**Payroll Costing Knowledge Transfer**

*Payroll Tax Accounting*

Finance Strategic Transformation

UNIVERSITY of VIRGINIA

# Agenda

## Topics

- Terminology / Concept Check

- Background

- Objectives & Limitations

- Workday Financials Processes

  - Academic Division

  - Medical Center (including "Settlement")

  - UPG

# Introduction

# Terminology / Concept Check

| Terminology / Concept | Definition |
|---|---|
| Account Posting Rules | Account Posting Rules (APRs) are used to on Operational Transactions to derive the Ledger Account(s) that a transaction should post to.<br>For Payroll, APRs can be used to derive a resulting Spend Category associated with the transaction. |
| Ledger Account | Natural accounts are where debits and credits are recorded in the general ledger.<br>Examples: 2011:Payroll Withholdings, 2010:Accrued Payroll, 2013:PR-Fringe Pool |
| Spend Category | Provides a lower level of detail from the Ledger Account needed for operational reporting. They are used to identify and categorize the different types of expenditures reported by the company. |
| Employer Paid Expense Costing Allocation | Employer Paid Expense Costing Allocations can be used to allocate associated expenses to specific accounts (as opposed to the default nature of allocating based on the worker's gross pay). |
| Worker Organization Assignments | The Organizations associated with a Worker's Position (e.g., Company, Cost Center, Fund). |
| Liability Accounting in Workday | If an Employee Deduction or Employer Paid Expense Costing Allocation (credit) are not setup, liabilities will default to the Worker's Organization Assignments. For deductions that are not Position-enabled (e.g., tax deductions), liabilities will default to the Worker's Primary Position Organization Assignments. |
| Allocations | Used to distribute ledger amounts, from 1 Organization to another based on a preconfigured definition. When you process allocations, Workday calculates and distributes the allocation amounts to each target. It then creates the operational journals to record the allocations in the ledger. |
| Medical Center Post Payroll Settlement | An intercompany entry between the R&V and Medical Center companies to settle payroll processing amounts that ultimately belong in the R&V Company (e.g., taxes). In Workday, generally the credit will be to the respective R&V FDM strings with a debit to the Med Center IIP. |

# Pre-FST Processes by Pay Group

**ACD Pay Group**
- 4 GL strings, object code 1665 for employer paid expense side; 2145 for liabilities to ADP:
- Payroll processes, calculates taxes, journals post in Oracle to appropriate strings based on type of tax.
- Remittance to ADP relieves (debits) liabilities from the four GL strings, with a credit to cash.

**Medical Center Pay Group**
- 4 Liability ledger accounts
- Payroll processes, calculates taxes, journals post in PeopleSoft to appropriate ledger account based on type of tax.
- Payroll Accountant produces manual journal entries to relieve liability from the MC and over to R&V to appropriate GL strings in Oracle.  Settled through the IIP.
- Remittance to ADP from R&V bank account for UVA Medical Center – remittance recorded in R&V books.
  Note:  Community Medicine withdrawals are from Wells Fargo – Payroll Accountant provides journal entry for recording.

**UPG Pay Group**
- Various ledger accounts for Epicor.
- Payroll processes, calculates taxes, journals post in Epicor to appropriate ledger account based on type of tax.
- UPG remits to ADP and produces accounting Epicor from UPG bank account.
- UPG Finance records remittances.

# Objectives & Limitations

**Objectives:**

- Streamline tax accounting as best as possible

- Avoid negative impacts to tax liability accounting for each company

**Workday Limitation:**

- Workday employee deductions can only have a single Costing Allocation which poses an issue for the deductions that are shared across ACD, MC, and UPG pay groups/companies.

- All tax-related deductions are Workday-owned and thus are used across all pay groups/companies.

# Workday Financials Process:

# Academic Pay Groups

# Academic Division – GL String to FDM

Bank Account = Bank of America ACD (Payroll Bank Account)

| Oracle Liability GL String | FDM Designated | Spend Category |
|---|---|---|
| 10.999962.1165.2145.20030.0000 | DN000792 IN-Federal Tax Withholding | Federal Tax Withholding (SC0722) |
| 10.999971.1165.2145.20030.0000 | DN000794 IN-State Tax Withholding | State & Local Tax Withholding (SC0723) |
| 10.999975.1165.2145.20030.0000 | DN000796 IN-Employee FICA | Employee FICA Tax Withholding (SC0724) |
| 10.999884.1165.2145.20030.0000 | DN000752 IN-Employer FICA | Employer FICA Tax Withholding (SC0725) |

# Academic Division:  APRs – Payroll Deductions

As new taxes (employee AND employer) are withheld, pay components will need to be added to the Payroll Deductions APR based on which spend category is applicable.  All liabilities for taxes post to 2011 ledger account.

