

## Client Agency Policy & Operations Manual

**SECTION:** 40 Human Resource and Payroll Management

**NUMBER:** SCS-40-010

**TITLE:** Payroll Management

**EFFECTIVE DATE:** 4-19-02

**APPROVED:** Signature on file with the State Controller's Division

**PURPOSE and/or RESULTS DESIRED:** It is the intent of this policy to ensure client agencies maintain and submit accurate and timely documentation of time and attendance records.

**AUTHORITY:** [ORS 291.015](#) Fiscal responsibilities of department; delegation of fiscal functions.  
[ORS 291.990](#) Penalties.  
[ORS 292.010](#) Salaries of state officers and employees payable monthly or biweekly.  
[ORS 292.036](#) Rules and regulations.  
[ORS 293.295](#) When claim against moneys in State Treasury may be paid.  
[ORS 293.590](#) Department to supervise state agency accounting; furnishing accounting services.  
[OAM 10.90.00 PO](#) Approval of agency head transactions.  
[OAM 45.07.00 PO](#) Time Record Approval.  
[DAS-HRSD Rule and Policy Manual](#)

**APPLICABILITY:** Client agencies assigned and/or contracting for accounting, budgeting, and financial reporting services with the State Controller's Division and Operations Division, DAS.

**POLICY:** This policy establishes standards of accountability and internal control to ensure that all time records are appropriately reviewed and approved.

**GUIDELINES:**

**I. Time Record Approval**

- A. Time and attendance review and approval
  - 1. Client Agency Heads shall create, maintain, and administer written policies and procedures that ensure conformance to this policy, [DAS Human Resources Services Division \(HRSD\) policies](#), and, if applicable, collective bargaining agreement provisions that address employee pay.
  - 2. 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. Whether a paper timesheet, an agency specific time and attendance system, or an Oregon State Payroll Application (OSPA) time and attendance system is used, agencies must ensure the review and approval of the data that becomes the basis for and the documentation of

the payroll expenditure. The approval is the supervisor's affixed or electronic signature. Agency administration is responsible for ensuring that this policy is followed throughout the agency and that alternate reviewers are designated when supervisors are absent from work.

3. Payroll transactions are no different than any other agency expenditure and require the application of the same standards of internal control, the basis for which is defined in [Chapter 10 of the Oregon Accounting Manual](#).

#### B. Approval roles

1. State employees are expected to prepare and present accurate and timely documentation of their time and attendance dependent upon their status under the Fair Labor Standards Act (FLSA). [DAS HRSD Policy 20.005.20](#) provides guidelines for application of the FLSA. The requirement to report actual hours worked or the eligibility for compensatory time or overtime is dependent upon the FLSA status or the collective bargaining agreements for represented employees.
2. The Client Agency Head or designee is responsible for the review and approval of all employee time records. Client agency heads shall ensure that time records are reviewed timely in accordance with the State's official payroll calendar or any applicable agency specific payroll processing calendar. DAS-OBA Payroll Services distributes at the beginning of the calendar year a Payroll Date Schedule for Client Agencies to use.
3. The Client Agency Head or designee must review all entries on the employee's time record. The review should consider each time element reported as well as considering time elements not reported. If errors are detected on the time record, the client agency head or designee must coordinate with the employee's supervisor to correct the time record by the payroll calendar deadline.
4. Time records that have not been reviewed and authorized may introduce erroneous data into the state payroll and accounting systems and cause unauthorized expenditures of state funds. Failure to review and authorize time records is an inappropriate action by a person responsible for authorizing the expenditure. The client agency head should apply the same standards and penalties for failure to review and authorize time records as those included in [OAM 10.40.00.PO](#), Internal Control – Expenditures, in the section titled Penalties for Inappropriate Action.

#### C. Standards for time record review

1. The Client Agency Head or designee must review all entries on the employee's time record. The review should consider each time element reported as well as considering time elements not reported. If errors are detected on the time record, the supervisor must coordinate with the employee to correct the time record in a timely manner according to the payroll calendar. The review should consider:
  - i. Regular Hours. Time that the employee is actually on the job is regular hours and may have the addition of differentials or other added pay components. The Client Agency Head must ensure the accuracy of this time.
  - ii. Vacation Hours. The time record should be reviewed for the presence or absence of vacation hours consistent with actual hours the employee may have taken or neglected to record. Review this time to ensure consistency with [HRSD Policy 60.000.05](#) Vacation Leave, and any applicable collective bargaining agreements.
  - iii. Sick Leave Hours. The time record should be reviewed for the presence or

absence of sick leave hours consistent with actual hours the employee may have taken or neglected to record. Review this time to ensure consistency with [HRSD Policy 60.000.01](#) Sick Leave, and any applicable collective bargaining agreements.

