

Yellow Medicine County
Payroll
Narrative
05/21/2012

Updated by: Michelle May, Finance Manager – revised 10/01/2014

Yellow Medicine County payroll processing is performed at different levels. The County Board sets annual salaries for elected officials, department heads, and exempt (meaning no overtime) employees and hourly rates for all other nonunion employees. Most employees' wages are determined by the union contracts that are approved by the Board. After approval, the HR Coordinator updates the wage rates in the HR Software. These rates calculate hourly, pay period, and annual pay in each employee's file within the HR Software. The HR Software also interfaces these rates to the payroll system (PayLib). For each new employee the payroll clerk works with Human Resource Coordinator and County Administrator to determine the employee's position, work comp code, PERA eligibility, appropriate department and benefits. Annually or when a new employee starts the F&A Deputy inputs the employee's insurance and benefit elections into PayLib to calculate pay period deductions.

Before a payroll is run, the F&A Deputy in charge of payroll reviews and makes necessary adjustments to billing from the providers of insurance for health care, dental, life, deferred compensation plans and disability. When the correct amount to remit is determined, the F&A Deputy in charge of payroll makes sure that the amount deducted through payroll matches the correct premium amount. Other deductions (such as garnishments and child support) are processed by the F&A Deputy in charge of payroll from official orders. Payroll deductions for insurances are updated as premiums change, when changes are made from employee change forms or as new employees become eligible from their initial paperwork.

In 2003, Yellow Medicine County implemented the positive pay method which results in a holdback period over the whole year. In 2012, Yellow Medicine County switched from a semi-monthly pay period to a bi-weekly pay period. All employees are paid every other Friday for the previous pay period.

All hourly full-time and part-time employees, except Sheriff's deputies, are paid based on actual hours worked. Salaried employees, exempt employees, and Sheriff's deputies are paid 1/26th of their approved annual salary per pay period. Due to the variable nature of the deputy schedule, the Sheriff's deputies receive a more equalized paycheck for each pay period by receiving 1/26th of their annual salary. Vacation and sick leave are accrued through paycheck date. Vacation and sick leave used are reported as a pay period in arrears. Comp time earned and used is reported as a pay period in arrears. Time sheets are used by all employees, including the sheriff and jail departments, except for elected officials. Exempt employees only report vacation and sick time on time sheets.

Non-overnight meals and per diems are reimbursed through payroll once board approval is given. Per Diem and taxable meal reimbursements are summarized for Board approval. After approval, the accountants for each of the funds (Revenue and Ditch, Road and Bridge, and Human Services) summarize the amounts (with the time-explained below) for the F&A Deputy to process with payroll. Per diems are paid through payroll on the next paycheck following

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Board approval and are taxable income. Taxable meal reimbursements are also paid on the next paycheck following Board approval and are taxable income but are not subject to PERA. All other employee expense reimbursements (such as mileage and non-taxable meals) are not processed through payroll.

Payroll processing in the PayLib payroll software system is centralized in the F&A Department. The F&A/ HR Coordinator is the payroll back-up person in case the F&A Deputy in charge of payroll is absent.

At the end of each pay period, the F&A Deputy in charge of payroll and the Highway Accountant collects the time sheets and reviews them for accuracy after they are approved by department heads and/or supervisors. The Highway accountant enters payroll information from the paper timesheets into the Cost Accounting System and interfaces into the PayLib system, as well. The F&A Deputy in charge of payroll interfaces employee electronic timesheets from the Online Timesheet software into the PayLib system. For those individuals with paper timesheets from the Revenue Fund, the F&A Deputy enters the data into the payroll system prior to processing. Per diems, taxable meals, and other miscellaneous pays such as retro pay and comp time pay are also entered into PayLib. All timesheets, including the Highway Dept., are retained by the F&A Dept.

The Payroll sequence is then ran by the F&A Deputy in charge of payroll. After payroll is processed, the above information is interfaced into the Integrated Financial System. The Ditch Fund payroll is processed in PayLib with the Revenue Fund. A monthly journal entry is used to transfer the payroll expense from the Revenue Fund to the Ditch Fund in the general ledger.

Vacation, sick, and comp balances, as well as tax withholdings are calculated by the Paylib System with the information printed on the pay stubs. All necessary codes and formulas are set-up and maintained in the personnel portion of the PayLib system with employees' anniversary dates and accumulated hours also verified. The Highway Accountant tracks time off using a manual journal to verify against the Paylib system to ensure data entry accuracy. Each pay period a vacation, sick, comp report is run out of the PayLib system. The F&A Deputy in charge of payroll reviews the report for accuracy.

If the F&A Deputy in charge of payroll or the Highway Accountant has concerns regarding any timecard, such as overtime claimed, contract interpretations, or when banked balances do not follow the prescribed year-end maximums or minimums, they are brought to the appropriate supervisor, department head and/or County Administrator for resolution.

