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| Policy Title: | Payroll Management | | | |
| Policy Number: | DHS-040-007 | Version: | 3.0 | Effective Date: 05/01/2008 |

Signature on file with ASD Central

September 10, 2009

Approved By: Deputy Director of Finance

Date Approved

Overview

Purpose/Rationale: Overall, payroll is one of the single largest types of expenditure for DHS. Timely and accurate payroll reporting is necessary to appropriately budget, plan and manage costs and to correctly report on the financial condition of the agency. Payroll transactions are no different than any other agency expenditure and require the application of the same standards of internal control.

Employees expect and should receive prompt and accurate payment for their time and attendance. Therefore, processing and maintaining accurate payroll records is an extremely important function requiring strict controls and close management.

Applicability: All DHS employees shall adhere to this policy.

Failure to Comply: Failure to comply with any provision in this policy and or the procedures may result in disciplinary action up to and including dismissal.

Policy

This policy establishes uniform payroll accountability standards, strengthens internal control over payroll processes and provides for equitable and consistent interpretation and application in conformance to state laws, rules, regulations and applicable collective bargaining agreements.

DHS managers shall ensure they and their employees conform to this policy.

1. **Authority**

DHS management is responsible for ensuring this policy is followed throughout the agency and that designated employees are delegated with appropriate authority when managers and/or supervisors are absent from work.

2. **Confidentiality**

DHS may collect, maintain, use, transmit, share and or disclose information about employees to the extent needed to administer its programs, services and activities. DHS will safeguard all confidential information about employees and respect individual privacy rights to the full extent required under this policy.

If a state or federal law or regulation, applicable collective bargaining agreement, or order of court having appropriate jurisdiction imposes a stricter requirement on any DHS policy regarding the privacy or safeguarding of information, DHS will act in accordance with that stricter standard.

Managers shall ensure designated employees are knowledgeable of, understand and receive training in the statutes, rules, policies and procedures that govern safeguarding confidential information, ethical and professional conduct, DHS Code of Conduct and conflicts of interest disclosure requirements.

3. Time and Attendance Review and Approval

Employees are expected to prepare and present accurate and timely documentation of their time and attendance based on their status under the Fair Labor Standards Act (FLSA). Employees are classified in the State's personnel data base system as either exempt or nonexempt FLSA. That information is passed to the Oregon State Payroll Application (OSPA).

The requirement to report actual hours worked or the eligibility for compensatory time or overtime is dependent on the employee's FLSA status or the applicable collective bargaining agreements for represented employees and or Department of Administrative Services (DAS), Human Resources statewide policies.

By signing a time and attendance report either electronically or on a paper timesheet, the employee is attesting to the accuracy and truthfulness of the time reported.

Managers, supervisors, or designated employees shall ensure the review and approval of the time and attendance records are accurate and timely. The authorized signature affixed to a paper timesheet or electronically in the OSPA or other time and attendance system constitutes approval of the time and attendance reported by the employee.

<http://inside/directors-office/finance/financial-services/payroll/time-reporting.html>

4. Standards for Time Record Review

The agency is ethically and legally required to pay its employees correctly, and promptly correct mistakes and errors and omissions that may have occurred during the payroll processing cycle.

It is important to DHS that employees are neither overpaid nor underpaid. The accuracy of paychecks and payroll related payments, as well as the data integrity of leave balances and associated accounting transactions and records, are dependent upon the accuracy of the time and attendance records.

All DHS employees are expected to and shall prepare and present accurate and timely documentation of their time and attendance for the review and electronic locking approval by the manager or designee. The manager or designated employee is responsible for entering the correct time in the employee's time record in the event the employee is unavailable, unable or unwilling to correct the time and attendance record.

Each designated employee authorized to approve time and attendance records is, in effect, authorizing an expenditure involving public funds. The employee making an expenditure decision involving public funds is responsible for the good judgment and lawfulness of the expenditure. Designated employees must have an appropriate level of expenditure authority and training in accordance to DHS policy 040-010, Delegated Expenditure Authority.

Failure to review and authorize time records is an inappropriate action by the person responsible for authorizing the time and attendance record. DHS shall apply the same standards for failure to review and authorize time records as those included in Oregon Accounting Manual (OAM) 10.40.00, Internal Control-Expenditures, Penalties for Inappropriate Action, sections .109 – .113.

5. Payroll Advance

Per DAS Human Resources statewide policies, the OAM Chapter 45, or the applicable collective bargaining agreement, a payroll advance may be provided to employees with earned compensation in financial emergency situations. A financial emergency situation is an unusual, unforeseen event or unavoidable condition that requires immediate financial resources by the employee.

