Cost Distribution Methods

I. Purpose
To establish policies and procedures for cost allocation/distribution methods in SAP HR/Payroll/Time modules of payroll administration as it relates to the payment of employee wages.

II. Definitions
• Business officer/department administrator: an employee in a unit responsible for entering and verifying information in the SAP HR module
• Cost Allocation/Distribution: a process of charging payroll wages and benefits across one or more cost objects
• Infotype: an information unit used to store employee relevant data required for HR administration purposes. It has a 4-digit code and a related name. It stores similar data into one screen.
  - Infotype 1018: a data screen used to store cost distribution information at the position level. The information on Infotype 1018 is also used by the HR/Payroll system if cost distribution on the following Infotypes are not maintained or contain invalid information.
  - Infotype 0027: a data screen used to store cost distribution information at the personnel number level
    • All employee cost distribution entries must be entered into the Cost Distribution Entry Module (CDEM) and will load onto Infotype 0027 overriding the default cost distribution of the employee position on Infotype 1018.
  - Infotype 0014: a data screen used for recurring payments (not considered part of institutional base salary or base pay), deduction or benefit entries. A cost distribution entry may be attached to a recurring payment entry and will not be overridden by cost distribution from Infotypes 1018 or 0027.
  - Infotype 0015: a data screen used for one-time payments (not considered part of institutional base salary or base pay), deduction or benefit entries. A cost distribution entry may be attached to a one-time payment entry and will not be overridden by Infotypes 1018 or 0027.
  - Infotype 9027: a data screen used to store cost distribution information for employer paid benefit costs only. Cost distribution loaded on Infotype 9027 will be distinct and separate from the salary payroll distribution above. If an employee has multiple assignments, which do not include a regular full-time assignment, and the multiple assignments allow for employer paid benefits, the employer benefits costs are distributed across the multiple assignments. Infotype 9027 cost distribution will distribute the employer costs for health, life, and retirement.
• CAT2 / MyUK Employee Self Service (ESS) Time Sheet: Cost distribution entries for hours worked, or leave entered in CAT2 or ESS will override cost distribution on Infotypes 1018 and 0027.

NOTE: Employer Social Security and Medicare taxes and benefit costs do not follow cost distribution as entered through CAT 2 or ESS and must be moved to the appropriate cost object in accordance with Business Procedure E-4 Journal Voucher IV.B4.
E. UNIVERSITY FINANCIAL SERVICES

Cost Distribution Methods

- **Payroll administrator:** an employee in a unit responsible for entering and verifying information in the SAP HR module.

III. Responsibilities

A. Payroll Administrator
   1. Update salaries and other master data according to approved PARs and Salary Recommendation Forms or other HR documents;
   2. Remind supervisors of deadline to approve leaves and/or working time for pay period;
   3. Review non-exempt employee time and confirm hours are entered, transferred, and paid each pay period;
   4. Review and confirm pay and leave time for exempt employees; and
   5. Utilize tools and information available on the University Financial Services Resources and Information page.

B. Payroll Services
   1. Publish Payroll Schedule 6 months in advance of pay period;
   2. Adhere to published schedule unless campus is notified through HR list serves of changes to schedule; and
   3. Allow units sufficient processing time during normal business hours to review data.

C. Business officer/department administrator
   1. Reconcile salary and benefit charges according to BPM E-17-6 – Reconciliation and Review of Financial Transactions.

IV. Policy

An employee’s salary and benefit charges may be allocated across several cost objects based upon sound financial practices. Each cost object may have specific regulatory requirements that must be met to allow for a portion or all the salary and benefits to be allocated. The distribution may be updated as often as necessary but will not take effect until the next biweekly or monthly payroll has completed processing and posted to accounting.

V. Procedures

An employee’s salary and benefit charges may be allocated in a variety of ways depending upon the need for flexibility and updates of the cost distribution method. Employee cost distributions may be entered in each of the following ways:

A. Employee salary, recurring payments, one-time payments, employer paid benefits and CAT2/ESS entries may be allocated through Infotypes 0027 salary and benefits, 0014 recurring payments, 0015 one-time payments, 9027 benefits only or CAT2/ESS time sheet depending on cost distribution needs.

B. Cost Distribution transfers:
   1. Cost distribution entries for all employees in a paid position must be entered into CDEM, which once complete will transfer into Infotype 0027.
2. KRONOS time and leave entries with cost distribution submitted by Athletics, Auxiliary Services, Facilities Management, Gatton Student Center and UK Health Care load into SAP HR/Payroll through an automated process.

C. Departments must utilize the appropriate method for cost distribution entry upon creation of an employee assignment or prior to the employee’s first payment.

1. Position Cost Distribution 1018 Record:
   a. Review position cost distribution 1018 Infotype for accuracy of cost center data.
   b. Immediately update position cost distribution 1018 Infotype upon cost center being closed.

2. CDEM cost distribution for ally employees:
   a. Entries must not contain an end date of 12/31/9999.
   b. The CDEM effective period for a grant must be entered for an entire pay period based on the grant’s active “Budget From” and active “Budget To” dates.
   c. The CDEM effective period for cost centers must be entered for an entire pay period.
   d. Validate fund data for accuracy upon creation or update of the cost distribution record.

3. Infotype 0014 Recurring Payment or Infotype 0015 Additional Payment
   a. Validate fund data for accuracy upon creation of the cost distribution record.
   b. A change to a cost distribution on Infotype 0014 or 0015 requires the date associated with the payment to be changed for the system to acknowledge the cost distribution change.

4. CAT2 or ESS time sheet cost distribution entries resulting in hours worked and leave expenses are distributed to the cost objects entered on the time sheet record.
   a. Employer paid FICA, Medicare tax, and benefit costs will default to the appropriate cost distribution hierarchy of Infotype 0027 or employee position.
   b. Employer FICA, Medicare tax, and benefit costs do not follow cost distribution entered through CAT2 or ESS time sheets and must be moved to the appropriate cost object in accordance with E-4 Journal Voucher IV.B.4.
c. Overtime hours attributed to sponsored projects should be pre-approved in the budget in order to remain on the sponsored project. Any overtime expenses (including employer paid FICA and benefits) will need to be removed via journal voucher in accordance with E-4 Journal Voucher IV.B.4.

D. Validate cost object data for accuracy upon creation or update of the cost distribution record.

E. Payroll Pre-process program:

1. This program is utilized after each payroll prelim, trial and final to identify invalid cost objects being used for the current payroll period. These cost objects are replaced with the distribution on Infotype 1018. Departments are notified of replacements through email.

2. Spinifex reports (transaction code: /N/SPIN/ER) are to be used by the department to review cost distribution errors during each step of the payroll processing cycle. Departmental payroll administrators are to use these reports to verify employees are paid accurately, hours have been reported and changes to cost distributions are expected and allocated appropriately.