Management Directive
Commonwealth of Pennsylvania
Governor's Office

Management Directive 310.25 Amended – Transfers of Revenues and Expenses in SAP

Date: July 26, 2023

By Direction of:

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This directive establishes policy, responsibilities, and procedures for the transfer of revenues and expenses in the SAP enterprise resource planning system (hereinafter referred to as "SAP"). This amendment updates the scope to include independent entities utilizing SAP, and updates the definitions, policy, and procedures. Selected information is now available on the Bureau of Accounting and Financial Management's Customer Service Portal.

1. **PURPOSE.**

   To establish policy, responsibilities, and procedures for the transfer of revenues and expenses in SAP.

2. **SCOPE.**

   This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and independent entities utilizing SAP (hereinafter referred to as "agencies"). Independent entities not utilizing SAP are encouraged to follow this directive.

3. **OBJECTIVES.**

   a. To ensure transfers of revenues and expenses between agencies are completed timely, accurately, and efficiently in SAP.

   b. To ensure accuracy in the preparation of the Commonwealth's Annual Comprehensive Financial Report.

4. **DEFINITIONS.**

   a. **Centralized Billing.** A charge for goods acquired or services performed by one agency and utilized by other agencies. Centralized Billings can be processed via interface or manual posting by the Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management (BAFM), Financial Accounting Division, Cost Allocation Section.

   b. **Commitment Item.** Budget and fund accounting classifications of General Ledger (GL) Accounts and cost elements in the SAP Funds Management (FM) module. It is used to classify the type of revenues and expenditures being budgeted and to detail the balances for each fund in the FM module.

   c. **Cost Allocation.** A method for agencies to bill for goods or services or distribute costs among agencies. Cost Allocations are comprised of a Payee (Sender, Credit Agency, or area seeking payment for a good or service provided to another agency) and a Payer (Receiver, Debit Agency, or area paying or reimbursing for a good or service provided by another agency). Cost Allocations include Interfaced Centralized Billings, agency-prepared general invoices in electronic format (*e.g.*, Microsoft Word or Excel), and manually processed transactions in the SAP Controlling (CO) or Finance (FI) modules. At the Commonwealth level, Cost Allocations have a zero net effect on balance sheet GL Accounts.

   d. **Cost Allocation Posting Date.** The date on which a Cost Allocation is posted in SAP.

   e. **Credit Agency.** In Cost Allocations processed in the FI module, the Credit Agency is the Payee.

   f. **Debit Agency.** In Cost Allocations processed in the FI module, the Debit Agency is the Payer.

   g. **General Ledger (GL) Account.** An SAP accounting code used to record revenue and expenses, classify debit and credit values for accounting transactions in the FI module, and form the basis for creating balance sheets and income statements.

   h. **Interfaced Centralized Billing.** An automated process whereby vendors or agencies provide electronic files containing Centralized Billings and a computer process distributes the charges and bills Payers. Examples include telephone costs and the Pennsylvania Department of General Services (DGS) Vehicle Management.

   i. **Intra-Agency State to Federal Transfer**. Constitutes supplemental state budget for anticipated costs that are expected to be charged to an applicable federal grant and appropriation. Such costs are budgeted and charged appropriately to commitment area 92XXXXX within state and federal appropriations. Budgeted amounts for federal transfers must balance between state and federal appropriations.

   j. **Payee**. The agency that performed a service for another agency, absorbed an initial cost, or has expenses that must be reimbursed or transferred to another agency. In a Cost Allocation, the Payee is the Sender, Credit Agency, or area seeking payment for goods or services provided to another agency.

k. Payer. The agency that received goods or services from another agency or received a benefit from a cost borne by another agency. In a Cost Allocation, the Payer is the Receiver, Debit Agency, or area paying or reimbursing for goods or services provided by another agency.

l. Prenotification (Prenote). A process whereby a Payer is notified that a Cost Allocation will be posted and required to provide SAP accounting code to complete the transaction. Prenotes are only required when an SAP accounting code is not included, is invalid, cannot be obtained from historical data related to a Cost Allocation, or when an exception has been granted. The Prenote lists the Cost Allocation Posting Date, the purpose of the Cost Allocation, and the amounts to be charged.

