



Payroll Policy & Procedures

Policy and Procedures: Payroll Disbursements
Effective Date: 07/01/2014

Purpose: To ensure that payroll disbursements are made only upon proper authorization of management to bona fide employees, that payroll disbursements are properly recorded, and that related legal requirements (such as payroll tax deposits) are complied with.

Policies

The payroll office policy is to prepare all University payrolls accurately and timely, and ensure University compliance with all rules and regulations pertaining to and/or resulting from payroll operations. To accomplish this mission the Payroll office must make accurate and timely payments to all persons on the University payrolls, make all statutory deductions and verify that all required reporting procedures are followed in connection with statutory deductions, make all non-statutory deductions and/or reductions and verify that all recordkeeping and reporting procedures are followed, and maintain records and reports required by the University, state, and federal governmental agencies pertaining to personnel paid through the payroll system

APU has three different payroll groups; student, faculty and staff. Students and hourly staff are paid on a bi-weekly pay schedule and faculty and exempt staff are paid on a semi-monthly pay schedule. The payroll disbursements are processed by ADP for regular payday runs. Manual checks are issued separately in between paydays as necessary. Manual checks are discussed later in this policy.

- **Payroll System:** The University's payroll is processed by ADP Payforce. The service includes payroll processing (recording), distribution (live and EFT), accrued vacation and sick, and payroll tax returns (including W-2). The information is transcribed manually into the Payforce SAS model and sent to ADP for calculation and disbursement processing. The Business Systems Analyst provides support to the payroll system if any problems occur. The Director of Operations and Payroll staff has access to the Payroll System. Reporting access has been granted to finance and HR representatives. Designated knowledgeable Payroll Specialists have access to transmit data to ADP and the Operations Manager must approve the transmission via password in Payforce.

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- **Pay Cycle:** The University's payroll is processed on a semi-monthly and bi-weekly basis. Payroll Processing and Transmittal are done a minimum of 2 days prior to pay date, which is the business day on or before the 15th and 31st of each month for semi-monthly and every other Friday for the bi-weekly schedule.
- **Authorization to Pay Employee:** Human Resources is in charge of determining the salaries of newly hired employees. HR uses a salary table and considers education, experience and training to reach a reasonable salary for the new employee. After the hire process, a pay advice approved by HR is given to the Employee Support area of the Office of Human Resources so the new employee can be entered into the PeopleSoft HR and ADP Payforce system.
- **Monitoring Changes to Employee Payee List:** It is the policy of the payroll office to monitor changes to the employee payee list. Each pay period, a change report is printed, reviewed, and signed by the payroll supervisor to ensure all new information has been input correctly.
- **Securing Employee records:** Student employment files are kept at the student employment office and all faculty and staff files are kept in HR. Payroll maintains the following files:
 - ✓ Faculty Contracts
 - ✓ W-4's
 - ✓ Requests for Direct Deposit
 - ✓ Special Assignment Pay Forms
 - ✓ Payroll Advices for Staff as needed with special instructions on pay

The Payroll office remains locked by card access with no public access. Limited staff of Payroll and the Director of Operations has access to the Payroll office suite.

- **Monitoring Payroll Expenditures:** Financial Operations & Reporting prepare detailed departmental budget for payroll annually and compare to historic data. Forecast is also prepared on a departmental basis to forecast the future needs for faculty and staff.
- **Recording and payment of Hours:** Please see the Timekeeping Policy.
- **Accrued Vacation:** Accrued vacation is calculated in ADP Payforce. Vacation is tracked in the payroll system; and downloaded at the fiscal year by accounting to prepare accrued vacation schedule. The roll-forward for accrued vacation is prepared quarterly by finance staff.
- **Automated Payroll checks:** APU uses ADP to process all regular payments via check or ACH (direct deposit).
- **Manual Payroll Checks:** Manual checks are generally processed in the Payroll Office and issued for the following purposes:

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- ✓ Termination approved by HR
- ✓ Late time card submitted by dept manager
- ✓ Payroll adjustment of incorrect payment per approved time
- ✓ Lost or stop payment of checks

Monitoring of manual checks is maintained via a manual check log. A Payroll Specialist prepares the manual check for review. A second Payroll Specialist reviews and prints the check and updates the manual check log which is stored on a Google shared document with Accounting Services. The Payroll Supervisor reviews the log and notifies Accounting Services of items to be entered into the positive pay record with Wells Fargo. The bank account for manual payroll checks is a separate bank account.

