

Payroll Practices, Records and Outsourcing

Payroll Information	Current	M / 02
Net Pay	4,389.30	
Net Gross	0.00	
Retire	0.00	
Other	0.00	
Time		Year to Date
EARNINGS TOTAL	4,389.30	5,277.30
-Taxable Gross	351.14	418.18
able Gross	3,971.12	4,859.12

Statutory & Other Deductions	Current	Year to Date
General Withholding	311.17	311.17
Regional Federal Withholding	0.00	****
State Withholding	135.96	135.96
Regional State Withholding	0.00	****
SDI	0.00	55.06
Healthcare	62.67	75.55
Healthcare Buyout	0.00	0.00
State Disability Insurance	0.00	0.00
RS	351.14	351.14
State Retirement	0.00	0.00
RS	67.04	0.00

Presented by: Heffernan Consulting



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Disclaimer

- The information presented is general in nature and is intended to present an overview of employment practices. The written and verbal contents of the presentation are not intended to constitute consulting and/or advice and no client relationship is established between the presenter and attendees.



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- National Certification through the Human Resources Certification Institute (HRCI) as a Senior Professional in Human Resources (SPHR) since 2002
- HR consultant since 2006
- 20+ years in HR management
- Former President of National Human Resources Association (NHRA) – San Diego Chapter



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Today's Objectives

- Practices and policies
- Payroll documentation and records
- Outsourcing
- **Special disclaimer:**
 - Follow your state laws; information provided here may not meet your state requirements



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Payroll Basics



- Consistent pay dates
- Define workday and workweek
- Only time worked counts toward OT
- If having trouble meeting payroll expenses, have employees stop working temporarily



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Misconceptions

- Money grows on trees
- Your payroll processor will let you know if you're doing something illegal or ill-advised
- Your accountant will say something
- Accruals policies will be entered into payroll correctly



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Pay Periods vs. Pay Dates

- Pay period = dates worked that result in that paycheck
- Pay date = the day the paycheck will be in the employee's hand or bank
 - Choose business day before or after when pay date is on a weekend or holiday



- Non-exempt employees paid semi-monthly
 - Do NOT pay 86.67 hours per pay period



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Paycheck Wage Statement

Pay stub for an employee paid an hourly wage

The name and address of the legal entity that is the employer

Last 4 digits of the employee's social security number or an employee ID number

All applicable hourly rates

Name of the employee

The inclusive dates of the period for which the employee is paid

Total hours worked

Gross wages earned

All deductions

Net wages earned

SMITH AND COMPANY, INC. 123 West Street Smalltown, CA 98785			
EMPLOYEE Johnson, Bob	SOCIAL SECURITY NO. XXX-XX-6789	PAY RATE 18.00 regular 27.00 overtime	PAY PERIOD 2/11/02 to 2/17/02
EARNINGS	HOURS	AMOUNT	DEDUCTIONS
Regular	40.00	720.00	Federal W/H 60.45
Overtime	2.00	54.00	FICA 49.67
			Medicare 12.30
			CA State W/H 10.04
			CA State DI 7.12
			401k 77.40
GROSS EARNINGS:		774.00	
TOTAL DEDUCTED:		217.04	
NET EARNINGS:		556.96	



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Earnings and Deductions

- Earnings
 - Hours listed on separate lines for each type of earning code (regular, OT, sick, etc.)
 - Separate lines for additional earnings (bonus, commission, split shift, travel pay, etc.)
- Deductions
 - Taxes
 - Benefit co-pays
 - Garnishments
 - Pre-tax vs post-tax

Earnings Information	Current	YTD
Regular	4,389.30	
Overtime	0.00	
Sick	0.00	
Travel	0.00	
EARNINGS TOTAL	4,389.30	5,277.30
Medical Gross	351.14	418.18
Other Gross	3,971.12	4,859.12

Statutory & Other Deductions	Current	Year to Date
Federal Withholding	311.17	311.17
State Withholding	0.00	110.96
Local Withholding	0.00	0.00
State Disability Insurance	62.47	78.55
Medicare	0.00	0.00
Health Insurance	0.00	0.00
Life Insurance	351.14	351.14
Retirement	0.00	0.00
Other	67.04	0.00



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Timekeeping



- Paper timecards vs. electronic
- GPS tracking on apps
- Non-exempt vs. exempt



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Payroll Extras

- Paid sick leave differences
- Minimum and multiple wages
- Grace period and/or rounding
- On-call
- Training
- Travel
- Bonus
- Commissions
- Tips

Extra!