| Resulting Ledger Account | Resulting Worktags | Condition | |
|---|---|---|---|
| | | Dimension | Values |
| 2011:Payroll Withholdings | Spend Category: State & Local Tax Withholding (SC0723) | Pay Component | CT: Family and Medical Leave<br>DC: District of Columbia Administrative Assessment - Employer Paid<br>DC: District of Columbia Paid Family Leave - Employer Paid<br><br>Local City (PENN) Local Service Tax (LST)<br>Local City Withholding (Resident)<br>⊕ More (15) |
| 2011:Payroll Withholdings | Spend Category: Federal Tax Withholding (SC0722) | Pay Component | Federal Withholding<br>Federal Withholding (Income Code 15)<br>Federal Withholding (Income Code 16) (Effective 2015) |
| 2011:Payroll Withholdings | Spend Category: Employee FICA Tax Withholding (SC0724) | Pay Component | Additional Medicare Tax<br>FICA Refund Net Offset<br>Medicare<br>OASDI |
| 2011:Payroll Withholdings | Spend Category: Employer FICA Tax Withholding (SC0725) | Pay Component | Medicare (ER)<br>OASDI (ER) |

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# Academic Division: APRs – Payroll Expense

As new employer paid taxes are withheld, pay components will need to be added to the Payroll Expense APR based on which spend category is applicable. All employer paid expenses post to 2013 ledger account.

| Resulting Ledger Account | Resulting Worktags | Condition | | |
|---|---|---|---|---|
| | | Dimension | Values | |
| 2013:PR-Fringe Pool ⋯ | | Company Hierarchy | Academic Consolidated | |
| | | Pay Component | 401(a) Fidelity Cash Match Amt (ACD) - ER | |
| | | | 401(a) TIAA Cash Match Amt (ACD) - ER | |
| | | | Basic Life - The Standard (ACD/MC) - ER | |
| | | | DC: District of Columbia Administrative Assessment - Employer Paid | |
| | | | DC: District of Columbia Paid Family Leave - Employer Paid | |
| | | | ➕ More (40) | |

Each pay component will also need to have the **DEBIT** side of an Employer Paid Expense costing allocation setup to post the expense to the appropriate fringe pool Designated.

| Pay Group | Company | Employer Paid Expense | Employer Paid Expense Costing Allocation Type | Start Date | End Date | Allocation Detail | |
|---|---|---|---|---|---|---|---|
| | | | | | | Costing Company | Costing Worktag |
| ACD Bi-weekly | | DC: District of Columbia Administrative Assessment - Employer Paid | Debit | 01/01/1900 | | The Rector & Visitors of the University of Virginia | Business Unit: BU31 IN-Institutional<br>Cost Center: CC0562 IN-Fringe<br>Designated: DN000794 IN-State Tax Withholding<br>Function: FN063 Other<br>Fund: FD002 Unrestricted Local Fund |
| ACD Monthly | | DC: District of Columbia Administrative Assessment - Employer Paid | Debit | 01/01/1900 | | The Rector & Visitors of the University of Virginia | Business Unit: BU31 IN-Institutional<br>Cost Center: CC0562 IN-Fringe<br>Designated: DN000794 IN-State Tax Withholding<br>Function: FN063 Other<br>Fund: FD002 Unrestricted Local Fund |

# Allocations

Since credits cannot be posted to a specific Designated out of Payroll, an allocation will be run at month-end close (or can be run on an ad hoc basis as needed for reconciliation purposes) to move the liabilities to the appropriate Designated for remittance purposes.



**View Allocation Group Set** Tax Reallocation

Note: Dependencies are used to control the order that allocations are processed. Use related task Update Dependencies to define dependencies.

### Details

| | |
|---|---|
| Name | Tax Reallocation |
| Company | The Rector & Visitors of the University of Virginia |
| | The University of Virginia's College at Wise |
| Time Frame | Period |
| Summary Schedule | (empty) |
| Ledger/Plan Structure | Actuals |
| Inactive | |

### Information

| | |
|---|---|
| Description | (empty) |

**Allocation Groups** 4 items

| Display Order (a/b/c) | Group Name | is Dependent on Group | Allocation Definitions included in G | |
|---|---|---|---|---|
| | | | Display Order (a/b/c) | Allocation Definition |
| a | Tax Reallocation | | a | Federal Tax Withholding Reallocation |
| | | | b | State Tax Withholding Reallocation |
| | | | c | EmployEE FICA Tax Withholding Reallocation |
| | | | d | EmployER FICA Tax Withholding Reallocation |

# Allocations Continued

Each allocation is setup to "Find" the liabilities posted to the various spend categories and "move" them to the appropriate Designated.