After reviewing the log and checks, the Payroll Supervisor gives the items to the CFO for another signature. The payroll system provides the first signature of John Reynolds, Executive Vice President. The CFO returns the signed checks to the first Payroll Specialist for distribution to HR (terminations) or the Cashier area for employee distribution.

Manual check wage, tax and deduction data, is applied to the employee's pay file at the next regularly scheduled payroll transmittal.

A stock of blank check paper (with control number on the back) is kept in a locked cabinet in payroll office.

Bank information and signatures and check numbers are secured in ADP Payforce SAS. Only ADP has access to the banking information and signatures. The Director of Operations is authorized to request changes to this information.

When a check is to be printed, payroll specialist need only load the blank check paper and a special toner cartridge (Micr) to the printer.

Taxes and Deductions:

The Payroll Department is responsible for managing payroll taxes through the ADP Payforce system. The Payroll Department cannot give tax advice to any employee. If employees need tax assistance, they should contact the Internal Revenue Service (IRS) or seek their own tax or legal counsel.

If an employee does not complete their tax forms or update them as needed, the Payroll Department, following IRS guidelines, must default the taxing to the maximum withholding amount.

W-4 Federal Employee's Withholding Allowance Certificate Guidelines

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Employees must complete a W-4 form, sections 1, 2, 3, and 5 and sign and date the form. If claiming exempt from federal withholding, complete sections 1, 2, 3, and 7 and sign and date the form.

A W-4 is invalid if it has been altered in any way or any unauthorized additions have been made to the form. Alterations include striking through any of the language on the form. Unauthorized additions include any writing other than the entries requested. The form is also invalid if required sections of the form have been left blank. Flat dollar amount or percentage requests invalidate the form.

Invalid forms will be sent back to the employee by the Payroll Department. No changes to the tax filing status will be done until a valid W-4 has been received.

DE-4 State of California Employee's Withholding Allowance Certificate Guidelines

Employees may complete a DE-4 form and sign and date the form
You should complete this form if either:

- (1) You claim a different marital status, number of regular allowances, or different additional dollar amount to be withheld for California PIT withholding than you claim for federal income tax withholding or,
- (2) You claim additional allowances for estimated deductions.

THIS FORM WILL NOT CHANGE YOUR FEDERAL WITHHOLDING ALLOWANCES.
Invalid forms will be sent back to the employee by the Payroll Department. No changes to the tax filing status will be done until a valid DE-4 has been received.

New Hires

Newly hired employees must complete a W-4 and may complete a DE-4 by their first day of employment. They should return the completed forms to the Office of Human Resources or to the Payroll Department. Newly classified and faculty salaried employees will be given these forms for completion during their Benefits Orientation Meeting.

If no form is received, the Payroll Department, following IRS guidelines, must default the taxing to the maximum withholding amount: single with no exemptions.

Changing Tax Information

If employees want to change their withholding, they must complete a new W-4 and/or DE-4 and return it to the Payroll Department.

Exemption from Withholding

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Employees can claim exemption from income tax withholding if they meet IRS guidelines. Information on claiming exemption from withholding can be found on the W-4 and DE-4 forms. By claiming this exempt status, no federal or state taxes will be withheld. College students are not automatically exempt from withholding, even though their prior year's withholding was totally refunded. They must meet all the tests for exemption that other employees are required to meet, including the limits on income for dependents. Consult the IRS website for complete guidelines on exceptions.

Mandatory Renewal of Exemption from Withholding

Exempt status expires at the end of the calendar year. Therefore, each calendar year, employees must file new tax forms to claim the exempt status. A new W-4 must be filed before February 15 in order to maintain an exempt status for the upcoming calendar year. If you are not having federal income tax withheld this year but expect to have a tax liability next year, you are required to give your employer a new Form W-4 by December 1. If, after filing a W-4 claiming exempt from withholding, the employee realizes he or she will incur tax liability for the current year, the employee has ten days from that point to file an amended W-4.

