

SAP HR/Pay: Business Improvement Whitepaper



**SAP R/3 HR/Pay
Business Process Improvement:
*'Payroll to Finance Reconciliation'***

Overview

The aim of this White-Paper is to present to SAP HR/Pay customers some methods that other SAP HR/Pay customers are using to streamline the often tedious and time-consuming process of **Payroll to Finance reconciliation**.

This paper discusses the process of reconciling Payroll Results to Finance Posting Results within SAP and suggests methods to dramatically reduce this manual process.

The Paper focuses on the process of automating this reconciliation using the SAP R/3 **Generic Reporting Toolkit**, which is supplied by SpinifexIT.

- The details in this WhitePaper are based on similar scenarios that are currently set-up at different clients throughout Australia, New Zealand and Europe.

Who is SpinifexIT?

SpinifexIT is a highly specialised SAP HR/Payroll Toolkit development company. SpinifexIT's sole strategy is to develop HR/Payroll 'Business Improvement tools' which assist the end user in some of the more complex areas of SAP R/3 HR/Pay. SpinifexIT was incorporated in 2003 and supplies its software to over 100 government and commercial SAP HR/Payroll sites throughout Australia. SpinifexIT is Australia's leader in software provision to SAP clients within the HR/Pay market.

What is the SpinifexIT *Generic Reporting Toolkit*?

The *Generic Reporting Toolkit* is an SAP R/3 'Process Improvement Tool' that runs within your SAP HR/Pay system. It has been built using a standard SAP framework and methodology and will therefore, never conflict with a customers own configuration. The toolkit's purpose is for organisations to automate a number of more difficult and time-consuming processes such as:

1. Automation of Payroll to Finance Reconciliation
2. Automation of Deduction Processing (eg SuperChoice)
3. Pay to Pay comparison processing
4. Complex Payroll results reporting (wagetype reporting)
5. Leave reporting
6. Trend reporting
7. Audit reporting and many others

This WhitePaper discusses how other sites have streamlined one of these processes (#1: Automation of Payroll to Finance Reconciliation)



Payroll to Finance Reconciliation - Overview

The question often arises

How can I ensure that all payments and deductions are correctly posting through to Finance?

This often results in many weeks of time-consuming work to reconcile the payroll system to the finance posting results. The reconciliation will involve the identification of all payments from SAP payroll. These will be individually linked to payments posted to General Ledger, Vendor and Balance Sheet accounts. This process would then need to be followed each subsequent time that the payroll and finance systems were to be reconciled.

There are numerous reasons why payments in finance do not match those in payroll. Some of these include

- *Payments not linked to a General Ledger Account*
- *Deductions not linked to a Vendor Account*
- *Issues with posting runs*
- *Issues caused by changing of GL/Vendor configuration and retros*
- *Payroll runs not posted (Especially common with off-cycle payrolls)*
- *Old cost centers blocked from posting but wagetypes still posted to these*

Through the *Generic Reporting Toolkit*, it is now possible to setup reports that can simply run every financial reporting period or pay period, which will automatically perform the reconciliation process of all Payroll Payments and Deductions to Finance accounts. Through these reports, it is now possible to run a reconciliation which would have previously taken weeks in literally minutes.

Not only can the reports identify if payments or deductions are not linked correctly to GL accounts, but the reports allow you to drill right down to the employee(s) who have the issues to allow for further investigation of the issue.

Payroll to Finance reconciliation													
Report run dates 17.10.2005 - 30.10.2005													
Master - Personnel Area	Master - Emp No & Name	Σ	Payments	Σ Posting Payments	Σ Payments (Diff)	Σ	Tax	Σ Posting Tax	Σ Tax (Diff)	Σ	Deductions	Σ Posting Deductions	Σ Deductions (Diff)
AR03			16,978.38	16,978.37	0.01		15,234.00	15,234.00	0.00		4,243.94	4,243.94	0.00
RC04			12,457.08	10,402.88	2,054.20		2,790.00	2,790.00	0.00		1,841.37	1,841.37	0.00
RT05			2,959.26	2,959.26	0.00		936.00	936.00	0.00		172.31	172.31	0.00
			32,394.72	30,340.51	2,054.21		18,960.00	18,960.00	0.00		6,257.62	6,257.62	0.00

The above shows an example of the report output with the results shown at the main personnel area level.

