# PAYROLL SERVICES STANDARD PRACTICE GUIDE

MICHIGAN TECHNOLOGICAL UNIVERSITY – HUMAN RESOURCES - 2017

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## Objective

This guide outlines standard payroll procedures and internal controls that should be applied by all University departments for paying employees.

## Overview of Payroll Procedures

Departments are responsible for maintaining effective systems of monitoring the accuracy of its payroll expenses, the largest expense to the University. Each step needs to be evaluated for proper controls based on the reporting method that is used by the department. The reporting methods are payroll time entry, department time entry, and web time entry.

## Department Roles and Segregation of Duties for Payroll Processing

Regardless of the reporting method, the department is responsible for maintaining internal controls for the payroll process. Segregation of duties needs to be established to ensure one individual is not recording, approving and reviewing the payroll. The following are the primary roles that need to be maintained to establish strong internal controls.

1. Timekeeper: Responsible for ensuring that time and attendance is submitted by the reporting deadline. The employee acts as the timekeeper in the case of web time entry
2. Approver: Responsible for ensuring that time and attendance is approved and submitted by the reporting deadline.
3. Proxy: Authorized designee for the approver in the approver's absence.
4. Department Administrator: Departmental designee who is responsible for certifying that the process for gathering and maintaining the data needed, along with completing and reviewing the payroll report, has followed the University's recommended guidelines.
5. Financial Manager/Budget Unit Administrator: Responsible for monitoring the accuracy of the payroll by verifying the labor distribution reports.

## Payroll Guidelines

All time must be approved prior to being submitted to Payroll Services for processing. The approver needs to have knowledge that the hours reported by the employee are accurate. Time and attendance is reported based upon the Fair Labor Standards Act (FLSA)[i] classification of the employee.

1. Non-Exempt (Overtime Eligible): Non-exempt employees do not meet the exemption standards of the FLSA. All hours need to be reported on a daily basis for each non-exempt staff member using the appropriate earn codes.
2. Exempt: Exempt employees meet the exemption standards of the FLSA. Exempt employees report their exception time, not hours worked[ii]. Absences from normal work schedules are to be reported in half day increments only. Half-day increments are converted to hours for time reporting purposes only. Absence of a majority of a day (based on the employees work schedule) is

considered a half-day absence for reporting purposes. Actual hours absent are not to be consolidated for reporting at a later date.

Recommended Conversion Table

| FTE | Workday * | Hours Absent | Hours Reported |
|---|---|---|---|
| 1.00 | 8 hours | Less than 4 hours | 0 hours |
| 1.00 | 8 hours | 4 hours or more | 4 hours |
| 1.00 | 8 hours | All day | 8 hours |
| 0.75 | 6 hours | Less than 3 hours | 0 hours |
| 0.75 | 6 hours | 3 hours or more | 3 hours |
| 0.75 | 6 hours | All day | 6 hours |

* 40 hours multiplied by the employee's full time equivalent (FTE) divided by 5 days (standard work week) equals the number of hours to be used as a standard workday.

## Payroll Processing

### Payroll Time Entry – Individual (Paper) Time Sheets

#### Collecting Time and Attendance

Employees submit their daily hours worked and exception time used during the pay period.

#### Approving Time and Attendance

1. The employee and supervisor (or proxy) sign off on the time reporting document.
2. The supervisor (or proxy) delivers the time to the department timekeeper. Employees should not deliver their approved time to the timekeeper.

#### Submitting Time and Attendance

1. If an internal time reporting document is used by the department, the time must be transcribed from the internal time reporting document to the pre-printed time sheet distributed by Payroll Services prior to submitting for processing.
2. The certification page needs to be signed by the timekeeper and department administrator (or proxy). Submit the paper time sheets and signed certification page(s) to Payroll Services for processing in a timely manner[iii].
3. The department must retain all internal reporting documents and time sheets. Please refer to the Record Retention section of this document.

## Payroll Time Entry - Organizational Time Sheets (Rosters)

### Collecting Time and Attendance

Faculty and stipend employees and additional compensation are included on the organizational time sheets. Primarily, these employees do not have any exception time to report. Only submit exception time used, not hours worked[ii].

### Approving Time and Attendance

1. The employee and supervisor (or proxy) sign the time reporting document.
2. The supervisor (or proxy) delivers the time to the department timekeeper. Employees should not deliver their approved time to the timekeeper.

### Submitting Time and Attendance

1. If an internal time reporting document is used by the department, the time must be transcribed from the internal time reporting document to the pre-printed organizational time sheet distributed by Payroll Services prior to submitting for processing.
2. The certification page needs to be signed by the timekeeper and department administrator (or proxy). Submit the organizational time sheet and signed certification page(s) to Payroll Services for processing in a timely manner[iii].
3. The department must retain all internal reporting documents and time sheets. Please refer to the Record Retention section of this document.

## Department Time Entry

### Collecting Time and Attendance

1. Non-exempt employees submit their daily hours worked and exception time used during the pay period.
2. Exempt employees submit exception time used only, not hours worked[ii].

### Approving Time and Attendance (2 options)

1. Time approved prior to data entry
   A. The employee and supervisor (or proxy) sign the time reporting document.
   B. The supervisor (or proxy) delivers the time to the department timekeeper. Employees should not deliver their approved time to the timekeeper.
2. Time approved after data entry
   A. The employee signs the time reporting document and submits to the department timekeeper.
   B. The supervisor (or proxy) approves the time reported electronically on BANWEB after data is entered directly into Banner by the department timekeeper.

