



# Payroll Manual





**MANUAL OF PROCEDURES  
HUMAN RESOURCES MANAGEMENT  
PAYROLL**

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## INTRODUCTION

Salaries, wages, and related expenses constitute the major portion of expenditures for Alcorn State University. Accounting for payroll activities is therefore among the most important business functions performed, so it is imperative that payroll processing complies with state and federal payroll regulations, while maintaining strict internal controls and close supervision.

A sound payroll system provides numerous benefits, including:

- Providing internal controls and safeguards
- Providing timely reporting on the status of funds
- Allowing systematic disbursements to maximize available funds and provide accurate encumbrances to enable monitoring and adherence to budget

## PURPOSE

### ASU PAYROLL

Alcorn State University shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, maintain strict internal controls, close supervision and financial accounting in accordance with GAAP. *Requirements in this rule are delineated in the “Policies and Controls” section below.*

- ✓ The Office of Human Resources (HRM) shall maintain and have available for inspection employee record documentation to include employment contracts, personnel/payroll action forms, certification records, employment eligibility verification (Form I-9), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, retirement plan applications, and direct deposit authorizations.

## POLICIES AND CONTROLS

The Office of Human Resources Management/Payroll shall establish written payroll policies and procedures to include a checklist of payroll related functions that shall include, but not be limited to the functions listed below. The absence of adequate controls often leads to a high frequency of errors and on occasion, fraud. Ingenious embezzlement schemes have involved the issuance of checks to fictitious employees, duplicate paychecks, paychecks to persons who have separated from the institution, and overpayments to existing personnel. A lack of communication between payroll personnel and/or departments may exist, inviting problems with accuracy and compliance with the law. The following safeguards have been implemented by Alcorn State University.

## **DIVISION OF DUTIES**

- ✓ Maintain segregation of duties in payroll processing. The same employee may not be assigned responsibilities for payroll preparation, payroll authorization and warrant/check/direct deposit distribution.
- ✓ The processing of Electronic Personnel Action Forms (EPAFs) and payroll processing are separate functions.
- ✓ Although most transactions are automatically posted to the general ledger when the payroll is generated, payroll processing and the posting of any manual entries or changes to employee records on the financial management system shall have proper authorizations and involve more than one individual. Changes, revisions or errors shall be thoroughly authorized and documented for auditing purposes.
- ✓ Payroll staff does not certify their own time.
- ✓ Cross checking by two or more staff members occurs when payroll is processed to minimize posting errors and assure accurate reconciliation.

## **INTERNAL CONTROLS – HUMAN RESOURCES MANAGEMENT**

- ✓ Alcorn State University has written personnel policies that are communicated via the university Policy Directory to all employees.
- ✓ Policies are reviewed regularly and updated as appropriate.
- ✓ All salary, increment, stipend and wage schedules are approved by the Senior Vice President for Finance, Administrative Services & Operations/CFO and University President/IEO.
- ✓ Access to payroll files is secure and limited.
- ✓ Training is provided to hourly employees and documented for time recording procedures, including overtime.
- ✓ Time cards are completed in ink or electronic time keeping devices/systems are used.
- ✓ Time is recorded to the nearest ¼ hour.
- ✓ Overtime is properly authorized.
- ✓ Time records are properly coded.

- ✓ Printed time cards are signed in ink, or electronically signed/stamped.
- ✓ A procedure exists to verify reported time or changes (time clock, supervisor signature etc.).
- ✓ Excessive overtime is investigated.
- ✓ Procedures exist to ensure the reasonableness of payroll amounts.
- ✓ Records and procedures exist for timekeeping and attendance.
- ✓ Time records are submitted timely to the appropriate supervisor and are used as source documents for the production of payroll reports.
- ✓ The payroll roster is verified to document that all listed employees exist and are currently employed. Verification is performed periodically and at random.
- ✓ Procedures exist to ensure that payroll reports are reviewed and preserved accorded to software documentation and university policy.
- ✓ Performance reviews are conducted annually on all employees.
- ✓ Performance reviews are documented and on file in the employee personnel file.
- ✓ All employees have job descriptions detailing their essential functions and expectations.
- ✓ An electronic application process is used for all applicants.
- ✓ References and other sources are contacted by the hiring department/unit for potential new hires.
- ✓ Background checks are performed for all new hires.
- ✓ Employees are provided adequate supervision.
- ✓ Employee job descriptions are updated periodically as new rules or requirements are added or changed.
- ✓ Employees sign job descriptions to acknowledge essential functions and expectations of the job.