- iv. Holiday Hours. While the OSPA forecasts holiday time based on an employee's work schedule, those days should be reviewed for time that may have been actually worked on the holiday and any applicable premiums. Additionally, for those employees who work a schedule other than an 8 hour day, the holiday entries should be reviewed for the addition of vacation hours or compensatory time added to the allowable holiday hours to fill the deficit between the holiday hours allowed and the scheduled hours. Review this time to ensure consistency with [HRSD Policy 60.010.01](#) Holidays, and any applicable collective bargaining agreements.
- v. Special Paid Leave and Personal Business. The time record should be reviewed for the presence or absence of these leave hours consistent with actual hours the employee may have taken or neglected to record. Review this time to ensure consistency with [HRSD Policy 60.000.10](#) Special Leaves With Pay, or any applicable collective bargaining agreement.
- vi. Vacation Payoff. The use of vacation payoff when the employee has been denied time off must be pre-authorized in writing and supervisors must not approve the time record without the presence of that pre-authorization. A copy of the pre-authorization is to be sent to DAS-OBA Payroll Services for processing. Vacation payoff that is associated with a transfer to another agency or termination from state service should be reviewed to ensure that it is consistent with the standards. In all of these circumstances, review this time against [HRSD Policy 60.000.05](#) Vacation Leave, and any applicable collective bargaining agreements.
- vii. Exceptional Performance Leave or Recognition Leave Pay. This leave shall be granted using the criteria set forth in [HRSD Policy 60.000.10](#) Special Leaves With Pay. This leave must be pre-authorized in writing and the supervisor must not approve the time record without the presence of that pre-authorization. A copy of the Exceptional Performance Leave or Recognition Leave Pay is to be sent to DAS-OBA Payroll Services for processing. The time record should be reviewed for the presence or absence of these hours consistent with actual hours the employee may have taken or neglected to record.
- viii. Leave Without Pay. In the forecast payroll environment, leave without pay results in an overpayment to the employee. Any hours that an employee does not work that cannot be supported by sick or vacation leave balances or compensatory time becomes leave without pay and reduces the employee's salary. The time record should be reviewed to ensure the presence of these hours when applicable. Further, supervisors have a responsibility to report occurrences of leave without pay to their agency payroll office as soon as they become aware of that fact. Payroll staff may then prevent an overpayment by logging the LWOP hours on the Run 1 payroll. Review this time to ensure consistency with [HRSD Policy 60.005.01](#) Leave Without Pay, and any applicable collective bargaining agreements.
- ix. Overtime and/or Compensatory Time Accrued. The time record should be reviewed for the presence or absence of these hours consistent with agency specific overtime authorization forms or other documentation. Review this time to ensure consistency with [HRSD Policy 20.005.20](#) FLSA Laws, and applicable collective bargaining agreements.
- x. Shift Differential. The time record should be reviewed for the presence or absence

of these hours based on the employee's work schedule. Review this time to ensure consistency with [HRSD Policy 20.005.10](#) Pay Practices, and applicable collective bargaining agreements.

- xi. Other Situations. Supervisors should coordinate with their agency payroll staff or [DAS Office of Business Administration Payroll Services](#) for assistance and clarification of the appropriate pay codes to be used in situations or occurrences of military leave, jury duty, workers' compensation claims, family medical leave, employees returning to work on light duty, time off for union business, employees whose hours are supported under a return to work agreement, situations of paid leave pending an investigation or other occasional situations. The review of the time record should include these pay codes and hours. [HRSD Policy 60.000.10](#) Special Leaves With Pay, provides guidance on some of these leaves, some are governed by collective bargaining agreements, and some require coordination with the agency personnel office.
- xii. Changes and Adjustments. Supervisors are responsible for ensuring that any prior month time record adjustments or corrections are reported to the agency payroll office as soon as detected.

## II. Client Agency Head Time Record

- A. [OAM 10.90.00](#) sets accountability and control standards for the determination and delegation of review and approval authority including, but not limited to, the agency head's monthly time report, requests for vacation payoff, and use of exceptional performance leave. These transactions are to be reviewed for completeness and accuracy and ensure they are in conformance with and measured against the documentation and compliance standards provided therein.
- B. Client Agency Heads must develop and implement internal procedures for the review and approval of the following agency head transactions.
  - 1. Time reporting: Review and approve the agency head's monthly report of sick leave, vacation, holiday or other leave hours used. Review for completeness and accuracy and to ensure that all time that has been taken has been reported. Ensure that leave hours comply with [HRSD 60.000.01](#) Sick Leave; [60.000.05](#) Vacation Leave; [60.010.01](#) Holidays; [60.000.15](#) Family Medical Leave; [60.005.01](#) Leave Without Pay; and [60.000.10](#) Special Leaves with Pay.

Time reporting (leave usage) must be documented using either paper or electronic timekeeping methods. The documentation must show that the time reports have been reviewed and approved by the appropriate authority, which, in the case of a board or commission, may be the ranking officer of the board. In some cases, the Client Agency Financial Officer may be given the authorization to review and approve for the agency head. This is applicable in the case of hardship obtaining signatures due to the location or unavailability of a member of the board. A blue signature card is required for authorization of approval by the Board to the Client Agency Financial Officer and must be sent to DAS-OBA Payroll Services. Note: Heads of agencies are classified as exempt from the Fair Labor Standards Act (FLSA) and as such should not be required to report actual hours worked.

