Labor Costing & Time Entry Postings

Old Name: Time Entry Postings

FI-CO-003
September 23, 2008

LaGOV

Version 2.0
Before we get started ...
Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise
# Controlling Workshops

<table>
<thead>
<tr>
<th>Session ID</th>
<th>Date</th>
<th>Business Process</th>
<th>Goals</th>
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<tr>
<td>FI-CO-001</td>
<td>08/05/08</td>
<td>Cost Centers</td>
<td>- Intro to SAP Finance &amp; Controlling&lt;br&gt;- Intro to Cost Centers&lt;br&gt;- Cost Center Numbering Schema&lt;br&gt;- As-Is Processes for Cost Centers&lt;br&gt;- To-Be Processes for Cost Centers: Master Data Maintenance &amp; Settlement</td>
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<td>FI-CO-002</td>
<td>08/19/08</td>
<td>Account Code Structure – Internal Orders</td>
<td>- Intro to Internal Orders: True Orders &amp; Statistical Orders&lt;br&gt;- Internal Orders Numbering Schema&lt;br&gt;- As-Is Processes for Internal Orders&lt;br&gt;- To-Be Processes for Internal Orders: Master Data Maintenance&lt;br&gt;- Integration with FI-GL &amp; FM</td>
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<td></td>
<td>(Old Name: Time Entry Postings)</td>
<td></td>
</tr>
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<td>10/01/08 – 10/02/08</td>
<td>Inter Agency Transfers</td>
<td>- Intro Inter-Agency Transfers&lt;br&gt;- As-Is Processes for Inter-Agency Transfers&lt;br&gt;- To-Be Processes for Inter-Agency Transfers&lt;br&gt;- Funds Management &amp; FI-GL Impacts</td>
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<tr>
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<td>FI-CO-006</td>
<td>10/30/08</td>
<td>Management Reporting</td>
<td>- Intro to Management Reporting&lt;br&gt;- Reporting Requirements&lt;br&gt;- Controlling Standard Reports</td>
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<tr>
<td>FI-CO-Validation</td>
<td>TBD</td>
<td>CO Validation</td>
<td>- Review CO Blueprint Design &amp; Documentation&lt;br&gt;- Validate CO Blueprint Design &amp; Documentation</td>
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</tbody>
</table>
Work Session Objective

Review current processes for Labor Costing and Time Entry and discuss To-Be Design Options for LaGov ERP System
Session Topics

- **Controlling Overview:** Primary & Secondary Cost Postings

- **“As-Is”:** Review and capture current Agency practices for Labor Costing and Time Entry
  - DOTD: CATS Time Entry to HR Payroll to Finance System
  - Non-DOTD Agencies:
    - Wildlife & Fisheries
    - DOA
    - CRT

- **“To-Be” Options:** Labor Costing and Time Entry
  - Controlling
  - Project Systems
  - Grants Management
  - Plant Maintenance

- **Summary & Decisions**

- **Action Items & Next Steps**
 **Cost Center** - Organizational unit within a controlling area that represents a clearly delimited location where costs occur. CO.

 **Internal Order** – An internal order is used to monitor parts of the costs. CO.

 **Primary Cost Element** - A cost element whose costs originate outside of CO. One to one relationship with general ledger P/L accounts. CO.

 **Secondary Cost Element** – Used to portray internal value flows, such as internal activity allocation or overhead calculations. CO.

 **Allocation** – The process of assessing or distributing amounts and quantities from one sender object to receiver objects. CO.

 **Distribution** - Transaction that allocates primary costs. The original cost element is retained in the receiver cost center. CO.

 **Assessment** - A method of internal cost allocation by which the costs of a sender are allocated to receiver using an assessment cost element. CO.

 **Activity type** – Describe output quantity of a cost center and is used for calculating operating rates. CO.
- **CATS** – Cross Application Time Sheet - An SAP component that enables standardized, cross-application recording of employee working times. HR.

- **Plant Maintenance Work Order** – A detailed planning aid for maintenance tasks to be performed. PM.

- **Statistical key figure** – Measurable values such as number of employees or square footage. CO.