If an employee's exempt status is not renewed, the University must begin withholding income taxes at the default maximum withholding amount. (Currently, single with no exemptions.) The Payroll Department will issue NO REFUNDS.

Over-Withheld Income Taxes

As an employer, the University is required to withhold income taxes from an employee's paycheck according to the employee's W-4 and DE-4. It is the employee's responsibility to complete these tax forms and to do so correctly. If an employee fails to complete the forms, and if income taxes are over-withheld as a result, the Payroll Department WILL NOT refund any of the taxes withheld. The employee can obtain a refund of any over-withheld income taxes when filing his or her annual income tax return.

Ministerial Housing Allowance:

APU does administer ministerial housing allowance as requested by the employee. The employee must follow the APU ministerial housing policy as administered by the Office of the General Counsel.

Voluntary Deductions

In addition to taxes, the Payroll Department also facilitates payroll and other deductions.

Payroll Deductions

The Benefits Manager of the Office of Human Resources is responsible for determining employee eligibility and enrollment of retirement, life, disability, and health care benefits. The

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use of Flexible Spent Accounts is also facilitated by the Office of Human Resources Benefits Manager. HR is also responsible for communicating current and retro deduction amounts to the payroll department in conjunction with these benefits.

Any changes or questions concerning benefit coverage and coverage during a leave of absence and their resulting payroll deductions should be directed to the Benefits Manager in the Office of Human Resources.

Other Deductions

Full-time non-exempt and exempt employees may be eligible for various payroll deductions. A partial listing of the most commonly used deductions and the departments responsible for processing the deductions are as follows:

APU Donations (scholarships, missions, encouragement fund etc.) - Office of University Advancement

Please contact the individual department for information on how to pay for these services through payroll deduction.

Involuntary Deductions

The Payroll Department, upon receipt of legal documentation, is required by law to withhold monies from an employee's wages to satisfy certain debts.

Examples of involuntary deductions are garnishments, bankruptcies, tax levies, wage assignments, or child support payments. The Payroll Department will notify an employee by letter of a debt withholding notice it has received. Employees should also receive prior notification by the issuing court or authorized agency.

APU utilizes ADP's garnishment service to assist with prioritization and timely disbursements to third-party agencies.

Garnishment

The Payroll Department is legally bound to withhold or garnish an employee's wages as instructed by the court. APU contracts with ADP to administer garnishments and remittance thereof.

Bankruptcies, Liens, Levies, and Assignments

In accordance with state and federal mandates, there may be other deductions taken from an employee's paycheck. The following list of examples is not inclusive:

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1. **Chapter 7 Bankruptcy**

A Chapter 7 Bankruptcy decree accompanied by an Order Staying Levy or Garnishment stays any existing or future garnishments or liens against an employee's wages for a specific time period. Garnishment or tax levy funds withheld by the Payroll Department following the bankruptcy petition date are remitted to the employee. Debt funds withheld before the petition date, but have not been remitted, will be remitted according to the bankruptcy court's instructions.

2. **Chapter 13 Bankruptcy**

A Chapter 13 Bankruptcy decree accompanied by an Order Staying Levy or Garnishment stays any existing or future garnishment or lien against an employee's wages until released. Debt funds held by the Payroll Department are remitted to an appointed trustee as instructed by the bankruptcy court. Additionally, the Payroll Department may be ordered to withhold a specified amount from an employee's paycheck for a specific number of months and remit the funds to the trustee.

3. **Tax Liens**

The Internal Revenue Service and state tax departments issue tax liens to recover delinquent taxes, penalties, and interest charges.

4. **Federal Tax Levy**

The Payroll Department is required by law to withhold wages for an IRS tax levy based on the number of exemptions claimed by an employee. The Payroll Department will notify an employee of a federal tax levy, in writing, and include a statement of personal exemptions. Employees have seven calendar days to complete this form and return it to the Payroll Department. The Payroll Department will start to withhold at the maximum rate (one personal exemption) if the form is not received within this time period. The Payroll Department will continue to withhold for a federal tax levy until released by written notification from the IRS or an order staying levy or garnishment from a bankruptcy court.

