
2.5 DAMAGE PAYMENTS

Overview

The procedures described in this section are to offer guidance to HR Teams and Divisions to determine *when* a damage payment must be processed. These procedures should be used in conjunction with the Financial Information System (FIS) manual, and the Damage Payment Guide, which provides detailed instructions about *how* to process a damage payment.

Policy Summary

It is the policy of the University to make payment in the form of damages to a University employee whom, without knowledge of State loyalty oath requirements, performs services for the University prior to signing the oath. A damage payment constitutes settlement of a claim by an employee based upon University negligence, and is not compensation for services rendered.

- A compensation (payroll) payment cannot be made to the individual prior to signing the Oath; instead, the individual receives a damage payment through the vendor system.
- No sick leave, vacation, or other benefits are accrued prior to signing the Oath.
- No income tax withholdings are deducted from a damage payment, but the payment will be reported on IRS Form 1099 as taxable income to the individual.
- Damage payments are not applicable to a non-US citizen, or interlocation transfers.

Before you Start

The HR Team or Division must determine whether the payment complies with policies and/or contract terms and conditions.

Damages may be claimed where **ALL** of the following conditions are met:

1. The employee entered into University employment in good faith, with no knowledge of the oath requirement.
2. S/he **would have executed the oath** prior to commencing University employment **had the University advised** him/her of the requirement to sign it.
3. S/he did, in fact, **sign the oath** upon learning of the requirement.

Consequences of not signing the Oath:

Not considered an employee

- no service credit
- no leave accrual
- no benefits
- not covered by Workers Comp, Unemployment Insurance (UI)
- etc...

Data Entry

Once the individual has signed the oath, update the employee record to ensure that the hire information, including hire date,

appointment/distribution data, etc. correctly corresponds with the Damage Payment.

Items to remember for on-line entry update:

- For non-academics, the date of hire CANNOT be earlier than the oath date
- For academics, the oath must be signed by the quarter begin date (which can be later than hire date)
- The database will have no record of payments made to an employee prior to the date of hire.

Preparation of the Damage Payment

Once the OEU has been completed with the correct hire data, a Damage Payment must be prepared. Damage Payments are *not* paid through the Payroll/Personnel System, but rather are paid through the Financial Information System as a vendor payment. Claims covering a period of 120 days or more must be approved by the Chancellor. For detailed instructions about processing the payment, refer to:

Accounting Manual P-196-21 (Policy and Forms)

<http://www.ucop.edu/ucophome/policies/acctman/p-196-21.html>

FIS Manual: Damage Payments

<http://www.ucsc.edu/finaff/ap/guide/apgt1eDamage.htm>

Financial Affairs Guide:

http://financial.ucsc.edu/Pages/Payroll_Main.aspx

The HR Team or Division will need to complete a "Damage Payment" packet, which **MUST** include:

1. A signed and witnessed State Loyalty Oath/Patent Agreement.
2. A [UC Loyalty Oath – Damage Payment Release Form](#), including employee signature accepting the amount "in complete

satisfaction of any and all claims" for services provided prior to signing the Oath.

3. A [UC Damage Payment Report Of Services Performed before Signing Loyalty Oath Form](#), explaining why the Oath was not signed prior to beginning service, and include a calculation of the amount of the damage payment due. *NOTE: explanation must be explicit. The explanation "employee was not aware s/he needed to sign the oath" or similar is immutable in the Damage Payment process. The employee is never going to be aware of the requirement until their employer (the University) advises them of it. It is the Service Centers' responsibility to make sure that work does not commence until the Oath has been signed.*
4. If this is the first time the recipient will be receiving a UCSC non-payroll payment, complete a [Vendor Payment Data Record Form \(Form 204\)](#).
5. Complete a [UCSC Direct Payment Form \(PDF\)](#) and obtain approval from an authorized expense approver.

For further instruction on completing the update in BANNER, please see the Financial Affairs Guide and FIS Manual on Damage Payments.

Submit the [UCSC Direct Payment Form \(PDF\)](#), with a copy of the [UC Loyalty Oath – Damage Payment Release Form](#) and [UC Damage Payment Report Of Services Performed before Signing Loyalty Oath Form](#) to the divisional or departmental business office for review and "second-tier" approval.

The divisional or departmental business office will submit the form and supporting documentation to the Financial Administrative Services and Transactions (FAST) Office for processing.

Original Oath/Patent, Release and Report are sent to the Payroll Office with the Hire Packet.

PAYROLL

Please contact Payroll for a "Damage Payment Packet" if your unit does not have one.

- Direct to the Payroll Office, questions regarding:
 - Appropriateness of damage payment,
 - Calculation of damage payment
 - Account to be charged,
 - Etc.
- Direct to the FAST Office, questions regarding:
 - Problems encountered while entering Damage Payment into BANNER
 - Direct Pay and form 204 questions

References

Policy

Accounting Manual P-196-21 (Policy and Forms)

<http://www.ucop.edu/ucophome/policies/acctman/p-196-21.html>

Web

FIS Manual: Damage Payments

<http://www.ucsc.edu/finaff/ap/guide/apgt1eDamage.htm>

FIS Manual: Direct Pay Invoice (FYADPAY)

<http://www.ucsc.edu/banner/10bFYAINVEdirPay.html>

Direct Payments Quick Reference Guide

<http://www.ucsc.edu/finaff/ap/guide/apgTaxGuide.htm>

Financial Affairs Guide:

http://financial.ucsc.edu/Pages/Payroll_Main.aspx