**NOTE: The grouping can be altered to be different items, such as Cost Center, Company code, Payroll area etc.*



Payroll to Finance reconciliation											
Report run dates 17.10.2005 - 30.10.2005											
Master - Personnel Area	Master - Emp No & Name	Payments	Posting Payments	Payments (Diff)	Tax	Posting Tax	Tax (Diff)	Deductions	Posting Deductions	Deductions (Diff)	
AR03		16,978.38	16,978.37	0.01	15,234.00	15,234.00	0.00	4,243.94	4,243.94	0.00	
	00000501 Mrs Fredrica Geo	2,054.20	0.00	2,054.20	614.00	614.00	0.00	120.00	120.00	0.00	
	00308161 Miss Sylvia Amel	3,054.16	3,054.16	0.00	772.00	772.00	0.00	344.42	344.42	0.00	
	00510076 Mr Ronald Edward	1,610.70	1,610.70	0.00	258.00	258.00	0.00	344.42	344.42	0.00	
	55561623 Mrs Annette Grac	1,563.00	1,563.00	0.00	242.00	242.00	0.00	343.69	343.69	0.00	
	55565076 Mrs Teresita Ann	1,954.81	1,954.81	0.00	474.00	474.00	0.00	0.00	0.00	0.00	
	55569322 Mrs Christina Da	1,438.71	1,438.71	0.00	212.00	212.00	0.00	344.42	344.42	0.00	
	55571297 Ms Kumari Croall	781.50	781.50	0.00	218.00	218.00	0.00	344.42	344.42	0.00	
RC04		12,457.08	10,402.88	2,054.20	2,790.00	2,790.00	0.00	1,841.37	1,841.37	0.00	
RT05		2,959.26	2,959.26	0.00	936.00	936.00	0.00	172.31	172.31	0.00	
		32,394.72	30,340.51	2,054.21	18,960.00	18,960.00	0.00	6,257.62	6,257.62	0.00	

The detail can then be further drilled into, to show the employees who had payroll results and posted results.

Payroll to Finance reconciliation											
Report run dates 17.10.2005 - 30.10.2005											
Master - Emp No & Name	Payments	Posting Payments	Payments (Diff)	Tax	Posting Tax	Tax (Diff)	Deductions	Posting Ded.	Deductions (Diff)	Payroll - Wagetyp & Des...	Posting - GL Account & Des...
	16,978.38	16,978.37	0.01	15,234.00	15,234.00	0.00	4,243.94	4,243.94	0.00		
00000501 Mrs Fredrica Geo	2,054.20	0.00	2,054.20	614.00	614.00	0.00	120.00	120.00	0.00		
00308161 Miss Sylvia Amel	3,054.16	3,054.16	0.00	772.00	772.00	0.00	344.42	344.42	0.00		
00510076 Mr Ronald Edward	0.00	0.00	0.00	0.00	0.00	0.00	344.42	0.00	344.42	/110 -Net payments/Deduct	
	0.00	0.00	0.00	258.00	0.00	258.00	0.00	0.00	0.00	/411 -Taxation 1st envelo	
	1,610.70	0.00	1,610.70	0.00	0.00	0.00	0.00	0.00	0.00	0511 -Ordinary Hours	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0000045100 -ADO/ALJSL Pr	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0000042100 -S & W Clearin	
	0.00	0.00	0.00	258.00	258.00	0.00	0.00	0.00	0.00	0000044100 -Taxation	
	0.00	0.00	0.00	0.00	0.00	0.00	344.42	344.42	0.00	0000043100 -Deductions	
	0.00	1,610.70	1,610.70	0.00	0.00	0.00	0.00	0.00	0.00	0000100002 -Basic Admin S	
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0000860002 -ADO/ALJSL Ex	
00510076 Mr Ronald Edward	1,610.70	1,610.70	0.00	258.00	258.00	0.00	344.42	344.42	0.00		
55561623 Mrs Annette Grac	1,563.00	1,563.00	0.00	242.00	242.00	0.00	343.69	343.69	0.00		
55565076 Mrs Teresita Ann	1,954.81	1,954.81	0.00	474.00	474.00	0.00	0.00	0.00	0.00		
55569322 Mrs Christina Da	1,438.71	1,438.71	0.00	212.00	212.00	0.00	344.42	344.42	0.00		
55571297 Ms Kumari Croall	781.50	781.50	0.00	218.00	218.00	0.00	344.42	344.42	0.00		
	12,457.08	10,402.88	2,054.20	2,790.00	2,790.00	0.00	1,841.37	1,841.37	0.00		
	2,959.26	2,959.26	0.00	936.00	936.00	0.00	172.31	172.31	0.00		
	32,394.72	30,340.51	2,054.21	18,960.00	18,960.00	0.00	6,257.62	6,257.62	0.00		