- **Work Breakdown Structure (WBS)** - A hierarchical outline of an undertaking described in the project definition. The WBS is the basis for the organization and coordination of a project. It consists of WBS elements. The WBS elements describe tasks or subtasks in the project to perform within a defined time period. PS.
Controlling (CO): Overview

Mainly concerned with collecting “actual” costs incurred in Cost Objects, such as: Cost Centers, Internal Orders, etc – for Management Reporting.

- **Master Data:**
  - **Cost Centers:** Represent State’s Organizational Units (Agency-Program-District/Section)
  - **Internal Orders:** Represent other buckets where expenses need to be collected
    - For allocating to other Cost centers, or
    - Just for Reporting purposes.
  - **Cost Elements:** Represent type of ‘revenue” or “expense” (Salaries, Supplies) in CO
  - **Activity Types:** Represent “outputs” from a Cost Center (Labor Hrs, Project Mgr Hrs, etc.)

- **Transactional data:**
  - Primary Cost Postings
  - Secondary cost Postings

- **Reports:**
  - Cost Center Reports, Cost Element Reports, Internal Order Reports
Primary Cost Postings

- Primary Postings are directly made to Cost Objects, such as: Cost Centers, Internal Orders, etc.
  - Examples: Purchasing Documents, Finance Postings, Salary Postings – All costs budgeted/posted to Cost Center XYZ.

- Primary Postings are from other modules: FI, MM, etc. They use Primary Cost Elements (e.g. “Salary”).

- Simultaneous Posting to Additional Statistical Object is Possible (e.g. Statistical Internal Order)

- Respective Cost Object reports provide summary and detail on all the postings
Controlling (CO): Overview (contd.)

Primary Posting Example

FI Posting (For Agency 276)

<table>
<thead>
<tr>
<th>GL Account</th>
<th>Description</th>
<th>Fund</th>
<th>IO</th>
<th>Cost Center</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>511XXX</td>
<td>Salary Expenses</td>
<td>1001</td>
<td>20276010</td>
<td>2765103072</td>
<td>+$20,000</td>
</tr>
<tr>
<td>511XXX</td>
<td>Salary Expenses</td>
<td>1001</td>
<td>20276020</td>
<td>2765103072</td>
<td>+$30,000</td>
</tr>
</tbody>
</table>

$50,000

CO Posting (Automatically done in the back ground)

For Cost Center: 2765103072 - Equipment Repair Department

<table>
<thead>
<tr>
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$50,000
Time Entry for Payroll & SAP Modules

If we used Primary Postings for Labor Time Entry and Costing, the process will look like this:

1. **External Data Collection System**
2. **CATS/PA61 Time Entry Screen**
3. **Database**
4. **HR Database**
5. **HR Time Evaluation**
6. **HR Payroll**
7. **Postings to FI/CO, PS, GM, PS**
8. **Pay checks**
Secondary Postings

• Posted via Secondary Cost Elements to Cost Objects Internally in CO through CO Allocations. Ex: Telecom Costs, IT Costs

• Used to “Allocate” costs to one or more Cost Objects and to make any corrections – Internally in CO – for Management Reporting.

• Respective Cost Object reports provide summary and detail on all the postings

Secondary Postings will be covered in more detail in FI-CO-005- Cost Allocations Session
Secondary Posting Example

**CO Posting (Automatically done in the back ground):**

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</table>

**CO Posting – Allocated to Two Receiving Cost Centers**

<table>
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<th>Cost Center</th>
<th>Amount</th>
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<td>Salary Expenses</td>
<td>1001</td>
<td>2765103072</td>
<td>-$50,000</td>
</tr>
<tr>
<td>900000</td>
<td>Sec. Cost Element</td>
<td>1001</td>
<td>2745019008</td>
<td>+$10,000</td>
</tr>
<tr>
<td>900000</td>
<td>Sec. Cost Element</td>
<td>1001</td>
<td>2745019012</td>
<td>+$40,000</td>
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</table>
CO Secondary Posting: Internal Activity Allocation

- Method of internal cost allocation by which activities (allocation bases) from cost centers can be assigned to cost receivers.

- The activities or allocation bases represent the output of a cost center (such as labor hours or machine hours). These outputs are represented in SAP as “Activity Types”.

