

Chapter 8: Payroll

This chapter covers Human Resources and Payroll. In this chapter you will learn:

- All salary info types have validity dates and their importance.
- How retroactive Eforms can be completed to correct charges to control salary and other cost objects.
- The timing and process for reconciling payroll.
- The importance of monitoring the default cost center after each pay period for control salary expenses.

Reconciliation Overview

Reconciliation involves ensuring payroll expenses posted to an account are allowable per OMB Uniform Guidance 2 CFR 200 Subpart E - Cost Principles for sponsored awards or accurately charged to non-sponsored accounts. At a minimum, reconciliation of payroll should occur monthly. The following points should be reviewed when performing reconciliation of payroll:

- Salary charges have posted to the cost objects correctly
- Labor distribution is accurate per employee as it relates to effort expended
- Identify individuals near their labor distribution end dates that will be charged to control salary in a future pay period
- Individuals charged to control salary have been transferred to the appropriate accounts
- Fringe benefits have posted correctly
- Overpayments have not occurred

Using BW Reports for Payroll Reconciliation

From a broad perspective, the reconciler wants to review payroll charges at the Summary level and Detail level, looking for individuals paid and total dollar amounts charged. Are the overall charges this month in line with last month? If not, have staff been added? Have staff dropped off? Have Eforms to change salary been processed? Once the reconciler is comfortable with these questions, the actual detail for payroll charges should be reconciled.

There are a variety of BW reports that can be utilized for reconciliation purposes, depending on preference or access.

BW Human Resources > Finance Admin Reports

All of the BW payroll reports located under Human Resources > Finance Admin are secured by cost object, meaning these reports will show all employees who are charged to your cost object, even when they are outside of your Personnel Area/Org Unit. Most of these reports also allow the user to review both sponsored and non-sponsored cost objects.

Adding free characteristics, such as Employee, End of Pay Period or Payroll Period End Date, and Wage Type to any of these reports provides information helpful in reconciliation. Wage type for example, allows users to clearly differentiate Salary (wage type 1000) from E210 Vacation Credits (wage type 3102), and adding both posting date and End of Pay Period allows the reconciler to identify all Eform transactions.

Display 8-1 shows the Payroll Expenditure by Month report for a sponsored program with helpful free characteristics added. Notice that the report provides detail on retroactive Eforms processed (A) (discussed later in this chapter in Payroll Transfers) and displays E210 vacation credits (B) (explained in Chapter 9). Run this or another of the reports in BW for all of the cost objects in your area. Once printed, the reconciler can review each payroll charge by individual on each cost object to make a determination of allowability. This may involve:

- Reviewing Uniform Guidance 2 CFR Part 200 (e.g. Administrative Salaries)
- Reviewing the approved budget for the award to determine if the payroll amount or person is an allowable charge to the award
- Reviewing the report with the Principal Investigator to ensure it reflects a reasonable estimate of effort provided
- Ensuring non-sponsored salaries are correctly charged

Since our focus during reconciliation has become more risk-based, payroll transactions originating outside of the department should be reviewed and scrutinized in greater detail. This includes reviewing Eforms to ensure that amounts being charged to cost objects are appropriate.