Source Filter Conditions  1 item

| Ledger Account / Ledger Account Summary | Worktags |
|---|---|
| 2011:Payroll Withholdings | Pay Group: ACD Bi-weekly<br>Pay Group: ACD Monthly<br>Spend Category: Federal Tax Withholding (SC0722) |

Worktag Mapping  8 items

| Worktag Type | Worktag Value is from | User Entered Value |
|---|---|---|
| Fund | User Specified | FD002 Unrestricted Local Fund |
| Cost Center | User Specified | CC0562 IN-Fringe |
| Spend Category | Source | |
| Business Unit | User Specified | BU31 IN-Institutional |
| Pay Group | Source | |
| Pay Component | Source | |
| Designated | User Specified | DN000792 IN-Federal Tax Withholding |
| Function | User Specified | FN063 Other |

# Tax Remittances – Academic Division

**Ad Hoc Bank Transactions:**

- Typically used to record cash activity that has already taken place.
- Are not processed through the settlement run and will not be included as part of any outbound files sent to a bank.
- Accounting entries are created once the Ad Hoc Bank Transaction event is complete.
- Workday transaction type being used to account for bank withdrawals.

*Note: Best practice is to record all cash transactions via Ad Hoc Bank Transactions and not use manual journal entries to minimize reconciliation exceptions.*

1 of 220 items

| Ad Hoc Bank Transaction Template | Company | Template Name | Template Status | Memo | Purpose | Revenue/Spend Category | Ledger Account | Worktags |
|---|---|---|---|---|---|---|---|---|
| 🔍 | The Rector & Visitors of the University of Virginia | ADP Tax Payments | Approved | ADP Tax Payments | Payroll Vendor Payment | Payroll Withholding (SC0558) | 2011:Payroll Withholdings | Business Unit: BU31 IN-Institutional  Cost Center: CC0562 IN-Fringe  Designated: DN000792 IN-Federal Tax Withholding  Function: FN063 Other  Fund: FD002 Unrestricted Local Fund |

# Workday Financials Process:
# Medical Center Pay Group

# Medical Center – Ledger Account to FDM

| PeopleSoft Liability Ledger Account | Oracle Liability GL String | FDM Designated | Spend Category |
|---|---|---|---|
| 7757:Federal Income Tax, EE | 10.999962.1165.2145.20030.0000 | DN000792 IN-Federal Tax Withholding | Federal Tax Withholding (SC0722) |
| 7751:State Income Tax, EE AND 7753:Taxes - ER | 10.999971.1165.2145.20030.0000 | DN000794 IN-State Tax Withholding | State & Local Tax Withholding (SC0723) |
| 7736:FICA -EE | 10.999975.1165.2145.20030.0000 | DN000796 IN-Employee FICA | Employee FICA Tax Withholding (SC0724) |
| 7762:FICA ER | 10.999884.1165.2145.20030.0000 | DN000752 IN-Employer FICA | Employer FICA Tax Withholding (SC0725) |

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# Tax Accounting – Medical Center

Medical Center liabilities and employer paid expenses require the setup of new Employer Paid Expense Costing Allocations so that the debits associated with the taxes remain in their company (as this belongs within their fringe pool).

Liabilities (credits) will post to the Medical Center company since that accounting follows the Position's organization assignments.

Since ADP ultimately withdraws the funding from the R&V bank account, the **Payroll Accountant will need to continue to perform a manual post-payroll settlement entry between R&V and the MC so that the liabilities can be remitted/recorded from R&V**.

## All Employer Paid Expense Costing Allocations ···

2 of 357 items

| Pay Group | Company | Employer Paid Expense | Employer Paid Expense Costing Allocation Type | Start Date | End Date | Allocation Detail | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Costing Company | Costing Worktag | Distribution Percent |
| MC Bi-weekly | Community Medicine UVA, LLC | OASDI (ER) | Debit | 01/01/1900 | | Community Medicine UVA, LLC | Fund: FD002 Unrestricted Local Fund | 100.00% |
| MC Bi-weekly | UVA Medical Center | OASDI (ER) | Debit | 01/01/1900 | | UVA Medical Center | Fund: FD002 Unrestricted Local Fund | 100.00% |

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# Tax Accounting – Medical Center Journal Entry

