Table of Contents

<table>
<thead>
<tr>
<th>Objective</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of Payroll Procedures</td>
<td>1</td>
</tr>
<tr>
<td>Department Roles and Segregation of Duties for Payroll Processing</td>
<td>1</td>
</tr>
<tr>
<td>Payroll Guidelines</td>
<td>2</td>
</tr>
<tr>
<td>Payroll Processing</td>
<td>3</td>
</tr>
<tr>
<td>Payroll Time Entry – Individual Time Sheets</td>
<td>3</td>
</tr>
<tr>
<td>Payroll Time Entry - Organizational Time Sheets</td>
<td>3</td>
</tr>
<tr>
<td>Department Time Entry</td>
<td>4</td>
</tr>
<tr>
<td>Web Time Entry</td>
<td>4</td>
</tr>
<tr>
<td>Reporting Prior Pay Periods</td>
<td>5</td>
</tr>
<tr>
<td>Revising Prior Pay Periods</td>
<td>5</td>
</tr>
<tr>
<td>Verifying and Monitoring Payroll Transactions</td>
<td>6</td>
</tr>
<tr>
<td>Record Retention</td>
<td>6</td>
</tr>
<tr>
<td>Endnotes</td>
<td>6</td>
</tr>
</tbody>
</table>

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)\(^1\) 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\(^2\). 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

<table>
<thead>
<tr>
<th>FTE</th>
<th>Workday *</th>
<th>Hours Absent</th>
<th>Hours Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>8 hours</td>
<td>Less than 4 hours</td>
<td>0 hours</td>
</tr>
<tr>
<td>1.00</td>
<td>8 hours</td>
<td>4 hours or more</td>
<td>4 hours</td>
</tr>
<tr>
<td>1.00</td>
<td>8 hours</td>
<td>All day</td>
<td>8 hours</td>
</tr>
<tr>
<td>0.75</td>
<td>6 hours</td>
<td>Less than 3 hours</td>
<td>0 hours</td>
</tr>
<tr>
<td>0.75</td>
<td>6 hours</td>
<td>3 hours or more</td>
<td>3 hours</td>
</tr>
<tr>
<td>0.75</td>
<td>6 hours</td>
<td>All day</td>
<td>6 hours</td>
</tr>
</tbody>
</table>

* 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 Time Sheets

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 workedii.

Approving Time and Attendance

1. The employee and supervisor (or proxy) signs 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 manneriii.
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

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 workedi.

Approving Time and Attendance

1. The employee and supervisor (or proxy) signs 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.
PAYROLL SERVICES STANDARD PRACTICE GUIDE

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.
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.

Approving Time and Attendance (2 options)

1. Time approved prior to data entry
   A. The employee and supervisor (or proxy) signs off on 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 off on 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). The department timekeeper is responsible for entering all time reporting documents in a timely manner.
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.
2. Exempt employees submit exception time used only, not hours worked, 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. This time sheet is then routed electronically to the approver.

**Approving time and attendance**

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

**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. To complete the time sheet, follow these guidelines:

1. Non-Exempt employees submit their daily hours worked and exception time used during the pay period. Exempt employees report the exception time used, not hours worked.
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 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. Non-Exempt employees submit their daily hours worked and exception time used during the pay period. Exempt employees report the exception time used, not hours worked.
2. The employee and supervisor (or proxy) signs 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. HYOPAYG002 – Employee List: report is automatically distributed for each time sheet organization on Thursday morning 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 that can be run in Banner (GZAORPT) biweekly after the payroll is complete. In addition, this report is automatically sent on a monthly basis after the month is closed. 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 automatically sent after a pay period is completed. This report can be used to verify exception hours available and exception hours used during the previous pay period.

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

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/