This can then be drilled right down to show the individual wagetypes, GL accounts and vendor accounts, for analysis purposes.

Example Reconciliation

It is possible to reconcile any payroll payment or deduction wagetypes through to one or several GL accounts or Vendors. The following scenario will however give an indication of one possible way to setup the report.

Case Study – Requirement is to reconcile all payments & deductions to Finance Requirement:

A company has numerous GL Accounts as well as Vendor Accounts within their system. They want to ensure that all of the payments and deductions for employees are actually linked and are posting to these Accounts correctly.

Solution: Using one of the many reports from the SpinifexIT Generic Reporting Toolkit (Payroll to Finance reconciliation Report), this reconciliation can be setup. This report can report on both the results from the payroll runs and those results posted to Finance.





For this scenario, the report is setup with the following columns

Column Name	Data Source	Description
<i>Employee Payments</i>	<i>Payroll results</i>	<i>This column contains all payments (wagetypes) which are setup to be reported on the payment summary.</i>
<i>Payment GL Accounts</i>	<i>Posting results</i>	<i>This column will report all GL Accounts that the employee payments are posted to.</i>
<i>Difference in Payments</i>	<i>Calculation Field</i>	<i>Shows the Payroll results payments minus the Payment GL Accounts. This gives the immediate ability to see whether the previous two columns balance. If the total of this column is 0, then the previous two columns match.</i>
<i>Non Taxable Payments</i>	<i>Payroll results</i>	<i>This column contains all payments which are categorized as non-taxable. Wagetypes such as Travel Reimbursement would be put into this column.</i>
<i>Non Taxable GL Accounts</i>	<i>Posting results</i>	<i>This column will report all GL accounts used for Non Taxable Payments</i>
<i>Difference in Non Taxable Payments</i>	<i>Calculation Field</i>	<i>Shows the Payroll results non taxable payments minus the Posting Non Taxable accounts</i>
<i>Total Tax</i>	<i>Payroll results</i>	<i>This column contains all taxation wagetypes from the payroll results.</i>
<i>Tax Vendor Account</i>	<i>Posting Results</i>	<i>This column contains all vendor accounts that Tax posts to.</i>

