

Sponsored Projects Financial Management – FAQs

Welcome to the Research Financial Services LISTSERV series on “Sponsored Projects Financial Management” answering common questions. Sponsored project financial management requires the application of award terms and conditions along with Sponsor, Federal and Institutional policies and procedures. Note underlined sections are hyperlinks for further information.

CDEM, ECC and Z4 Cost Transfers



What is CDEM? [CDEM](#) (Cost Distribution Entry Module) is a web-based application tool for the entry of payroll cost distributions to any cost object; cost center and/or grants. CDEM updates approved plans on the PA20 infotype 0027 screen in SAP. In addition to this tool's ability to distribute the cost of salary and fringe benefits to cost objects, it also performs internal control validations such as budget checks, period of performance reviews and prorations.

What is ECC? [ECC](#) (Employee Compensation Compliance) is a web-based application tool used by Business Officers, Principal Investigators and Administrators to review and confirm project-based payroll costs. The tool satisfies the Principal Investigator verification requirement that costs are reasonable in relation to the work performed.

What is ERD? [ERD](#) (Earliest Retro Date) is a predefined cutoff date restricting payroll cost distribution changes within CDEM. The ERD is identified on the Payroll Services Office [payroll schedule](#) and is updated quarterly.

What is a Z4 cost transfer? A [Z4](#) cost transfer is a specific journal voucher (JV) document type used to correct payroll costs outside of the ERD with G/Ls 51xxxx and 52xxxx. Z4 cost transfers use specific formatting for ECC and SAP payroll reports. Z4s without the required formatting are subject to rejection.

How does the payroll process use CDEM? If payroll costs are allocated to a cost object(s) other than the position's master cost center, CDEM is used to assign cost distribution. The payroll process uses these allocations to distribute salary, benefits and tax costs amongst the assigned cost objects up to its 35 line limit.

How do I view payroll cost distributions? CDEM is used to view, enter and edit payroll cost distributions for individual person position(s). SAP t-code [ZCOSOBJ](#) is used to view payroll cost distributions by personnel number or cost object that have processed through the CDEM application tool.

**Please be aware some payroll actions (one-time payment as example) include the ability to list a specific cost object that is not controlled by the CDEM distribution nor reportable using ZCOSOBJ.*

Which method is used for corrections; CDEM or Z4? All changes to payroll cost distributions for payroll periods on or after the start date of the ERD must be updated within CDEM. Any payroll cost distribution changes for pay periods occurring prior to the current start date of the ERD cannot be updated in CDEM

or SAP, however, payroll costs may be moved using a Z4 cost transfer. Units do not have access to update infotype 0027 directly in SAP.

How does CDEM and Z4 cost transfers relate to ECC? Timely updates to payroll cost distributions and payroll cost transfers (Z4s) are essential for the accuracy of the payroll confirmation process. Although cost distributions created in CDEM update in SAP almost immediately, encumbrances and actual payroll costs update or post in SAP with the subsequent payroll cycle. The ECC system updates via a manual payroll load after each payroll cycle. Processed Z4 cost transfers post in SAP immediately and load to ECC with the completed payroll cycle update. Project payroll confirmations **should not** be completed until the payroll information is accurate.

Why must payroll be confirmed? [Uniform Guidance](#) states salary and wages must be based on records that accurately reflect the work performed. Project Payroll Confirmation process utilizing ECC is the means to meet this requirement.

Are STEPS employee wages included in the ECC payroll confirmation process? [STEPS](#) is a University service center that invoices predefined cost objects for completed pay periods. STEPS rates are a vetted cost that makes up the employee's wages, benefits and other allowable fees using general ledger (GL) 619xxx. STEPS employee costs are not included in the ECC payroll confirmation process and system.

Are fellowship stipends included in the ECC payroll confirmation process? Stipends as defined by the Internal Revenue Service (IRS) are not a wage and is not defined as an employee/employer relationship. Because it is not defined as a wage, it is not included in the ECC payroll confirmation process. Stipend payments are posted to a 53xxxx general ledger (GL) account.

Why are these payroll processes important? CDEM is a tool to assign payroll allocations occurring on or after the start of the ERD so payroll costs are appropriately distributed between cost objects. The Z4 cost transfer is a means to correct payroll costs prior to the ERD start date. ECC displays payroll costs posted from the payroll processes and Z4 cost transfer(s) to exhibit total costs on a sponsored project. Each process has the same goal, but with different mechanisms to accomplish financial posting and ECC reporting.

How can errors and corrections be minimized? Completion of monthly reconciliations as required in [BPM E-17-6](#) and formulating a communication strategy with key personnel to verify costs assigned to personnel cost objects (including sponsored projects) are appropriate and reasonable for the work performed. This includes PIs and knowledgeable staff sharing timely information regarding who is working on projects during the specific period. Timely reviews and corrections in CDEM within the ERD will minimize the need for a Z4 cost transfer.

Additional Resources:

- RFS: <https://www.uky.edu/ufs/research-financial-services>
- OSPA: <https://www.research.uky.edu/office-sponsored-projects-administration>
- CGS: <https://www.research.uky.edu/collaborative-grant-services>
- BPM: <https://www.uky.edu/ufs/business-procedures-manual>
- Sponsored Projects Financial Management – FAQs <https://www.uky.edu/ufs/sponsored-projects-financial-management-faqs>
- Sponsored Project Bits & Pieces Presentations: <http://www.uky.edu/ufs/sponsored-projects-bits-pieces-presentations>
- UG: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>