5. **California Tax Levy**

The Payroll Department is required by law to withhold an employee's entire net paycheck for a tax levy issued against them by the California Department of Taxation. Net paycheck is defined, for this purpose, as an employee's gross wages minus any existing payroll deductions and federal, state, and social security taxes. The Payroll Department will notify an employee, in writing, of a state tax levy issued against them. The Payroll Department will continue to withhold an employee's net paycheck until the debt is satisfied or is released by written notification from the California Department of Taxation or an order staying levy or garnishment from a bankruptcy court.

6. **Wage Assignments**

A wage assignment is a voluntary withholding of a specific amount of wages between an employee and a creditor to satisfy a debt payment. The Payroll Department will withhold a specific dollar amount each pay period to satisfy the wage assignment agreement and remit the amounts as they are withheld. Most frequently, wage assignments are payments to the

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Department of Social Services for child support payments. Questions concerning the contracted amount to be withheld should be first directed to the agency issuing the wage assignment.

Distribution of Checks: Live paychecks and vouchers are distributed by Operations' AP/Cashier team. Staff and faculty checks are picked up by a designated department representative for distribution on payday. Distribution of student's pay is handled by Student Employment.

Termination and Resignations: HR informs Payroll of employee terminations and resignations via a Personnel Action Notification. The form directs payroll on hours (wages), deductions or special payments to including on the final check. A manual check is then created and distributed by HR to the employee during the exit interview.

Segregation of Duties: APU establishes policies and guidelines to ensure segregation of duties are maintained in accordance to internal control SAS 112 guidelines as follows:

- Personnel authorization, payroll preparation and approval, payroll check distribution, recordkeeping, and bank reconciliation functions are clearly segregated as follows:
 - ✓ HR provides personnel authorization
 - ✓ Employee Support Specialists prepares payment based on approved forms.
 - ✓ Payroll Specialists verify information entered by Employee Support and checks are prepared by ADP
 - ✓ Checks and direct deposit advices are distributed by the Operations AP/Cashier Team and the office of student employment to the designated departmental representatives.
 - ✓ Payroll recordkeeping is managed via ADP Payforce
 - ✓ Bank Reconciliations are performed by the Accountant independent of the payroll processes

- Time and attendance records, including hours worked, overtime, and special benefits are reviewed and approved by authorized non accounting personnel as follows:
 - ✓ Time and Attendance records are approved by the supervisors of the employee
 - ✓ Special benefits are reviewed and approved by supervisor and HR when applicable

- Changes in employment status recorded in employee personnel files are maintained by a person independent of the payroll processing function
 - ✓ HR maintains personnel files

- Changes in employment (additions and terminations), salaries, wage rates, and payroll deductions are authorized by proper non accounting personnel in accordance to HR policies and procedures.

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- ✓ HR authorizes any employment changes
- ✓ Employee changes are entered by an Employee Support Specialist

Staff- Entering/Updating/Terminating Employee Information in ADP Payforce

➤ Human Resources

- ✓ Advertises for available staff positions on the APU websites, church mailings and at job fairs.
- ✓ Staff applications are accepted via Open Hire system managed by the human resource department
- ✓ HR hires the individual, note HR will also create a payroll advice to terminate or update employee information.
- ✓ Forwards Payroll Advice, W-4 Form, and Direct Deposit form to Employee Support that contains the following information:
 - Employee Name
 - Employee Address
 - Salary Information with effective dates
 - Social Security Number
 - Banking Information
 - Tax Withholdings Information
 - General Ledger Chartfields

➤ Staff-Employee Support Specialist

- ✓ Date Stamps Payroll Advice
- ✓ Verifies authorized signatures on Payroll Advice
- ✓ Verifies the following information is included for entry:
 - Employee Name
 - Employee Address
 - Salary Information with effective date
 - Social Security Number
 - Banking Information
 - Tax Withholdings Information
 - General Ledger Chartfields
 - Appropriate Status code
 - Direct Deposit Authorization is completed (if attached)
- ✓ If everything is included, forwards W-4 and direct deposit form to Payroll for entry to ADP Payforce.
- ✓ If retro pay is due, information sent to Payroll for addition to next paycheck.
- ✓ If everything is not included, returns documents to Employee or HR for corrections.

