

Using the Payroll Costing Process to Create an Exact Project Accounting Interface

Gene Jannece
AST Corporation

Muralidhar Kadambala
AST Corporation

Company Overview

As the highest level of Oracle partner (Certified Advantage Partner), AST Corporation is the system integrator of choice for Corporations and Public Sector Organizations. We pride ourselves on our innovative and cost-saving solutions and on a 100% success rate of our Oracle E-Business projects that range from Planning, Assessment, Migration and Implementation to Training and Support

Purpose:

Demonstrating how to use the Payroll Costing process to create an exact Project Accounting Interface for Oracle 11.5.10.2.

Executive Summary:

Some agencies no longer accept burdened Employee Fringe Benefits as a reimbursable cost. FLSA calculated overtime may not match rates available. The agency may be required to prorate exact labor and fringe benefits costs. This paper briefly talks about how to enter projects and tasks, prorate the earnings and apply the same prorating to the employee benefits. Exact expenses will post to Oracle Projects module.

Business Requirement:

OTL has an interface to Oracle Projects which uses hours times' standard labor rate to interface to Projects. The employee base rate may not reflect the effect of premiums and incentives which may have been applied to employee compensation. The standard labor rate may discount fringe benefits into its rate. Fringe benefits may also be calculated into the cost of projects by using a flat overhead or burden rate. Depending on the employees who work on these projects, this overhead rate might cause the projects to understate or over state the actual expense charged to the project.

Our solution prorates the employer paid fringe benefits on the basis of hours or costs worked on the projects. Actual amounts as determined by Oracle Payroll are used for all calculations. We will post the actual employee expense with all of the fringe benefits applied.

Solution Overview:

Suppose the employee works on 2 projects with 25% of the time on one project and the remainder on the other. Because there were two tasks, the employees costing will be split in that ratio in the Costing Detail File. Any modifications to the Base rate during the Payroll process such as incentives and FSLA calculations will already have been applied and the costing output for each project/task will have an exact amount.

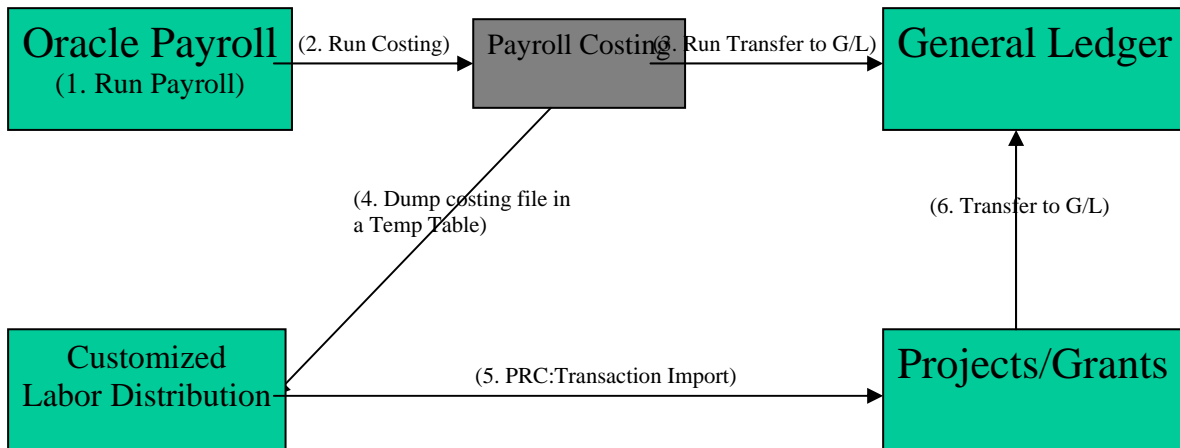
Our solution is to go through the Costing Detail file and find all of the earnings for that employee for that period. We can then determine the ratio of earnings for each project.

We look in the Costing Detail file and find the lines for employer paid fringe benefits such as employer paid Social Security, employer paid unemployment insurance, employer contributions to medical and any other direct costs associated with the employee. Then the fringe benefits or employer paid deductions will be added together and split into that ratio with 25% employer costs going to one project and the remainder going to the other.

Using the information we found in the Costing Detail file and then recalculated, we can then post it to the Projects/Grants module with exact numbers for that project.

If your agency requires effort hours to be posted to Projects they may be found back in OTL or the Payroll element input.

Process Overview:



Some basic setups

1) OTL Setup

The Projects layout or 'Projects & Payroll layout for Timecard entry will just work fine for users to enter time against project and task information in OTL. The Exception Layout will also work with a little modification. We map our Costing segments for task to the layouts.

2) Setup Costing Flexfield

The Project & Task Information should be a part of the Costing Flexfield. The Costing Flexfield may have more information than what goes to General Ledger. Not all fields on the Costing Flex Field must be passed to General Ledger.

3) Projects Setup

The expenditure types and expenditure categories for labor and labor overhead should be setup. Using PA lookup sets, element names can be mapped to expenditure type. This will facilitate the interface of hours with the cost from Payroll. The hours would come from OTL or Element Entry and the actual cost will come from Payroll.

It can be argued the Oracle's Labor Distribution module would work fine for this. However the Labor distribution module uses lump sum costs and cost allocation. If the employee is not moved to the proper Payroll the information will not transfer. Also in the case of Labor Distribution, the actual cost is lost because it again does not include fringe benefits.