- ✓ An Electronic Personnel Action Form is used to document all new hires, changes in employment, salary, and wage rates.
- ✓ All Electronic Personnel Action Forms are properly authorized, approved, and documented.
- ✓ Procedures exist to record vacation, personal and sick time.
- ✓ All necessary changes to payroll records are maintained on the financial management system, including vacation leave, sick leave, etc.
- ✓ Year-end balances of payroll records are reconciled on the financial management system after each payroll is generated. Carry forward totals are verified and properly recorded.
- ✓ Procedures exist to ensure university assets are returned by separating employees.
- ✓ Adequate control is maintained over the processing, storing, and issuing of warrants/checks.
- ✓ A system has been established and is maintained which accounts for the accrual and use of vacation and sick leave for all employees. Alcorn State University has established policies pertaining to leave that include prescribed accrual rates, maximum amounts allowed to be accrued, and disposition of accrued time upon separation of employees.
- ✓ Conflict of Interest policies are enforced.
- ✓ Nepotism policies are enforced.
- ✓ The institution limits the issuance of manual checks.
- ✓ Appropriate training is provided to payroll personnel.

## **PAYROLL PREPARATION AND REPORTING**

1. ***Employee earnings are determined from approved time reports and contracts.*** Payroll staff enters all necessary data, including time record changes to insurances or wages, etc.
2. ***An accurate payroll register is prepared and maintained.*** Employee records shall have accurate information including pay schedules, location, full-

time equivalent (FTE), and account codes for budgetary posting purposes, additional pay, and personal information, such as social security numbers, addresses, or special pay considerations/deductions. This includes data such as insurances and garnishments.

3. **Documentation of encumbered salaries.** The financial management system shall be programmed so that the gross contract pay for each employee is initially encumbered against applicable expenditure account codes and liquidated after each payroll that is generated for the employee.
4. **Disbursement of salary.** Payroll is generated on a predetermined schedule that is prepared and communicated to all employees.
5. **Posting of payroll to the financial management system general ledger.** Payroll staff processes payroll following an established routine that includes a reconciliation process.
6. **Disbursement of employee deductions in a timely manner:**
  - **Federal Withholding Taxes.** Total amount deducted and entered must equal total amount deducted per payroll summary. These totals must reconcile to the total payroll amount that is generated and subject to Federal Withholding Taxes.
  - **State Withholding Taxes.** Total amount deducted and entered on MS Form 89-350-15-8-1-000 (Rev. 05/15). The total must equal total amount deducted per payroll summary. These totals must reconcile to the total payroll that is generated.
  - **FICA/Medicare.** Federal Insurance Contributions Act (FICA). Calculate FICA and Medicare separately. Both are calculated on gross salaries less IRS 125 plan deductions. These totals must reconcile to the total gross generated (gross amount that is subject to FICA/Medicare taxes).

FOR THE DEDUCTIONS ABOVE, CONSIDER THE FOLLOWING:  
Refer to Internal Revenue Service regulations for specifics on due dates for requirements related to federal and state reporting. Staff shall annually compile and prepare W-2 information. Grand total wages must reconcile to payroll totals and quarterly payroll reports. **Late filings will result in interest and/or penalties.**

- **Public Employees Retirement System of Mississippi (PERS).** Deposits are due by the 5<sup>th</sup> work day of each month. Summaries are prepared monthly. Employee and Employer percentages are computed. Total amount



deducted equals total amount deducted per payroll summary. This total must reconcile to the total payroll that is generated and subject to deduction.