m. Primary Cost Element. An SAP accounting code used to classify a cost in the CO module and which has a one-to-one relationship to an expense GL Account (6XXXXXX) in the FI module. The Primary Cost Element is the same number as the GL account.

n. Receiver. In Cost Allocations processed in the CO module, the Receiver is the Payer.

o. Secondary Cost Element. An SAP accounting code used in the CO module to transfer costs between agencies. Use of a Secondary Cost Element allows the Payee to retain visibility of the original cost while eliminating the expense from the balance sheet, in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. There are two types of Secondary Cost Elements:

  (1) Revenue (Sender)/Expense (Receiver). A single Secondary Cost Element is used for each Cost Allocation line item and is uniquely configured to post each line item to a specific revenue Commitment Item for the Sender and a specific expense Commitment Item for the Receiver. This 91XXXXX series of Secondary Cost Elements is used for most Centralized Billings.

  (2) Expense (Sender)/Expense (Receiver). A single Secondary Cost Element is used for each Cost Allocation line item and is the Commitment Item for both the Sender and Receiver. This 92XXXXX series of Secondary Cost Elements is primarily used for the transfer of state fund expenditures to applicable federal grants and funds. For example, 9200210 (Administrative Costs – Personnel) is used to transfer state personnel costs to applicable federal programs.

p. Sender. In Cost Allocations processed in the CO module, the Sender is the Payee.

5. POLICY.

a. Agencies billing for goods or services or distributing costs among other agencies must use Cost Allocations to transfer revenues or expenses. Hard copy invoices shall not be used by agencies to bill for goods or services or to distribute costs among agencies. Advancement account checks and checks generated by the Commonwealth of Pennsylvania's Treasury Department (Treasury) shall not be used by agencies to pay or transfer funds to other agencies.

b. Interagency transfers from independent entities not utilizing SAP to agencies shall be submitted via general invoice and processed by the Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services.

c. Cost Allocation requests must be submitted to the BAFM e-mail resource account ra-costallocationreq@pa.gov for processing.

d. Cost Allocations shall be processed in the CO module for interagency transfers from agencies to other agencies (including Centralized and non-Centralized Billings), intra-agency transfers in which the credit is posted as revenue, and Intra-Agency State to Federal Transfers, in accordance with procedures in this directive. A Secondary Cost Element must be established for all recurring billings.

e. Cost Allocations shall be processed in the FI module for interagency transfers from agencies to independent entities not utilizing SAP, statutory transfers (SAP document type "GT"), transfers in which the Payee is reimbursed by reducing its expenses (SAP document type "EA"), and transfers in which a Secondary Cost Element is not used (SAP document type "SP"), in accordance with procedures in this directive.

f. Prenotes shall be sent to agencies only in the following circumstances:

(1) The Cost Allocation is being processed for the first time and does not contain a valid SAP accounting code (new billing).

(2) The Cost Allocation contains an invalid SAP accounting code and a history of SAP accounting code does not exist.

(3) BAFM has granted an exception allowing Prenotes to be sent for a specific Cost Allocation.

g. Payers must respond to Prenotes within 14 calendar days of issuance to provide a valid SAP accounting code.

h. Transfers adjusting revenue between SAP funds or GL Accounts (i.e., adjustment memos) shall be processed in the FI module using SAP Transaction Codes FV50 or FB50 and SAP document type "AM." Adjustment memos may be processed in hard copy formats by independent entities not utilizing SAP.

6. RESPONSIBILITIES

a. Agencies shall:

(1) Prepare and submit transfers of revenue or expenses in SAP in accordance with policies and procedures in this directive.

(2) Provide valid SAP accounting code for all Cost Allocations and respond to Prenotes within 14 calendar days of issuance by BAFM.

(3) Provide appropriate supporting documentation with each Cost Allocation.

(4) Designate a contact person or persons to review and approve general invoices for interagency transfers involving independent entities not utilizing SAP or Cost Allocations that are not Centralized Billings.

(5) Assist in resolving errors in SAP accounting code submitted with Cost Allocations.

b. BAFM shall:

(1) Process Cost Allocations received in the resource account.

(2) Send Prenotes to Payers for Cost Allocations in which an SAP accounting code is invalid, a history of SAP accounting code does not exist, or an exception has been granted.