Payroll advances must be approved by the appointing authority or designee and are expressly prohibited as a method of distributing earned compensation in advance of holidays, vacations, or other notable events.

6. Leave Balances

Employees are responsible to check their available leave hours before they request it. To ensure the leave request do not exceed the appropriate leave balance, managers or the designated employees shall promptly review the leave request and leave reports, paying particular attention to employees with low balances of sick, personal business, compensatory time, and/or vacation leave.

7. Collection of Overpayment

Leave Balances:

Employees with low leave balances who have already used leave during the month may have depleted their leave balances. Employees who use leave may not have enough leave to fully support those days away from work, creating a payroll overpayment. Full recovery of the overpayment will be deducted from the employee's monthly-adjusted base pay in accordance with ORS 292.063, the applicable collective bargaining agreement, and/or DAS Human Resources statewide policies.

Employee Benefits:

Employees are responsible for removing ineligible dependents, e.g., ex-spouse, domestic partner, child, or other individual, from their insurance coverage by submitting completed applicable forms to the Payroll unit. An ineligible dependent must be removed from insurance coverage within 60 days of the date the dependent becomes ineligible. DHS will initiate full recovery of a benefit overpayment from an employee in accordance with the appropriate collective bargaining agreement, and/or DAS Human Resources statewide policies.

8. Travel Advances

Employees must account for the travel advance within 60 days after concluding the business trip. If the employee fails to properly account for the travel advance, it becomes taxable income and must be added to year-to-date earnings. Taxes will be withheld no later than the first payroll following the 90-day period.

<http://cms.oregon.gov/DAS/CFO/SARS/policies/oam/40.20.00.PR.pdf>

9. Donated Leave

DHS administers a donated vacation leave program for employees. An employee who, as a result of extended or catastrophic illness and or injury, has exhausted all accumulated leave (sick, vacation, personal and compensatory time) and is not receiving workers' compensation benefits or PERS retirement benefits may receive donated vacation leave with the approval of the DHS Human Resources appointing authority or the designee.

10. Payroll Distribution

For effective internal control, all DHS employees having update access to the Oregon State Payroll Application (OSPA) shall not receive or distribute payroll checks or direct deposit pay stubs, including but not limited to, special checks ordered through the manual check process.

Materials distributed with payroll payments must have a direct relationship to payroll and employee benefits. All materials to be distributed by DHS with the payroll payments must first be approved by the DHS Controller or the designee.

11. Payroll Codes

Multiple codes are used to track employees' positions, work locations, project budgetary requirements, plan and manage employee benefits and payroll costs, and accurately report the financial condition of DHS.

Five inter-related codes are critical to the accuracy of payroll-related accounting transactions, budgetary projections, and the distribution of monthly payroll. These functions are dependent on DHS employees and managers assigning, selecting, and using the correct codes. The manager or the designated employee is expected to instruct employees in the use of the codes and to review the appropriate payroll reports to verify the accuracy of the code(s) used.

Labor Cost Code (LCC):

Each employee is assigned a LCC in the Position Personnel Data Base (PPDB) system. The LCC is a critical number used to determine how each employee's payroll expenditures are charged. The LCC helps create one of the necessary links to the position and position authority number in the Position Information Control System (PICS), the budget structure in the Oregon Budget Information Tracking System (ORBITS), the payroll records in OSPA, and to the financial transactions in SFMA.

PICS is part of PPDB that interfaces payroll related codes to OSPA. OSPA uses the SFMA accounting structure to interface salary, wage, and employee benefit expenditures. SFMA records the financial transactions against the agency's legislatively approved

budget. The primary accounting components in SFMA are linked to ORBITS where actual expenses and revenues are compared to the budget.

Work Charge Code and Labor Override Code:

The labor override code is structured and performs exactly like the LCC. However, this code is not entered into the PPDB system and does not link the position to a specific budget or program area. Rather, the cost override code is used to allocate an employee's payroll costs to a specific grant and or project for time worked.

The work charge code is a coding reduction tool used to enter labor cost override codes (also known as the cost override code). In addition to saving time, the three to four alpha/numeric work charge code substantially reduces errors. When employees attempt to enter the twelve-digit numeric labor cost override code to record time worked to a specific grant, project and or program area, substantial errors can occur due to miss-keying the number. These errors cause a misallocation of payroll expenditures recorded in SFMA resulting in extensive adjusting transactions being made to correct the financial records.

