



Fiscal Policy – Rule 03-120-205

Retroactive Pay

1. Summary

- 1.1. OSU is responsible for properly recording all transactions related to compensation and maintaining compliance with associated regulations, as well as the terms and conditions of any agreements or contracts. Distribution of labor costs must be supported by a system of internal controls which provide reasonable assurance that such charges are accurate, allowable and properly allocated.
- 1.2. Payroll and tax laws, along with OSU payroll policies and any applicable collective bargaining agreement, provide guidance for the processing and accounting of employee pay. The Office of Management and Budget (OMB) [Uniform Guidance: 2 CFR §200.430](#) incorporates federal regulations and cost accounting standards governing how payroll allocations are determined and documented for sponsored awards.
- 1.3. All OSU personnel responsible for preparing, processing or approving retroactive pay should be informed and understand this rule.

2. General Information

- 2.1. **Retroactive (Retro) Pay** – Delayed payments for employee base pay, stipends, salary increases, overtime, shift differential, overload, summer appointments for nine-month faculty and other types of compensation.
- 2.2. **Redistribution of Labor** – Transfer of costs to or from a sponsored award (Cost Transfer) or non-sponsored index after the expense was initially charged to another sponsored award or non-sponsored project. A Labor Distribution form is used to allocate payroll costs based on a fixed percent, a specific dollar amount or number of hours.
- 2.3. **Other Payroll Expense (OPE)** – When labor charges are redistributed, OPE will follow the transaction at the current month rates. If an OPE rate has changed between the initial payment and the redistribution, some minimal OPE amounts may be left on the prior index.

- 2.4. In addition to the detailed guidelines listed in the next section, please refer to [related policies](#) listed in section 4.

3. Required Process

3.1. Requests for Retro Pay

- 3.1.1. Requests for Retro Pay must be submitted to Central Payroll, accompanied by proper documentation and authorization.
- a) A [Request for Employee Payment](#) should be used for an individual employee.
 - b) The appropriate [Pay Request Spreadsheet\(s\)](#) should be used for more than one employee.
- 3.1.2. Retro Pay is processed as a manual payment and will be posted to the current labor distribution for the employee unless a new distribution is indicated on the pay request.
- a) Funding source(s) should match where the individual worked during the period(s) affected (see section 3.2 for [Review and Allocation of Retro Pay](#)).
 - b) If an index on the current labor distribution does not match where an individual worked during the Retro Pay period(s) and a new distribution was not processed with the pay request, the Retro Pay may require an adjustment to labor distributions (see section 3.3 for [Redistribution of Labor](#)).

3.2. Review and Allocation of Retro Pay

- 3.2.1. **Individual or Small Group Compensation Changes:** Allocation of individual salary changes, Full-Time Employee (FTE) changes, stipends, overtime, overload, hourly rate changes, vacation payouts or transfers should be reviewed to ensure that the current index matches where the individual worked for each of the period(s) affected.
- a) If the labor distribution is different than what it would have been if paid in the correct pay period (*employee is in a new position, paid on a new index, terminated, etc.*), labor costs should be distributed to the appropriate index for each specified period as necessary.
 - b) If the funding source index is closed, the labor distribution should be made to an appropriate department index.
 - c) Hourly rate changes should be processed for the current pay period only and submitted by the normal payroll deadline. Any request for a retroactive hourly rate change requires review and approval by University Human Resources (UHR).

3.2.2. Large Group Compensation Changes: Individual compensation changes will be posted to each employee's current labor distribution at the time the retroactive payment is processed through payroll. Amounts posted to Non-E&G funds should be reviewed and subsequently reallocated to appropriate index(es) as necessary.

- a) Each employee's labor distribution should be reviewed to ensure that the current distribution matches where the individual worked for each period affected.
- b) If the labor distribution does not match where the individual was paid during the periods affected, labor costs should be redistributed to the appropriate index for each specified period.
- c) If the original funding source index is closed or no longer has funds available, the labor distribution should be made to an appropriate departmental index.

3.2.3. Changes Between Payroll and Non-Payroll Classifications: Any payment owed when an individual is reclassified to employee status at OSU from a fellowship, employment through a temporary agency or other non-payroll status, or any retroactive adjustment for overpayment.