- **Insurances.** Reconciliation is completed per monthly billing statements. The total amount due, minus employer contributions, equals amount deducted. This amount must balance each month.
- **Basic Life – Employee/Employer match.** Individual deductions calculated based on established schedule. Amount paid due/paid reconciled monthly.
- **IRS – Section 125 Plan deductions.** The total deducted must equal total amount deducted on the payroll summary. Totals posted must reconcile to the totals posted to the general ledger.
- **Worker’s Compensation.** A system of insurance that protects workers and employers from some of the losses caused by on-the-job accidents and job related illnesses. The administrative fee is paid to the State of Mississippi (tax) and does not provide insurance coverage.
- **Unemployment Compensation.** Quarterly reports submitted electronically (calendar year) to the Mississippi Department of Employment Security (MDES)

## **PAYROLL CLEARING ACCOUNT**

Alcorn State University maintains a separate Payroll Clearing Account established for the purpose of isolating payroll and payroll related expenditures. The Payroll Clearing Account reconciles to a zero balance at the end of each month. Bank reconciliations for the Payroll Clearing Account are done by the Office of Accounting.

Cash is transferred to the payroll clearing account prior to the issuance of payroll checks/direct deposits to employees. **The reconciliation process takes place before any transfers/disbursements are processed.** Net wages, wire transfers for federal and state tax deposits, payments for retirement withholding and match, health and life insurance, including the employee and university share, and other voluntary withholdings are paid from the Payroll Clearing Account with this method.

***The payroll clearing account should reconcile to a zero balance after payroll checks and all applicable withholdings and university required matching payments are made.***

- ✓ Payments to payroll related vendors

Payroll related payments due to vendors are reconciled monthly, with checks or electronic payments made per the established due dates.

## **ADJUSTMENTS TO PAYROLL**

If an employee separates from the university, either voluntarily or involuntarily, by resignation or retirement, takes a leave of absence, or if any other change occurs in the employment status, the supervisor immediately submits written notification to the appropriate Vice President/Dean and the Office of Human Resources Management/Payroll.

Other common changes that may take place through the fiscal/school year that require payroll adjustment should likewise be reported to the Payroll Office by the employee (if applicable) or department. These include, but are not limited to the following:

- Tax table changes for the deduction of state and federal income tax
- Voluntary insurance deductions for health, vision, dental, life, supplemental insurance, etc.
- New employee demographic changes
- Bank account changes related to direct deposits
- Rates on any statutory deduction such as Social Security or Retirement
- Administrative leave with or without pay

If an employee is absent during a pay period, written notification, with required signatures, shall be submitted timely to the Office of Human Resources Management/Payroll.

## **SUMMER PAYROLL (FACULTY)**

Faculty members on 9-month contracts are allowed to spread annual contract amounts out over a twelve-month period.

## **TAX DEFERRED ANNUITIES**

Portions of salaries or wages that are used to purchase tax deferred or sheltered annuities are treated the same as other employee authorized deductions.

Alcorn State University maintains payroll records in sufficient detail so that employee earnings reflect the correct amount of total wages, taxable wages, and amounts withheld under tax deferred annuities. The year-end W-2 records of participating employees should reflect the amount of deferred salary withheld.

## **INTERNAL REVENUE SERVICE – SECTION 125**

This plan allows for certain employee deductions (i.e. insurance, dependent care, additional medical) to be deducted from gross wages before Federal/State withholding and FICA/Medicare are calculated. This arrangement must be authorized by the employee (verified via signature), and is handled by a third party administrator. Documentation is maintained on file in the Office of Human Resources Management/Payroll.

## **WAGES OF DECEASED EMPLOYEES**

If a deceased employee has an accumulated personal leave credit, remaining unused personal leave shall be paid to the person designated by the employee for this purpose, or in the absence of such designation, to the beneficiary of such employee, as recorded with the Public Employees' Retirement System of Mississippi (PERS), as applicable.

Wages paid after death in the *same calendar year* are subject to Social Security and Medicare taxes (if the employee was already subject to such taxes), but such wages paid to the estate or beneficiary of the deceased employee are exempt from income tax withholding. Do not report these amounts as wages in Box 1 of the W-2; instead, report the amount paid to the estate on Form 1099-MISC (Box 3). Wages paid in the next calendar year are not subject to Social Security, Medicare or income tax. Again, these wages paid in the *next calendar year* to the deceased employee's estate or beneficiary are to be reported on Form 1099-MISC (Box 3)

## **OTHER RELATED PAYROLL OPERATIONS**

The Payroll Office (function) operates as a unit within the Office of Human Resources Management. Responsibilities/functions are organized to ensure proper segregation of duties which promotes and exhibits sound internal control standards. Compensation/Benefits and payroll functions are performed and supervised separately.

