

INTRODUCTION TO PAYROLL

REGULATIONS AND POLICIES

Federal and State rules and regulations, statewide and agency policy, and collective bargaining agreements govern state payroll. Resources include:

- United States Agencies
 - Department of Labor, <http://www.dol.gov/>
 - Internal Revenue Service, <http://www.irs.gov/>
- State of Oregon Agencies
 - Bureau of Labor and Industries, <http://www.oregon.gov/boli/Pages/index.aspx>
 - Department of Administrative Services, Chief Human Resource Office, <http://www.oregon.gov/DAS/HR/Pages/Index.aspx>
 - Department of Revenue, <http://www.oregon.gov/dor/pages/index.aspx>
 - Public Employees Benefit Board, <http://www.oregon.gov/DAS/PEBB/index.shtml>
 - Public Employee Retirement System, <http://www.oregon.gov/PERS/Pages/index.aspx>
- State of Oregon Rules and Regulations
 - Revised Statutes, https://www.oregonlegislature.gov/bills_laws/Pages/ORS.aspx
 - Administrative Rules, <http://arcweb.sos.state.or.us/pages/rules/index.html>

PAYROLL CYCLE

PAYROLL RUNS

OSPA processes payroll twice each month – run 1 and run 2. The two runs make up one month’s payroll.

Run 1 is an anticipatory run that normally occurs between the 23rd and the 28th of each month. It produces payments for the first of the following month. Exempt and most salaried employees may record their actual time worked up to cut-off for the run and then project their time for the rest of the month. If they do not, OSPA will use the forecast to calculate their pay for run 1 for the entire month. In most agencies, hourly employees will receive pay for the actual hours worked prior to run 1 cut-off.

Run 2, a clean up or perfecting run, normally processes around the 10th of the following month. It produces payments for the 15th of the following month. This run reflects any clean-up to forecasted or projected time from run 1 for exempt and most salaried employees. Hourly employees will receive pay for the actual hours they worked between run 1 cut-off and the end of the month.

PRELIMINARY AND FINAL RUNS

OSPA has a preliminary and a final run for each payroll run. The preliminary run produces exception reports, which agency payroll use to identify any payroll exceptions that need changes prior to the final

run. The preliminary run does not post to the OSPA databases or produce payments or reports (other than exception reports).

The final run produces:

- Reports and payments
- Posts to the OSPA databases
- Posts labor costs to R*STARS
- Interfaces data to several other computer systems / applications

The payroll registers produced during the final run serve as the official record of each run.

PAYROLL TYPES

Normally, within each run, there may be two payroll types:

- Regular transactions for the current pay period
- Correctives for the current tax year

On rare occasions, there may also be a Retroactive run. OSPS requests a retroactive run to change payroll records for a large number of employees in pay period(s) in the current tax year. For example, OSPS will request a retroactive run when a union approves a labor contract more than three months after the beginning of the new contract year.

FORECAST

Preliminary Payroll Run 1

ORS 652.120 Establishing Regular Payday; Pay Intervals... requires that:

- The state pay employees at least every 35 days
- The employee be paid, even if that employee has not submitted a timesheet

The Federal Fair Labor Standards Act (FLSA) requires that the state maintain the following records for employees who are FLSA non-exempt:

- Time and day of week when employee's workweek begins
- Hours worked each day
- Total hours worked each workweek

For OSPA, the paper timesheets, the P004 Time Capture screen, and ePayroll meet the FLSA requirements for maintaining employee records of actual hours worked.

The State is not required to maintain the same detailed time records for FLSA Exempt employees. We only need to record exceptions to their normal schedule. For example, they need to record any paid leave or unpaid absence from work. This ensures that the employee's pay and leave accrual records are correct. An agency can elect to apply this same exception reporting to all salaried (WAGE BASIS CD on the P030 Job Status Data screen = S or P) employees.

The forecast in OSPA ensures that the state complies with ORS 652.120. During preliminary payroll run 1, OSPA forecasts the time for FLSA exempt and most salaried employees. It uses the employee's work schedule code on the P020 Work Schedule Data screen and the PT-FT CD/PCT on the P030 Job

Status Data screen to predict the days and hours the employee will work for the month. If the employee's actual time is not entered prior to final payroll run 1, OSPA will use the forecast to create the employee's pay for the month.

OSPA does not forecast time for hourly employees (WAGE BASIS CD = H on the P030 Job Status Data screen). They receive pay on a lag basis, generally two weeks after the end of the pay period, based upon their actual hours worked and entered in OSPA.

For employees with forecasted hours, agency payroll needs to carefully monitor their time for LWOP. This will prevent overpayments.

P003 and P004 Time Capture Screens

OSPA also performs a real-time on-line forecast for FLSA exempt and most salaried employees when you access the P003 and P004 Time Capture screens. OSPA uses the forecast to edit the time entered. If the employee's work schedule or full-time / part-time status changes, OSPA will re-calculate the forecast on these screens.

