THE UNIVERSITY OF MICHIGAN

STANDARD PRACTICE GUIDE

SECTION:	Controller's Office	**Number:**	518.1
		Revised:	7/1/05
SUBJECT:	Payroll Controls	**Date Issued:**	
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APPLIES TO:	All Faculty & Staff	**Attachment(s)**	1
ISSUED BY:	Controller's Office/University Payroll Office		

I. Purpose

A. The University expects that every operating unit will exercise the greatest of care in the prevention of unauthorized or improper expenditure of its funds.

B. It is the purpose of this Standard Practice Guide to outline the procedure that must be exercised for the proper internal control for paying faculty, staff and independent consultants.

II. Major Types of Payments

Most payments to individuals for performing services are processed within the Human Resources Management System (HRMS). These payments are made to employees or non-resident aliens who are independent consultants. HRMS uses the M-Pathways system's financial ShortCode and department tables to ensure consistent data in both the HRMS and Financials application.

Payments to independent consultants and other non-employees who are U.S. citizens or resident aliens are processed by the University Payroll Office using the Procurement module in the Financials application.

There are three main types of payments:

A. Payments for which paperwork is initially processed by Human Resource and Affirmative Action (HRAA).

These payments include base salary, instructional summer salary for faculty on University-year appointments, overload appointments, Forms G/G-1 and additional components of pay (e.g. administrative differential).

Policy information for these types of payments is contained in the Standard Practice Guides referenced in Section IX below.

Procedure information, including authorization and signature controls, can be accessed at the HRAA web site http://www.umich.edu/~hraa.

B. Payments for which paperwork is initially processed by the University Payroll Office:

These payments include hours worked for non-exempt staff, exception time for exempt staff, overtime and special payments.

Policy and controls for these types of payments are contained in this Standard Practice Guide.

C. Payments for which paperwork is initially processed by Contract Administration:

Contract Administration is responsible for all aspects of independent consultants who are compensated by means of a Form G-2. Policy information for this type of payment is contained in the Standard Practice Guide Section 201.86 referenced in Section IX below.

III. Reporting Payroll and Exception Time

A. Hours Worked for Non-Exempt Staff

Non-exempt staff members are full time or part-time regular staff members and temporary staff members who do not meet the exemption standards of the federal Fair Labor Standards Act. A record of daily time worked must be generated in the department for each non-exempt staff member. The preferred method is to record hours worked on preprinted Biweekly Time Reports distributed by the University Payroll Office. The preferred practice is to have the preprinted Biweekly Time Report signed by BOTH the staff member and supervisor. While the supervisor's signature is mandatory, departments are encouraged to secure the staff member's signature. Another acceptable option for recording daily hours is the Hourly Time Record or a similar internal time document (Appendix A) that satisfies the daily hours requirement and also meets the unique needs of the department. The document should be used to record the daily hours worked as the work is performed during the course of the pay period and serves as a cumulative record for departmental reference. The internal time document is submitted to the individual responsible for timekeeping in the department. This individual transcribes the daily hours worked and summary hours to the Biweekly Time Report document.

Departments are not required to submit Biweekly Time Reports to the University Payroll Office if they receive authorization to report work hours online in M-Pathways or via an electronic interface file. Departments that electronically submit payroll interface files to the M-Pathways system may permit staff members to record work hours on an internal time document or directly into an electronic timekeeping system. When work hours are initially entered on internal time documents, a timekeeper must reenter the data into the electronic timekeeping system.

B. Exception Time for Exempt Staff

Exempt staff members, who participate in leave accrual plans and must report their exception time, are those professional/administrative staff members and primary archivists, curators, librarians and researchers who meet the exemption standards of the federal Fair Labor Standards Act. Exempt staff members do not need to report hours worked. Only absences from normal work schedules in half-day increments must be reported. Each half-day stands alone; short absences (i.e. 1 hour) are not accumulated for consolidation and reporting at a later time (SPG 201.64).