Faculty- Entering/Updating/Terminating Employee Information

➤ Faculty Employment

- ✓ Advertises faculty positions on the radio and newspapers.
- ✓ Processes faculty applications

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- ✓ Accepts application via Open Hire to Human Resources
- Faculty Employment
 - Reviews faculty application and contract for proper authorizations to pay
 - Forwards faculty contract to Employee Support that contains the following information:
 - Faculty Name
 - Faculty Address
 - Contract Payment Information with effective dates
 - Social Security Number
 - Banking Information
 - Tax Withholdings Information
 - General Ledger Chartfields
 - ✓ Creates Payroll Advice for Terminated Faculty
 - ✓ Forwards Payroll Advice and/or contract to Employee Support
- Faculty—Employee Support Specialist
 - ✓ Date Stamps Contract or Payroll Advice for hire or Termination
 - ✓ Verifies the following information:
 - Employee Name
 - Employee Address
 - Salary Information with effective date
 - Social Security Number
 - Banking Information
 - Tax Withholdings Information
 - General Ledger Chartfields
 - Appropriate Status code
 - Direct Deposit Authorization is completed (if attached)
 - ✓ If everything is included, forwards W-4 and direct deposit form to Payroll for entry to ADP Payforce.
 - ✓ If retro pay is due, information sent to Payroll for addition to next paycheck.
 - ✓ If everything is not included, returns documents to employee or faculty employment for corrections.
- Payroll Specialist
 - ✓ Enters information from the Contract to the Contract database
 - ✓ Enters W-4 and direct deposit information to Payforce
 - ✓ Reviews for applicable payroll action such as retro pay due
 - ✓ If Retro pay due, sends to Payroll for manual check. If not, files paperwork in Payroll files.
 - ✓ Contract database file is then uploaded to ADP Payforce by Payroll each pay period to process contract pay.

Student-Entering/Updating/Terminating Employee Information

➤ Departments

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- ✓ Specific departments advertise for student employment positions in the student employment center and on monster track.
- ✓ Department Hires Student
- ✓ Forwards hiring/termination forms to Student Employment Office
- Student Employment Office
 - ✓ Process hiring of student
 - ✓ Review the following information and complete entry to PeopleSoft and Payforce:
 - Employee Name
 - Employee Address
 - Pay Rate Information with effective date
 - Social Security Number
 - Banking Information (as applicable for direct deposit)
 - Tax Withholdings Information
 - General Ledger Chartfields
 - ✓ Forward W-4 and Direct Deposit to Payroll for entry to Payforce
- Student-Payroll Specialist
 - ✓ Enter W-4 and Direct Deposit to Payroll to Payforce

Semi--Monthly & Bi-weekly Payroll Disbursements

- Payroll Specialist
 - ✓ Enters data into Payroll System for assigned pay group that may include the following
 - Special Assignment Pay Form
 - Expense reimbursements - Authorized through A/P in accordance to Expense Reimbursement Policies and Procedures. Data file created from PeopleSoft and uploaded to ADP Payforce for payment.
 - Upload file from Kronos timekeeping for exception pay for exempt staff.
 - ✓ Creates and submits payroll files to ADP for preview.
- Operations Manager
 - ✓ Reviews preview payroll register and accepts file to process in ADP
- ADP
 - ✓ Creates vouchers, checks, tax payments, garnishment disbursements, retirement distributions to TIAA-CREF and payroll registers/reports. Disburses through ADP portal.
- Financial Operations
 - ✓ Reviews and Posts Payroll journal created by ADP to PeopleSoft General Ledger
- Treasury

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- ✓ Verifies funds disbursed
- Operations AP/Cashier Team
 - ✓ Receives disbursements from ADP
 - ✓ Sort payroll checks/pay stubs according to departments
 - ✓ Distribute paychecks and paystubs to all departments in accordance to pay cycle
- Financial Accounting Analyst
 - ✓ Reconciles bank
- Accounting Services
 - ✓ Receives notification from TIAA-CREF that file was received
 - ✓ Disburses cash to TIAA-CREF to fund retirement deduction disbursements via EFT

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