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Labor Cost Distribution Policy

Effective: July 1, 2004
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Executive Summary

The Labor Cost Distribution (LCD) system provides the link between the payroll system and the financial system. The application summarizes individual employee distributions and generates documents to post payroll expenses to the statewide enterprise accounting and financial reporting system ("Mosaic"), ensures the availability of funds for those expenses, and edits Chart of Accounts attributes such as Appropriation number, Object, and Department according to the legislatively authorized information as appropriated in the corresponding General Appropriation Act, supplemental appropriation or other general or special law as loaded in Mosaic. LCD provides management cost categories from the financial system and Department defined Chart of Account (COA) elements. LCD cost accounting data will always be equal to expenses recorded in Mosaic.

LCD functionality is outlined below.

Considerations

This policy applies to all Commonwealth Branches and Departments.

LCD is comprised of five major business functions:

- Rules
- Funds Availability
- Adjustments
- Inquiries
- Reports

Policy

Statutory Rules

Statutory rules are requested by Departments to allow payroll expenditures by employee position or account that are different than the position authorized account established in HR/CMS. The Office of the Comptroller approves these rules annually. All added, modified, or expired rules are stored in the rules table (PAUTH) in LCD. Statutory compliance (account specific, alternate account, and position assigned) rules tables allow Departments to request annual approval of account control settings and supporting relationships between accounts and positions. Approval for statutory compliance rules is based upon the authorizing language that governs the expenditure of funds. For appropriated funds, this authorization is in the current fiscal year's General Appropriation Act (GAA). For capital appropriation accounts and federal grants, the authorization is derived from the legislative language that establishes and governs the purpose of the funding and reporting requirements. For trust accounts, the authorization is derived from the bylaws that establish and govern the purpose of the funding and reporting requirement. The following is a list of account types and the governing language for each:

1. Operating Appropriation Accounts – authorized by the GAA or ISA between departments
2. Capital Appropriation Accounts – authorized by capital bond appropriations
3. Trust and Other Nongovernmental, Non-appropriated Accounts – authorized in general or special law and further detailed in trust agreements
4. Federal Grant Accounts - authorized in special sections of the GAA and grant agreements with the federal government.

Note:

Type 1 includes 1CN, 1CS, 1RS, 1RN, 1IS, and 1IN

Type 2 Includes 2CN

Type 3 includes 3TN and 3TX

Type 4 includes 4FN

To submit statutory rules for approval, Departments will enter their rules prior to the beginning of the fiscal year, complete LCD Rules Request Forms, and submit all the relevant documentation to the Statewide Payroll Team at the Office of the Comptroller. The Office of the Comptroller will review and approve rules submitted by Departments, based upon the governing language that authorizes the expenditure. Instructions on how to fill out the form can be found in the LCD Procedures Manual.

Prior to the submission of LCD Rules Request Forms, please refer to the "Guidelines for LCD Rules Applications". LCD Rules Request Forms can be found on the HR/CMS Knowledge Center website.

Funds Availability

State finance law mandates that payroll may be released only when sufficiently funded. LCD holds payments at the account level. Each account must be able to support all payroll associated with it. If even one employee payment cannot be supported, all payments within the account will be held until the funding issue is resolved. It is the Department Chief Fiscal Officer's responsibility to ensure that there are sufficient funds to compensate employees for services rendered.

Predictive Payrolls

Several times per pay period, HR/CMS calculates employee pay and LCD performs labor distribution and checks funds availability. Predictive payroll reports identify if funds are not available on Mosaic to meet the payroll at that snapshot in time. The Office of the Comptroller and departments are notified that a predictive payroll exists and that payroll payments are in jeopardy until funding issues are resolved.

Predictive Payroll Reports are provided to alert departments of potential conditional payrolls. Departments are responsible for monitoring predictive reports in order to assure that payrolls will process successfully. Iterative processing is provided to enable the Office of the Comptroller and the Office of the Treasurer to release unfunded payrolls once funding issues are resolved.

LCD Predictive Reports

The following reports should be used to manage payroll expenses.

