

## PAYROLL: DEDUCTION-COST REIMBURSEMENT

Contents

	<u>Page</u>
I. Introduction	2
II. Determination of Costs	2
III. Recovery of Charges	3
A. Organizations	3
B. Calculation of Administrative Costs	3
C. Group Automobile and Homeowner/Renter Insurance Carrier	4
IV. Accounting for Cost Reimbursements	4
V. References	5

PAYROLL: DEDUCTION-COST REIMBURSEMENT

I. INTRODUCTION

Payroll deductions have been authorized by The Regents for contributions and dues to certain outside organizations and some University-related entities (see section III. A) provided the organizations reimburse the University for administrative costs.

This chapter sets forth the procedures for recovering such costs from these organizations.

II. DETERMINATION OF COSTS

Payroll Coordination in the Office of the President is responsible for establishing the administrative cost formula and rates, which are announced to campuses as required. The formula for cost reimbursement includes initial setup and two components for deduction processing: 1) a charge per deduction each time deductions are taken, and 2) a charge for each remittance from a campus to the organization. The formula and rates are uniform for all organizations and campuses unless otherwise negotiated in the collective bargaining process.

The administrative cost charge is made up of the following expenses:

- Coding authorization forms,
- Filing forms and purging the files of inactive authorizations,
- Preparing and forwarding monthly remittances, and
- Data processing expenses, such as key entry and preparation of the register.

In addition to these items, organizations will be charged for any forms required for deductions and for any special administrative effort required of the University. Instructions regarding the imposition of additional charges will be issued by Payroll Coordination.

### III. RECOVERY OF CHARGES

#### A. ORGANIZATIONS

The following authorized organizations are charged administrative costs:

- Credit Unions,
- Charities,
- Employee Organizations
- Faculty Clubs, and
- Group Auto and Homeowner/Renter Insurance Carrier

#### B. CALCULATION OF ADMINISTRATIVE COSTS

##### 1. Initial Setup

The University assesses each new organization a \$100 initial charge, per location, to cover the one-time setup costs to establish approved payroll deductions.

##### 2. Deduction Process

For actual payroll deduction processing, accounting offices compute the administrative costs as follows:

The unit charge stipulated by Payroll Coordination is multiplied by the number of individual employee deductions taken each month (as listed on the deduction registers). The fixed charge per remittance and any special charges for forms or other administrative costs are added.

The reimbursement rates established for the recovery of these administrative costs are as follows:

- \$.07 per deduction, and
- \$10.00 per remittance

The total amount shall either be deducted from each monthly remittance or billed to the organization. A billing procedure is used only if the University and the outside organization have mutually agreed to such a procedure. A statement is prepared by the accounting office to accompany the remittance or bill, which indicates how the administrative costs were determined.

III. RECOVERY OF CHARGES (Cont.)

## C. GROUP AUTOMOBILE AND HOMEOWNER/RENTER INSURANCE CARRIER

Administrative costs for the group automobile and homeowner/renter insurance carrier are calculated as specified in section B., above. However, the reimbursement check for this program, based on the current six-month charge, is sent directly to the UCRS accounting unit semiannually by the insurance carrier. The UCRS accounting unit then credits individual campus Financial Control Accounts and sends checks to the Laboratories for their respective shares. The accounting office must ensure that the checks are sent regularly and that the amount reimbursed is correct for the period involved by reviewing the appropriate Universitywide journal.

D. If, for an organization, the amount deducted from payroll checks is insufficient to recover administrative costs, the accounting office should take the following action:

1. Faculty Clubs, Credit Unions, Fund-raising Organizations, and Group Insurance Carriers

Notify the organization that payroll deductions will cease and then remove the deduction information from the payroll files.

2. Employee Organizations

Notify the local labor relations office. The labor relations office will notify the organization and after appropriate discussions will provide instructions to the accounting office.

IV. ACCOUNTING FOR COST REIMBURSEMENTS

Cost reimbursements are credited by the campus to Miscellaneous Income--General Funds, account X-268XXX-1990.

Under the policies of the Office of the President Budget Office, the level of expenditures of units supported by General Funds, such as accounting offices, should be based on the work load of the units and should not be determined by the amount of outside income generated. Therefore, it would be inappropriate to credit reimbursements from outside organizations to accounting office budgets, since these budgets already include allocations to cover the effort

expended in processing payroll deductions for outside organizations. In the case of newly instituted programs that create additional work for accounting offices after the annual budget has been set, the accounting officer may ask the Budget Office for temporary funds to cover expenditures until an increment can be included in the annual budget request.

V. REFERENCES

The following Accounting Manual chapters contain information on deduction programs:

- P-196-16 Payroll: Charitable Contribution Deductions
- P-196-35 Payroll: Group Automobile and Homeowner/Renter Insurance
- P-196-53 Payroll: Miscellaneous Payroll Deductions for Employee Organizations, Faculty Clubs, and Credit Unions

Letters and Memoranda:

University Controller Joseph A. Pastrone, Memorandum to Accounting Officers, et al, on Cost Reimbursement Rates - Payroll Deduction Processing, March 18, 1980.

---

Historical note: Original Accounting Manual chapter issued 2/1/71. Revised 8/2/71, 7/1/80, 12/1/86, 12/30/99, and 12/30/00; analysts--Julia Sills and Abdul Abdurahman.