Financial Transaction SOP: Labor Distribution, Salary Expense Transfer
       SOP Owner: Payroll Director
       Version Number, Date Revised: 3, 9/4/2014
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       Approval(s):

Updates

Date	Section	Change
10/21/2011	6. Procedure / Document Overview Tab p. 5	- Document Overview tab Best Practice recommendations
9/4/2014	All	- General revision for KFS ver. 5.1.1

Standard Operating Procedure

1. **Purpose**

    The Salary Expense Transfer (ST) e-doc is used to move salaries and benefit charges for a given employee for either a
   - particular accounting period, or
   - a set of periods, or
   - a partial period

from one or more accounts **to** one or more other accounts. This e-doc transfers expenses between accounts after they have run through the payroll system (i.e., retroactive, only. *Prospective changes are done in the Workday HR/Payroll system*). **Note**: there is a defined need for synchronization between when the "retro" happens and when the prospective changes are requested and processed in the payroll system.

The ST is used to change the accounting for an employee's payroll expenses that were charged to an inaccurate accounting string. This adjustment could occur for a number of reasons, including:
   - **An employee was paid for work on a grant before the account was established, and the wages were initially posted to another account.** *(We expect this to be the most common use.)*
   - A Workday costing allocation or position set-up error when entering payroll information, so the expense was initially posted to the wrong account or object code.
   - A payroll system problem caused the expense to fall into a clearing account.
   - The wages were initially paid on an expired or invalid account.
   - An employee is hired or an employee's status change results in an adjustment requiring expenses be transferred between accounts.
   - A retroactive correction occurred in which the account or object code was changed after an employee was paid or an adjustment was made to the employee's effort.
   - Expenses should have been charged to a sub-account or sub-object code that was not established at the time of the original expense.

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Note: ST deals strictly with the accounting of the employee's gross pay. If the gross pay is not correct, the correction must be processed through the HR / Payroll system.

Salary Transfer and Effort Certification Reporting
To keep effort certification reporting and the Labor Ledger consistent:

- limitations are placed on the types of salary expense transfers that may be performed after Effort Certification e-docs have been generated for a fiscal period

- ST e-doc cannot be used to transfer salary expenses that affect effort levels and are identified **after** Effort Certification e-docs have been generated but **before** the report period is closed. Instead, a KFS-EC EC Manager would initiate an Effort Certification Recreate action and change the effort levels to reflect actual effort. The act of changing the Effort Certification e-doc (i.e., the effort percentages) generates an automatic salary transfer that will maintain consistency between the effort report and the Labor Ledger.

2. **Scope**

- Business Service Centers / Financial Transaction Centers (old: BSCs; new: FTCs) Note: the two administrative BSCs will still be called BSCs.
- Fiscal Officers (FO) (**Note**: any reference to FOs in an SOP is understood to include primary and secondary delegates.)
- PIs or directors (Note: principal investigator and project director information is available at: KFS at Cornell Glossary)
- Anyone in a role that requires approving / disapproving a ST (i.e., a C&G Processor)
- Staff and managers in the Payroll Office
- Anyone in a finance role who has access to Labor Distribution information (*A global Labor Inquiry role is available for central accounting users*).

The ability to see an employee's earning history is based on the initiator's organizational relationship with the employee. Cornell University limits access to salary data based on organization code (e.g., anywhere within the hierarchy for an organization's structure). **Note**: access to the ST e-doc, as well as any LD balance inquiries that include employee-specific salary information will only be available by assigned role, KFS-LD Salary Transfer Initiator.

3. **Prerequisites** (Forms / Tools)

- Access to KFS
- Training on KFS
- Salary Expense Transfer training
- Understanding when / why it is appropriate to do a transfer
- Knowledge and awareness of Cornell-specific business rules applying to ST e-doc
- Clarification on permissions / roles
- Being assigned the KFS-LD Salary Transfer Initiator role

4. University Policy

Current (**Note**: all policy will be reviewed and updated upon implementation of KFS.)
- Fringe Policy
- Sponsored Account Policy
- 3.2, Cost Transfers on Sponsored Agreements
- 3.11, Effort Planning and Confirmation
- 4.7, Record Retention
- 5.10, Information Security
- Confidentiality agreement (for anyone who has access to financial information; this is usually updated annually)