(3) Allow Payers the option in the initial Prenote to provide default SAP accounting code for use in recurring Cost Allocations.

(4) Assist in resolving billing disputes between Payees and Payers.

(5) Change the default SAP accounting code for recurring Cost Allocations as requested by Payers.

(6) Ensure that each transfer or adjustment includes appropriate supporting documentation and that such documentation is attached to the Cost Allocation upon posting in SAP.

(7) Approve or disapprove agency requests to receive Prenotes in circumstances other than those described in Section 5.f.(1) and 5.f.(2) of this directive.

7. PROCEDURES.

The following Section includes procedures for processing the transfers addressed in this directive. Additional detailed procedures are also available in the procedure manuals and business process procedures referenced below and located on the [BAFM Customer Service Portal,](#) unless otherwise indicated.

a. Centralized Billings Between Agencies.

(1) Agency (Payee).

(a) Prepare a spreadsheet in Excel format, including a description of goods or services provided, business areas being billed, dollar amount, and SAP accounting code.

(b) Send the spreadsheet via e-mail, along with any supporting documentation, in electronic format to the BAFM Financial Accounting Division, Cost Allocation Section resource account, ra-costallocationreq@pa.gov.

(2) BAFM Financial Accounting Division.

(a) Process the Cost Allocation using Business Process Procedures for SAP Transaction Code KB15N. Ensure that supporting documentation for Interfaced Centralized Billings is attached to the Cost Allocation.

(b) Send a Prenote to the Payer if the SAP accounting code is invalid, a history of SAP accounting code does not exist, or if an exception has been granted allowing use of a Prenote.

(3) Agency (Payer).

(a) Respond to Prenotes and any inquiries by the BAFM Financial Accounting Division, Cost Allocation Section within 14 calendar days of issuance.

(b) Provide valid SAP accounting codes or appropriate issue resolution as needed.

(4) **BAFM Financial Accounting Division.**

(a) Where applicable, update Cost Allocations for SAP accounting code provided by the Payer in response to Prenotes.

(b) Assist agencies as needed in resolving any billing disputes.

b. Non-Centralized Billings Between Agencies and Intra-Agency Transfers in which the Credit is Posted as Revenue.

(1) **Normal Workflow – Cost Allocation for Goods or Services Provided.**

(a) **Agency (Payee).**

1 Prepare a general invoice in Word or Excel format, including an assigned invoice number, description of goods or services, dollar amount, and SAP accounting code.

2 Send the general invoice via e-mail, along with any supporting documentation, in electronic format to the designated contact person or fiscal office of the Payer.

(b) **Agency (Payer).**

1 Review the general invoice for accuracy and required information.

2 If approved, forward the original e-mail to the BAFM Financial Accounting Division, Cost Allocation Section resource account (ra-costallocationreq@pa.gov), with a copy to the Payee who prepared the general invoice.

3 If the general invoice cannot be approved as submitted, contact the Payee to determine the appropriate action.

(c) **BAFM Financial Accounting Division.**

1 Process the Cost Allocation using Business Process Procedures for SAP Transaction Code KB15N.

2 Assist agencies as needed in resolving any billing disputes.

(2) **Exception Workflow – Cost Allocation for Goods or Services Yet to be Provided.**

(a) **Agency (Payer).**

1 Prepare a general invoice in Word or Excel format, including an assigned invoice number, description of goods or services to be provided, dollar amount, and SAP accounting code.

2 Send the general invoice via e-mail, along with any supporting documentation, in electronic format to the designated contact person or fiscal office of the Payee.

(b) **Agency (Payee).**

1 Review the general invoice for accuracy and required information.

2 If approved, forward the original e-mail to the BAFM Financial Accounting Division resource account (ra-costallocationreq@pa.gov), with a copy to the Payer who prepared the general invoice.

