

OREGON ACCOUNTING MANUAL

 STATEWIDE POLICY	NUMBER 45.37.00	SUPERSEDES 45.37.00 Dated 06/29/2007
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Division Chief Financial Office	REFERENCE/AUTHORITY ORS 292.010 ORS 292.016 ORS 292.022 ORS 292.036 ORS 292.170	
Policy Owner Office of the State Controller Oregon Statewide Payroll Services (OSPS)		
SUBJECT Payroll – Review of Pay Period Time Off Reports	APPROVED SIGNATURE	

PURPOSE

This policy provides information to agency management on the effective use of leave balance reports and coordination with the agency payroll office to manage the risk of payroll overpayments.

APPLICABILITY

This policy applies to all state agencies that are subject to the Oregon Accounting Manual (OAM), as outlined in **OAM 01.05.00** Introduction: Scope and Applicability. If any provisions of OAM policies or procedures conflict with bargaining agreements, the provisions of bargaining agreements would supersede OAM guidance.

FORMS/EXHIBITS/INSTRUCTIONS

None.

DEFINITIONS

Forecast: A payroll forecast is a financial projection that estimates an organization’s total payroll expenses over a future period. It includes anticipated costs such as employee salaries and wages, overtime, bonuses, payroll taxes, and benefits like health insurance and retirement contributions.

Payroll Run 1: This payroll run uses forecasted hours based on the employee’s schedule and occurs around the 25th of each month in order to process payroll prior to the 1st of the next month.

Payroll Run 2: This payroll run occurs around the ninth of the next month to finalize an employee’s pay based on time that was entered in the prior month.

Refer to **OAM 65.00.00** Glossary for definitions.

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY:

Workday Payroll Processing

101. The state utilizes an anticipatory payroll processing methodology. When **Payroll Run 1** is processed, each salaried employee is paid on the basis of a monthly hours **forecast** derived from individual work schedules. **Payroll Run 2** perfects Run 1 by adding detailed information from the employee's timesheet, which may include time off hours taken.
102. An employee who works less than the anticipated schedule and has insufficient time off balances to support the time away from work, may have been overpaid on **Payroll Run 1**. When **Payroll Run 2** is processed, the calculation will result in a negative pay condition representing the overpayment. Employees who terminate after being overpaid may represent a collection problem for the agency. Continuing employees who frequently are in a leave-without-pay status could, as a result, be frequently overpaid.

Managing Risk of Payroll Overpayments

103. Supervisors shall review the time off reports timely, paying particular attention to employees who have low sick or vacation balances. Employees who have already used leave during the pay period may have depleted their time off balances. Employees who use time off or terminate during the last week of the month may not have enough time off to fully support those days away from work, creating a payroll overpayment. The supervisor shall immediately update timesheet detail within the Workday (or approved) time tracking system to prevent or correct a payroll overpayment. The supervisors shall then provide written notice to the employee of what actions were taken.
104. Because payroll is processed prior to payday, the employee's paycheck may already be in process at the time they take time off or terminate. The supervisor must communicate immediately with the agency payroll office to manage the risk of overpayment. A payroll check can be cancelled and reissued for a lesser amount that reflects the missed workdays. For an employee who uses direct deposit, the paycheck cannot be cancelled, but an ACH reversal transaction may be attempted if the situation warrants that action.
105. When an employee is regularly reporting leave-without-pay due to insufficient balances of sick or vacation time off available to support days away from work and that has resulted in more than one occurrence of overpayment, the agency must take immediate action to prevent a recurrence of the overpaid status and to protect against losses or costly collection procedures. The agency may temporarily cancel an employee's direct deposit participation to ensure the maximum amount of time available to make last minute pay corrections. Direct deposit may be restored once the employee accrues sufficient time off balances to support time away from work and the risk of overpayments has decreased.