5. Responsibilities

Personnel in the following roles / positions:
- Requestor: a proposed, optional, additional step whereby a request for a ST is sent to a KFS-user who has the authority / ability to initiate the e-doc and has been assigned the specific role: ST Initiator. Requestor is not a KFS-user role, it is locally delegated authority. Requestor role is: an individual within local units who has been identified by the organization as having the authority to request a ST.
- Salary Expense Transfer Initiator: has been assigned the Salary Transfer Initiator role, is responsible for preparing a ST, has organizational security access to the 'from' accounts on the transfer, and must understand the institutional need for a ST financial transaction. (This individual may or may not be the same as the Requestor.) Before initiating a ST transaction on behalf of the university, it is the responsibility of the Initiator to assess whether the proposed transaction is in support of the university's mission.
- Fiscal Officer
- Sub-fund reviewer
- Payroll Office staff
- C&G processor (specific to C&G accounts). The review step for will be required if the transaction includes a C&G account.

The following guidelines must be adhered to:
- In cases where the Initiator and Requestor are not the same person, the Initiator ensures that the Requestor has the authority to request a ST transaction. *Best Practice recommendation*: when an ST is initiated due to a request (i.e., from a Requestor), the Initiator should notify the Requestor by e-mail after the ST has been submitted. (This serves to establish a paper trail.)
- Any necessary prior approvals have been acquired. The transaction is Cornell-allowable.
- The transaction is,
  - in furtherance of the university missions,
  - ordinary and reasonable,
  - within planned budgetary constraints,

      o   in compliance with any funding designations and / or guidelines,

      o   in compliance with appropriate university policies and procedures, and in compliance with operating unit guidelines.

Best Practice recommendation: if additional review is deemed necessary, ad hoc route as appropriate.

Best Practice recommendation: attach back-up / relevant documentation whenever possible; in situations where documentation is not attached, clearly indicate where back-up documentation is located.

6. **Procedure**

Figure 1 – Main Menu, Transactions e-docs

When the user selects Salary Expense Transfer from the Labor Distribution submenu in the Transactions group on the Main menu, the system displays a blank Salary Expense Transfer (ST) e-doc with a new document ID.

Figure 2 – *Salary Expense Transfer e-doc*

This e-doc allows the user to:
- Select the salary expense records from the Labor Ledger by using the Labor Balance Importing tab.
- Make changes to the amounts in the **from** section of the Accounting Lines tab and/or delete the line(s).
- Copy the salary expense record to be changed from the **from** section to the **to** section of the Accounting Lines tab.
- Make changes (e.g., to the account attributes or amount) in the **to** section of the
- Accounting Lines tab and submit the e-doc.

Document Overview Tab
This tab allows the user to enter the basic description, with room for an expanded explanation, for the e-doc. *Best Practice recommendations*:
- Enter a meaningful statement in the required **Description** field that aptly describes the purpose of the transaction and *does not include* the employee's name (or Empl ID) as this field is viewable by all KFS and financial dashboard users.
- Use the **Explanation** field for the employee's name as this field is only visible to those authorized to open the e-doc.

Ledger Balance Importing Tab
This tab allows the user to enter criteria to search for the Labor Ledger record that needs to be corrected.

Table 1 Ledger Balance Importing tab: field definitions

Field Name	Description (* indicates a required field)
Fiscal Year	* Enter the fiscal year or use the lookup
Emp ID	* Enter the employee ID or use the lookup

Figure 3 – Ledger Balance Importing tab

After the user enters the Employee ID (or uses the lookup), the name of the employee is displayed on the screen; then, click **search**.

The system displays the Ledger Balance Lookup, which lists the expenses incurred (for the selected employee and fiscal year) by accounting string and by fiscal period.

Figure 4 – Ledger Balance Lookup results

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Select the checkbox next to the period(s) you want to transfer salary expense from:

Figure 5 – Ledger Balance Lookup results with selected period

You can drill down to the pay period and sub-account details by clicking on the value of the monthly balance field.

The user now has **four options for selecting data**:

Click **select all** to select all check boxes.

Click **unselect all** to clear all check boxes currently selected.

Click **cancel** to cancel the search and return to the ST e-doc.

Click **return selected** after making selections to populate the **from** section of the **Accounting Lines** tab.

In this example, we'll select **return selected**.

Figure 6 – Ledger Balance Lookup with options highlighted

*Figure 7 – Ledger ST e-doc with **from** Accounting Line generated*

<u>Accounting Lines Tab</u>

From section of the **Accounting Lines** tab is populated by selecting Labor Ledger records using the **Ledger Balance Importing** tab (*see above*). Amounts in the **from** section may be edited as long as they do not exceed the amount imported from the Labor Ledger balance screen.

