Presentation to the Financial Administrator Development Program

Payroll Policies/Processes

May 12, 2015
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Agenda

• Introduction/Payroll Staff
• Payroll Policies and Procedures (10)
• Time Management (5)
• Finance Integration with HR/Payroll (5)
• Cost Redistribution/Pay Rate Change Transactions (5)
• Labor Distribution (5)
• Reference Materials
• Questions (15)
Payroll Staff

• 13 employees strong: mixture of manager/analyst/tax specialist and clerical staff
• Subject matter specialists (SME) about various employee types, union contract impacts, taxation of earnings, time reporting, special payments, deductions, pay cycle timing, etc.
• Serving our ‘customers’ on a timely basis with accuracy, knowledge, and courtesy
Payroll Policies and Procedures
Policy - Purposes and goals

• Provide proper **and timely** earnings payments to MSU employees
• Provide tax withholding on MSU employee earnings and payment of those taxes to the government
• Provide other approved deductions and payment of those deductions to appropriate entities
• Provide proper **and timely** reporting of wage payments to employees and governmental agencies
Factors impacting payroll policy

• Federal regulations and laws
  • Fair Labor Standards Act
  • U. S. Dept of Labor – Wage and Hour Division
  • Internal Revenue Service

• Multi-State and Local regulations and laws
  • Michigan Dept of Labor and Economic Growth
    – Wage and Hour Division
  • State of Michigan
  • Other state and local regulations as necessary
Factors impacting payroll policy - continued

- Contract and Grant Regulations
- University Policies
  - Board Actions
  - Union Contracts with various employee groups
  - Compensation/Benefit Programs
  - MSU Business Policies and Procedures
Payroll Transactions/Payroll Dollars

**Payroll**

- **In Millions**
  - Jan: $60
  - Feb: $65
  - Mar: $70
  - Apr: $75
  - May: $80
  - Jun: $85
  - Jul: $90
  - Aug: $95
  - Sep: $100
  - Oct: $105
  - Nov: $110
  - Dec: $115

- **3 paydates**
  - **CY Mo. Average, $93**
  - **CY Mo. Average, $81**

**Number of Payroll Payments**

- **3 paydates per month**

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**Payroll**

- **2012**
- **2013**
- **2014**
- **2015**

- **In Millions**
  - Jan: $20,000
  - Feb: $30,000
  - Mar: $40,000
  - Apr: $50,000
  - May: $60,000
  - Jun: $70,000
  - Jul: $80,000
  - Aug: $90,000
  - Sep: $100,000
  - Oct: $110,000
  - Nov: $120,000
  - Dec: $130,000
Payroll Processing

• Pay Cycles – Biweekly and Monthly
• Employment information flows into HR/Payroll system continually
• Time input and special/additional payments entered according to published deadlines
• Payroll simulation process runs nightly – Any resulting errors are cleared as they arise
Payroll Processing - continued

- Payroll finalized several days prior to pay date
- Payroll prepared for distribution to employees
- Tax payments and deduction remittances made to outside parties
- Payroll transactions posted to financial system
Payroll Schedules/Deadlines

• EBS Portal functions – Employee Self-Service
• Schedules
• Deadlines
• Terminations, Layoffs, Leave of Absence/Leave Returns & Retirements
• Quota (vacation/sick) Payouts
• Calendar year impacts (W2’s and Corrections)
Implications of Late Actions

• Impact is on the *individual* employee
• Missed payments requiring manual intervention
• Manual Payroll Disbursement vs Off Cycle Payments
• Overpayments and Recovery Efforts
Time Management
Time Management

Part of the integrated HR/Payroll system

- **Organization Management** provides the rules for time entry based upon organizational unit and position

- **Personnel Administration** provides the data related to the individual employee

- **Time Reported/Scheduled** for each individual employee (work schedules)
Time Reporting

All time reported into CATS (Cross Application Time Sheet)

• **Time Entry**
  ✓ Portal (ESS, MSS, Time Entry Specialist, Unit Time Administrator) or Decentralized Time Systems
  ✓ Roles (define access levels, authority)
  ✓ Positive (hourly time worked to be paid) vs Exception (CT/salary variations to work schedule)

• **Time Approval**
  ✓ Roles (MSS - relationship, Unit Time Administrator - org)
  ✓ Processing deadlines
Time Evaluation

Nightly process that evaluates time reported and approved based upon rules that integrate:

- tax law and FLSA regulations
- bargaining union agreements
- MSU policies, personnel structure, and work schedules

Resulting in:

- Accurate time reporting and payment
- Quota (sick/vacation/personal) maintenance
- Overtime calculations
HR/Payroll Integration with Finance
Integration Supports MSU Funding Requirements:

• HR Forms
  (Hire/Rehire/Additional Assignment/Assignment Extension/Change of Status/Change Position)
• Pay Rate Change Transactions
• Cost Redistribution Transactions
• Contract and Grant Administration
Examples - Validation on Account Attributes

- Account Effective Date
- Account Expiration Date
- Account Closed
- Continuation Account
- Org Unit - Workflow
- Account Allows:
  - Salary expense
  - Fringe benefit expense (if no, redirect to specified account)
- Sub-Fund Allows Salary Expense
- Project Begin Date/Project End Date (sub fund RC)
# Accounting String Data Crosswalk

<table>
<thead>
<tr>
<th>Finance</th>
<th>HR/Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account</td>
<td>Fund (30 of 80 account attributes hosted for HR/Payroll validations)</td>
</tr>
<tr>
<td>Sub-Account</td>
<td>WBS Element (MSGA10000X-ABCDE)</td>
</tr>
<tr>
<td>Object Code (defines payroll expense)</td>
<td>GL (derived during payroll)</td>
</tr>
<tr>
<td>Sub-Object</td>
<td>Cost Center (salary related only)</td>
</tr>
<tr>
<td>Project code</td>
<td>Order</td>
</tr>
<tr>
<td>Org Ref ID</td>
<td>Functional Area</td>
</tr>
</tbody>
</table>

Accounting string data is sent, upon final approval, from Finance to HR/Payroll with the exception of Org Ref ID. Org Ref ID is created directly in HR/Payroll by Unit Admin Role from the portal.
Cost Redistribution and Pay Rate Change Transactions
Decentralized Transaction - Purposes and Goals

- Cost redistributions - funding transfers for salaried employees
- Permissible account authorizations - accounts that may be used for time entry for hourly employees
- Pay rate changes
- View base pay and funding
- Retroactive change results — salary vs hourly employees differences
Examples of Validations on Pay and Cost Redistribution Transactions

- Effective dates — hire date, end date, funding date
- Reason codes (based on employee type)
- Amounts (pay and funding)
- Funding line — KFS search help function
- Explanation notes
- Attachments
Workflow – Required Approvals

- Cost redistribution vs pay change
- Hourly vs salary differences
- Department (Hiring org for pay changes only)
- Fund owner
- Provost - Summer School accounts (sub-fund GP)
- Contracts and Grants (sub-fund RC, 60 days retro)
- Central HR
Pay Change, Cost Redistribution, and Related Workflow Report

• Track status — in process, approved, rejected
• Track changes
• Track workflow activity and approvals
• View notes and attachments
Labor Distribution
EBS Portal > Business Intelligence Tab > Public Folders

<table>
<thead>
<tr>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Distribution by Payrol Fund-HRP063</td>
</tr>
<tr>
<td>Labor Distribution by Person-HRP062</td>
</tr>
<tr>
<td>Labor Distribution Report Extract-HRP068</td>
</tr>
<tr>
<td>Labor Distribution Report-HRP018</td>
</tr>
<tr>
<td>Salary Encumbrance Detail-FIN086</td>
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<tr>
<td>Salary Encumbrance Extract-FIN090</td>
</tr>
<tr>
<td>Salary Encumbrance Summary-FIN089</td>
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</tbody>
</table>
Labor Distribution Report

- Employee Payroll and Fringe Benefit Expense Detail
- Information available the day after payroll processes which is several days prior to the pay date
- Reconcile frequently (every payroll)
- Link to Labor Distribution from Financial Reports (e.g. Operating Statement Fin049)
- Several versions available in BI
LABOR DISTRIBUTION REPORT-EXAMPLE 1

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Employee Subgroup Name</th>
<th>Employee ID</th>
<th>Person Name</th>
<th>Acct Nbr</th>
<th>Sub-Acct Nbr</th>
<th>Weighing Percentage</th>
<th>For Period End Date</th>
<th>Earnings</th>
<th>Fringes</th>
<th>Fringe Rate</th>
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</thead>
<tbody>
<tr>
<td>6598</td>
<td>CT Reg</td>
<td>aaaaaaaa</td>
<td>Employee 1</td>
<td>XT100024</td>
<td>---</td>
<td>10%</td>
<td>5/3/2014</td>
<td>$155.68</td>
<td>$0.00</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>bbbbbbbb</td>
<td>Employee 2</td>
<td>XT100024</td>
<td>---</td>
<td>10%</td>
<td>5/3/2014</td>
<td>$155.68</td>
<td>$0.00</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>cccccc</td>
<td>Employee 3</td>
<td>XT100024</td>
<td>---</td>
<td>50%</td>
<td>5/3/2014</td>
<td>$1,011.92</td>
<td>$0.00</td>
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<tr>
<td></td>
<td></td>
<td>dddddddd</td>
<td>Employee 4</td>
<td>XT100024</td>
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<td>10%</td>
<td>5/3/2014</td>
<td>$178.64</td>
<td>$0.00</td>
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</tbody>
</table>