### **Payroll operations include:**

- Payroll calculations
- Posting of overtime, part-time, temporary and other incidental salaries and benefits that should be posted to appropriate account codes and if applicable to program.
- Preparation of payroll disbursement records (payroll ledger, individual year-to-date earnings records)
- Preparation and distribution of payroll direct deposits/checks

### **Compensation/Benefits operations include:**

- Documenting employee status, compensation, and benefit records
- Approving employee status change documentations (EPAFs)
- Preparing and updating payroll master files

## **PAYROLL AND HUMAN RESOURCES RELATED FUNCTIONS**

### **ROLES AND RESPONSIBILITIES - GENERAL**

Payroll, Compensation and Benefits activities are integrated to provide necessary financial data and reporting considering the following necessary procedures:

- Payroll, Compensation and Benefits units of the Office of Human Resources Management share a common database with appropriate use of strict security measures employed.
- Management's procedures ensure that the responsibility for personal assignments is clearly delineated to ensure appropriate duty and financial accountability.
- The generation of management reports showing contract amounts, leave balances, overtime, special stipends are periodically analyzed and examined for accuracy.
- Payroll data is integrated with personnel, accounting and budget systems to ensure the general ledger is updated timely and accurately as payroll records are processed.

Below is a list of selected activities commonly performed by the Office of Human Resources Management (Payroll, Compensation, and or Benefits). Some of the job roles below are also considered "internal control" functions and as previously stated, the determination of which unit performs a particular function, or if they are jointly accomplished, is determined by management.

### **PAYROLL - RESPONSIBILITIES**

- Salary information is entered as approved via EPAF.
- Necessary documentation for deductions are accumulated and entered into BANNER. Necessary documentation including employee authorizations are maintained for inspection or validation by internal and external auditors

- Procedures exist to record vacation, personal and sick time and the need for temporary workers.
- All necessary payroll records are maintained, including vacation and sick leave.

## **HUMAN RESOURCES - RESPONSIBILITIES**

- Responsible for posting vacancies at the University
- Approves, maintains and updates employee job descriptions periodically
- Facilitates annual performance reviews and maintains records in employee files
- Trains new hires/employees on federal regulations related to employment
- Ensures new hires/employees are aware of University Policies, including their responsibilities and expectations. Obtains signature verification
- Employment applications are required for all applicants
- Background checks are performed on all potential new hires
- Informs employees of mandatory benefits, available optional benefits, and other paid or nonpaid benefits
- Communicates the employee's choices regarding compensation issues to the payroll unit
- Ensures employee contracts are maintained in employee personnel files
- Vacation, personal and sick accruals are periodically verified in writing with employees
- Vacation, personal and sick accruals are updated at least monthly
- Procedures are in place to ensure that employees separating from the University return any public assets and receive separation documents such as retirement or insurance information

## **JOINT RESPONSIBILITIES – PAYROLL AND HUMAN RESOURCES**

- An electronic personnel action form (EPAF) is used to document all new hires, changes in employment, salary, wage rates, and payroll deductions.
- All EPAFs are properly authorized, approved, applied and documented
- Position control and the overall management of full-time equivalents (FTEs) or staffing is strictly managed to meet staffing and budgeting requirements and separate as efficiently and economically as possible

## **PAYROLL DATABASE**

The payroll process requires periodic updates to the information database to ensure an accurate and reliable production of pay instruments. These periodic changes may occur randomly or on a regularly scheduled basis. In many instances, governmental regulation or contract terms determine when changes in the database will occur. Employee options also effect change. The following database items need to be considered:

**Account Codes as prescribed by BANNER:** Appropriate fund, function, object and job class

**Demographic Data:** Information to identify the employee as a unique individual, including name, address, social security number, withholding exemptions, marital status, hire date, training and experience, etc.