Editing the **from** section

> Edit the **Amount** column in the **from** section to reflect the amount of expense you want to transfer by overriding the amount.

> delete   To delete the line, click the **delete** button in the **Actions** column.

> delete all   To delete all lines, click the **delete all** button located above the **Actions** column.

> bal inquiry   To inquire G / L balances, click the **bal inquiry** button.
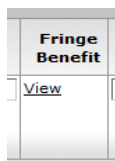
> **Fringe Benefit**   View   To display the fringe cost transaction generated by this accounting line, click the "View" link on the line. This opens a new browser tab showing the fringe object code and amount associated with the selected line only.

Creating Entries in the **to** Section

After completing the **from** section, the user has two options for copying rows from the **from** section to the **to** section.

[copy] Click **copy** to copy an individual row in the **from** section to the **to** section.

[copy all] Click **copy all** to copy all the rows in the **from** section to the **to** section

In the example below, we corrected the amount (was: $732.91; now: $250.00) because we need to move $250.00 to a different account. First, we corrected the amount (in the **from** section); then, we copied the line to the **to** section. **Training Issue**: if you change the dollar value on the **from** line before copying, the new value is carried forward to the **to** line.

Figure 8 – *Accounting Lines tab after the* **copy** *button has been clicked, and the amount has been corrected*

For each fiscal period in **from** section, you must have at least one "to" row in **to** section.

Editing the **to** Section

Make any necessary changes to the editable Chart of Accounts fields and the **Amount** field.

[delete] Click **delete** to delete the row.

[delete all] To delete all lines, click the **delete all** button located above the **Actions** column.

[bal inquiry] Click **bal inquiry** to open a separate window for balance inquiry menu.

In the example (*below*), we corrected the Account Number in the **to** section.

Figure 9 – **to** *section with corrected Account Number*

Note: After submission or upon save, KFS calculates the appropriate fringe benefits for the salary amounts being adjusted. These amounts will be moved along with the salary and are calculated for the types of benefits defined for the salary object codes on the e-doc. **Note**: calculations are generated automatically from information on the Account Number and Object Code.

Note: An amount may not be transferred if it exceeds the Labor Ledger balance total for the fiscal year, pay period, chart, account, sub-account, object, and sub-object displayed in the **from** section. To determine the maximum amount you may transfer, use the Labor Ledger View Balance Inquiry and select the A21 option. (More information on the Labor Ledger View Balance Inquiry is included in this SOP: see page 15.)

Figure 10– ST after Submit: Enroute status

Opening the Labor Ledger Pending Entries tab (*Figure 11*, below) displays the account lines that will be generated and sent to the Labor Ledger the next time the batch process is run.

The example shown below is for a different ST document than the one shown above. The example below shows the pending entries resulting from a transfer from a departmental Contract College account (Labor Benefit Rate Category Code 'CC' ; 0% fringe charge) to a Non-Federal grant account (Labor Benefit Rate Category Code "NF" ; 60.5% fringe charge). Note the last pending entry two rows are for the fringe clearing account 7103711. These are generated whenever the fringe charges are different between the **from** and **to** accounts.

Figure 11– Initiated status ST with Labor Ledger Pending Entries tab open

Business Rules
- If the ST involves C&G, it automatically routes to the award workgroup; i.e., the C&G Processor, who will need to approve.
- If specific sub-fund groups are involved, the ST automatically routes to the budget office.
- When an effort reporting period (defined by the KFS Report Definition Maintenance e- doc) has a Report Period Status Code of **C** (Closed), no further transfers of salary expense are allowed for any fiscal period covered by the report period. This restriction includes transfers made directly through a ST e-doc and those made indirectly through re- creating an effort report. **Note**: Members of the **KFS-SYS Contracts & Grants Manager role** may override this restriction.