- a) Graduate and Post-doctoral fellows are not OSU employees and receive payment through Accounts Payable, as allowed by the sponsored award (see fiscal policy-rule [03-120-102 General Payroll Information](#)).
- b) Graduate Assistants who subsequently receive a fellowship must rescind the assistantship prior to accepting the fellowship. See [Graduate Fellowship Policies](#).

3.3. Redistribution of Labor

3.3.1. When labor costs are initially charged to an incorrect index, a Labor Distribution form should be processed to redistribute those costs to the appropriate non-sponsored project or sponsored award.

- a) Refer to instructions on the [OSU Payroll Labor Distribution Form](#) for redistribution of labor costs associated with non-sponsored projects or to [Labor Distributions Instructions](#) when using the [OSRAA Labor Distribution Form](#) for redistribution of labor costs associated with sponsored awards.
- b) The new salary distribution should match where the individual worked during the period(s) affected and reflect actual effort on the project.
- c) Documentation must include sufficient detail explaining the circumstance of the distribution, benefit/appropriateness to the new index and why the salary was charged incorrectly to the original index.

- d) The completed Labor Distribution form must be properly authorized (*see appropriate instructions for the form used*), entered in Banner, processed for payment and filed with any additional documentation.

4. Related Information

- 4.1. University Policy [03-100 Fiscal Policy Program Authority](#)
- 4.2. Please refer to all other policies, standards, fiscal rules and related guidelines that may be applicable, including but not limited to the following:
 - 4.2.1. Fiscal Policy-Rule [03-120-102 General Payroll Information](#)
 - 4.2.2. Fiscal Policy-Rule [03-120-201 Student Employee Compensation \(PAY 200/300\)](#)
 - 4.2.3. Fiscal Policy-Rule [03-120-202 Unclassified Employee Compensation \(PAY 400\)](#)
 - 4.2.4. Fiscal Policy-Rule [03-120-203 Classified & Temp Employee Compensation \(PAY 500\)](#)
 - 4.2.5. Fiscal Policy-Rule [03-120-204 Compensation Special Situations – Late Pay \(PAY 603\)](#)
 - 4.2.6. Fiscal Policy-Rule [03-120-302 Payroll Adjustments \(PAY 702\)](#)
 - 4.2.7. Fiscal Policy-Rule [03-120-405 Payroll Deductions and Additions – OPE \(PAY 1003\)](#)
 - 4.2.8. Fiscal Policy-Rule [03-150-405 Fiscal Year-End Processing of Payroll](#)
 - 4.2.9. [Research Office Policies & Guidelines](#) (particularly the following):
 - a) [Policy 16-003 Effort Reporting](#)
 - b) [Policy 16-004 Labor Distributions](#)
 - c) [Policy 19-002 Cost Transfers on Sponsored Awards](#)
 - d) [Policy 20-001 Expense Verification for Federal Awards](#)
 - e) [Effort Reporting Guidelines](#)
 - f) [Labor Distribution Guidelines](#)
 - g) [OSRAA Labor Distribution Instructions](#)
 - h) [Cost Transfer Guidelines](#)
 - i) [Expense Verification for Federal Awards Guidelines](#)
 - j) [OSRAA Frequently Asked Questions](#)

- 4.3. Please check with your supervisor for unit-level procedures related to this rule.
- 4.4. Following are forms and other resources related to this policy:
 - 4.4.1. [OSU Payroll Labor Distribution Form](#)
 - 4.4.2. [OSRAA Labor Distribution Form](#)
 - 4.4.3. Office of Management and Budget (OMB) [Uniform Guidance: 2 CFR §200.430](#)
- 4.5. [Fiscal Policy Program Definitions of Terminology](#)
- 4.6. [Fiscal Policy Program Frequently Asked Questions](#) (FAQs)

5. History

- 5.1. Original Issue Date: NEW
- 5.2. Last Version: NEW
- 5.3. Last Review Date: 01/2022
- 5.4. Next Scheduled Review Date: 01/2025

6. Contacts

- 6.1. Policy Steward: Payroll Manager
- 6.2. Program: Fiscal Policy Officer, Financial Accounting & Analysis
- 6.3. Link to full list of [Fiscal Policy Program Contacts](#)