



Rochester Institute of Technology

*Payroll Information*

**Pre/Post Payment Process for Faculty Salaries**

**Background Information**

The majority of RIT faculty contracts are 9.5 months in duration. As the academic year calendar transitions to semesters, faculty appointments will continue to be 9.5 months but will begin slightly earlier, on or about August 20<sup>th</sup> and end on or about May 31<sup>st</sup>. Faculty who are on 9.5 month contracts will continue to be paid over 12 months beginning July 1<sup>st</sup> through June 30<sup>th</sup>. Salaries and benefits paid from July 1<sup>st</sup> through August 15<sup>th</sup> (3 pay periods) are actually “advance payments” (paid but not yet earned). Salaries and benefits paid from June 1<sup>st</sup> through June 30<sup>th</sup> following the academic year (2 pay periods) are actually “post payments” (paid after earned). Since the pre and post payment amounts have been earned in full by the faculty by June 30<sup>th</sup>, the University’s financial statements are correctly stated as of June 30<sup>th</sup>, the end of RIT’s fiscal year.

**Process**

**Pre/Post Payments Faculty Salaries** – This process is necessary to ensure that with RIT’s upcoming change to semesters: 1) interim financial statements are accurate; 2) the University is in compliance with effort reporting requirements for employees who work on Federal grants and contracts.

Effective fiscal year 2013, compensation for employees with a “*People.Group*” designation of *Faculty* in the HR system, with a contract term of less than 12 months, will be treated as follows:

- ✓ July 1<sup>st</sup> through August 15<sup>th</sup> academic year salaries paid will be treated as a “prepaid expense”. The prepaid amounts will be recognized (e.g., expensed) over 19 pay dates beginning August 31<sup>st</sup> and ending May 31<sup>st</sup>.
- ✓ June 1<sup>st</sup> through June 30<sup>th</sup>, following the academic year, salaries paid will relieve the “post contract liability” obligation created and already expensed during the academic year beginning August 31<sup>st</sup> and ending May 31<sup>st</sup>.

<b>Expense Salary Amount – Costing During Academic Year August 31 through May 31<sup>st</sup></b>			
Components	From Pay Periods	From Account	AY Amt. Expensed
1/19 <sup>th</sup> Pre-paid	July 15, July 31, August 15	Prepaid account	1/19 <sup>th</sup> August 31-May 31
1/19 <sup>th</sup> Post Contract Liability	June 15, June 30	Post contract liability account	1/19 <sup>th</sup> August 31-May 31
1/19 <sup>th</sup> AY 9.5-month salary	August 31 – May 31	Expense account (i.e. operating, discretionary, grant/contract)	1/19 <sup>th</sup> August 31 – May 31

- ✓ The “prepaid salary expense” is an asset residing on the University’s balance sheet until it has actually been “earned” (over the actual contract period). The object code utilized for this purpose is: “09045 – Prepaid Faculty Salaries”.
- ✓ The “post contract liability” is a liability residing on the University’s balance sheet until the obligation is relieved at the end of the fiscal year. The amount is “earned” during the academic year (over the actual contract period), but will be paid during the last 2 pay periods of the fiscal year. A new object code has been established for this purpose: “37000 – Post Contract Faculty Salaries”.
- ✓ When the salaries are recognized over the course of the fiscal year as the amounts are earned, the expense will be reflected on the department/project statements and on the University’s Statement of Activities (i.e., P&L). At the end of the fiscal year, June 30<sup>th</sup>, the prepaid salary expense and the post contract liability account should be zero. This means that 100% of salaries paid during the fiscal year were earned and recognized as an expense.

**Prepaid Account Number** – Regardless of the general ledger account number on the faculty member’s HR record, 100% of his/her academic year salary paid from July 1<sup>st</sup> through August 15<sup>th</sup> will automatically be charged to a default prepaid general ledger account number.