Reporting exception time online in M-Pathways or via electronic interface files may be authorized for some departments. An internal time document should be used to collect exception time in these units. Electronic time entry cutoffs occur before the monthly payroll is processed and are announced by the University Payroll Office.

C. Overtime

Non-exempt staff members report overtime hours to the University Payroll Office on Bi-weekly Time Reports unless appointing departments receive authorization to report payroll online in M-Pathways or via electronic interface files.

IV. Approvals

A. Approving Hours Worked for Non-Exempt Staff

While not legally required for most staff members, the preferred practice is for staff members to sign their Time Reports.

Each Time Report or internal time document must be approved by the staff member's immediate supervisor or authorized designee. Original signatures must be obtained. Imprinting approval signatures on time reports and internal time documents with hand stamps is not an acceptable practice.

Individuals approving the Time Reports must have direct knowledge that hours reported by the staff member are true and accurate or receive some form of assurance from someone (usually a subordinate) who can verify or attest that the hours reported are true and accurate. Photocopies of approved Time Reports must be retained for use in reconciling Gross Pay Registers. Under no circumstances should the approved Time Report or internal time document be returned to the staff member for delivery to the departmental timekeeper or University Payroll Office.

Departments reporting hours online in M-Pathways or via electronic interface files must obtain required signatures on internal time documents or electronically in a timekeeping system, provided that the system has adequate security to ensure that the appropriate individual is authorizing the transaction.

B. Approving Exception Time for Exempt Staff

Hardcopy Monthly Attendance Reports must be completed, signed by the staff member (preferably), and signed by an immediate supervisor or authorized designee who has direct knowledge that absences reported from normal work schedules are true and accurate.

C. Approving Overtime

The staff member's immediate supervisor or an authorized designee who has direct knowledge that the overtime reported is true and accurate must approve requests for overtime.

V. Departmental Internal Controls

Departments are responsible for maintaining adequate internal controls for processing payroll. This includes establishing an appropriate separation of duties to ensure that one individual is not responsible for recording, approving, and reviewing payroll transactions. Departments need to assure that payroll entries are approved at the proper level, and that entries are verified for accuracy once they are processed. A department's responsibility includes maintaining an effective system of monitoring and oversight to ensure the accuracy and validity of its payroll.

VI. Verification of Recorded Payroll

A. For payments processed in HRMS

The Gross Pay Register is a report issued prior to each payday listing the salary amounts scheduled for payment to faculty and staff. The department manager or designee must review the Gross Pay Register entries.

Gross Pay Registers for exempt staff members and faculty must be compared to appointment data for reasonableness. Additional pay, Form G, summer salary, and appointment overload payments should be verified to department records to ensure that the appropriate Human Resource office has accurately entered payroll information. Any unauthorized or inaccurate transactions must be investigated and resolved immediately by appropriate supervisory staff.

Gross Pay Registers for staff members who are required to report hours worked must be compared to internal time records, copies of time reports, and overtime payment forms. Any unauthorized transactions or difference between hours reported and hours paid must be investigated and resolved immediately by appropriate supervisory staff. If the timekeeper performs this comparison, a designee of higher administrative authority must review the Gross Pay Register and internal time records for reasonableness.

The Gross Pay Register should be forwarded to the Statement of Activity (SOA) recipient who will compare the Gross Pay Register to the Statement of Activity to ensure that payroll charges on both reports are in agreement. Any differences must be investigated and resolved promptly by appropriate supervisory staff. The comparison may be made using reports received from the University Payroll Office and Financial Operations or using reports containing similar data generated from the Payroll and Financial Data Warehouses.

B. For payments processed in the Procurement Module in the Financials application

The Statement of Activity recipient should review the SOA and Voucher Detail reports to ensure that payments processed as non-PO vouchers in the Procurement Module are accurate.

VII. Monitoring Payroll Using M-Pathways Reports

Monitoring is an important payroll control that aids in identifying losses, errors, or irregularities. M-Pathways financial reports provide a key-monitoring tool. Below are two predefined reports that department managers should generate on a periodic basis to monitor payroll.

