

# **Cost Allocation – Workers Compensation**

## **SR81529 Requirements**

University of California  
Office of the President  
Payroll Coordination & Tax Services  
May 25, 2006

Created on: February 14, 2006  
Last Modified on: May 25, 2006  
File name format: SR Cost Alloc-wkers com.doc

**SR81529 Requirements**  
**Cost Allocation – Workers Compensation**

**Objective:**

The Office of the President, Risk Services, has provided actuarial services to all UC locations and is encouraging locations to allocate workers compensation costs internally at deeper levels than just account range, fund range, or account/fund, in an effort to achieve greater accountability and incentive throughout each location.

**Project Type:**

This will be a modification to the Distribution of Payroll Expense process.

**Requested by:**

Grace Crickette, Financial Management, Risk Services

**Analyst:**

Patty Yamashita, Payroll Coordination and Tax Services

**Due Date(s):**

Campuses must install and implement in time for the month-end processing of July 2006 earnings - Date Mandated

**Background:**

UCOP Risk Management worked with actuaries who developed a plan to allocate workers compensation program costs to the campus departments. The methodology involved an allocation based on the departments' historical experience as well as their percentage of the campus payroll.

**Current Process:**

In the current process, the system uses the consolidated PAR activity file to create the Expense Distribution Workfile (EDW). In the EDW module, the process calculates salaries and wage costs and benefits expense. When it is time for the calculation routine to determine the Workers Compensation cost, the process reads the Full Accounting Unit (FAU) and examines the Workers Compensation Table. When the process determines the appropriate Type and subsequent rate; it then calculates the Workers Compensation cost using the rate associated with the Type.

The Workers Compensation table includes rates by

- Location                      Table Type 1
- Account Range              Table Type 2
- Fund Range                  Table Type 3
- Account/Fund                Table Type 4

The Location level is the broadest and the account/fund level is the most specific.

**Proposed Process:**

The proposed modifications would expand the Workers Compensation Table to allow up to seven levels of rate sets. Each location should be able to define what each level represents (such as FAU, account, department, sub-division, division, control point, coordinating point, fund, sub-location, or whatever grouping is appropriate), and then set up the rates for their unique hierarchy. See Appendix A.

## **1.0 Workers Compensation Rate Form and Table**

The table should be modified to include a 30-character field for the From and To ranges that can accommodate a Full Accounting Unit or a standard 6-character Organizational Unit Code (OUC) and Department Code as well as locally specified OUC or Department codes that exceed 6 characters.

The current number of organizational units or department codes, account range, fund range, and account-fund entries should be expanded to a total of 250 for all entries from the current values of 99 for each of the four current levels.

The UPAY 707 should be modified to allow the entry of up to seven types of levels (the specific levels to be determined by each location). In addition, the sequence number is no longer used and should be removed. See Appendix B for suggested modifications.

The Workers Compensation Table, PPP0123, should be modified to display the new source types. See Appendix C for a suggested sample.

## **2.0 Edits**

Currently when the Record Type is not 1, 2, 3, or 4, the control table process will issue Message 01-921, WRK COMP TABLE – INVALID RECORD TYPE, MUST BE 1 OR 2 OR 3 OR 4. The edit should be modified to trigger this message when the record type also is not 5, 6, or 7. A suggested message text is WRK COMP TABLE – INVALID RECORD TYPE, MUST BE 1, 2, 3, 4, 5, 6, or 7.

The other 01 messages pertaining to the Workers Compensation Table should apply where applicable, such as 01-924 Rate is not Numeric.

## **3.0 One-time Processes**

With the introduction of the Full Accounting Unit (FAU), this table became a “below-the-line” table; that is, maintenance is at the local level. A one-time process should be available to convert the old WCR table record format to the new WCR record format; it may require local customization.

## **4.0 Determining the Workers Compensation Rate**

In the Distribution of Payroll Expense process when determining the Workers Compensation rate, the routine should use a 7-tier hierarchy, beginning at the lowest level –Table Type 7, to select the appropriate rate.

The Location – Type 1 remains the default location value.

There is no change to the calculation formula.

## **5.0 Reports**

The PPP5206 report – Workers Compensation Totals should reflect the new source types. A suggested layout of the report is in Appendix D.

No change to the Distribution of Payroll Expense report.

## APPENDIX A

### Definitions:

Each location has its own definition of organization unit or control point and they each have their own hierarchical rankings.

For example, a location may have a hierarchy that consists of:

- Location
- Organization Unit (UCOP, OU code 8000)
- Division (Sr. Vice President–Business & Finance, OU code 8400)
- Sub-Division (Associate VP – Human Resources, OU code 8480)
- Department (Labor Relations, OU code 8157)

A different location may have a hierarchy of:

- Location
- Control Point (Chancellor, Department code 006585)
- Division (VC Administration & Finance, Department code 101785 )
- Sub-Division (AVC-Administration, Department code 981165)
- Department (Human Resources, Department Code 173939)
- Unit (HR-EE Support Services, Department code 411833)



## Appendix C

### Workers Compensation Rate Table (23) PPP0123

#### Standard Report Heading

LOCATION CODE	ID TYPE	SEQ NO	ACCOUNT RANGE FROM – TO	FUND RANGE FROM-TO	ACCOUNT-FUND	OUC	DEPT	SUB-LOC	RATE
L	1	01							.0089
3	1	01							.0089
3	2		404900--404998						.0098
3	2		640000--640900						.2500
3	3			19900-19999					.0089
3	3			63000-63000					.0354
3	4				620000-19900				.0354
3	4				662008-19900				.0129
3	5					8000			.0105
3	5					9000			.0250
3	6						006585		.0082
3	6						028400		.0394
3	7							GN	.0089
3	7							MD	.0354

## Appendix D

### Workers Compensation Totals – PPP5206

#### Standard Report Heading

LOCATION CODE	ACCOUNT RANGE FROM – TO	FUND RANGE FROM – TO	ACCOUNT/FUND	ORGANIZATIONAL UNIT	DEPARTMENT CODE	SUB LOCATION	TOTAL AMOUNT
L							.00
3							80,468.60
3	404900 – 404999						20,046.53
3		19900 – 19999					10,000.00
3			400100-19900				50,000.00
3				444444			25,000.00
3					803418		60,000.00
3						GN	90,000.00
3						MD	.00
3							TOTAL WORKERS COMPENSATION PREMIUMS 335,515.13