DHS policy requires employees to use the work charge code on the time entry screen in OSPA and allow the system to automatically populate the work charge field with the correct cost override code. The DHS Controller or designee may approve an exception for documented justifiable reasons submitted by the manager.

Report Distribution Code (RDC):

The RDC identifies the division, section, or unit where the employee is assigned to work. The RDC is critical to Human Resources in managing where positions and employees are assigned throughout DHS.

Payroll Distribution Code (PDC):

The PDC is also referred to as the check distribution code. Financial Services Payroll unit uses the PDC to sort and route payroll reports in addition to distributing employee paychecks and pay stubs to the multiple DHS office locations throughout the state. Managers need to assign the correct PDC to ensure the employee's pay will be routed to the proper work location.

12. Payroll Adjustments

Financial Services will not make retroactive adjustments unless the DHS controller or designee receives a documented and justifiable statement from the manager making the request.

Retroactive adjustments to an employee's records in the PPDB system are strictly prohibited.

13. Payroll Reports

Managers and or the designated employees shall coordinate with the Financial Services Payroll representative in the effective use of the leave balance reports to mitigate the risk of payroll overpayments and to ensure payroll codes assigned to and used by employees are correct.

Policies that apply

[DHS-040-004: Garnishment](#)

[DHS-040-005: Job Rotation and Developmental Assignment Reimbursements](#)

[DHS-040-010: Delegated Expenditure Authority](#)

[DHS-060-001: Classification and Compensation](#)

[DHS-060-012: Job Rotation and Developmental Assignment](#)

[DHS-060-014: Hardship Leave – Management](#)

[DHS-060-015: Hardship Leave - Represented](#)

[DHS-060-017: Sick Leave with Pay](#)

[DHS-060-018: Vacation Leave and Payoff](#)

[DHS-060-029: Pay Practices](#)

[DHS-060-031: Military Donated Leave Program \(MDLP\)](#)

Procedure(s) that apply

[DHS-040-004-01: Garnishment](#)

[DHS-040-005-01: Job Rotation and Developmental Assignment Reimbursements](#)

[DHS-040-007-01: Time and Attendance Records](#)

[DHS-040-007-02: Payroll Distribution](#)

[DHS-040-007-03: Labor Cost Codes](#)

[DHS-040-007-04: Work Charge Codes and Labor Cost Override Codes](#)

[DHS-040-007-05: Payroll Error Correction](#)

[DHS-040-010-01: Delegated Expenditure Authority](#)

[DHS-060-012-01: Job Rotation and Developmental Assignment](#)

[DHS-060-015-01: Hardship Leave](#)

[DHS-060-017-01: Sick Leave with Pay](#)

[DHS-060-018-01: Vacation Leave and Payoff](#)

[DHS-060-029-01: Pay Practices](#)

[DHS-060-031-01: MDLP-Employees Donating Leave](#)

[DHS-060-031-02: MDLP-Employees Requesting Leave](#)

Forms that apply

See associated procedures.

Definitions

- See [Common Terms](#) for all Finance policies
- See [Common Terms](#) for all Administrative Services Division policies

References:

Oregon Revised Statutes

- Chapters 192, 244, 291, 292, 293
- ORS 652.610

Oregon Administrative Rule

- 101-020-0025

- 105-010-0011
- 105-010-0016
- 166-300-0035

Collective Bargaining Agreement, as amended

- Service Employees International Union (SEIU) Local 503
- American Federation of State, County and Municipal Employee (AFSCME)
- Oregon Nursing Association (ONA)

Oregon Accounting Manual

- Chapter 10 Internal Control
- Chapter 40 Travel
- Chapter 45 Payroll

Department of Administrative Services

- Human Resource Services Divisions Rules and Statewide Policy Manual
http://cms.oregon.gov/DAS/CHRO/pages/rules.aspx#Rule_and_Policy_Manual_Index
<http://cms.oregon.gov/DAS/CHRO/docs/advice/Manual.pdf>
- Oregon State Payroll System Manual
<http://cms.oregon.gov/DAS/EGS/FBS/OSPS/pages/referencemanual.aspx>

DHS Personnel Action Manual

<https://inside.dhsoha.state.or.us/asd/hr/hr-admin-support/207.html>

Contacts

Name: Michelle Barrett **Phone:** 503-945-5641 **Email:** michelle.a.barrett@state.or.us

Policy History

- **Version 3.0:**
 08/31/2012 – Broken links repaired. Contact information updated.
 09/01/2009 – Revised for language clarification.
- **Version 2.0:**
 05/01/2008 – Revised
- **Version 1.0:**
 4/16/2002 – Initial Release