- ✓ For example, beginning in July 2012 a faculty member in the KGCOE Electrical Engineering department whose salary is charged to his/her home department (63100) will be charged to a prepaid account set up under the dean’s department from July 1<sup>st</sup> through August 15<sup>th</sup>. Refer to the attached example #1.

Original Expense Account Number:	01.63100.70150.10.00000.00000
Prepaid Salary Account Number:	01.63000.09045.00.00000.00000

**Post Contract Liability Account Number** – Regardless of the general ledger account number on the faculty member’s HR record, 100% of his/her academic year salary paid from June 1<sup>st</sup> through June 30<sup>th</sup> will automatically be charged to a default liability general ledger account number set up under the dean’s department. Refer to the attached example #1.

- ✓ For example, beginning on August 31<sup>st</sup>, 2012, 1/19<sup>th</sup> of a faculty member in the KGCOE Electrical Engineering department whose salary is charged to his/her home department (63100) will be charged to a post contract liability account set up under the dean’s department. When the last two pay periods for the year are issued (June 15<sup>th</sup> and June 30<sup>th</sup>) the liability account will be relieved and should be zero as of June 30. Refer to the attached example #1.

Original Expense Account Number:	01.63100.70150.10.00000.00000
Post Contract Liability Account Number:	01.63000.37000.00.00000.00000

**Expensing the Prepaid and Post Payment Salary Amounts** – Beginning on the August 31<sup>st</sup> pay date, 1/19<sup>th</sup> of the total pre and post payment salary amounts will be expensed according to the account number (i.e., costing) on the employee’s record as of that pay date.

- ✓ Using the example above, for the period September 1 – September 15, the KGCOE EE faculty member is now expending 50% of his effort on a Federal grant. When the September 15<sup>th</sup> payroll is processed, 50% of the expense (1/19<sup>th</sup> of the total prepaid and 1/19<sup>th</sup> of the total post payment amounts) will be charged to the Federal grant and the remaining 50% will be charged to his home department. Refer to the attached example #2.

Credit Prepaid Salary Account Number: 01.63000.09045.00.00000.00000  
 Credit Post Contract Liability Acct Number: 01.63000.37000.00.00000.00000  
 Debit 50% to Expense Account Number: 01.63100.70150.10.00000.00000  
 Debit 50% to Expense Account Number: 01.6315X.70150.15.30XXX.00000

This process will continue through May 31<sup>st</sup> of the following year at which time, 100% of the prepaid amount will be expensed. Each time the costing on the employees' record changes, the distribution of the prepaid and post payments will change as well.

- ✓ Continuing the example above, for the period December 1 – December 15, the KGCOE EE faculty member is now expending 25% of his effort on his Federal grant and 25% on a private contract. When the December 15<sup>th</sup> payroll is processed, 25% of the expense (1/19<sup>th</sup> of the total prepaid and 1/19<sup>th</sup> of the total post payment amounts) will be charged to the Federal grant, 25% will be charged to the private contract and the remaining 50% will be charged to his home department.

Credit Prepaid Salary Account Number: 01.63000.09045.00.00000.00000  
 Credit Post Contract Liability Acct Number: 01.63000.37000.00.00000.00000  
 Debit 50% to Expense Account Number: 01.63100.70150.10.00000.00000  
 Debit 25% to Expense Account Number: 01.6315X.70150.15.30XXX.00000  
 Debit 25% to Expense Account Number: 01.6315X.70150.15.36XXX.00000

The salary payments for July 15, July 31, and August 15 create the balance in the prepaid account that will be expensed to the appropriate department/project account during the period of August 31<sup>st</sup> through May 31<sup>st</sup>. The salary payments for June 15<sup>th</sup> and June 30<sup>th</sup> relieve the post contract liability account where the post payments have accumulated from August 31<sup>st</sup> through May 31<sup>st</sup>. The salary paid to the faculty member for July 15, July 31, August 15 (the pre-payments) and the June 15<sup>th</sup> and June 30<sup>th</sup> (post payments) will not be costed to any departmental, project, or grant/contract account.