3 If the general invoice cannot be approved as submitted, contact the Payer to determine the appropriate action.

(c) **BAFM Financial Accounting Division.**

1 Process the Cost Allocation using Business Process Procedures for SAP Transaction Code KB15N.

2 Assist agencies as needed in resolving any billing disputes.

c. **Intra-Agency State to Federal Transfers.**

(1) **Agency.** Prepare the requested Intra-Agency State to Federal Transfer, including supporting documentation, and send the request to the BAFM General Accounting Division appropriate Business Area Resource Account as indicated below:

Business Area(s)	Resource Account
15, 18, 28, 32, 36, 40, 60, 70, 71, 72, 75, 79, 81, 88, 99	RA-OBbafm-Dir-Supp@pa.gov
11, 17, 19, 20, 25, 27, 31, 35, 37, 65, 68, 91	RA-OBbafmProtectProp@pa.gov
12	RA-OBbafmEconDev@pa.gov
78	RA-OBbafmTrans@pa.gov
16, 22, 23, 24, 30, 33, 38, 39, 64	RA-OBbafmEdRecCulDev@pa.gov
26	RA-OBbafmPLCB@pa.gov
10, 13, 67, 74, 83	RA-OBbafmSocialServ@pa.gov
21	RA-OBbafmHumanServ@pa.gov

(2) **BAFM General Accounting Division.**

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(a) Review the agency request and verify the following:

1 Supporting documentation is attached to the request.

2 Grant funding is available and the remaining available grant funding balance is sufficient to incur the costs associated with the transfer request.

(b) Process the agency request.

1 If approved, process the Cost Allocation using Business Process Procedures for SAP Transaction Code KB15N. Attach supporting documentation for the Intra-Agency State to Federal Transfer to the posted SAP document.

2 If the request cannot be approved as submitted due to inadequate supporting documentation, insufficient grant funding, or other reasons determined by the BAFM General Accounting Division, contact the agency to determine the appropriate action.

d. Interagency Expenditure Adjustments (Transfers in which the Payee is Reimbursed by Reducing Expenditures) and Other Cost Allocations Performed in the FI Module Between SAP Agencies.

(1) **Agency (Payee).**

(a) Prepare a general invoice in Word or Excel format, including an assigned invoice number, description of goods or services, dollar amount, and SAP accounting code.

(b) Send the general invoice via e-mail, along with any supporting documentation, in electronic format to the designated contact person or fiscal office of the Payer.

(2) **Agency (Payer).**

(a) Review the general invoice for accuracy and required information.

(b) If approved, forward the original e-mail to the BAFM Financial Accounting Division, Cost Allocation Section resource account (ra-costallocationreq@pa.gov), with a copy to the Payee who prepared the general invoice.

(c) If the general invoice cannot be approved as submitted, contact the Payee to determine the appropriate action.

(3) **BAFM Financial Accounting Division.**

(a) Process the Cost Allocation using Business Process Procedures for SAP Transaction Code FB50 or Business Process Procedures for SAP Transaction Code FV50.

(b) Assist agencies as needed in resolving any billing disputes.

e. **Statutory Transfers.**

    (1) **Agency (Payee).** Submit an e-mail request for the statutory transfer, referencing the expenditure symbol notification (ESN) letter (if applicable) to the BAFM General Accounting Division appropriate Business Area Resource Account listed above in 7.c.(1).

    (2) **BAFM General Accounting Division.**

        (a) Review the request for accuracy and required information.

            1 If approved, park the statutory transfer using Business Process Procedures for SAP Transaction Code FV50.

            2 If the request cannot be approved as submitted, contact the Payee to determine the appropriate action.

        (b) Forward the original e-mail request, including the parked document number and all supporting documentation, electronically to the BAFM resource account (RA-StatutoryTransfer@pa.gov).

    (3) **BAFM Financial Accounting Division**. Review the request for accuracy and required information, post the document in SAP, and attach all supporting documentation to the SAP document.

    f. **Interagency Transfers from SAP Agencies (Payee) to Independent Entities Not Utilizing SAP(Payer).**

    (1) For one-time interagency transfers, refer to Accounts Receivable FAQs.

    (2) For recurring interagency transfers, refer to Enter Recurring Entry (FBD1).

    g. **Transfers Adjusting Revenue Between SAP Funds or GL Accounts (Adjustment Memos).** Refer to BAFM's Revenue Processing Desk Procedure Manual. Adjustment memos may also be processed in hard copy by independent entities not utilizing SAP according to procedures established by such entities.

This directive replaces, in its entirety, *Management Directive 310.25 Amended, January 10, 2011*.