### Submitting Time and Attendance

1. Time is entered by the department timekeeper directly into the Banner system (PHATIME)[iv]. The department timekeeper is responsible for entering all time reporting documents in a timely manner[iii].
2. The department must retain all internal reporting documents and time sheets. Please refer to the Record Retention section of this document.

## Web Time Entry

### Collecting Time and Attendance

1. Non-exempt employees submit their daily hours worked and exception time used during the pay period directly onto the electronic time sheet via BANWEB[v].
2. Exempt employees submit exception time used only, not hours worked[ii], directly onto the electronic time sheet via BANWEB.

### Submitting Time and Attendance

Employee submits time and attendance when finished entering their electronic time sheet via BANWEB. The employee is responsible for submitting their time sheet in a timely manner[iii]. This time sheet is then routed electronically to the approver.

### Approving time and attendance

Approver (or proxy) will approve time via BANWEB. The approver (or proxy) is responsible for approving time sheets in a timely manner[iii].

## TimeClock Plus Entry

### Collecting Time and Attendance

1. Non-exempt employees submit their daily hours worked by clocking in and out of TimeClock Plus for each shift. Exception time used during the pay period is entered directly into TimeClock Plus by the employee's supervisor or through the application's Request Manager feature.

### Approving time and attendance

Approver (or proxy) will approve time via TimeClock Plus. If an approver enters an employee's shift manually, a proxy must approve the manually entered shift via TimeClock Plus. The approver (or proxy) is responsible for approving time in a timely manner[iii].

### Reporting Prior Pay Periods

Regardless of the payroll processing method, submissions of previous pay periods will be done via the fillable time sheet located on the Payroll Services website[vi]. To complete the time sheet, follow these guidelines:

1. Employees submit their daily hours worked and exception time used during the pay period.
2. The employee and supervisor (or proxy) signs the completed time sheet.
3. The timekeeper, approver, or proxy will deliver the completed form to Payroll Services. Employees should not deliver their approved time to Payroll Services.
4. The department must retain all internal reporting documents and time sheets. Please refer to the Record Retention section of this document.

### Revising Prior Pay Periods

Regardless of the payroll processing method, revisions of previous pay periods will be done either by completing the fillable manual time sheet located on the Payroll Services website[vii] or by revising a copy of the original paper time sheet or web time sheet submitted to Payroll Services, ensuring all fields are legible. To complete the time sheet, follow these guidelines:

1. Employees submit their daily hours worked and exception time used during the pay period.
2. The employee and supervisor (or proxy) sign the completed time sheet. For copies of the original or web time entry time sheet, write REVISED across the top of the time sheet. Check the box next to Revised at the top of the fillable manual time sheet.
3. The timekeeper, approver, or proxy will deliver the completed form to Payroll Services. Employees should not deliver their approved time to Payroll Services.
4. The department must retain all internal reporting documents and time sheets. Please refer to the Record Retention section of this document.

## Verifying and Monitoring Payroll Transactions

Departments are responsible for verifying that payroll transactions are accurate. Departments should verify the accuracy of the payroll reports by comparing the payroll transactions to the employee's current position information. All additional pay, summer salary, bonuses, etc. should be verified against the department's records. Any unauthorized or inaccurate transactions are to be investigated and resolved immediately. Verifying tools include:

1. HYOPAYG002B – Employee List: report is distributed to each time sheet organization on Wednesday afternoon of off payroll week. Title, annual salary/hourly rate, index distribution, and additional compensation are a few of the items available for verification.

2. HYOPAYE001 – Gross Earnings: report can be run in Banner (GZAORPT) biweekly after payroll is complete. Earn codes used per employee, account code(s) charged, total hours charged, and gross amount charged are a few of the items available for verification.

3. HYOEMP004 – Leave Balance Report: report is sent after each pay period is complete. This report should be used to verify exception hours available.

## Record Retention

Record retention periods for specific documents that are not retained by Payroll Services are provided below:

**Payroll Time Sheets** - Departments that submit hardcopy time sheets to the University Payroll Office must retain photocopies of these time sheets for one year plus the current year. Copies of the time sheets are typically used to reconcile against the Gross Earnings report and the Leave Balance report. The copies can also be used to provide support for payroll transactions. The University Payroll Office retains the hardcopy time sheets for seven years plus the current year.

**Time Reporting Documents** - Departments using internal time reporting documents signed by the employee must retain these documents for either seven years plus the current year, or, if an employee works on a sponsored project, for three years and three months after the end date of the project, whichever is longer.

## Endnotes

[i] Fair Labor Standards Act - http://www.dol.gov/WHD/flsa/index.htm

[ii] Under certain circumstances, hours are used for the purpose of labor distribution and are not a representation of hours worked.

[iii] Payroll Processing Calendar - https://www.mtu.edu/hr/supervisors-admins/payroll/calendars/

[iv] Department Time Entry Handbook - http://www.admin.mtu.edu/hro/payroll/ete/DTE_Handbook.pdf

[v] Web Time Entry Handbook - http://www.admin.mtu.edu/hro/payroll/ete/WTE_Handbook.pdf

[vi] Manual Time Sheet - http://www.mtu.edu/hr/supervisors-admins/payroll/docs/timesheet.pdf