### **Budget Implications**

1. No academic year salary payments will be charged to RIT and NTID operating expense accounts (or any other accounts) from July 1<sup>st</sup> through August 15<sup>th</sup> (pre-payments) and June 1<sup>st</sup> through June 30<sup>th</sup> (post payment). However, a higher percentage will be charged for the period August 16<sup>th</sup> through May 31<sup>st</sup>.
  - ✓ To assist with budget planning, you may want to consider utilizing the “manual encumbrance” feature in the Oracle applications. Please contact Accounting Customer Support at ext. 5-2237 if you would like assistance with setting up manual encumbrances.

**Other Information**

1. **11-month Contracts** – Salaries for faculty who work on 11-month contracts will be handled as follows: July – The salary charges will be treated as a prepaid amount and expensed over 22 pay periods, beginning on August 1<sup>st</sup> and ending on June 30<sup>th</sup>. August – June salary expenses will be charged to the costing on the employee's record during August.
2. **Benefit Expenses** – Since benefits are calculated based on salary expenses, no benefit expenses will be assessed from July 1<sup>st</sup> through August 15<sup>th</sup> and June 1<sup>st</sup> through June 30<sup>th</sup> for faculty whose contracts are 9.5 months. Benefit expenses from August 16<sup>th</sup> through May 31<sup>st</sup> will be based on the actual salary expenses charged to costing on the faculty member's salary for the period.
3. **Costing Changes from July 1<sup>st</sup> through August 15<sup>th</sup> and June 1<sup>st</sup> through June 30<sup>th</sup>**– Since academic year salary charges are not expensed over the summer months, it is not necessary to process Salary Redistribution EAFS for those two and a half months. Throughout the rest of the academic year, process Salary Redistribution EAFS as costing changes occur.
4. **Department Statements** – A footnote will be added to the Department Statement reflecting the balance remaining in the prepaid and post contract liability salary accounts at the end of the period. At the end of June, the balance for both accounts should be zero -0-.
5. **Early Contract Termination** – If a faculty member leaves RIT prior to the end of his/her academic year contract, the prepaid salary amount not yet earned offset by the post contract liability must be repaid to the University. When the overpayment is collected, the prepaid and post contract liability accounts will be zero.
6. **Effort Reporting** – Beginning academic year 2013-2014, effort reports will be issued for the Fall and Spring semesters and the summer academic term. The Fall semester will encompass academic year effort for August 16 through December 31. The Spring semester will encompass academic year effort for January 1 through May 31. The Summer term will encompass summer effort from June 1<sup>st</sup> through August 15. The summer term effort reports will reflect only summer salary contract amounts.
7. **ITS Charges** – During academic year 2012/13, ITS chargebacks for July 1<sup>st</sup> through August 15<sup>th</sup> and June 1<sup>st</sup> through June 30<sup>th</sup>, will be charged directly to the Dean's operating account of each faculty member's college, regardless of the costing on the employee's record at the time. During the academic year, these charges will not be distributed to the actual accounts that the faculty member's salary is charged to from August 16<sup>th</sup> through May 31<sup>st</sup>.
8. **Payroll Distribution Reports** – During July and August, the advance payments will be included in the Payroll Distribution Report on object code 09045 under the appropriate dean's office department number. From August 16<sup>th</sup> through May 31<sup>st</sup>, 1/19<sup>th</sup> of the total prepaid salary amount and the total post contract liability amount will be expensed according to the account number (i.e., costing) on the employee's record as of that pay date. These amounts will be added to the regular salary paid during the period.

**Questions?**

If you have questions about this new salary prepayment process, please call Christa Abugasea, Director of Payroll and Accounts Payable Services at ext. 5-2418.

