>
<th>WC / ESP / GSPF2</th>
<th>Life / UCDI / GSFR</th>
<th>IAP / Leave</th>
<th>Total Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>123456789</td>
<td>REG</td>
<td>1.000</td>
<td>%</td>
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<td>3500</td>
<td>151900</td>
<td>1105</td>
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<td>404312</td>
</tr>
</tbody>
</table>

Determine over/under cap  
\( (35,000 \times 12) = \$420,000.00 \) *(OVER)*
System rejects transaction with error message: “PAY RATE GREATER THAN ALLOWABLE CAP FOR FUND SOURCE”

**Example 3** *(transfer item is OVER the cap even though the original gross is UNDER the cap)*

Current Year Expense Transfer
Current Salary Cap = $199,700.00
Entire line is transferred (note - gross is at 30% of pay rate)

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee ID</th>
<th>DOS</th>
<th>Time</th>
<th>H%</th>
<th>Pay Rate</th>
<th>Gross</th>
<th>Matchng Contrib / FSS / SMSP</th>
<th>GSTR / IAPOF</th>
<th>OSDI / Medcr</th>
<th>Dent / Hlth / Vis / OPEB</th>
<th>UI / GSH</th>
<th>WC / ESP / GSPF2</th>
<th>Life / UCDI / GSFR</th>
<th>IAP / Leave</th>
<th>Total Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>123456789</td>
<td>REG</td>
<td>0.3000</td>
<td>%</td>
<td>350000</td>
<td>105000</td>
<td>21000</td>
<td>00</td>
<td>15314</td>
<td>126761</td>
<td>1005</td>
<td>45885</td>
<td>1105</td>
<td>0</td>
<td>211070</td>
</tr>
</tbody>
</table>

Determine over/under cap
(35,000 X 12) = $420,000.00 *(OVER)*

System rejects transaction with error message: “PAY RATE GREATER THAN ALLOWABLE CAP FOR FUND SOURCE”

**Example 4** *(transfer item is OVER the cap due to a prior year cap amount)*

Prior Year Expense Transfer
2009 Salary Cap = $196,700.00
Entire line is transferred

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee ID</th>
<th>DOS</th>
<th>Time</th>
<th>H%</th>
<th>Pay Rate</th>
<th>Gross</th>
<th>Matchng Contrib / FSS / SMSP</th>
<th>GSTR / IAPOF</th>
<th>OSDI / Medcr</th>
<th>Dent / Hlth / Vis / OPEB</th>
<th>UI / GSH</th>
<th>WC / ESP / GSPF2</th>
<th>Life / UCDI / GSFR</th>
<th>IAP / Leave</th>
<th>Total Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>123456789</td>
<td>BYA</td>
<td>1639200</td>
<td>1639200</td>
<td>32784</td>
<td>00</td>
<td>23768</td>
<td>65424</td>
<td>1005</td>
<td>71633</td>
<td>1105</td>
<td>0</td>
<td>195719</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Determine over/under cap
(16392 X 12) = $196704.00 (OVER)

System flags transaction with error message: “BY AGREEMENT DOS NOT ALLOWED WITH CAPPED FUND SOURCE”. Transaction is captured on applicable reports.

**Example 5** *(transfer item is a by agreement amount)*

Prior Year Expense Transfer
2009 Salary Cap = $196,700.00
Entire line is transferred
DOS is by agreement

<table>
<thead>
<tr>
<th>Line</th>
<th>Employee ID</th>
<th>DOS</th>
<th>Time</th>
<th>H%</th>
<th>Pay Rate</th>
<th>Gross</th>
<th>Matchng Contrib / FSS / SMSP</th>
<th>GSTR / IAPOF</th>
<th>OSDI / Medcr</th>
<th>Dent / Hlth / Vis / OPEB</th>
<th>UI / GSH</th>
<th>WC / ESP / GSPF2</th>
<th>Life / UCDI / GSFR</th>
<th>IAP / Leave</th>
<th>Total Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>123456789</td>
<td>BYA</td>
<td></td>
<td></td>
<td>1639200</td>
<td>1639200</td>
<td>32784</td>
<td>23768</td>
<td>65424</td>
<td>1005</td>
<td>71633</td>
<td>1105</td>
<td>00</td>
<td>195719</td>
<td></td>
</tr>
</tbody>
</table>

System flags transaction with error message: “BY AGREEMENT DOS NOT ALLOWED WITH CAPPED FUND SOURCE”. Transaction is captured on applicable reports.