**Hours of Work:** The normal work schedule related to the payroll unit on a timesheet declaration from the employee or as understood by professional contract

**Overtime Work:** Hours worked beyond the normal work week that will qualify for time and one half to be paid

**Payroll Period:** The frequency at which employees provide services and are paid

**Pay Date:** The regularly identified date on which employees are paid

**Salary Schedule(s):** The document(s) that determine the periodic pay rates for individuals (as applicable)

**Contractual Data:** The documents that comply with Institutions of Higher Learning (IHL) standards, guidelines and/or requirements

**Training and Experience:** Employee training including degrees, certifications, and years of experience, etc. that justify placement on pay schedules. Information is documented in personnel files

**Paid and Unpaid Leaves:** The policy or procedures that determine which leaves of absence are paid or unpaid

**Unemployment Compensation:** The unemployment benefit program administered by the Mississippi Department of Employment Security (MDES). Alcorn State University participates as a reimbursable employer

**Social Security/Medicare:** Also known as FICA or the Federal Insurance Contributions Act. This is the federal government-sponsored program of pensions and disability income to qualified individuals supported by payroll taxes

**Retirement System:** The state government-sponsored retirement system, Public Employees Retirement System (PERS) and Optional Retirement Program (ORP) supported by payroll deductions and contributions from the University

**Workers' Compensation Insurance:** The state government-sponsored program of pensions, disability income, and/or medical expenses for qualified individuals who have sustained injuries or illnesses on the job as a result of performing job-related duties.

**Garnishments and Levies:** Garnishments are legal procedures that withhold earnings from employees for the payment of debt. A levy is a federal garnishment. IRS Tax Levies are withholdings for unpaid taxes. The source document authorizing garnishments is a summons or income deduction order served by an officer of the court or agency. Garnishments may include payment for child support, unpaid alimony, taxes, defaulted student loans, court fees and fines, bankruptcy and other monetary judgments. All Garnishment Orders are **immediately date stamped upon receipt** and delivered to the Payroll Unit for appropriate processing. Garnishees are provided notice of garnishment, in writing, which states when the garnishment shall affect pay and the options available to the employee.

**Optional Benefits and Deductions:** University sponsored benefits to which full-time employees must contribute including retirement, and FICA/Medicare; and may contribute, including life insurance, family/dependent health care insurance programs, dental and vision plans, supplemental life and disability insurance plans, annuities, credit unions, deferred compensation, etc.

## **FAIR LABOR STANDARDS ACT (FLSA)**

### **PURPOSE**

The Fair Labor Standards Act (FLSA) which prescribes standards for the basic minimum wage and overtime pay, affects most private and public employment. It requires employers to pay covered employees who are otherwise exempt at least the federal minimum wage and overtime pay of one and one half times the regular rate of pay. The Act is Administered by the Employment Standards Administration Wage and Hour Division within the U.S. Department of Labor.

Reference: Fair Labor Standards Act **29 U.S.C., Sec. 201 et seq.**

The Department of Labor revised the regulations located at 29 C.F.R. part 541 with an effective date of January 1, 2020. The final rule raised the minimum salary for exempt employees under federal law to \$35,468/year (or \$684/week).

Section 13(a) (1) of the FLSA provides an exemption for both minimum wage and overtime pay for employees employed as bona fide executive, administrative, professional and outside sales employees. Section 13(a)(1) and Section 13(a) (17) also exempts certain computer employees. These exemptions are often called the “white-collar” exemptions.

## **GENERAL REQUIREMENTS FOR EXEMPTIONS**

To qualify for a white collar exemption, an employee must generally satisfy each of three (3) tests:

1. The employee must be paid on a salary basis that is not subject to reduction based on the quality or quantity of work (the “**salary basis test**”), rather than, for example, on an hourly basis;
2. The employee must receive a salary at a rate not less than \$684 per week (the “**salary level test**”)’ and
3. The employee’s primary duty must involve the kind of work associated with the exempt status sought, such as executive, administrative, or professional work (the “**duties test**”).

## **EXEMPTIONS FOR COMMON HIGHER EDUCATION JOBS**

Not all employees of state and local governments are affected by the Fair Labor Standards Act (FLSA). Certain employees simply are not covered by the Act. Other employees, while covered by the FLSA, are exempted by specific provisions of the Act (exempt employees). Non-covered employees include elected officials, their personal staffs, policy making appointees, legal advisors, legislative employees, bona fide volunteers, independent contractors, prisoners and certain trainees.