Report ID	Name Descriptions	Actual Report Title
LCDASD	PRED LCD-HR/CMS PAYROLL APPROPRIATION STATUS	Appropriation Status NLCDASDS
LCDIFPD	PRED LCD-HR/CMS INSUFFICIENT FUNDS PAYROLL DETAIL	Insufficient Funds Payroll Detail NLCFAR1S
LCDIFAD	PRED LCD-HR/CMS INSUFFICIENT FUNDS ACCOUNT DETAIL	Insufficient Funds Account Detail NLCFAR2S

In the event that a predictive payroll occurs, the reports listed below provide information to be used for account resolution

LCD Production Reports

Report ID	Name Descriptions	Actual Report Title
LCDIFPD	PROD LCD-HR/CMS INSUFFICIENT FUNDS PAYROLL DETAIL	Insufficient Funds Payroll Detail NLCDFAR4S
LCDIFAD	PROD LCD-HR/CMS INSUFFICIENT FUNDS ACCOUNT DETAIL	Insufficient Funds Account Detail NLCFAR5S
LCDARF	PROD LCD-HR/CMS APPROPRIATION REASSIGNMENT FROM-TO	Appropriation From/To Reassignment Report NLCDARTS
LCDART	PROD LCD-HR/CMS APPROPRIATION REASSIGNMENT TO-FROM	Appropriation To/From Reassignment Report NLCDARFS

Releasing Held Payments

Departments should contact the Office of the Comptroller when funding issues are resolved so that payroll direct deposits and/or checks can be released. Released direct deposits are processed through the Automated Clearing House (ACH) the day after release. Posting to the employee's account occurs within two business days. Advice, and the released check are mailed to the employee's designated mailing address.

Distribution

Labor Distribution

LCD provides for the distribution of employees' time and costs to one or more chart of account fields in Mosaic. Centrally defined fields include Department, Fund and Appropriation. Department defined fields include Unit, Activity and Program. These department-defined fields do not need Comptroller approval but may be required for Central or Departmental budgetary reasons. Examples of the types of labor distribution fund accounting and cost accounting fields that are available in LCD are:

Fund Accounting

- Department
- Unit
- Sub Unit
- Appr
- Object
- Sub Object
- Revenue Source
- Sub Revenue Source
- Dept Object
- Dept Revenue

Detail Accounting

- Location
- Sub Location Activity
- Sub Activity
- Function
- Sub Function
- Reporting
- Sub Reporting
- Task
- Sub Task
- Task Order
- Major Program
- Program
- Phase
- Program Period

Some fields are visible in the system but have inferred values. Others are not applicable and thus a user cannot enter values.

Redistribution of Payroll

Each employee has default accounting information in LCD that determines where payroll charges will be applied as well as recorded in labor history and Mosaic. Every employee default begins with the position assigned accounting established in HR/CMS. Departments can modify these defaults, permanently or on an exception basis, by using the following LCD features:

- (Permanent) Employee Event Accounting Information Document (DEPTE)
- (Exception) Employee Pay Period Accounting Information (EPPA)

Included with this functionality is the ability to group accounting distributions by using "Profiles".

Adjustments

HR/CMS is the system of record for defining payroll charges. LCD allows departments to modify the accounting distribution associated with the position. Departments process, distribute and modify their payroll expenditures. Types of adjustment transactions include:

- Labor Cost Redistribution Request (LARQ)/Payroll Expenditure Correction (PRADJ)
- Payroll Data Error Correction (PRLDE)
- Payroll Correction for Insufficient Funds (PRLIF)
- Payroll Expenditure Refund Current Year (PRRFC)
- Payroll Expenditure Refund Prior Year (PRRFP)

Online Information

Users can access summary payroll data for individuals or for their Departments by Mosaic Chart of Accounts fields. More detailed information is available via the LCD Labor History tables in the Commonwealth Information Warehouse.

Information Sources

Legal Authority

- M.G.L. c. 7A §§ 3, 7, 8
- M.G.L. c. 29 §14(b)
- M.G.L. c. 29 § 14(b), 20, 27, 29, 31

Links

- Payroll and LCD Forms
- Payroll Information Page

Contacts

- CTR Solution Desk