- The e-doc must have at least one accounting line row in the **from** section and one in the **to** section.
- The total of amounts in the **from** section must equal the amount in the **to** section in the Accounting Lines tab. (**Note**: if there is more than one period in the transaction, then the total of the amounts must be equal by period).
- The sign of the amount must be the same as the sign of the original Labor Ledger balance amount.
- You may not bring a credit balance into the document.
- The amount transferred may not be greater than the original Labor Ledger balance amount.
- A few individuals in the UBSC and the Payroll office are able to change the object codes on **to** accounting lines. Transfers to correct appointment errors and other object code corrections must be initiated in the Payroll office, in response to written requests with proper documentation.
- After initiating the e-doc, only members of the KFS-SYS Contracts & Grants Processor role are allowed to modify the object code in the **to** section. They may not modify the object code later. If changing the object code results in the generation of a positive or negative fringe benefit balance, the difference is applied to the account identified per system parameters.
- The object code must exist in the Labor Object Code table, and the Financial Object. Fringe or Salary Code must have a value of **S** (*salary*).
- The Fiscal Year field in this e-doc is used to load the appropriate data onto the Labor Ledger Balance screen rather than to indicate the G / L period in which the entry is posted.
- Transferring salary expenses between endowed and contract colleges accounts is not permitted. **Note**: this is a Cornell business rule pertaining to salary and wage expenses due to tax liability accounting. The system has been modified to prevent this type of transfer except for documents initiated and blanket-approved by individuals in the Payroll office with the LD Manager role.

Initiating a Salary Expense Transfer e-doc:

1. Select Salary Expense Transfer from the Main menu.
2. System displays a blank ST e-doc.
3. Complete Document Overview
4. On the Ledger Balance Importing tab, enter the fiscal year and employee ID (or, use the Emp ID lookup); then click **search**.
5. Make selections from displayed fiscal period balances, and click one of four options: **return selected**, **select all**, **unselect all**, **cancel**.
6. Make changes (e.g., amount or account) as necessary or delete unwanted lines in the **from** section of the Accounting Lines tab; then **copy** or **copy all** the desired rows to the **to** section. You do not need to have the same number of rows in the **from** and **to** sections. You can copy the same **from** row more than once if more **to** rows are needed.
7. Make necessary changes in the **to** section.
8. Save and check for errors. **Note**: you will **not** be able to submit the e-doc until errors have been fixed.
9. Submit.

Observations

- If the accounts or object codes involved in the transfer have different benefit rates (e.g. Federal vs. Non-Federal grant accounts and Contract College departmental accounts), the **from** and the **to** fringe benefit charges could be different, because the benefit loads associated with the accounts are different. (This probably will not be the case in most transactions, but the system will process it correctly. The difference between the benefit charges will post to a benefit clearing account, and will be visible in the Pending Entries tab).
- An appointment could be split between two different accounts in two different units / colleges; the Fiscal Officer (or delegate) for each account will be required to approve the portion that is associated with their account.

The AC (Actual) balance reflects the current cash value of the account balance. The A2 (A21, or Effort Certification) balance reflects the adjusted value of the fiscal period's balance, showing the net value of the period's balance, after adjustments have been processed.

