

# Standard Practice Guide Policies

## Payroll Controls

518.01

**Applies to:** All departments and units of the university

### I. POLICY

Each department is responsible for maintaining adequate internal controls for payroll related processes, which include an effective system of monitoring and oversight to ensure the accuracy and validity of its payroll in the following key areas:

1. Time Reporting
2. Time Approval
3. Payroll Transaction Verification
4. Payroll Monitoring at the Management Level
5. Separation of Duties

### II. TIME REPORTING

Refer to the Payroll website (<http://www.finance.umich.edu/finops/payroll/forms/cutoffsdeadlines>) for time reporting cutoff dates for non-exempt (biweekly paid) and exempt (monthly paid) employees.

The university's electronic time entry systems include self-service data entry into the central M-Pathways Human Capital Management (HCM) database as well as electronic time entry via a time clock, ID swipe device or web clock that feeds directly into the central HCM database.

#### A. Non-exempt Staff

Non-exempt staff members include full-time or part-time regular and temporary staff who do not meet the exemption standards of the federal Fair Labor Standards Act. Non-exempt staff members are paid on a biweekly basis.

All hours of the non-exempt staff member's schedule, including time worked and non-productive time, must be reported to the nearest tenth of an hour with the appropriate Time Reporting Code. Overtime hours must have supervisor approval prior to being worked. For more information about the university's overtime policy, refer to [spg.umich.edu/policy/201.38](http://www.spg.umich.edu/policy/201.38) (<http://www.spg.umich.edu/policy/201.38>).

Non-exempt staff that are positive pay employees include members of the Nurses (UMPNC/MNA) bargaining agreement and temporary employees. Positive Pay employees are paid only for hours reported; accordingly, time must be submitted and approved prior to each payroll cutoff in order to be paid.

All other non-exempt staff are exception pay employees. To prevent over or under payments, these employees must report, at a minimum, total weekly base hours on their timesheets equal to their weekly Standard Hours on Job Data in the HCM database.

Special consideration should be taken to determine if an off-cycle payment is the most appropriate method for handling a missed reporting cutoff for non-exempt staff. Refer to the Payroll website for additional information.

#### B. Exempt Staff

Exempt staff members include full-time or part-time regular and temporary staff who meet the exemption standards of the federal Fair Labor Standards Act. Exempt staff members are paid on a monthly basis.

Exempt staff and faculty members who participate in leave accrual plans must report their non-productive time (absences from normal work schedule), but do not need to report hours worked. A common university practice is to report non-productive time in half-day increments, based upon an employee being absent for the majority of their half-day. Units may also establish alternate approaches for reporting non-productive time (i.e. one-hour increments), as long as the practice is applied consistently across the whole organization. Exempt staff and eligible faculty should not accumulate and consolidate short absences to report at a later date.

#### C. Time Reporting Codes

For a complete list of time reporting codes and corresponding definitions, refer to the Payroll website (<http://www.finance.umich.edu/finops/payroll/forms/timereportingcodedefinitions>).

#### D. Interface Units

Some units have a need to use their own time collection system and submit an interface file, prior to each pay run, that feeds into the time and labor module within the HCM database. Such units are responsible for submitting interface files in accordance with established timelines and procedures to assure that all data submitted is completely and accurately received by the HCM database. In addition, the following internal controls must be in place for the time collection system utilized:

For more information, refer to the “Time Interface File Attach” procedure in My LINC (<http://its.umich.edu/enterprise/administrative-systems/training/my-linc-overview>).

1. Electronic storage of signatures when data is entered
2. The “signature” must uniquely identify the staff member and approver
3. Adequate security to ensure that an appropriate individual is approving time reported

### III. TIME APPROVAL

All time reported must be approved by an individual in an authoritative position within the department, prior to the system cutoff for each biweekly or monthly pay cycle. In addition, the following internal controls must be in place for time approval:

Refer to the Payroll website for time approval cutoff dates for biweekly paid (non-exempt) and monthly paid (exempt) employees. Additional information related to the time approval processes is available in My LINC by searching on “Payroll, Time & Labor User Resources”.

1. Individuals approving time reported must have direct knowledge that hours reported by the staff member are true and accurate, or receive some form of assurance from a person who can verify or attest that the hours reported are true and accurate
2. A staff member must not be able to approve their own time data

### IV. PAYROLL TRANSACTION VERIFICATION

The Gross Pay Register (GPR) is a report issued prior to each pay date, which details the amount of compensation scheduled for payment to faculty and staff. The GPR data is available in several reporting environments.

For departments participating in the Shared Services Center (SSC) structure, the SSC uses the eReconciliation module in the financial database to reconcile payroll transactions.

For departments not participating in the SSC structure, GPR reconciliation to source documents is required; however, use of the eReconciliation module is optional. Other methods for viewing GPR data for reconciliation purposes include:

1. Data Warehouse (Payroll Data Set) using Business Objects
2. Michigan Medicine Finance BI
3. Public Queries in the HCM Database
4. Report Manager in the HCM Database
5. Department Specific GPR in the HCM Database

It is important to reconcile all payroll transactions, including those for individuals who are not required to report time data (i.e. instructional faculty). The reconciliation should be

completed prior to the pay date for each payroll. Refer to the Payroll website for more information about the GPR reconciliation process.

#### V. PAYROLL MONITORING AT THE MANAGEMENT LEVEL

Monitoring payroll activity using management reports is an important supplement to transaction level controls to aid in identifying errors or irregularities. The payroll reports available in Wolverine Access provide important monitoring tools for the review of payroll, including compensation across all forms of pay, the use and level of overtime, and the volume of hours worked by temporary staff.

A list of predefined reports for Department Managers to use to monitor payroll activity is available on the Payroll website. This list includes a description each report and how it can be utilized.

#### VI. SEPARATION OF DUTIES

Departments must establish and maintain appropriate separation of duties to ensure that one individual is not responsible for recording, approving and reviewing payroll transactions. Departments should also have a process to ensure that time data is reported, approved and submitted in a timely manner.

#### VII. RECORD RETENTION

For any departments using internal time documents signed by staff members instead of employee electronic time reporting in the HCM Database, these documents must be retained by the department for seven fiscal years plus the current fiscal year.

#### **File Attachments**

Printable PDF of SPG 518.01, Payroll Controls (12/18) (<https://spg.umich.edu/sites/default/files/policies/518X01.pdf>)

**Hard copies of this document are considered uncontrolled. If you have a printed version, please refer to the University SPG website ([spg.umich.edu](https://spg.umich.edu)) for the official, most recent version.**

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**Related Policies:**

Emergency Reduction in Operations (/policy/201.27)

Funeral Time (/policy/201.03)

Holidays (/policy/201.26-0)

Jury and Witness Pay (/policy/201.29)

Military Reserve Duty Pay (/policy/201.33)

Non-Appointment Related University Compensation (/policy/201.85)

Overtime (/policy/201.38)

Season Days (/policy/201.26-1)

Sick Leave Plan – Academic Appointments (/policy/201.11-1)

Sick Time Pay (/policy/201.11-0)

Summer Appointments - UM Ann Arbor (/policy/201.04)

Termination of Employment (/policy/201.40)

Tuition Support Program (/policy/201.69)

Vacation (/policy/201.64-0)

Vacation (Instructional Staff) (/policy/201.64-1)

**Related Links:**Finance / Financial Operations / Payroll / Foreign Students, Faculty & Staff (<http://www.finance.umich.edu/finops/payroll/foreign>)Finance / Financial Operations / Payroll / Tax (<http://www.finance.umich.edu/finops/payroll/tax>)