STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES **Policy and Procedure**		POLICY AND PROCEDURE NUMBER **06.01.003**	PAGE 1 of 4
		EFFECTIVE DATE July 3, 2006	
SUBJECT **Cost Accounting for Employees Paid with Capital Receipts**		SUPERSEDES FMOM 02.25.010	DATED October 1, 1992
CHAPTER **Finance**	SECTION **Expenditures**	APPROVED BY Mike Barton 6/23/6	

PURPOSE

This formalizes the policy and procedure of the department on accounting for the personal services costs of employees whose positions are (1) funded in whole or in part in the capital budget and (2) authorized in the operating budget in whole or in part with direct capital improvement project (CIP) receipts.

POLICY

The personal services costs of employees whose positions are (1) funded in whole or in part in the capital budget and (2) authorized in the operating budget in whole or in part with direct CIP receipts will be recorded through payroll suspense reimbursable services agreements (RSAs) and the time and equipment (T&E) subsystem of the Alaska Statewide Accounting System (AKSAS).

PROCEDURE

Payroll suspense RSAs

All employee positions and the expenditure authorization for them are located in the operating budget. However, much of the funding for positions resides in the capital budget. A payroll suspense RSA bridges the two budgets. A payroll suspense RSA (an unbudgeted RSA) is an expenditure and revenue interface for personal services costs between the capital budget as the requesting agency and the operating budget as the servicing agency. It allows the department to pay employees with RSA authorization in the operating budget and to reallocate the costs later to projects in the capital budget and, to a lesser extent, to funding in the operating budget.

Department employees work on numerous and varied projects in the capital budget. As a result, timesheets often contain incorrect codes or codes that point to projects with temporary funding shortfalls. The department would be unable to resolve these problems before payroll deadlines if it were necessary to charge capital projects directly. Charging payroll costs to a payroll suspense RSA means all employees included in the RSA are charged to a single line of expenditure coding, and the payroll suspense RSA

contains sufficient authorization for an entire fiscal year for a given budget component. Using a payroll suspense RSA to pay these employees is a simple and immediate process.

At the beginning of the operating fiscal year, every organizational unit with positions that are paid partially or entirely with project funds in the capital budget sets up a separate payroll suspense RSA for each budget component in the unit that contains such positions. The expenditure authorization for the project funding for these positions is identified in the operating budget as direct CIP receipts. Only these positions are included in the RSA.

Each RSA contains the total estimated costs of the positions, even if some or all of the positions are only partly funded with direct CIP receipts. Estimated costs are normally taken from the Alaska Budget System (ABS). The total costs are adjusted by the appropriate vacancy factor, also taken from ABS.

The AKPAY payroll coding for each employee included in the RSA must point to the appropriate payroll suspense RSA. This coding is usually the same for all employees budgeted in a given component, and it usually does not change from year to year. However, if the funding for a particular position changes from full or partial direct CIP receipts to a non-CIP funding source in a new fiscal year, the employee's payroll coding needs to be changed at the beginning of the fiscal year. The change is submitted to the Division of Personnel/ Technical Services (DOP/TS) on a personnel action request form (PARF). So too, if the funding for a particular position changes from a non-CIP funding source to full or partial direct CIP receipts in a new fiscal year, the employee's payroll coding needs to be changed on a PARF to point to the appropriate payroll suspense RSA at the beginning of the fiscal year. Delays in correcting payroll coding will cause distorted expenditures in the payroll expense RSA.

The T&E system

The payroll suspense RSA meets immediate payroll needs. The next step is to reallocate an employee's payroll costs to the particular capital projects that the employee worked on during each pay period. Costs are reallocated by entering the hours worked and the corresponding financial codes into AKSAS through the T&E subsystem.

Every employee whose costs are included in the payroll suspense RSA must complete a T&E timesheet each pay period. This special timesheet allows the employee to record hours worked each day on capital projects and on activities funded in the operating budget, along with leave time, holidays, etc. The employee enters a ledger code (with or without a program code) on the timesheet next to the total hours spent on each activity or purpose.

The employee may also enter on the T&E timesheet the state equipment fleet vehicles the employee used, and the date and duration of usage each pay period. This data will also enter AKSAS through the T&E subsystem to allow the costs to be allocated to the appropriate capital projects.

Although the T&E subsystem is a state accounting mainframe application, only this department uses it.

How the payroll suspense RSA and the T&E system interact

The employee's organizational unit retains a copy of the T&E timesheet and submits the original to DOP/TS, which enters the hours into the Alaska Payroll Accounting System (AKPAY). AKPAY calculates the total cost to the department of salary and benefits for each employee each pay period and the net payment due the employee. AKPAY also generates the payment.

AKPAY interfaces with AKSAS and posts the total payroll cost for all employees with the same payroll coding to the payroll suspense RSA as an expense. All costs are posted, even if some employees worked on no capital projects, were in leave status the entire pay period, and so on.

For each unit with employees funded by direct CIP receipts, there is an employee in the unit or elsewhere in the department who is tasked with entering the T&E data from the timesheet copy into the T&E subsystem. This action reallocates the employee's hours and associated costs, and allocates equipment usage, to particular capital projects and/or to other funding sources in the operating budget such as overhead and other RSAs. When costs are reallocated, revenue in the same amount is posted to the payroll suspense RSA.

The Division of Administrative Services/ Finance adjusts variances between expenditures and revenues in a payroll suspense RSA at the end of the fiscal year, provided all of theT&E timesheets have been entered.

The labor rate

The employee's pay for hours actually worked is charged to particular projects in the capital budget, but employee benefit costs are not attributed to particular projects in the same direct manner. Leave time, for example, cannot be attributed to a particular project because leave is used after (sometimes years after) it is accrued. A similar problem exists with holiday pay. There is no equitable basis for directly assigning pay for a state holiday to one project or another. Benefits such as retirement, worker's compensation, and health insurance could be charged directly to a project but they are not. Instead, the department allocates all of these costs to capital projects by using a labor rate to establish a total estimated cost of the benefits.

The labor rate is entered into the T&E system. The system multiplies an employee's hourly pay rate by the labor rate to arrive at an allowance for the benefit costs. The hourly pay plus the benefit amount calculated with the labor rate equal the total personal services cost that will be charged to a project for every hour the employee worked on that project in a given pay period.

The department uses a single labor rate in the T&E system for all project-funded employees in the department. The Division of Administrative Services calculates the labor rate annually. The rate is based on an analysis of actual payroll costs in the previous fiscal year adjusted for known increases or decreases in the current year budget. The rate also includes an adjustment for over- or under-collections in the previous year.

Responsibility for T&E entries in AKSAS

The success of this cost accounting method depends on the prompt actions of those who enter T&E timesheet data into the T&E subsystem. Each person responsible for entering T&E timesheets must enter the data as soon as possible after timesheets are prepared. When timesheets are not entered promptly, an unknown liability is created for budget managers.

Once the T&E timesheet data is entered, the responsible person must monitor AKSAS to ensure that all T&E entries process successfully. If a timesheet has erring financial lines because of funding shortfalls, the erring lines must be removed (stripped) and reentered in new transactions so the rest of the financial lines can process as soon as possible. The responsible person must eventually resolve all errors to ensure that all payroll costs are correctly allocated to capital projects or operating budgets.

AUTHORITY

AS 44.17.030

IMPLEMENTATION RESPONSIBILITY

Finance employees, employees responsible for budget preparation or management, and employees responsible for T&E data entry

DISTRIBUTION

All department employees via the DOT&PF website