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Paid Sick Leave

- Multiple sick leave policies possible
 - Your policy
 - State laws
 - Locality laws
 - Federal contractors



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Wages

- Minimum wage must be paid
- Multiple wages are allowed
 - Must be distinguishable and tracked
- Unpaid workers
 - Volunteers only allowed in non-profits
 - Interns are paid unless part of a college official internship program



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Grace Periods and Rounding

- Explain details in writing, if using either
 - Get employee's signature
- Grace periods
 - Allow employees to clock in 10 minutes before starting work or 10 minutes after stopping work
 - State they are not to work
- Rounding
 - Time is rounded up/down to nearest 10th of an hour (6 minutes)
 - State you do not expect any time lost by the employee in long run



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On-Call

- Paid if too restrictive
 - Geographic
 - Reporting time
- Time worked may include travel time
- Consider a small daily rate



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Training

- Mandatory company meetings
- Required training
- Learning a new skill that benefits the company



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Travel



- May pay minimum wage, with notice
 - Time spent on unskilled work
 - Only applies to employees who don't drive as their job
- Non-commute driving to locations throughout the workday or week
- Flying or driving to a site for training or a meeting



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Bonus

- Bonus category in payroll has automatic tax %
- Excess tax will be applied to that year's tax
- May be possible to use a description of "Bonus/Comm" and use the commissions code for smaller tax hit
- Bonus amount may be required to count toward OT calculations



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Commissions

- Enter commissions as a separate line item
- Commissions must be paid as soon as you have the information needed to do the calculation
- Written commission plan

Commissions



Tips

- Treated as income and taxable
 - Tips over \$20 that day must be reported to employer
 - All tips reported on employee's annual income tax form
- Ensure total tip income reported to you in any pay period is at least 8% of your total receipts for that period
 - Total reported is <8%, allocate difference between the actual tip income reported and 8% of gross receipts by either:
 - Gross Receipt Method
 - Hours Worked Method
 - Good Faith Agreement





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More Extras

- Piece rate
- Flexing time
- California only??
 - Reporting
 - Split shift pay
 - Alternate workweeks
 - Make-up time
 - Penalty pay



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Piece Rate

- Paid for each item completed
- Separate line items for each rate used



- Under fire, legally
 - Minimum wage must still be paid
 - Paid rest breaks paid separately



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Flexing Time

- Flexible time = employer varies work times
- Flex time = employee can vary work hours
- Shift variations to cover potential overtime or out-of-state business
- Change workweek for some employees so Saturday is covered, if needed
- Get creative



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Reporting Time

- Scheduled shift
- Employee shows up but not enough work for shift
- (CA) Must pay half of shift hours
 - No less than 2 hours
 - No more than 4 hours



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Split Shifts

- Defined as a gap of more than one hour in workday
 - Applicable in your state?
- Owe 1 hour of minimum wage for split shift
- Offset by higher wage



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Alternate Workweek

- Not your regular 8a – 5p days
 - 4 x 10 hour days
 - 4 x 8.5 hour days plus Fridays off by 3p
 - 3 x 12 hour days but paid for 40 hours
- Employees needs a good reason to give up OT
- Requires certain steps be taken
 - Cannot randomly change it... those steps would need to be repeated



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Make-Up Time

- CA-approved method for avoiding overtime
- Company must approve/deny requests
- Specific rules:
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 - Request in writing
 - Time taken regardless
 - <11 Hours can be worked without paying overtime



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Penalty Pay



- Meal and rest breaks
- Know your state laws
 - If required by law, be very specific with timing
- CA law for non-exempts
 - >30 minute meal break within first 5 hours of work, if working more than 6 hours



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Time Off Records

- Documented and signed requests by employee for any time off
- Have written policies in place
 - Vacation
 - Personal time off
 - Sick
 - Illness, injury, appointments
 - Requests before or after
 - Paid Time Off (PTO)
 - Holidays
 - Working on observed holidays
 - Religious holidays
 - Personal Holiday
 - Leaves of Absence



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Recording Wage Changes

- Document every wage change
 - Effective date
 - Approval signature
 - Copy to employee
 - e.g. CA Non-Exempt Wage Theft Notice
 - Copy in employee's file



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Payroll Records Request

UNITED STATES DISTRICT COURT
 MEMORIAL A CIVIL CASE
 CV 06-80304-MSC-JVW
 Plaintiff: [Name]
 Defendant: [Name]
 Subpoena for the production of documents and other information

- Get a written request
- Not required to react immediately
- Careful what you provide
 - Timecards not part of eligible records
 - Subpoena requires you to provide what is listed

Wage Records

- Wages
- Wage rates
- Time cards
- Individual employees' hours and days
- Employment agreements/contracts
- Piece rates
- Records explaining wage differentials between sexes and between departments for same level of job
- Wage rate calculation for straight time and OT
- Shift schedules
- Itemized wage statements (pay stubs)



3⁺ Years

Payroll Records

- Name, employee number, address, age, sex, occupation
- Individual wage records
- Payment dates and periods
- Time and day work week begins
- Daily/weekly straight time earnings
- Wages pay each pay period
 - Deductions
 - Regularly hourly rate
 - Hours worked (daily/weekly)
 - Weekly OT earnings
 - Piece rates
- Unemployment insurance records



4 Years



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Outsourcing Payroll

- Your company is still ultimately accountable
- Review periodically
- Time spent vs. cost
- Online submission vs. called in
- Why you might want to outsource
 - Taxes paid promptly
 - Tracking time off use and accruals
 - Payroll processing companies
- Who is the backup



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Recommendations

- Research your state's payroll laws
- Periodic reviews
 - Pay stub
 - Accruals
- Have employee's signature for any elective deductions
 - Time off
 - Benefit elections / changes



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Additional Questions?



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