Payroll postings have FI document numbers beginning with 4

| Data Analysis | | | | | | | | | | | | | | |
|--|-----------------------------|----------|--------------|-----------------------------|----------------------------|------------------------------|-----------------------|---------------|-------------------------|--------------------------------|-------------|--|---|--|
| Graphical display Info | | | | | | | | | | | | | | |
| Payroll Expenditure by Month | | | | | | | | | | | | | | |
| Toggle Nav Block Variable Screen Printing Bookmark No. of Rows No. of Columns EMail New Window Exceptions/Conditions | | | | | | | | | | | | | | |
| Internal Order | G/L Account | Employee | Posting date | PayPeriod EndDate | Document Number | Wage Type | Pay Period Salary Amt | Fringe Amount | | | | | | |
| 90045526 | 613001 SASAL-NADM STF FT/PT | 12 | 10/11/2011 | 07/15/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 07/31/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 08/15/2011 | 58016 | 1000 Salary | \$ 651.39 | | A | | | | | |
| | | | | 08/31/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 09/15/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 09/30/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 10/15/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 10/26/2011 | 58538 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 10/31/2011 | 58016 | 1000 Salary | \$ 651.39 | | | | | | | |
| | | | | 10/11/2011 | 613881 SAL-N SF FT NON-PBC | 1 | 10/11/2011 | 08/15/2011 | 58016 | 3102 E210 Vac.TrnsfrRbkSalOffs | \$ (180.42) | | B | |
| | | | | 620001 FRINGE BEN EXP FT/PT | 1 | 10/11/2011 | 07/15/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | |
| | | | | | | | 07/31/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | |
| | | | 08/15/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| | | | 08/31/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| | | | 09/15/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| | | | 09/30/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| | | | 10/15/2011 | 58016 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| | | | 10/26/2011 | 58538 | 9FR4 U Fringe Full Rate | | \$ 231.24 | | | | | | | |
| 620881 | FG BEN X FT NON-PBC | 12 | 10/11/2011 | 08/15/2011 | 58016 | 9FR6 U Fringe 3LU4 Full Rate | | \$ (64.05) | | | | | | |
| Result | | | | | | | \$ 5,030.70 | \$ 1,785.87 | | | | | | |

Display 8-1. Payroll Expenditure by Month (showing A-Retroactive Eform & B-E210 Vacation Credits)

Monthly Detail Reports

The Sponsored Revenue-Expense Detail report, Display 8-2, can be helpful in payroll reconciliation as well. The report, located under *Sponsored Projects > Transactions* in BW, or from the BW Saved Favorites link, provides totals for payroll charges by sponsored class and can be used in conjunction with the Payroll Expenditure by Month report.

Although the employees are not listed by name on the *Sponsored Revenue-Expense Detail* report shown in Display 8-2, the reconciler can easily match the totals by Sponsored Class and G/L Account, along with the “Reference Doc Number” to the “Document Number” in the Payroll Expenditure by Month report (shown in Display 8-1).

| Sponsored Rev-Exp Detail - Single Period | | | | | | | Sponsored Program | 90045526 |
|--|-------------|----------------------|-------------------|----------------------|------------|--------------|------------------------------|-------------|
| | | | | | | | CoreValue U.S. Pivot | |
| | | | | | | | OCT 2011 Revenue and Expense | |
| Sponsored Class | G/L Account | | FI Doc:Doc Number | Reference Doc Number | Created By | Posting Date | | |
| Salaries & Wages | JHEN/613001 | SASAL-NADM STF FT/PT | 4800023546 | 58016 | HRAUTO | 10/11/2011 | | \$ 4,559.73 |
| | | | 4800023729 | 58538 | HRAUTO | 10/26/2011 | | \$ 651.39 |
| | | | Result | | | | | \$ 5,211.12 |
| | JHEN/613881 | SAL-N SF FT NON-PBC | 4800023546 | 58016 | HRAUTO | 10/11/2011 | | \$ -180.42 |
| | | | Result | | | | | \$ -180.42 |
| | | | Result | | | | | \$ 5,030.70 |
| Fringe Benefits | JHEN/620001 | FRINGE BEN EXP FT/PT | 4800023546 | 58016 | HRAUTO | 10/11/2011 | | \$ 1,618.68 |
| | | | 4800023729 | 58538 | HRAUTO | 10/26/2011 | | \$ 231.24 |
| | | | Result | | | | | \$ 1,849.92 |
| | JHEN/620881 | FG BEN X FT NON-PBC | 4800023546 | 58016 | HRAUTO | 10/11/2011 | | \$ -64.05 |
| | | | Result | | | | | \$ -64.05 |
| | | | Result | | | | | \$ 1,785.87 |
| Overall Result | | | | | | | | \$ 6,816.57 |

Display 8-2. Sponsored Rev-Exp Detail

Because fringe benefits charges are based on a person's classification (faculty, staff, student & wage type), it is a good idea to be sure when adding someone new to payroll, that fringe benefits are charged accordingly. The link for Cost Analysis at JHU's Office of Finance, where the current fringe benefits rates can be found is:

http://finance.jhu.edu/depts/cost/about_ca.html

Note that reconciliation of non-sponsored cost objects should be approached in the same manner as sponsored, instead pulling the monthly Non-Sponsored - Financial Detail report from BW located under Finance > Funds Management, or from the pre-formatted Saved Favorites.