A. Overtime Analysis Report

This report enables managers to analyze the reasonableness of overtime payments for departments by fiscal year and employee. Input parameters for overtime hours may be determined and set so the report will only display data for employees that were paid total hours that exceed annual department standards.

B. Gross Pay and Benefits Report

These reports enable managers to analyze the reasonableness of salaries wages and benefits by department, fund, program, project grant, and employee. Department managers or designees should periodically review individual employee compensation levels to validate their expectations and trust in department business processes and staff.

Other predefined financial reports and ad hoc reporting techniques may be used to provide transaction analysis, comparisons between budget and actual payroll, comparisons between payroll data from year to year, and are essential in discovering financial trends that may be used for decision-making and for detecting errors and irregularities. Training information, system access, and a complete list of predefined reports are available at the following Michigan Administrative Information Services (MAIS) Web site http://www.mais.umich.edu/reporting/.

VIII. Record Retention

General guidelines for retaining University financial records are provided in Standard Practice Guide Section 604.1 Record Retention. Retention periods for specific department time documents that are not retained centrally by the University are provided below.

A. Departments that report hours using the Biweekly Time Report must retain photocopies of these reports for the current fiscal year. Copies of the Biweekly Time Report are typically used to reconcile Gross Pay Registers and provide supporting documentation in the event of an audit.

B. Departments using internal time documents signed by staff members must retain these documents for seven fiscal years plus the current fiscal year.

C. Departments that enter hours into M-Pathways or into departmental electronic timekeeping systems that interface into M-Pathways must retain work hour records including approval signatures for seven fiscal years.

IX. Related Topics

Standard Practice Guides

201.68	Moving and Relocation Expenses (Form G)
201.38-0	Overtime
201.39-0	Part-Time Employment
201.86	Services of Independent Consultants (Form G 2)

201.85 Special Stipends (Form G)

201.04 Summer Appointments UM-Ann Arbor

HRMS self-study guides can be accessed at the following Michigan Administrative Information Services Web site http://www.mpathways.umich.edu/hr/selfstudytoolkits.html.

X. Appendix

A. Internal Time Document

Appendix A – Internal Time Document

THE UNIVERSITY OF MICHIGAN - BIWEEKLY HOURLY TIME RECORD **DEPARTMENT**

INSTRUCTIONS

1. Enter Department Name, Employee Name, Social Security Number and Account Number.
2. Record daily time worked, as work is performed during the course of the pay period.
3. Record worked time in tenths of the hours; e.g. 1 hr. & 15 min is 1.5; 1 hr. & 30 min is 1.5.
4. At close of pay period, summarize regular and 1 1/2 overtime. Post both daily and summary hours to the Biweekly Temporary Hourly Time Report.
5. Both employee and supervisor must sign this Time Record. Supervisor must sign Time Report.
6. Retain this Time Record and submit the Time Report to the Payroll Office for payment.

EMPLOYEE NAME: SOC. SEC. NO. ACCOUNT NO.

PAY DATE	PAY PERIOD DATES	DAILY HOURS WORKED WEEK 1 S	M	T	W	T	F	S	WEEK 2 S	M	T	W	T	F	S	SUMMARY HOURS REGULAR	1 1/2 O.T.
07/19/96	06/30/96-07/13/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
08/02/96	07/14/96-07/27/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
08/16/96	07/28/96-08/10/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
08/30/96	08/11/96-08/24/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
09/13/96	08/25/96-09/07/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
09/27/96	09/08/96-09/21/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
10/11/96	09/22/96-10/05/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
10/25/96	10/06/96-10/19/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
11/08/96	10/20/96-11/02/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
11/22/96	11/03/96-11/16/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
12/06/96	11/17/96-11/30/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	
12/20/96	12/01/96-12/14/96																
EMPLOYEE SIGNATURE:		DATE:							SUPERVISOR APPROVAL:							DATE:	

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