



February 28, 2008

**To:** Vice Presidents, Deans, Directors, and Department Heads  
Campus Budget Managers

**From:** Laura E. Hubbard, Associate Vice President for Budget & Finance

**Subject:** Payroll Accounting Adjustments

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Effective March 1, 2008, the university is implementing new policies regarding the allowability of payroll accounting adjustments, otherwise known as payroll redistributions. Payroll accounting adjustments will now be limited to the current quarter of the fiscal year and must not be retroactive past that period. The purposes of this change are to comply with federal guidelines regarding financial management, to ensure accurate financial reporting, and to enhance financial transparency. This policy change was discussed with campus budget managers on February 26.

As part of its quarterly reconciliation and billing process, the Office of Research Services and Administration (ORSA) distributes activity reports for Principal Investigators (PI) to certify that salaries and wages charged to sponsored projects are consistent with the effort actually spent working on the projects. The data for this Effort Reporting is drawn from Banner and is based upon the monthly payroll process.

A recent review by the OUS Internal Audit Division raised concerns related to Effort Reporting. Specifically, some quarterly labor totals that were certified by PI's did not match payroll records pulled from Banner later in the year. Payroll accounting adjustments, processed through the online Banner process PHAREDS, were processed after the Effort Reporting certification and caused a variance in the labor reported. Failure to comply with UO and federal policies (which limit retroactive cost transfers to the previous 90-day period) represents a substantial risk to the university and its research programs.

Additionally, the UO is required to provide a quarterly financial report to the State Board of Higher Education. We have found that retroactive payroll accounting adjustments create difficulties in our periodic financial forecasting and reporting to the Board. Retroactive adjustments also complicate our internal financial planning and reporting. Further, these adjustments, while sometimes necessary, overall do not represent prudent financial management practice.

To prevent further issues, payroll accounting adjustments will be restricted to the currently open quarter. For example, an adjustment processed today can only make

changes retroactive to January 1, 2008. The Business Affairs Office will lock out users from making payroll accounting adjustments on the day we close each fiscal quarter. If adjustments are needed that go back farther than the beginning of the active quarter, the department will need to request those adjustments through ORSA (for adjustments to grant funds) or BAO Payroll (for all other funds). Those requests will require a written justification and an authorization from the Dean, Director, or Department Head. The Payroll Accounting Adjustment form is located on the BAO website at <http://baowww.uoregon.edu/forms/paa.pdf>.

If you have any question or concerns, please contact Paula Roberts, Associate VP for Research/Director of ORSA, at 6-5131 ([http://research-services@orsa.uoregon.edu](mailto:research-services@orsa.uoregon.edu)) or Judy Duff, Payroll Manager, at 6-1104.

Thank you for your attention to this important matter.