**Total for Object Code 6598**: $1,501.92 | $0.00

| Fringes     | CT Reg                 | aaaaaaaa    | Employee 1  | XT100024 | ---          | 10%                 | 5/3/2014          | $0.00   | $78.08  | 0.5015     |
|-------------|                        | bbbbbbbb    | Employee 2  | XT100024 | ---          | 10%                 | 5/3/2014          | $0.00   | $78.08  | 0.5015     |
|-------------|                        | cccccc     | Employee 3  | XT100024 | ---          | 50%                 | 5/3/2014          | $0.00   | $507.51| 0.5015     |
|-------------|                        | dddddddd    | Employee 4  | XT100024 | ---          | 10%                 | 5/3/2014          | $0.00   | $82.55 | 0.4621     |

**Total for Object Code Fringes**: $0.00 | $746.22

**Total for Payroll Fund MSXT100024**: $1,501.92 | $746.22
# Labor Distribution Report-Example 2

## Labor Distribution Report-HRP018

### Pay Date Range Between May 16, 2014 and May 16, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Funding Organization Code</th>
<th>Name</th>
<th>Pay Date</th>
<th>Acct Nbr</th>
<th>Sub-Acct Nbr</th>
<th>Object Code</th>
<th>Object Code Name</th>
<th>Sub-Object Code</th>
<th>Project Code</th>
<th>Person ID</th>
<th>Personnel Number</th>
<th>Person Name</th>
<th>Weighing Percentage</th>
<th>For Period End Date</th>
<th>Wage Type Code</th>
<th>Wage Type Name</th>
<th>In Payroll Period</th>
<th>Payroll Amt</th>
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<tbody>
<tr>
<td>200003262-425</td>
<td>XT100024</td>
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<td>5/18/2014</td>
<td>6521</td>
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<td>FRINCE - RETIREMENT</td>
<td>COLRFED</td>
<td>ccccccccccc</td>
<td>ccccccccccc</td>
<td>Employee 3</td>
<td>50.0%</td>
<td>5/3/2014</td>
<td>5/31/14</td>
<td>Retirement Fringe Cost</td>
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<td>FRINCE - RETIREMENT</td>
<td>COLRFED</td>
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<td>ccccccccccc</td>
<td>Employee 1</td>
<td>10.0%</td>
<td>5/3/2014</td>
<td>5/31/14</td>
<td>Retirement Fringe Cost</td>
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<td>200003262-422</td>
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<td>5/18/2014</td>
<td>6598</td>
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<td>CT-CLERICAL</td>
<td>COLRFED</td>
<td>ccccccccccc</td>
<td>ccccccccccc</td>
<td>Employee 3</td>
<td>50.0%</td>
<td>5/3/2014</td>
<td>5/31/14</td>
<td>Pay Period Salary</td>
<td>2014000</td>
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<td>200003262-424</td>
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<td>5/18/2014</td>
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<td>CT-CLERICAL</td>
<td>COLRFED</td>
<td>ccccccccccc</td>
<td>ccccccccccc</td>
<td>Employee 1</td>
<td>10.0%</td>
<td>5/3/2014</td>
<td>5/31/14</td>
<td>Pay Period Salary</td>
<td>2014000</td>
<td>$155.68</td>
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</tr>
</tbody>
</table>

**Total for Finance/HR-Payroll Doc Nbr: 500003262-425**

$10.49

**Total for Finance/HR-Payroll Doc Nbr: 500003262-427**

$72.35

**Total for Finance/HR-Payroll Doc Nbr: 500003262-422**

$778.40

**Total for Finance/HR-Payroll Doc Nbr: 500003262-424**

$723.52
Reference Materials
Reference Material

• Quick guides and reference guides available at www.ebs.msu.edu/HRPayroll/TimeMgmtPayroll/
• Payroll schedules/due dates www.ctlr.msu.edu/copayroll/payrollschedules.aspx
• Payroll web site www.ctlr.msu.edu/COPayroll
• Payroll Listserv www.ctlr.msu.edu/Join_Listserv.aspx?id=PAYROLL
Contact Information

• EBS Helpline
  itserve@msu.edu
  (517) 884-3000

• Payroll
  payroll@ctrl.msu.edu
  (517) 355-5010
Questions?