Default Cost Center (Control Salary) Reconciliation

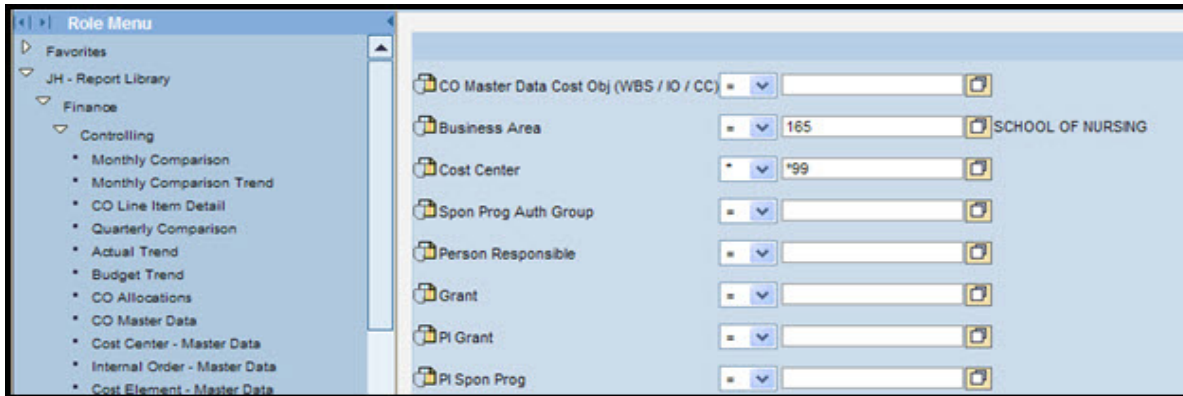
Reconciling the default cost center (control salary) on a regular basis ensures errors are corrected in a timely manner and can reduce the administrative burden of processing payroll cost transfers at Effort certification.

Divisions and departments should at a minimum review their control salary balance monthly, although it is recommended that it be viewed each pay period. Individuals being charged to the default cost center should be reviewed to identify the correct cost object to charge.

All infotypes within SAP have validity periods. For instance labor distribution (infotype 9027) has a start and end-date for each cost object. If the labor distribution passes the end-date for a given cost object, salary is charged to the control salary account, ensuring that the employee continues to be paid. This occurs most often when a grant end-date has passed.

Control Salary
cost centers
end in 99

The employee’s labor distribution should be changed prior to the budget end-date by Eform. Reviewing the default cost center each pay period will ensure salary is being charged appropriately and control salary is kept to a manageable level. All Control Salary cost centers end in 99.



Display 8-3. CO Master Data showing wild card (*99) used in variable screen

If you do not know the default cost center(s) for your department, from BW, under Finance > Controlling, select CO Master Data. The variable screen allows users to pull a list of control salary cost centers based on BW security, by using an asterisk as a wildcard selection. For example, if a department is within the School of Nursing (BA 165), users can input Business Area 165, selecting * from the Cost Center drop down box and *99 in the Cost Center field (as shown in Display 8-3), and BW will provide a list of control salary cost centers in business area 165.

The name of all cost centers ending in 99 is Payroll/Non-Payroll and this can be seen by adding the free characteristic, Cost Center, to the report, as shown in example 8-4.

| CO Master Data | Valid from | Valid to | Person Resp | Business area | Cost Center | F&A Rate Spon Pgm |
|----------------|------------|------------|--------------|---------------|-------------------------------|-------------------|
| 1650000099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1650000099 PAYROLLNON PAYROLL | 0.00 |
| 1650010099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1650010099 PAYROLLNON PAYROLL | 0.00 |
| 1650020099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1650020099 PAYROLLNON PAYROLL | 0.00 |
| 1650030099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1650030099 PAYROLLNON PAYROLL | 0.00 |
| 1651010099 | 01/01/1900 | 12/31/9999 | ANNE BELCHER | 165 | 1651010099 PAYROLLNON PAYROLL | 0.00 |
| 1651030099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1651030099 PAYROLLNON PAYROLL | 0.00 |
| 1651100099 | 01/01/1900 | 12/31/9999 | ANNE BELCHER | 165 | 1651100099 PAYROLLNON PAYROLL | 0.00 |
| 1651205099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1651205099 PAYROLLNON PAYROLL | 0.00 |
| 1651999999 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1651999999 PAYROLLNON PAYROLL | 0.00 |
| 1652000099 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1652000099 PAYROLLNON PAYROLL | 0.00 |
| 1659999999 | 01/01/1900 | 12/31/9999 | THOMAS HALL | 165 | 1659999999 PAYROLLNON PAYROLL | 0.00 |