The time reporting review is intended to focus only on hours related to the categories defined above. The documentation must provide evidence for an audit trail and must be maintained by the agency for the prescribed IRS retention schedule for time records of three years and one quarter as well as the current record retention standards per Secretary of State, Archives Division.

- 2. Exceptional Performance Leave: This leave shall be granted to agency heads using

the criteria set forth in [HRSD 60.000.10](#) Special Leaves With Pay. For agency heads appointed by the Governor, this leave shall only be granted by the Governor or by the Director of the Department of Administrative Services on behalf of the Governor. For agency heads reporting to a board or commission, this leave shall be granted by that body or by the board or commission chair and documented in the minutes of the board or commission. The review and approval responsibility is to ensure that the Exceptional Performance leave was granted based on appropriate criteria and authority and is in compliance with [HRSD policy 60.000.10](#).

The review and approval of these transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with the prevailing state policies as listed. The documentation must clearly demonstrate the criteria upon which the leave was granted. The documentation must include copies of the written request and approval granting the leave and copies of the board or commission minutes, if applicable. The documentation must be retained according to the current record retention standards per Secretary of State, Archives Division. A copy of the Exceptional Performance Leave must be sent to DAS-OBA Payroll Services.

3. Vacation Payoff: Review and approve ensuring compliance with [HRSD policy 60.000.05](#) Vacation Leave. The review and approval of these transactions must be documented to provide an audit trail and evidence that the review complies with and was conducted in accordance with [HRSD 60.000.05](#). That review must clearly demonstrate that the vacation payoff was approved in accordance with Section (6)(b) of that policy which mandates that a vacation payoff be only granted when taking vacation leave is not appropriate. Copies of the written request and approval granting the vacation payoff and copies of the board or commission minutes, if applicable, must be part of the documentation for these transactions. A copy of the Vacation Payoff approval must be sent to DAS-OBA Payroll Services.
4. The documentation for all of the above should be retained according to the current record retention standards per Secretary of State, Archives Division.

- C. For the purposes of this policy, those persons delegated to review and approve financial transactions for state agency heads have a duty to comply with the provisions of this policy. Any Client Agency Head requests to deviate from this policy must be approved by the State Controller. Those persons delegated review and approval authority having reservations or questions about an agency head financial transaction may seek guidance from the State Controller's Division.

### **III. Payment of Employee Expenses Through OSPS**

- A. OSPS has the ability to reimburse employee expenses. When this feature is used, expenses must be documented and their payment approved by the Client Agency Head or designee before the payment is entered on OSPS.
- B. In the case of a Client Agency Head requesting reimbursement, the expenses must be documented and their payment approved by the board or commission chair or other board or commission member.
- C. The approval documentation will be retained in agency files through one complete audit cycle.

#### IV. Donated Vacation Leave

- A. An appointing authority may establish and administer a donated vacation leave program that:
  - 1. Allows any 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 to receive donated leave;
  - 2. Allows an employee, within the same agency, to voluntarily donate vacation leave in increments of one hour or more to an eligible employee's sick leave account, based on the conversion of the donor's salary rate to sick leave hours at the donee's salary rate;
  - 3. Prohibits the donor from recovering any unused hours from the donee's sick leave account;
  - 4. Requires documentation, including the donor's signature, verification of need, and accurate record keeping;
  - 5. Allows donated leave to be provided to employees in other state agencies with the approval the appointing authorities; and
  - 6. Allows exceptions to the above provisions by approval of the client agency head as provided for in [DAS HRSD Policy 60.000.01](#) Sick Leave With Pay.

#### V. Separation of duties

- A. In keeping with generally accepted internal control procedures, persons other than State Controller's Division OSPS Central Payroll staff who have been granted payroll update access are precluded from receiving or processing payroll checks and stubs prior to their regular distribution on the published release date (pay day).
- B. The above restriction applies as well to special checks ordered through the OSPS Central Payroll unit "manual check" process.

#### **PROCEDURES: Completion, Review and Approval of Employee's Time Record**

<b><u>Step</u></b>	<b><u>Responsible Party</u></b>	<b><u>Action</u></b>
1.	Employee	Prepare an accurate time record including, but not limited to, hours worked, vacation hours taken, sick leave hours taken, and overtime or compensatory pay earned; submit completed time record to client agency head or designee.
2.	Client Agency Head or Designee	Review employee time record for accuracy and completeness; send signed time record to agency payroll staff or DAS-OBA Payroll Services for processing.
3.	Client Agency Head or Designee	Distribute checks on the published release date (pay day).

**PROCEDURES: Completion, Review and Approval of Agency Head's Time Record**

1. Agency Head Prepare an accurate time record including, but not limited to, vacation hours taken, sick leave hours taken, holidays, FMLA, leave without pay and special leaves with pay; submit completed time record to board or commission member or chair for review.
2. Board / Commission Member Review Client Agency Head time record for accuracy and completeness; send signed time record to agency payroll staff or DAS-OBA Payroll Services for processing.