## **EXEMPT EMPLOYEES**

### **TEACHERS**

A teacher is exempt if his or her primary duty is teaching, tutoring, instructing, or lecturing to impart knowledge, and if he or she is performing that duty as an employee of an educational establishment.

See [29 C.F.R.§ 541.303](#)

Educational establishments include elementary school systems, secondary school systems, institutions of higher education, and other education institutions.

See [29 C.F.R.§ 541.204\(b\)](#)



If a bona fide teacher meets this duty requirement, the salary level and salary basis tests do not apply

See [29 C.F.R. §§ 541.303\(d\), 541.600\(e\)](#)

Given these standards, professors, instructors, and adjunct professors typically qualify for this exemption.

A faculty member who teaches online or remotely also may qualify for this exemption. The regulations do not restrict where bona fide teaching may take place, to whom the knowledge can be imparted, or how many hours a teacher must work per week to qualify for the exemption. The exemption would therefore ordinarily apply, for example, to a part-time faculty member of an educational establishment whose primary duty is to provide instruction through online courses to remote-noncredit learners. The exemption could likewise apply, for example, to an agricultural extension agent who is employed by an educational establishment to travel and provide instruction to farmers, if the agent's primary duty is teaching, instructing, or lecturing to impart knowledge. To determine a teacher's primary duty, the relevant inquiry in all cases is the teacher's actual job duties. ***Job titles or full/part-time status alone do not determine exempt status.***

A teacher does not become nonexempt merely because he or she spends a considerable amount of time in extracurricular activities (such as coaching athletic teams or supervising student clubs), provided the teacher's primary duty is teaching.

## **COACHES**

Athletic coaches employed by higher education institutions may qualify for the teacher exemption. After all, teaching may include instructing student-athletes in how to perform their sport. But a coach will not qualify for the exemption if his or her primary duties are recruiting students to play sports or visiting high schools and athletic camps to conduct student interviews. The amount of time the coach spends instructing student-athletes in a team sport is relevant, but not the exclusive factor, in determining the coach's exempt status.

## **PROFESSIONAL EMPLOYEES**

The FLSA provides for several kinds of exempt professional employees – such as learned professionals, creative professionals, teachers, and employees practicing law or medicine. In higher education, employees eligible for the professional exemption are often either teachers (as discussed above) or learned professionals (as described below). To qualify as a learned professional, the employee must satisfy three (3) requirements:

1. The employee's primary duty must be the performance of work requiring advanced knowledge;
2. The employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and

3. The advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction

See [29 C.F.R. § 541.301](#). Unless the employee is a teacher or practicing law or medicine, he or she must also satisfy the above-referenced salary basis and salary level tests to be an exempt professional.

In higher education, examples of exempt non-teacher learned professionals generally include certified public accountants, psychologists, certified athletic trainers, and librarians. Postdoctoral fellows, who conduct research at a higher education institution after completing their doctoral studies, likewise generally meet the duties requirements of the learned professional exemption, and they may additionally qualify for the teacher exemption if teaching is their primary duty. Of course, an employee's qualification for the exemption depends on his or her actual job duties and education. ***Job titles alone are not sufficient for determining whether an employee satisfies the duty test.***

## ADMINISTRATIVE EMPLOYEES

Various employees at higher educational institutions may qualify as exempt administrative employees. The administrative exemption applies when the following requirements are met:

1. The employee's compensation must satisfy the above-referenced salary basis and salary level tests;
2. The employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and
3. The employee's primary duty must include the exercise of discretion and independent judgment with respect to matters of significance.

See [29 C.F.R. § 541.200](#). Such administrative employees in higher education might include, for example, admissions counselors or student financial aid officers. An employee's qualification for the exemption depends on his or her actual job duties. ***Job titles alone are not sufficient for determining whether an employee satisfies the duties test.***

Notably, there are specific regulatory provisions for certain administrative employees – known as “academic administrative employees” – whose primary duty is performing administrative functions directly related to academic instruction or training in an educational establishment. To be exempt as an academic administrative professional:

1. The employee must satisfy the above-referenced salary basis and salary level tests or receive a salary of at least the entrance salary for teachers in the same educational establishment; and

2. The employee's primary duty must be to perform administrative functions directly related to academic instruction or training in an educational establishment.