Display 8-4. CO Master Data report in BW

After identifying the control salary cost center to reconcile, run the Summary of Gross Salary - Non Sponsored report in BW to view individuals and amounts charged to control salary. This report is located under Human Resources > Finance Admin, or you may choose from the pre-formatted Saved Favorites, which populates with Employee, Fiscal Year/Period and sub-totals.

| Employee | Fiscal year/period | | | | | | | | | | |
|----------|---------------------|----------------|-------------|---------------|--------------|--------------|-------------|---------------|--------------|-------------|-------------|
| | July 2011 | \$ 1,657.48 | | | \$ 1,333.34 | \$ 401.06 | \$ (643.80) | \$ 2,131.28 | | | |
| | August 2011 | \$ 1,657.48 | | | \$ 2,666.66 | \$ 401.06 | \$ (643.80) | \$ (2,131.28) | \$ (125.86) | | 0.00 |
| | September 2011 | \$ (11,102.01) | \$ 724.28 | \$ 21,713.12 | \$ 2,666.66 | \$ 401.06 | \$ (643.80) | \$ 9,803.90 | \$ (251.72) | \$ 1,664.08 | \$ (0.10) |
| | October 2011 | \$ 414.36 | \$ (724.28) | \$ (1,809.42) | \$ 2,666.66 | \$ 401.06 | \$ (643.80) | \$ 426.26 | \$ (125.85) | \$ 1,664.08 | |
| | November 2011 | \$ 414.36 | \$ 0.01 | \$ (1,809.42) | \$ 2,666.66 | \$ 401.06 | \$ (643.80) | \$ 5,115.08 | | \$ 1,664.08 | |
| | Am't Overall Result | \$ (6,958.33) | \$ 0.01 | 0.00 | \$ 18,094.28 | \$ 11,999.98 | \$ 2,005.30 | \$ (3,219.00) | \$ 15,345.24 | \$ (503.43) | \$ 4,992.24 |

Display 8-5. Summary of Gross Salary (Non Sponsored) from Finance Office Saved Favorites

Users are also encouraged to review the control salary account from a Summary view, because although most charges posting to the account are salary, occasionally there are other types of charges that post to the account in error.

Commitment Reporting in BW

Another concern during the reconciliation process is determining which employees are charged to cost objects that are about to expire. Monitoring commitments and proactively processing EForms will prevent employees' salaries from posting to control salary cost centers. The review of commitments can be completed monthly by using the Commitment Reporting Detail report in BW. This report is available under Human Resources > Finance Admin.

To execute the report, enter the control salary cost center you are reconciling on the variable screen. Once the report is executed, add the free characteristic "Commitment thru Date" to the rows on your report.

The results returned will be listed by employee, PERNR and salary G/L number. Again, the Finance Office Saved Favorites has a 'saved favorite' already formatted, shown in Display 8-6.

| Commitment Reporting Detail | | | |
|--|-------------|--------------------|----------------|
| Toggle Nav Block Variable Screen Printing Bookmark No. of Rows No. of Columns EMail New Window Exceptions/Conditions | | | |
| Cost center | Employee | Fiscal year/period | Commitment Amt |
| 1652000099 | | December 2011 | \$ 828.74 |
| | | January 2012 | \$ 828.74 |
| | | February 2012 | \$ 828.74 |
| | | March 2012 | \$ 828.74 |
| | | April 2012 | \$ 828.74 |
| | | May 2012 | \$ 828.74 |
| | | June 2012 | \$ 828.74 |
| | | December 2011 | \$ 6,294.74 |
| | | January 2012 | \$ 6,294.74 |
| | | February 2012 | \$ 6,294.74 |
| | | March 2012 | \$ 6,294.74 |
| | | April 2012 | \$ 6,294.74 |
| May 2012 | \$ 6,294.74 | | |
| June 2012 | \$ 6,294.74 | | |

Display 8-6. Commitment Reporting Detail with Employees on Control Salary

Effort Certification

Payroll reconciliation allows the PI and administrators to continually review payroll to ensure it is in line with effort provided to sponsored and non-sponsored activities for themselves and the individuals they are required to certify. When timely payroll reconciliations are performed, errors in labor distribution are identified earlier, late payroll cost transfers (Eforms) are reduced, and timelier submission of financial status reports and effort certifications are performed.