If the employee has entered time on the P004 prior to preliminary payroll run 1, OSPA will not forecast over the time entered. It will forecast the time for the days where the employee should have worked and has not entered time or leave.

ePayroll

OSPA also performs a real-time on-line forecast for FLSA exempt and most salaried employees when you access ePayroll. OSPA uses the forecast to edit the time entered. If the employee's work schedule or full-time / part-time status changes, OSPA will re-calculate the forecast in ePayroll.

If the employee has entered time in ePayroll prior to preliminary payroll run 1, OSPA will not forecast over the time entered. It will forecast the time for the days where the employee should have worked and has not entered time or leave.

Timesheets

For employees with TIMESHEET CD = 1 or 2 on the P030 Job Status Data screen, OSPA will print their forecasted time on the timesheet.

For employees to utilize ePayroll to record time, the TIMESHEET CD must be N either upon hire or prior to Preliminary Run 1 of the month prior to starting in ePayroll.

Holidays

When OSPA forecasts an employee's time for a pay period with a holiday, it uses the Holiday Package Table to forecast the employee's holiday pay. OSPA uses the employee's HOLIDAY PKG CD on the P030 Job Status Data screen to identify the correct holiday schedule. See the Statewide Payroll Reference Manual, OSPA Related Documents, Screen Guides, P030, for possible values.

JOINT PAYROLL ACCOUNT

ORS 292.024 establishes the Joint Payroll Account (JPA) with the Oregon State Treasury (OST). Payroll checks are drawn on the OST and are payable from the JPA. ORS 292.026 authorizes electronic payments in lieu of paper checks.

The JPA is a revolving or zero-balance account. After each final payroll run, OSPA issues payments on the JPA on behalf of state agencies. It also interfaces the total amount of payroll costs to R*STARS, which creates balanced transactions (BT's). The BT's transfer funds from state agency accounts to the JPA to fund the payments.

In addition to individual employee payroll checks, OSPA generates payments from the JPA to:

- State and federal government for employee and employer taxes
- Vendors for employee's insurance premiums, parking, garnishments, child support, etc.
- Department of Consumer and Business Services for the Worker's Benefit Fund
- Public Employees Retirement System for PERS and OSGP

IMPACT ON FINANCIAL RECORDS

Personal services represent one of the major categories of expenditures for state agencies. After each final payroll run, OSPA summarizes the payroll expenses by agency, fund, PCA, Index, grant, project and agency or comptroller object. With the exception of Lottery, Department of Transportation, and Department of Corrections, it then interfaces this financial data to R*STARS. State agencies use the data in R*STARS to:

- Prepare the state's Combined Annual Financial Report (CAFR) and individual agency financial statements
- Compare actual expenses and revenue to budget

PAYROLL PROCESS FLOW

The steps associated with payroll processing include:

Responsible Entity	Responsibility
Agency Payroll Office	<ol style="list-style-type: none"> 1. Shortly before month-end, receives the next month's timesheets for employees who are not on ODT or ePayroll. 2. Checks for completeness and accuracy 3. Distributes to employees before the beginning of the next month

Responsible Entity	Responsibility
Agency	4. Receives first-of-month paychecks and pay stubs 5. Checks for completeness and accuracy 6. Distributes to employees on payday
Agency Personnel Office	7. Processes Personnel Actions in the PPDB as quickly as possible. This is especially important for new hires, separations, and changes in the employee's earnings or work charge codes.
Agency Payroll Office	8. Receives OSPA reports for run 1; reviews and distributes or stores 9. Keeps tax and retirement information, deductions, and work schedules accurate and current. Enters all changes to work schedules prior to the forecast and prior to entering the employee's time for the month. Enters tax information prior to run 1 final.
Agency Payroll Office or Timekeepers	10. Prior to final run 1 cut-off, receives preliminary timesheets for employees who are not on ODT. Enters time for the entire month on the P001 / P003 screens. 11. After the end of the month, receives the final timesheets for employees who are not on ODT. Makes any necessary adjustments prior to the cut-off for final run 2.
Employees on ODT	12. Before run 2 final, enter time on the P005 / P004 screens.
Managers with Employees on ODT	13. Before run 2 final, approve or lock employees' time on the P006 screen.
Employees on ePayroll	14. Before run 2 final, enter time in ePayroll.
Managers with Employees on ePayroll	15. Before fun 2 final, approve employees' time in ePayroll.
Agency	16. Receives paychecks and stubs for run 2 around the 15 th of the following month 17. Checks for completeness and accuracy 18. Distributes to employees on payday
Agency Payroll Office	19. Receives OSPA reports for run 2; reviews and distributes or stores

Responsible Entity	Responsibility
	20. Throughout the month, requests manual or off-cycle checks as necessary

REVISION HISTORY

Date	Rev. No.	Modification
08/02/06	1.0	Original
07/01/09	1.1	Periodic review, transition from ROSCOE
06/28/12	1.2	Periodic review
05/12/16	1.3	Updated web links Updated OSPS email address Added ePayroll to responsible entities