

How do I bill another agency for a good or service provided?

All cost allocation payments (movement between agencies) that are not part of the centralized billing process should be prepared and submitted on a general or agency-prepared invoice and follow the workflow outlined below:

» Normal Flow – Cost allocation payments for services already rendered

1. The Credit Agency (SENDER or Payee) creates an electronic general invoice in Microsoft Word or Excel file format with an assigned invoice number, an item or description of the service, dollar amount and SAP coding (including, but not limited to Fund, Budget Period, Cost Center, Internal Order, Secondary Cost Element or GL account).
2. The Credit Agency (SENDER or Payee) then sends the invoice generated in step 1 above and any electronic supportive documentation (acceptable in Microsoft Word, Excel or PDF File format) via e-mail to the Debit Agency (RECEIVER or Payer) contact person; if no contact is known, send to the Debit Agency fiscal office.
3. An individual with signature authorization at the Debit Agency then forwards the original e-mail with his or her approval and coding to the Office of Comptroller Operations, Cost Allocation section e-mail resource account (OB, Cost_Allocation_Requests or RA-CostAllocationReq@pa.gov) with a copy (cc) to the individual at the Credit Agency that sent the original request. **IMPORTANT: RUSH** requests should be used in limited instances where a cost allocation must be posted by a certain date. All RUSH requests must include:
 - A mark for high importance (!)
 - A subject line with RUSH spelled out in all capital letters, the invoice number and a dollar amount
 - A reason for the rush in the body of the e-mail
 - A requested Treasury pay date (*only if it is necessary for cash to be exchanged by a specified date*)

» Exception Flow – Cost allocation advance payments for services yet to be rendered

1. The Debit Agency (RECEIVER or Payer) creates an electronic general invoice in Microsoft Word or Excel file format with an assigned invoice number, an item or description of the service, dollar amount and SAP coding (including, but not limited to Fund, Budget Period, Cost Center, Internal Order, Secondary Cost Element or GL account).
2. An individual with signature authorization at the Debit Agency then sends the invoice generated in step 1 above and any electronic supportive documentation (acceptable in Microsoft Word, Excel or PDF File format) via e-mail to the Credit Agency contact person; if no contact is known, send to the Credit Agency fiscal office.
3. The Credit Agency then forwards the original email with their approval and coding to the Office of Comptroller Operations, Cost Allocation section email resource account (OB, Cost_Allocation_Requests or RA-CostAllocationReq@pa.gov) with a copy (cc) to the individual at the Debit Agency that sent the original request.

Using the above process flows will assure that the Office of Comptroller Operations is provided a complete audit trail that shows all parties have approved the charges/receipts and were notified that the invoice is being submitted for payment. This also eliminates the need for pre-notes, which allows for a more efficient turnaround.

What happened to the pre-note?

A majority of the pre-authorizations for allocations (also referred to as pre-notes) were eliminated effective July 1, 2009, as part of the Finance Transformation Project and have been replaced with an exception-based process using SAP reporting. Agencies are now advised to monitor expenditures charged for billings where pre-notes have been eliminated. For many of the recurring allocation jobs, coding for these billings continues to be pulled

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from the paperwork submitted to the Comptroller Operations Cost Allocation unit. For other jobs, the coding used is based on historical costs related to a particular allocation job. Outside of these two scenarios, an agency will be considered an exception and will continue to receive pre-notes.

[Select this link to view an active list of centralized billings.](#) This list indicates the jobs (or centralized billings) that are or are not currently pre-noted, billing frequencies, and jobs that are posting against Secondary Cost Elements. A centralized billing can be defined as a service acquired or performed by one state agency that is utilized by other state agencies and for which the Office of the Budget has approved the allocation or distribution of related costs. These billings are processed either by interface or manually by the Cost Allocation unit.

What is a secondary cost element and when is it used?

Secondary cost elements are used only in the Controlling (CO) Module of SAP. These are the GL accounts represented in Funds Management (FM) reporting that begin with a nine (9). Pursuant to United States' generally accepted accounting principles (GAAP) related to the elimination of double-accounting, secondary cost elements have been established with the implementation of SAP to be utilized with cost allocations that involve revenue and are processed within the CO module of SAP using transaction KB15N. The design and purpose of the secondary cost element is to automatically eliminate the expense on the balance sheet for the agency/fund providing the good or service and thus provide for the most complete, fair and accurate Comprehensive Annual Financial Report (CAFR) financial statements at year end. All intra/inter-agency billings that involve revenue and are related to reimbursement type activity should and will be posted to a secondary cost element in the CO module of SAP where a secondary cost element has been established. Agencies, commissions and boards are encouraged to budget for intra/inter-agency billings according to the commitment item map established with each appropriate secondary cost element.

[Select this link to be directed to the Integrated Enterprise System \(IES\) website](#), where you will find a listing of Secondary Cost Elements.

There are two types of secondary cost elements:

Expense to Revenue [Revenue (Sender) / Expense (Receiver)]– For this type, one secondary cost element is utilized for each line item between a SENDER and a RECEIVER and each single secondary cost element is uniquely configured to post the line item to a specific revenue commitment item for the SENDER and a specific expense commitment item for the RECEIVER. These are hardcoded; agencies cannot choose an alternative budget commitment item. This 91XXXXX series of secondary cost elements is used for most Centralized Service Billings

Expense to Expense [Expense (Sender)/Expense (Receiver)]– For this type, one secondary cost element is utilized for each line item between a SENDER and a RECEIVER and is also the budget commitment item for the SENDER and RECEIVER. These are hardcoded; agencies cannot choose an alternative budget commitment item. This 92XXXXX series of secondary cost elements is primarily used for the transfer of state fund expenditures to an applicable federal grant/fund. For example, secondary cost element 9200210 (Administrative Costs-Personnel) is used to transfer state personnel costs to applicable federal programs.

When and how is a cost allocation posted in finance (FI)?

Cost allocations are posted in finance (FI) utilizing transaction FB50 when:

- The transfer is legislatively enacted (**GT** document type) **OR**
- A secondary cost element is not available to post the revenue to the SENDER (**SP** document type). This scenario presents a duplication of expense on the commonwealth's financial statements as noted previously and requires a year end adjusting journal entry in period 14 **OR**

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- The SENDER is to be reimbursed by way of a credit to expense rather than a credit to revenue (**EA** document type).