

Cost Distribution Methods

Cost Distribution Methods

I. Purpose

To establish policies and procedures for cost allocation/distribution methods in 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 at the position level.
 - *Infotype 0027:* a data screen used to store cost distribution information at the personnel number level
 - *Infotype 0014:* a data screen used to store cost distribution information for recurring payments, deductions or benefits that are not considered part of institutional base salary or base pay
 - *Infotype 0015:* a data screen used to store cost distribution information for additional payments, deductions or benefits that are not considered part of institutional base salary or base pay and require a cost object be entered for each payment, deduction or benefit
 - *Infotype 9027:* a data screen used to store cost distribution information for employee benefit cost. This distribution is separate and distinct from the payroll distribution.
- *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 each pay period to validate that all hours were transferred, processed and paid;
4. Review exempt to validate leave time; 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.

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- 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 in order to allow for a portion or all of 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 Position (Infotype 1018): Each employee position maintains a default cost distribution. Best used for position budgetary needs. The information on Infotype 1018 is also utilized by the HR/Payroll system if cost distributions on the preceding Infotypes are not maintained or contain invalid information.
- B. Cost Distribution (Infotype 0027): Cost distribution entries loaded on Infotype 0027 will override the default cost distribution of the employee position on Infotype 1018.
- C. Recurring Payment (Infotype 0014) or Additional Payment (Infotype 0015): Cost distribution entries loaded on Infotype 0014 or Infotype 0015 will be used for those charges only. Cost distributions entered on Infotype 0027 cost distribution and Infotype 1018 position will be ignored for these charges only.
- D. Additional Cost Distribution (Infotype 9027): Cost distributions loaded on Infotype 9027 will be used for the employer portion of the benefit costs for health, life, and retirement plans and will be distinct and separate from the salary payroll distribution from above. If the employee has multiple assignments (other than regular Full-Time Assignment), the employer costs will still be allocated between the assignment and then distributed based upon the cost distribution.
- E. CAT2 or ESS Time Sheet Cost Distribution: Cost distribution entries for hours worked or leave taken in CAT2 or ESS Time Sheet module will override the Infotype 1018, 0027, 0014 and 0015 distribution options.
 - a. NOTE: Employer FICA, Medicare tax and benefit costs do not follow cost distribution as 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.
- F. Cost Distributions transferred from other systems to HR/Payroll/Time:

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1. Full-time faculty and regular part-time faculty cost distributions will be entered through the Faculty Effort System (FES) and transferred to Infotype 0027.
 2. Hospital, Facilities Management, Auxiliary Services and Kentucky Transportation Center utilize the Kronos system to feed cost information to the SAP system.
- G. 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. Infotype 0027 cost distribution:
 - a. Entries must not contain an end date of 12/31/9999.
 - b. Grant entries must not have a start date prior to the "Budget From Date" entry on the grant record.
 - c. Grant entries must not have an end date later than the "Budget To Date" entry on the grant record.
 - 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 cost distribution update 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.
- H. Validate cost object data for accuracy upon creation or update of the cost distribution record.

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- I. Payroll Pre-process program:
 1. A program is utilized for each payroll prelim, trial and final to identify invalid cost objects being used for the current payroll run. These cost objects are replaced with the distribution on Infotype 1018.
 2. Reports in transaction code /N/SPIN/ER are to be utilized by the unit to review for errors on cost distribution during each step of the payroll processing cycle. Unit payroll administrators are to utilize these reports to verify employees are paid accurately, that all hours have been reported and that changes to cost distributions are expected and allocated appropriately.