Payroll Transfers

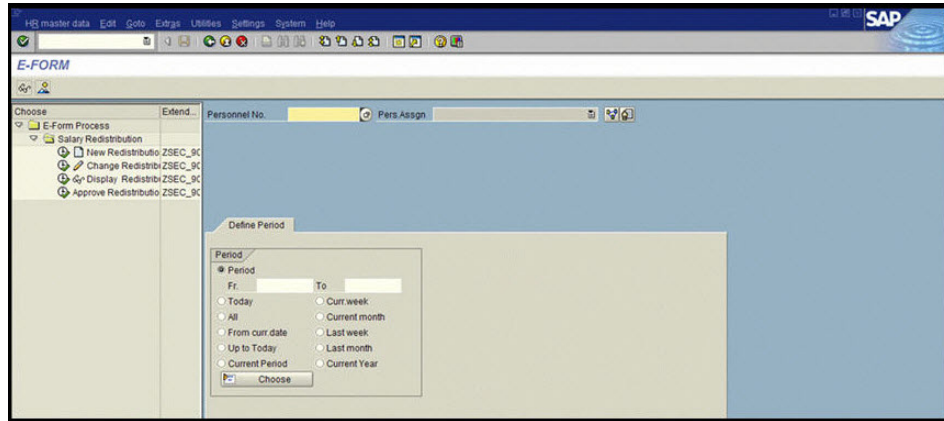
Overview

After payroll reconciliation is complete, the need to process cost transfers will arise. Payroll cost transfers are requested by the department via the Eform. This process is only used for JHU Semi-Monthly employees and supports both sponsored and non-sponsored cost objects.

Payroll cost transfers, also known as Eforms, occur when there is a need to change a salaried employee's labor distribution, or to match effort expended, or to correct an error, without changing the base pay. The change in distribution can be either retroactive or prospective.

Processing Eform Transfers

The transaction used to process an eForm is located under Unit Cost Maintenance Approver on the ECC menu. The transaction is ZHPA_EFORM. This transaction can be typed into the command box.



Display 8-7. Transaction ZHPA_EFORM in ECC

There are 4 sub-processes within the eForm transaction:

1. New Redistribution.
2. Change Redistribution - used to update a redistribution record or complete one on hold.
3. Display Redistribution - used to display history of a labor distribution for any employee.
4. Approve Redistribution - used by SPSS to approve a redistribution.

A reason code is required for all Eform transactions stating why the transaction is occurring. In addition, there are comments fields for further explanation. This is necessary as OMB Uniform Guidance 2 CFR 200 Subpart E requires that amounts charged to sponsored accounts be solely to advance the work under the sponsored agreement. In the cases of transfers, the department must justify why the transfer is allocable to the cost object being charged and why the salary was not charged there in the first place.

The cost transfer workflow process requires one approval, at a minimum, at the department level. Eform transfers impacting sponsored awards require the final approval of Financial Research Compliance in Sponsored Projects Shared Services.

It is important to note that eForms cannot be processed while payroll is being processed. Transfers can be initiated, but not approved and processed. This functionality is actually disabled during the semi-monthly payroll run. The Office of Finance's Monthly Newsletter provides Key JHU Closing Dates, which includes dates Eforms will not be processed.

When an Eform transaction has been completed from creation to final approval, it updates the employee's basic pay and labor distribution record (IT9027) with the new labor distribution. It also triggers a retro-calculation if necessary.

Retro Cost Transfers

Retro cost transfers adjust the payroll amounts charged to cost objects in previous periods. Although the transfer is created and approved, it will not appear in BW until the next period's payroll is processed. This can cause delays in the ability to view the postings, sometimes up to two weeks.