- Activity Types are valuated with prices specified in the system.

- In Internal Activity Allocation, the activity produced by the cost center is multiplied by the activity price. The result is the cost to be allocated. The sender cost center is credited with this amount and the receiver object is debited.
AS-IS Discussion

Linn McNary
AS-IS Situation

- Time spent on various activities is captured for Labor hours spent -- Work Orders, Project Manager hours (Project), etc.

- While Payroll takes care of paying the employees, other systems are updated
  - DOTD Finance, Inventory, and Equipment systems
  - Other Agencies - AFS

- Postings to Finance are either based on:
  - “Actual time” entered on time sheets
  - Default allocations maintained in the system
Currently we know the following Agencies are using Labor Hours for costing purposes:

**DOTD – Cross Application Time Sheet (CATS)**
- CATS is a tool for recording time used only by DOTD
  Custom transaction “ZWORD”, Custom Validation Tables,

**OTHER AGENCIES** - Utilize SAP Time Maintenance transaction (PA61)
- Wildlife and Fisheries
- Office of State Facility Planning (DOA)
- Culture, Recreation, & Tourism (CRT)
- Others?

**Statistics**
- Approx. 52,000 people paid now in SAP
- DOTD – Approx 4700 employees - 73% Entering Time, Rest Default Allocations
  (time split between Cost Objects automatically)
- DOTD generates approximately 14,000 Work Orders per month
- Others – Only 8.2% enter time for costing
Time Entry (As-Is)

**CATS:**
- Cross-Application Time Sheet - is a tool for recording working times and tasks.
- Caters to central data recording, for example by secretaries. Also enables employees to record their own time data, which help ease time administrators’ workload.
- End-user oriented tool for entering time.

**PA61:**
- SAP HR Transaction for maintaining time data
- Time Keeper oriented tool for entering time data
AS-IS Situation (contd.)
Grants – Projects – Work Orders

- What are the process details in your agency for:
  - Time Entry
  - Time Costing (actuals vs. rate based)

- What are the key requirements related to this process?

- Are there any key considerations we need to know about?
To-Be Discussion

Abdulla Meer
Time Entry: To-Be Options

• CATS
  • Use CATS wherever possible -- for recording Labor Hours
  • Especially if capturing Labor Time for Costing
  • Individual employees as well as Time Keepers (Admn. Staff) in each Agency / Dept. also can enter time

• PA61
  • If for some reason, CATS can not be used

Key Considerations
• Who is going to be entering Time?
• Are we capturing the Labor Time?
• Best Practices
• Change Management
Labor Time Costing: To-Be Processes

• **Real Salary & Benefit Numbers**
  -- For Recording “Actual Expenses” to be charged to SAP Objects: G/L Account, Cost Center, Internal Order, Grant, WBS Element, etc.
  -- HR Info Types for Payroll Account Determination: 1018, 0027, etc.

• **Average Activity Rates**
  -- For Planning in SAP’s Plant Maintenance Module (Work Orders)
  -- Activity Types and Average (Loaded) Rate for each Activity

  **Key Considerations**
  • Consistency
  • Reporting Needs
  • Best Practices
  • Change Management
Real Salary: Payroll Account Determination via Info types Primary Posting

CATS-user enters account assignment

Time entry

Cost Distribution

Infotype 0027

Infotype 1018

Default

Infotype 0001
Activity Allocation in CO
Secondary Posting

Sending Cost Center 8005010000
80ENGR – FAC Engineer (Regular)
160 hrs available @ $40/hr

Perform 5 hours of carpentry work

Cost Center 8005010000

<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>900000 – 80ENGR</td>
<td>($200)</td>
</tr>
</tbody>
</table>

SAP Transaction (CATS or KB21N)

Secondary Cost Element 900000

Receiving Project/WBS
CARP – Supervise Carpentry
5 hrs required @ $40/hr

Cost Center or Project/WBS

<table>
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</tr>
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</table>
Project Systems

- **Three areas will potentially enter time:**
  - DOTD
  - FPC - Facilities Planning Control
  - CPRA - Coastal Protection Restoration Act (DNR)