## Journal Entry Lines
8 items

| Company | Ledger Account | Debit Amount | Credit Amount | Memo | External Reference ID | Gift | Grant | Designated | *Fund | *Cost Center | Function | Program | Project | Additional Worktags |
|---------|---------------|--------------|---------------|------|----------------------|------|-------|-----------|-------|--------------|----------|---------|---------|---------------------|
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 15,000.00 | Federal Withholding | | | | DN000792 IN-Federal Tax Withholding | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: Federal Tax Withholding (SC0722) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 10,000.00 | OASDI | | | | DN000796 IN-Employee FICA | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: Employee FICA Tax Withholding (SC0724) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 10,000.00 | OASDI (ER) | | | | DN000752 IN-Employer FICA | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: Employer FICA Tax Withholding (SC0725) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 5,000.00 | Medicare | | | | DN000796 IN-Employee FICA | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: Employee FICA Tax Withholding (SC0724) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 5,000.00 | Medicare (ER) | | | | DN000752 IN-Employer FICA | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: Employer FICA Tax Withholding (SC0725) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 3,000.00 | State Withholding | | | | DN000794 IN-State Tax Withholding | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: State & Local Tax Withholding (SC0723) |
| The Rector & Visitors of the University of Virginia | 2011:Payroll Withholdings | | 1,000.00 | Local Tax | | | | DN000794 IN-State Tax Withholding | FD002 Unrestricted Local Fund | CC0562 IN-Fringe | FN063 Other | | | Business Unit: BU31 IN-Institutional; Pay Group: MC Bi-weekly; Spend Category: State & Local Tax Withholding (SC0723) |
| UVA Medical Center | 8013:Other Operating Expenses | 49,000.00 | | MC to ACI...more | | | | DN001620 HS-Med Center Investment with UVA | FD013 Unrestricted Local Fund-Medical Center | MC-0000001 Hospital | FN062 Hospitals | | | Pay Group: MC Bi-weekly; Spend Category: Other Fund Additions and Deductions Operating (SC0374) |

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# Tax Remittances – Medical Center

Since Med Center taxes are remitted from the R&V bank account, they will be recorded via the same methodology (an Ad Hoc Bank Transaction).

**Ad Hoc Bank Transactions:**

- Typically used to record cash activity that has already taken place.
- Are not processed through the settlement run and will not be included as part of any outbound files sent to a bank.
- Accounting entries are created once the Ad Hoc Bank Transaction event is complete.
- Workday transaction type being used to account for bank withdrawals.

*Note:  Best practice is to record all cash transactions via Ad Hoc Bank Transactions and not use manual journal entries to minimize reconciliation exceptions.*

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| Ad Hoc Bank Transaction Template | Company | Template Name | Template Status | Memo | Purpose | Revenue/Spend Category | Ledger Account | Worktags | S C W |
|---|---|---|---|---|---|---|---|---|---|
| 🔍 | The Rector & Visitors of the University of Virginia | ADP Tax Payments | Approved | ADP Tax Payments | Payroll Vendor Payment | Payroll Withholding (SC0558) | 2011:Payroll Withholdings | Business Unit: BU31 IN-Institutional<br>Cost Center: CC0562 IN-Fringe<br><br>Designated: DN000792 IN-Federal Tax Withholding<br>Function: FN063 Other<br>Fund: FD002 Unrestricted Local Fund | |

# Tax Accounting – Community Medicine

Community Medicine liabilities and employer paid expenses require the setup of new Employer Paid Expense Costing Allocations so that the debits associated with the taxes remain in their company (as this belongs within their fringe pool).

Liabilities (credits) will post to the Community Medicine company since that accounting follows the Position's organization assignments.

Since ADP ultimately withdraws the funding from Community Medicine's Wells Fargo bank account, the **Payroll Accountant should not include tax liabilities for this company as part of the MC Bi-weekly settlement entry, as they are not remitted by the R&V Company.**

## All Employer Paid Expense Costing Allocations ...

Turn or

2 of 357 items

| Pay Group | Company | Employer Paid Expense | Employer Paid Expense Costing Allocation Type | Start Date | End Date | Allocation Detail | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Costing Company | Costing Worktag | Distribution Percent |
| MC Bi-weekly | Community Medicine UVA, LLC | OASDI (ER) | Debit | 01/01/1900 | | Community Medicine UVA, LLC | Fund: FD002 Unrestricted Local Fund | 100.00% |
| MC Bi-weekly | UVA Medical Center | OASDI (ER) | Debit | 01/01/1900 | | UVA Medical Center | Fund: FD002 Unrestricted Local Fund | 100.00% |

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# Workday Financials Process:

# UPG Pay Groups

# UPG Summary

UPG liabilities and employer paid expenses do not require any new configuration.

- Liabilities will continue to post in the UPG company against appropriate UPG ledger accounts.

- UPG charges employer paid actuals, so employer paid expense costing allocations are not necessary (if an employee is directly charged to the Academic Division or Medical Center, the actual tax expenses should be allocated accordingly).

Questions?