<i>Difference in tax</i>	<i>Calculation Field</i>	<i>Shows a difference in the tax from payroll to the tax posted to Finance</i>
<i>Total Deductions</i>	<i>Payroll results</i>	<i>This contains the total deductions wagetype /110. Alternatively, the deduction wagetypes could be output into this column.</i>
<i>Total Vendor</i>	<i>Posting results</i>	<i>This contains all vendors that the deductions would be setup to post to</i>
<i>Difference Deductions</i>	<i>Calculation Fields</i>	<i>Shows the difference in the deduction amount to the individual vendors posted in Finance</i>
<i>Amount Paid</i>	<i>Payroll results</i>	<i>This contains the bank transfer amount from wagetype /559 (Bank transfer).</i>
<i>Difference Paid</i>	<i>Calculation Fields</i>	<i>Total of the GL Accounts less Tax Vendor, Less Deduction Vendor Less Amount Paid</i>

The above report set-up shows

- *Any difference between amounts paid to the employee to the amounts posted to Finance GL Accounts*
- *Any difference in Tax that the employee has paid to the tax posted to Finance*
- *Vendor accounts*
- *Any difference in the deductions which are sent to vendors*
- *Any difference in the amount paid.*

The above example, gives the ability to reconcile each payroll area (Or if required, multiple payroll areas), through to the finance posting results. If a payroll payment or deduction isn't correctly posted to finance, it will allow the user to drill into the report to show the employee who doesn't balance.

As this report runs online and doesn't require any external downloads from SAP, the reconciliation can be run on a regular basis and can even be scheduled in background with the results emailed to a particular user.

Example Report output

Another simpler scenario may be to simply reconcile the tax payments made to individual employees, through to the account that tax is posted through to. This will verify that the tax has been posted correctly. In this case, the report is setup to only display the tax wagetypes from payroll, the tax vendor accounts and the Difference between the payroll amount and the posted amount.

The following screen shows an example of the report when it is first executed. As can be seen, the difference column immediately shows whether the posting balances or doesn't balance.

Additionally, this report has been setup to also include the wagetypes and Vendor accounts that the values are paid against.

Payroll Tax vs Posted Tax
Report run dates: 17.10.2005 - 30.10.2005

Master - Cost center	Master - Emp No & Name	Tax (z)	Posting Tax (z)	Tax (Diff) Payroll	Wage-type & Description	Posting - GL Account & Description
A3554		1,550.00	1,550.00	0.00		
R0002		15,234.00	15,234.00	0.00		
		2,176.00	2,176.00	0.00		
		18,960.00	18,960.00	0.00		

Sort Criteria is user definable. The above example is sorted by Cost Center and Employee

Column Contains wagetypes from the payroll results

Column Contains wagetypes from the Finance Posting Results

Highlight any differences between the tax in the Payroll results and the Posted Tax

This can then be drilled into to show individual employee results.

Posting -> Payroll Reconciliation (Amount)

Payroll Tax vs Posted Tax

Report run dates 17.10.2005 - 30.10.2005

Master - Cost center	Master - Emp No & Name	Tax	Posting Tax	Tax (Diff)	Payroll - Wagetype & Description	Posting - GL Account & Description
		1,550.00	1,550.00	0.00		
	00015180 Miss Rosemary Ja	348.00	348.00	0.00		
	00043141 Ms Joanna Klimcz	11,896.00	11,896.00	0.00		
	00308161 Miss Sylvia Amel	772.00	772.00	0.00		
	55558077 Ms Dianne Maree	80.00	80.00	0.00		
	55559858 Miss Maria Gabri	454.00	454.00	0.00		
	55560171 Ms Rasma Anita C	248.00	248.00	0.00		
	55561623 Mrs Annette Grac	242.00	242.00	0.00		
	55564177 Mrs Terrie Anne	482.00	482.00	0.00		
	55565078 Mrs Teresita Ann	474.00	474.00	0.00		
	55571297 Ms Kumari Croall	218.00	218.00	0.00		
	55583139 Ms Teresa Paulin	20.00	20.00	0.00		
A3554		15,234.00	15,234.00	0.00		
R0002		2,176.00	2,176.00	0.00		
		18,960.00	18,960.00	0.00		

The detail can be drilled into, to display employee details.