- **Recommendation is to use Actual Salary Based**
  - Info type 1018
    - Account assignment will be updated for the position
    - Position can have multiple projects default
    - Projects will be charged with actuals and reimbursed with actuals
  - CATS
    - Enter Person, WBS, Number of Hours
    - Approve timesheet
    - Allows for exceptions or multiple projects

- **Considerations**
  - FHWA Billing requirements
  - Current time entry process
  - Consistency across module
Grants Management Labor Postings

- **Majority currently uses 1018 profile**
  - Account assignment Grant and WBS Elements will be updated for the position
  - Position can be split by Grants
  - Grants will be charged with “actuals” (based on salary) and therefore reimbursed with “actuals”

- **Others need to submit weekly timesheets**
  - How is time captured against the Grant?
  - What are the sponsor requirements?
  - If sponsor does not indicate, need to consider reimbursement advantages
Plant Maintenance (PM) Labor Postings

- **Actual Costing: Payroll Actuals via FI Posting**
  - Time Sheet Actuals come through Payroll
  - Costing Based on Actual salaries of employees
  - Actuals will include real salary and benefit dollars
  - Actuals flow to Work Orders from Payroll FI Posting

- **Planning: Activity Rate Based**
  - Activity Types and Rates are used for planning purposes within PM
  - Rates used are Average Loaded Costs ($/hour)
Summary: To-Be Labor Costing & Time Entry

• Time Entry Methods: CATS and PA61
  - **CATS** – Recommend for all agencies, especially if capturing Labor Time
  - **PA61** – Option if CATS is not used

• Time Costing Methods: Actual Salary and Activity “Average” Rates
  - **Actual**: Salary figures will be used to cost labor hours for book-keeping.
  - **PM Planning**: PM Module will use Activity Average Rate for their internal planning

• Plant Maintenance:
  - **Actual Costing**: Actual Salary-based costing for labor time
  - **Planning**: Activity-based approach for “Planning” maintenance activities (Activity hours times Avg. Rate for each Activity Type)
  - **More details**: To be covered in Plant Maintenance Sessions.
Summary To-Be: Labor Costing & Time Entry (contd.)

SAP Module Updates for “Actuals”: From HR Payroll Runs (Info Types)

- Finance G/L Module – G/L Accounts
- Funds Management – Budget Consumption
- Controlling Module – Cost Elements, Cost Centers, possibly Internal Orders
- Grants Management Module – Grants
- Project Systems Module – Projects / WBS Elements
- Plant Maintenance Module – Work Orders
Any Questions, Thoughts?
Action Items & Next Steps

- Prepare and send out meeting minutes to invitees; ensure all to-do’s are appropriately documented.
- Follow up on action items identified during the workshop: Let us Review Them Now.
- Schedule off-line meeting(s) to discuss areas of special interest by Agency/Department?
- Plan validation workshop.
- Validate Design Document.
Thank You for Your Participation!

LaGov Cost Accounting Contacts

Linn McNary – Linn.McNary@La.Gov – 225-219-6730
Abdulla Meer – Abdulla.Meer@La.Gov – 225-219-6711
Background Slides
CO: Internal Activity Allocation

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Infotype Examples

- IT0003 – Payroll Status
- IT0008 – Basic Pay
- IT0009 – Bank Details
- IT0014 – Recurring Payroll Deductions
- IT0015 – Additional Payments
- IT0027 – Labor Cost Distribution
- IT1018 – Labor Cost Distribution - Position
Creating a Purchase Order Example

Enter one of these:
Cost Center/WBS
Element/Work Order/Grant/Asset

Legend

Note: this is an example of common presentation and may be varied based on specific State of Louisiana requirements
Creating a Purchase Order Example

**To charge to my organization . . .**

- **Enter these**
  - Cost Center
  - Vendor
  - Material Number

**To charge to a project . . .**

- **Enter these**
  - WBS Element
  - Vendor
  - Material Number

**To charge to a work order . . .**

- **Enter these**
  - Work Order
  - Vendor
  - Material Number

**To charge to a grant . . .**

- **Enter these**
  - WBS Element
  - Grant
  - Vendor
  - Material Number

*Note: these are examples of common presentation and may be varied based on specific State of Louisiana requirements*