

Introduction to Payroll

Regulations and Policies

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

- U.S. Social Security Act
- U.S. Employee Tax Withholding, Publication 15 and 15A, Circular E
- U.S. Fair Labor Standards Act (FLSA)
- U.S. Family and Medical Leave Act of 1993 (FMLA)
- U.S. Social Security Number Privacy and Identity Theft Prevention Act of 2001, Privacy Act of 1974
- Oregon Wage and Hour Laws, ORS Chapter 652 and OAR Chapter 839
- Oregon Laws for Salaries and Expenses of State Officers and Employees, ORS Chapter 292
- Oregon Family Leave Act (OFLA), ORS 659.470 to 659.494 and OAR 839-009-0200 to 839-009-0320
- Oregon Personal Income Tax, ORS Chapter 316
- Oregon Unemployment Insurance, ORS Chapter 657
- Oregon Public Employees Retirement System, ORS Chapter 238
- Oregon Public Service Retirement Plan, ORS Chapter 238A
- Oregon Workers' Compensation, ORS Chapter 656
- Oregon Uniform Electronic Transactions Act, ORS Chapter 84
- Oregon Electronic Signatures Act, ORS 192.845 to 192.850 and OAR 441-780-0010 to 441-780-0090
- Oregon Accounting Manual, Chapter 45, Payroll
- Oregon Accounting Manual, Chapter 50, Tax Issues
- Oregon State Personnel Rules and Policies

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 errors that need correction 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 prior three pay periods

On rare occasions, there may also be a Retroactive run. OSPA requests a retroactive run to change payroll records for a large number of employees in pay period(s) four or more months prior to the current pay period and in the current tax year. For example, OSPA 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 not FLSA exempt:

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

For OSPA, paper timesheets and the P004 Time Capture screens 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 = 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 and the PT-FT CD/PCT on the P030 Job Status Data 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). 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.

Timesheets

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

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 to identify the correct holiday schedule.

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, payments from the JPA include aggregate payments 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 controller 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, receive the next month’s timesheets for employees who are not on ODT. 2. Check for completeness and accuracy. 3. Distribute to employees before the beginning of the next month.
Agency	<ol style="list-style-type: none"> 4. Receive first-of-month pay checks and pay stubs. 5. Check for completeness and accuracy. 6. Distribute to employees on payday.
Agency Payroll Office	<ol style="list-style-type: none"> 7. Receive OSPA reports for run 1; review and distribute or store.
Agency Personnel Office	<ol style="list-style-type: none"> 8. Process 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	<ol style="list-style-type: none"> 9. Keep tax and retirement information, deductions, and work schedules accurate and current. Enter all changes to work schedules prior to the forecast and prior to entering the employee’s time for the month. Enter tax information prior to run 1 final.

OSPA Reference Manual

Introduction

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Responsible Entity	Responsibility
Agency Payroll Office or Timekeepers	<p>10. Prior to final run 1 cut-off, receive preliminary timesheets (yellow copy) for employees who are not on ODT. Enter time for the entire month on the P001 / P003.</p> <p>11. After the end of the month, receive the final timesheets (white copy) for employees who are not on ODT. Make any necessary adjustments prior to the cut-off for final run 2.</p>
Employees on ODT	12. Before run 2 final, enter time on the P005 / P004.
Managers with Employees on ODT	13. Before run 2 final, approve or lock employees' time on the P006.
Agency	<p>14. Receive pay checks and stubs for run 2 around the 15th of the following month.</p> <p>15. Check for completeness and accuracy.</p> <p>16. Distribute to employees on payday.</p>
Agency Payroll Office	<p>17. Receive OSPA reports for run 2; review and distribute or store.</p> <p>18. Throughout the month, request manual or off-cycle checks as necessary.</p>

REVISION HISTORY

Date	Rev. No.	Modification
08/02/06	1.0	Original
07/01/09	1.1	Periodic review, transition from ROSCOE