At year-end, reports of vacation and sick accrued balances per employee are generated. The F&A Deputy in charge of payroll reviews the lists to maintain all accrued balance maximums per the applicable personnel policy or union contract. Adjustments are made within the payroll personnel system at the beginning of each calendar year to reflect the allowed maximum accrued balances. These same reports are also used to calculate the Compensated Absences Liability. The F&A Deputy in charge of payroll maintains a spreadsheet that calculates the Compensated

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Absences Liability using the total net accrued time.

The Highway Accountant oversees payroll processing for the Road and Bridge Fund. Each week highway department employees turn in a time sheet which includes not only labor hours but also road, project, and equipment information which is necessary for the complexity of the costing program in allocating the daily time of labor and equipment used, in a minimum of 15 minute segments, to the appropriate cost account, department, road, project, and/or equipment. The Highway Accountant verifies the cost codes, roads, projects, equipment units, mileage and hours (for both labor and equip), including vacation, sick, personal leave, and comp time, calculates any miscellaneous pay, makes necessary adjustments and/or corrections, and enters the information by batches into the Costing payroll program. Batch control totals for labor, misc. pay, equipment, and mileage are maintained for balancing purposes. The timesheets are approved by the maintenance supervisors and county engineer. After all timesheet data is entered and processed, a final proof report is run for verification and dated approval by the Highway Accountant before interfacing the batches into the Paylib System. The interfacing transfers only the labor information into the PayLib System. After the county payroll is ran, the Highway portion is interfaced back to the Costing System. The Highway Accountant then processes an update listing which distributes the payroll withholdings, including insurances, to the appropriate cost accounts. The Highway Accountant also creates a file from the payroll runs for allocating fringe benefits to the costing files; this is done quarterly and/or at year end.

A transaction edit report is run on each of the payroll batches, which is then compared to the summary sheets and time sheets used by the accountants to create the batches. If incorrect, the errors are located and reconciled. After the transaction edit report is proofed, a test payroll journal is generated to verify that all calculations and net pay are correct. The payroll journal does not contain warrant numbers yet but does include flex benefit contributions and recurring deductions, which are also reconciled. The F&A Deputy in charge of payroll performs these tasks.

If no errors are located on the payroll journal, the F&A Deputy in charge of payroll runs the check processing which produces the files that print employee direct deposit stubs and vendor checks using direct deposit or electronic funds transfer (EFT). An EFT edit is printed and checked against the payroll journal and also against any new participant's authorization forms. The EFT file is created two business days before settlement date or actual payday. This gives one day to deal with any issue that may arise during payroll processing and the necessary one day lead that the bank requires for processing the direct deposit EFT file. After the EFT file is created and reviewed, it is uploaded to Shazam ACH payroll site by the F&A Deputy. A different authorized user must release the file from the Shazam website. This user logs into Shazam, verifies the total payment amount matches the payroll journal, and then releases the file. The file is then transferred to Citizens Alliance Bank (CAB) for payment. Once processed and verified by CAB personnel, the file status is changed from "Released" to "Submitted".

The F&A Deputy in charge of payroll prints the checks, direct deposit stubs, and the final payroll journal. This final journal prints the check number and direct deposit number by each

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employee's net pay. The Highway Accountant receives a copy of the R&B portion of the journal.

The HR Coordinator verifies that the people receiving checks or direct deposits are valid employees and their amount of pay appears correct. She then passes the checks and direct deposit stubs on to the Deputy responsible for outgoing mail for distribution. The vendor payments are returned to the F&A Deputy in charge of payroll to be mailed out with the appropriate bills.

With each payroll certain reports are also run. These include a summary total by employee, a PERA summary, deductions report by vendor, and various reports that are sent in with vendor checks. Some vendors also require other forms to be completed. A comprehensive checklist is used to assure that all vendors have been paid and all reports are run in a timely manner. One of the reports, the PERA salary deduction report, requires routine maintenance and the production of a file transmitted electronically. Federal and state withholding figures as shown on the grand total page of the payroll journal are transferred to the IRS and MN Dept of Revenue, respectively. Both the Federal and State payments use an ACH Debit initiated by the F&A Deputy in charge of payroll through the internet. The HR Coordinator and/or the Finance Manager are the backups for the vendor payments/transfers.

A payroll distribution summary report is generated when "updating the master files". This process distributes wages and benefits for many employees to different funds and/or departments. Payroll data is automatically accumulated in a ledger file that is interfaced to the Integrated Financial System during payroll processing by the F&A Deputy in charge of payroll. This step generates a Payroll Distribution Account Summary. Using this report, the F&A Deputy in charge of payroll verifies the total interfaced into IFS matches the Payroll Journal. Once this part is complete, the F&A Deputy in charge of payroll enters each fund's total payroll costs into the manual warrant register using the Check Register Report generated during payroll processing.

After payroll is processed, all generated reports are uploaded to Application Extender for document retention. At the end of each quarter, additional reports are ran for Department of Economic Security, IRS, and State Withholding. These reports are used to submit the quarterly returns and other informational reporting.

The Finance Manager reviews the countywide Payroll Distribution Account Summary for variances between department heads and staff. She/he also reviews and questions unusual transactions.