The Amounts are also shown at an employee level

If an Employees Tax doesn't balance, this employee will be highlighted immediately

These figures can then be drilled into further, to show the wagetypes paid, the payroll period that it was picked up for and the posted wagetype and the posted GL account. This is very useful for analysis purposes as it means that no further reports need to be executed when analyzing the cause of the variances.

Payroll Tax vs Posted Tax

Report run dates 17.10.2005 - 30.10.2005

Master - Cost cen...	Master - Emp No & Name	Tax	Posting Tax	Tax (Diff)	Payroll - Wagetype & Description	Posting - GL Account & Description
A3554	00015180 Miss Rosemary Ja	0.00	0.00	0.00	A110 - Net payments/Deduct	
		348.00	0.00	348.00	A411 - Taxation 1st erwelc	
		0.00	0.00	0.00	0511 - Ordinary Hours	
		0.00	0.00	0.00		000045100 - AD OVAL/LSL Pr
		0.00	0.00	0.00		000042100 - S & W Clearin
		0.00	348.00	348.00		000044100 - Taxation
		0.00	0.00	0.00		000043100 - Deductions
		0.00	0.00	0.00		0000100001 - Basic Nursing
		0.00	0.00	0.00		000080001 - AD OVAL/LSL Ex
	00015180 Miss Rosemary Ja	348.00	348.00	0.00		
	00043141 Ms Joanna Klimcz	11,896.00	11,896.00	0.00		
	00308161 Miss Sylvia Amel	772.00	772.00	0.00		
	55558077 Ms Dianne Maree	80.00	80.00	0.00		
	55559858 Miss Maria Gabri	454.00	454.00	0.00		
	55560171 Ms Rasma Anita C	248.00	248.00	0.00		
	55561623 Mrs Annette Grac	242.00	242.00	0.00		
	55564177 Mrs Terrie Anne	482.00	482.00	0.00		
	55565078 Mrs Teresita Ann	474.00	474.00	0.00		
	55571297 Ms Kumari Croall	218.00	218.00	0.00		
	55583139 Ms Teresa Paulin	20.00	20.00	0.00		
A3554		15,234.00	15,234.00	0.00		
R0002		2,176.00	2,176.00	0.00		
		18,960.00	18,960.00	0.00		

Wagetypes, GL Accounts, and individual amounts can be shown by drilling down further

Key Features of the Payroll to Finance Reconciliation Report

- Ability to setup up to 8 user defined columns for payroll results. Individual wagetypes or a range of wagetypes can be specified here. Additionally, wagetypes can be nominated by evaluation class or processing class settings.
- Up to 8 user-defined columns can be defined to report the posting results. Columns contents can be nominated either by wagetype, GL account or Vendor account.
- Calculation fields can be included on the report to add and subtract columns. This is especially useful as they can be used to show the differences between the columns. When the amount is 0, then both columns match.
- Column headings can be user defined to allow the report to be customized to the company's individual requirements.
- Ability to customize the sort criteria. Report can be sorted by numerous items such as Company Code, Payroll Area, Cost center, etc.
- Ability to include other fields on the report such as GL accounts, GL Account Description, Vendor Account, Vendor Description, Wagetypes, symbolic accounts, Cost Centers etc... This allows for further analysis of an employee, if they do not balance to determine what was paid and what was posted.
- Report can be run for all employees or a subset of employees
- The same report can be used for different purposes. Ie. The reconciliation of the entire pay could be setup through this report and this setup could be saved against a variant. Then additional variants could be setup to reconcile tax, superannuation deductions, or particular individual payments.
- Can be executed on simulation pay periods, to allow for reconciliation before the payroll is exited and the results posted.
- Can exclude end of month accruals, to allow this to link directly back to the payroll results.

For further details on this type of Reconciliation or any other reporting or reconciliation issues you may have within SAP HR/PY, please contact ROC on <mailto:info@roc-group.com>