Pending entries are the journal voucher details related to e-docs before they are processed into the ledger.
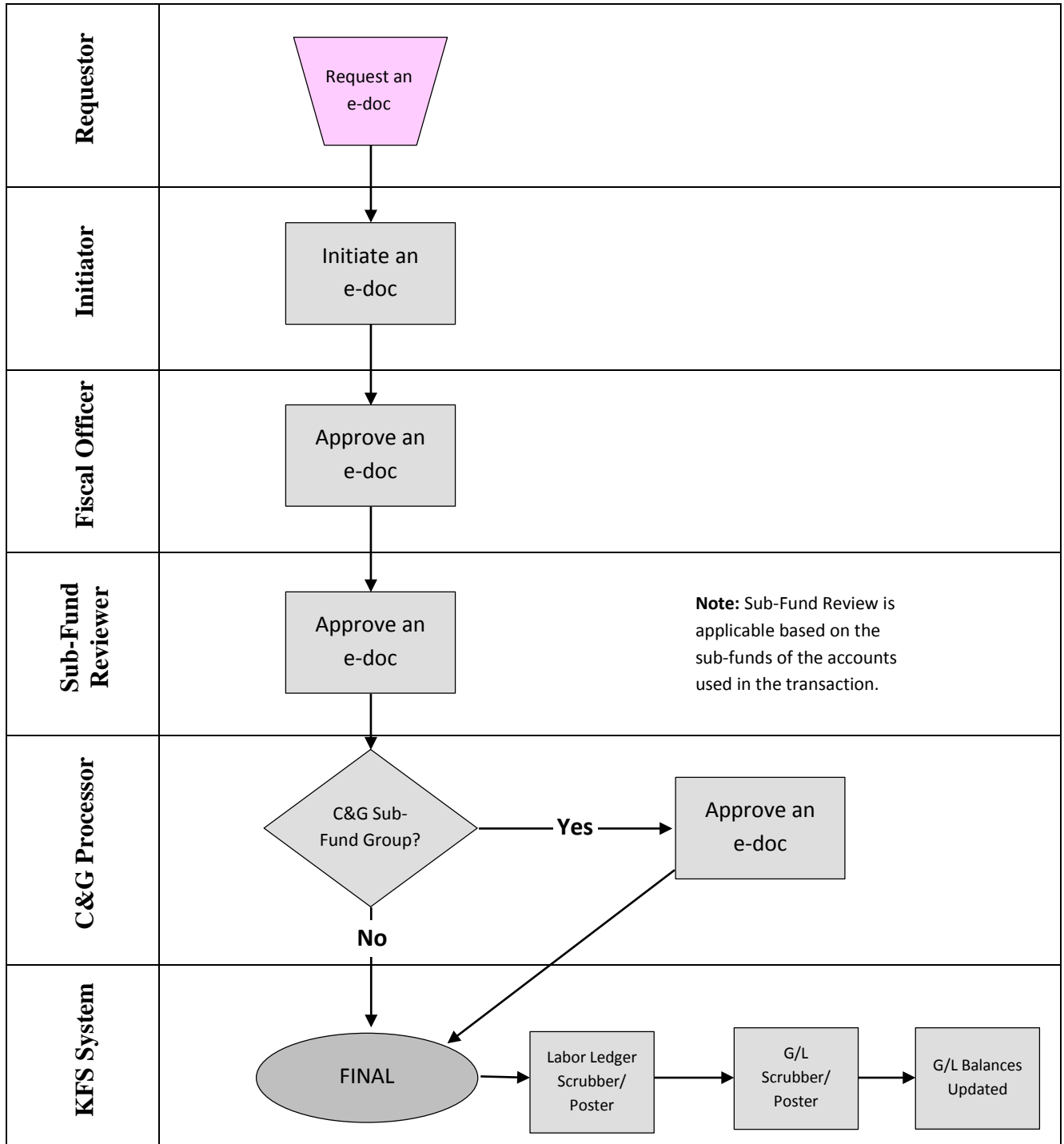
Workflow

Salary Expense Transfer (ST)

Figure 12 – Salary Expense Transfer e-doc workflow

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7. Definitions

KFS at Cornell Glossary
COA Old World-New World (a comparison of Legacy / KFS)
KFS Acronym Glossary

8. References

- Effort Certification business rules (*currently under development*)

An amount may not be transferred if it exceeds the Labor Ledger balance total for the fiscal year, pay period, chart, account, sub-account, object, and sub-object displayed in the **from** section. To determine the maximum amount you may transfer, use the Labor Ledger View Balance Inquiry and select the A21 option.

Procedure for Labor Ledger View Balance Inquiry
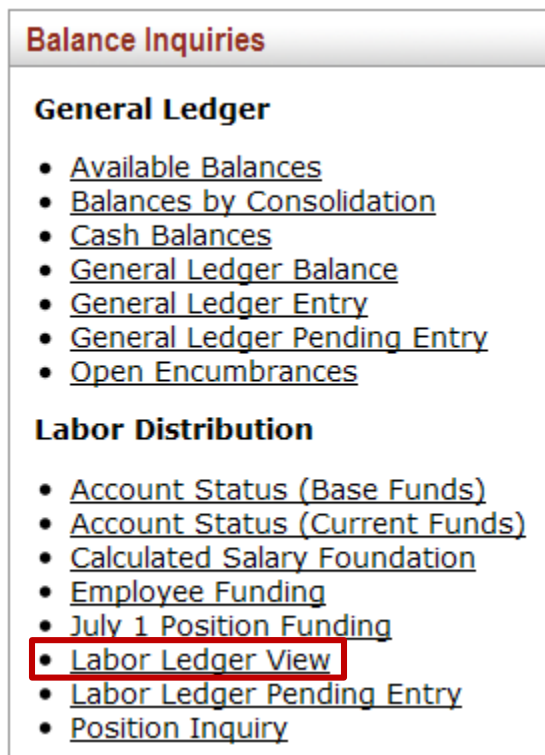
Figure 13 –Balance Inquiry menu

Figure 14 – *Labor Ledger View example, with A21 selected*

Figure 15 – *Labor Ledger View example; Labor Ledger balance total, October*

In the above example, selecting the month of October for any amount less than or equal to the amount available (October   3,831.34) is acceptable.
Once you determine that the transfer is within the guideline, you can complete the ST e-doc.