For example, if an Eform is processed on November 1, 2011 to redistribute salary for prior periods, the salary redistribution will not post until the semi-monthly payroll runs for the November 15th pay. This posting will generally be completed two days prior to the semi-monthly paydate. An additional complication, however, is that the current BW load schedule has payroll loading on Wednesdays and Sundays only, so it is possible that the retro-posting information will not be available in BW until several days after the actual paydate. The Effort Reporting System, however, is updated daily with the previous day's completed forms, and the change to an employee's record can be viewed using PA9027 or PA9030 from the ECC menu.

Position Budget Control and Encumbrances

Position Budget Control (PBC) is used to encumber employee salary and fringe benefits. It links the funds available in Funds Management (FM) and Grants Management (GM) to semi-monthly paid employee salaries and fringe benefits. Nightly commitment runs are processed in the system using the PBC function. Commitment runs analyze the impact of all transactions that were processed the previous day and affect employee payroll and finance data. As positions are filled or updated, an employee's salary distribution is established and the PBC commitment processor generates a commitment against the relevant cost object.

When Eforms are approved, commitments are created allocating the salary redistribution to the respective cost objects. These commitments are created after the Eform is approved. Although the PBC function is run nightly to update commitments for PERNRS affected by Eforms, due to a known issue in SAP, a small percentage of commitment updates are not reflected. Note, these are the exception and not the rule, and a manual clearing of these commitments is processed by the EBS Team at the end of each month.

PERNR and Concurrent Employment

A personnel number (PERNR) is a unique set of numeric characters that identifies a University employee. The use of PERNR numbers have replaced the need to refer to employees by social security number for reference.

When an employee is hired for a position, the system searches to see if the employee is currently active. If they are active, the new position is linked to the existing individual in the system so that master data can be shared across multiple positions. Therefore, a single individual may have multiple positions and subsequently have multiple personnel numbers in SAP. However, the employee will have only one person ID, which is the first position number the individual had in the system.

For example, concurrent employment is a situation in which a person has more than one position. An employee who is concurrently employed occupies two or more positions in SAP. Concurrent employment is broken down into four categories:

- Multiple assignments, all with JHU
- Multiple assignments with JHHS that span across employers
- Multiple assignments within one JHHS entity
- Multiple assignments that span JHU and JHHS

Note that Effort is rolled up by the Person ID to include all concurrent PERNRs.

Overpayment Report

At any given time, JHU may have millions of dollars in outstanding overpayments to employees, which is why it is so important for the reconciler to review the Overpayment report in BW.

Processing timely ISR's prevents overpayments and the administrative burden associated with having to collect overpayments from employees. When overpayments do occur, departments should seek to identify the overpayment as soon as possible so that the employee can be notified in a timely manner and collection procedures can begin. The longer an overpayment remains outstanding, the less likely it is to be collected.

Overpayments occur for various reasons, such as an employee's pay is reduced retroactively, an employee is placed on Leave of Absence without Pay retroactively, or an employee is terminated retroactively. Overpayments are avoided by timely or advanced (future dated) processing of ISR's. Overpayments are recorded as salary and repayments are recorded as salary reductions to offset the overpayments. The amount is charged to the default salary account (cost center ending in 99) if the amount was charged to a grant.

It is recommended that the Overpayment report from BW be reviewed at a minimum once a month, and preferably after each pay period. In BW, the Overpayment report can be viewed from both a person perspective, or a cost object perspective. If the reconciler selects HR > Payroll Admin > Payroll Overpayment Report, security is Personnel Area and Org Unit; if the reconciler selects HR > Finance Admin > Finance Overpayment Report, security is by cost object.

Detailed instructions for running these overpayment reports, along with forms, policies, and strategies for collecting overpayments can be found on the Payroll Shared Service Center's (PRSSC) website.

http://ssc.jhmi.edu/hr_payroll/salary_overpayment.html

Additional Resources

Links to other resources you may find helpful:

Sponsored Funds Procedures for processing Internal Service Requests (ISRs)

<http://ssc.jhu.edu/humanresources/DataFiles/Sponsoredfunds.pdf>

Effort Reporting Policies and Procedures

<https://policies.jhu.edu/?event=manual&manualid=779>

Eform Reference Documents

http://ssc.jhmi.edu/humanresources/DataFiles/E_Form.pdf

JHU Finance Monthly Newsletter for Key JHU Closing Dates

<http://finance.jhu.edu/news/newsletter/newsletter.html>