Prepaid Salary Process for Faculty – Examples									
9.5 month Faculty Contract Paid Over 12 Months									
		Base Salary	Amount Paid						
Base Jul - Jun		\$100,000.00	\$100,000.00						
<b>Example # 1 - 100% Expensed/Charged to Academic Home Department</b>									
	A	B	C (= A - B)	D	E	F (= B + D + E)		G	H
	Total Amount Paid to Employee	Amount Expensed	Amount Added to Prepaid	Prepayment Amount Expensed/ Period	June Postpayment Amount Expensed/ Period	Total Amount Expensed	General Ledger Account Number (Home Dept)	Prepayment (09045) Account Balance	Postpayment (37000) Account Balance
Jul-12	\$8,333.33	\$0.00	\$8,333.33	\$0.00	\$0.00	\$0.00	01.63000.09045.00.00000.00000	\$8,333.33	\$0.00
8/15/12	\$4,166.67	\$0.00	\$4,166.67	\$0.00	\$0.00	\$0.00	01.63000.09045.00.00000.00000	\$12,500.00	\$0.00
8/31/12	\$4,166.67	\$4,166.67	\$0.00	\$657.89	\$438.60	\$5,263.16	01.63100.70150.10.00000.00000	\$11,842.11	\$438.60
Sep-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$10,526.32	\$1,315.79
Oct-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$9,210.53	\$2,192.98
Nov-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$7,894.74	\$3,070.18
Dec-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$6,578.95	\$3,947.37
Jan-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$5,263.16	\$4,824.56
Feb-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$3,947.37	\$5,701.75
Mar-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$2,631.58	\$6,578.95
Apr-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$1,315.79	\$7,456.14
May-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	01.63100.70150.10.00000.00000	\$0.00	\$8,333.33
Jun-13	\$8,333.33	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	01.63000.37000.00.00000.00000	\$0.00	\$0.00
total	\$100,000.00	\$79,166.67	\$12,500.00	\$12,500.00	\$8,333.33	\$100,000.00			

<b>Example # 2 - Account Expensed To/Charged Varies by Academic Quarter</b>									
	AY Q1, 50% to the Faculty member's home department / 50% to a Federal grant								
	AY Q2, 50% to the Faculty Member's Home Department / 25% to a Federal Grant / 25% to a private grant								
	AY Q3, 100% to Faculty member's home department								
	<b>A</b>	<b>B</b>	<b>C (= A - B)</b>	<b>D</b>	<b>E</b>	<b>F (= B + D + E)</b>	<b>Expense Distribution (= F * % effort)</b>		
	<b>Total Amount Paid to Employee</b>	<b>Amount Expensed</b>	<b>Amount Added to Prepaid</b>	<b>Prepayment Amount Expensed/ Period</b>	<b>Postpayment Amount Expensed/ Period</b>	<b>Total Amount Expensed</b>	<b>Home Dept Operating Expense</b>	<b>Federal Grant</b>	<b>Private Grant</b>
Jul-12	\$8,333.33	\$0.00	\$8,333.33	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8/15/12	\$4,166.67	\$0.00	\$4,166.67	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8/31/12	\$4,166.67	\$4,166.67	\$0.00	\$657.89	\$438.60	\$5,263.16	\$2,631.58	\$2,631.58	\$0.00
Sep-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$5,263.16	\$0.00
Oct-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$5,263.16	\$0.00
Nov-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$5,263.16	\$0.00
Dec-12	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$2,631.58	\$2,631.58
Jan-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$2,631.58	\$2,631.58
Feb-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$5,263.16	\$2,631.58	\$2,631.58
Mar-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$10,526.32	\$0.00	\$0.00
Apr-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$10,526.32	\$0.00	\$0.00
May-13	\$8,333.33	\$8,333.33	\$0.00	\$1,315.79	\$877.19	\$10,526.32	\$10,526.32	\$0.00	\$0.00
Jun-13	\$8,333.33	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
total	\$100,000.00	\$79,166.67	\$12,500.00	\$12,500.00	\$8,333.33	\$100,000.00	\$65,789.47	\$26,315.79	\$7,894.74