Costing Allocation: notes and examples

Notes about costing-allocation (i.e., labor distribution) changes:

Keep these points in mind as you make decisions about costing allocations:

1) Payroll will charge an employee’s regular earnings to the costing allocations that are defined on a position at the time that a payroll runs, unless a costing-allocation override is present. Exempt (semi-monthly) payrolls run two to four days BEFORE the end of the current pay period; non-exempt (bi-weekly) payrolls run the day AFTER the pay end date.

2) Any mid-(or end of)-pay-period changes to a costing allocation totally replace any prior costing allocations from earlier in the pay period. Any change made at the end of the period will be in place for the entire period, and so users will have to re-compute percentages for the entire period, not simply for the remaining days in the pay period—as has been done in the past.

3) Costing allocation changes will remain in effect for subsequent pay periods, unless the allocations are either changed or have an end date, which will stop that allocation by the end date. (Note: the end date should be the end of a pay period, because end dates that fall within a pay period, rather than the end, will still be in effect for the entire pay period.)

4) When you create a pay period-specific costing allocation, create the costing allocation for the future state as well, because, just after the payroll process completes, each pay run creates new encumbrance (i.e., salary commitment) values. Because encumbrances (i.e., a burdens or debts) calculate from the costing allocations of the NEXT pay end date, make sure that each employee with a continuing position has the appropriate costing allocation in place at all times (for regular pay only; other earnings such as JRA and RAP are not encumbered). For example, if a hypothetical pay period ends on March 15, the encumbrance calculates on or around March 10: those values encumber the costing allocations that are in place on (or set to begin on) March 16.

As a result, the costing allocations must be in place with the correct effective date before the encumbrance process is run; here are the specific time periods for when payroll calculates the encumbrance:

- For exempt employees, at the time of this writing, the encumbrance calculates just AFTER the payroll calculation for the current pay period, two to five days BEFORE the current pay period end date.

- For non-exempt employees, the encumbrance process is run just AFTER the payroll calculation, one or two days AFTER the pay period end date.

- If the employee does not have the next period’s costing allocation information in place at the time the encumbrance process is run, no new encumbrance will be generated.
Costing allocation example for allowances

Let’s suppose that a worker receives a cell phone allowance all year long and that the costing is allocated to the same account all year long. During the same year, the worker also receives several one-time payments: e.g., a shoe, parking, and vehicle allowance, all of which should be charged to other accounts.

Follow these steps:

1) Choose the worker, position, and earning (job-related allowance) to set the override for the cell phone. 100% from account A: start Jan 1, 2013; end Dec 31, 2013.

![Assign Costing Allocation](image)

Set the override for the cell phone: 100% from Account A (in this example, general expense). Start the override on start Jan 1, 2013, and end it on end Dec 31, 2013.
2) Again, choose the worker, position, and earning (Job-related allowance) to have the one-time payment for the shoes come from a different account than the cell phone's account.

### Assign Costing Allocation

For detailed instructions, please refer to the Assign Costing Allocation job aid

<table>
<thead>
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<th>Worker Costing</th>
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<td>Worker</td>
<td>Training Example1</td>
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<tr>
<td>Effective Date</td>
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<tr>
<td>Position</td>
<td>00145128 Technician I - Training Example1</td>
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<tr>
<td>Earning</td>
<td>Job Related Allowance</td>
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### Other Costing

| Effective Date | / /     |
| Position Restrictions |          |
To allocate the cell phone and the shoes (two job-related allowances), follow these steps:

1. Choose the worker, position, and earning to start the costing allocation change.
2. Add two additional blocks, which you will use to perform the one-time shoe allowance and to put the cell phone allowance back at 100% to one account.
3. Determine total value of the cell and shoe (e.g., $70 for cell, $30 for shoe=$100 total).

Since the cell phone originally started on 1.1.2013 and will continue until 12.31.2013 on this account, all we have to do is change the end date for this block.

Since we want to do a one-time payment for the shoe allowance, set the start and end date to match the pay period that the one-time shoe payment will occur.

Charge 70% of the JRA to the account that pays for the cell phone: $70/$100=70%.

Charge 30% of the JRA to the account that should pay for the shoes: $30/$100=30%.

In the last block, return the cost allocation to charge 100% of the cell charges to the appropriate account. Pick the dates that will finish out the year for the cell phone allowance.

Charge 100% of the cell phone allowance to the account that will continue to pay for the cell charges.
3) Finally, start another costing allocation change, and choose worker, position, and earning (auto allowance) for the parking and auto allowances. If we want the parking to occur one pay period and the vehicle payment to occur another pay period, we can set up two costing-allocation blocks, enter the appropriate pay-period dates, and enter the accounts.

**Costing allocation example for academic on sabbatical leave**

Professor Jones is going on sabbatical leave for a full academic year, starting on August 1, 2013, and ending on May 31, 2014. Here is how to set up the costing allocation to charge 50% of his earnings to the appropriate account.
Two exempt examples may help you to understand how to use costing allocations:

**Example 1: An employee works on three separate grants, requiring a mid-pay-period split between three accounts**

At the start of the pay period, an employee is working on grant 1, 100% of which charges to account 1.

Halfway through the pay period, the unit wants to change the costing allocation to reflect that the person will also work on two additional grants:

- Grant 2 will use account 2
- Grant 3 will use account 3

From the middle of the pay period onward, the employee will work equally on all three grants.

How should the unit change the costing allocation for the current partial pay period and how will the unit need to set the costing allocation for future pay periods?
Once the next pay period is set up correctly, the costing allocation should stay set at 33.3% for each of the three accounts until the employee’s assignment changes.

Example 2: An employee’s entire work needs to be charged to a different account

At the start of the pay period, an employee’s position has a costing allocation set to charge 100% to account 1. But at the end of the pay period, the unit wants to change the costing allocation to reflect that the person worked only on a different grant than expected: this other grant uses account 2.

How should the unit change the costing allocation?

The unit should set the costing allocation to charge 100% of the employee’s earnings to account 2: by doing so, no charges will occur to account 1. Keep the costing allocation set to charge 100% to account 2, until the employee works on another grant.
Costing allocations examples for non-exempt workers

At the start of the pay period, an employee’s position has costing allocation set to charge 100% of the employee’s wages to account 1.

Before the pay period ends, change the costing allocation to reflect that the professor will work on the NSF Theoretical Particle Physics grant. This change will ensure that 100% of the professor’s work will charge to this grant, instead of the Black Hole grant.

At the start of the year, a worker has 100% of her earnings charged to the general expense account, but before the end of the pay period, the unit wants her earnings charged to two different accounts.

What must the unit do before the end of the pay period?
At the end of the pay period—before the payroll runs—the unit wants to enter a different costing allocation: account 1 should not be charged at all; instead, account 2 will have 40% of the allocation, and account 3 will have 60% of the allocation. This change will result in all of the charges for the employee’s regular pay to hit account 2 (at 40%) and account 3 (at 60%). That is, no charges will hit account 1.

Costing allocation example for Vacation Buyout (VBO)

Before you process a VBO, you could set up a new costing allocation so that the earnings from that VBO would charge to one or more accounts other than the accounts you currently have set up on the position or worker.

Here is how to set up the costing allocation for a VBO:
Enter the dates of the pay period in which the VBO will occur: e.g., if the termination date will be on 2/13/2013 for an exempt employee, choose 2/1 – 2/15/2013 as the start and end dates.

Enter the account(s) to which you want the VBO charged.