See [29 C.F.R. § 541.204](#). Employees who work in higher education, but whose work does not relate to the educational field (such as work in general business operations) do not qualify as exempt academic employees.

In higher education institutions, exempt administrative personnel generally include department heads, intervention specialists who are available to respond to student academic issues, and other employees with similar responsibilities. Exempt administrative personnel would likewise generally include academic counselors who administer school testing programs, assist students with academic problems, and advise students concerning degree requirements. Again, whether an employee satisfies the duties test for these exemptions depends on the employee's actual job duties, not just the employee's job title.

## **EXECUTIVE EMPLOYEES**

To qualify for the executive exemption, an employee must satisfy the following tests:

1. The employee must receive compensation that satisfies the above-referenced salary basis and salary level tests;
2. The employee's primary duty must be managing the enterprise or a customarily recognized department or subdivision thereof;
3. The employee must customarily and regularly direct the work of at least two (2) or more other full-time employees or other equivalent; and
4. The employee must have the authority to hire or fire other employees, or in the alternative, the employee's suggestions and recommendations as to the hiring, firing, advancement, promotion, or any other change of status of other employees must be given particular weight.

See [29 C.F.R. § 541.100](#). Various positions in higher education institutions might qualify for the executive exemption, including deans, department heads, directors, and any other manager or supervisor whose job duties and compensation satisfy the above criteria.

## **STUDENT EMPLOYEES**

As a general matter, most students who work for their college or university are hourly non-exempt workers and do not work more than 40 hours per week. The following, however, are examples of students who often receive a salary or other non-hourly compensation:

- **Graduate Teaching Assistants.** Graduate teaching assistants whose primary duty is teaching are exempt. Because they qualify for the teacher exemption, they are not subject to the salary basis and salary level tests.
- **Research Assistants.** Generally, an educational relationship exists when a graduate or undergraduate student performs research under a faculty member's supervision while obtaining a degree. Under these circumstances, the Department would not assert that an employment relationship exists with either the school or any grantor funding the student's research. This is true even though the student may receive a stipend for performing the research.
- **Student Residential Assistants.** Students enrolled in bona fide educational programs who are residential assistants and receive reduced room and board charges or tuition credits are not generally considered employees under the FLSA. They therefore are not entitled to minimum wages and overtime under the FLSA.

An employment relationship will generally exist when a student receives compensation and his or her duties are not part of an overall educational program. For example, students who work at food service counters, sell programs or usher at events, or wash dishes in dining halls and anticipate some compensation (for example, money or meals) are generally considered employees entitled to minimum wage and overtime compensation.

## COMPENSATORY TIME FOR PUBLIC UNIVERSITIES

Public universities or colleges that qualify as a "public agency" under the FLSA may compensate non-exempt employees with compensatory time off (or "comp-time") in lieu of overtime pay. A college or university is a public agency under the FLSA if it is a political subdivision of a State.

Alcorn State University is a public agency. As such, non-exempt employees generally do not accrue more than 240 hours of comp time. However, employees engaged to work in a public safety activity, an emergency response activity, or a seasonal activity may accrue as much as 480 hours of comp time. See [29 U.S.S. § 207 \(o\) \(3\) \(A\)](#).

## NOTICES AND POSTERS FOR FLSA

Every employer of employees who are subject to the FLSA minimum wage provisions must post and keep posted a notice explaining the Act in a conspicuous place in all of their establishments (school sites, etc.) The *Employee Rights for Workers with Disabilities/Special Minimum Wage Poster* should also be posted.

## RECORD KEEPING FOR FLSA

Every employer covered by the Fair Labor Standards Act (FLSA) must keep certain records for each covered, nonexempt worker. There is no required form for the records, but the records must include accurate information about the employee and data about the hours worked and the wages earned. The following is a listing of the basic records that Alcorn State University must maintain for both the exempt (E) and the non-exempt (NE) categories:

- E, NE – Employee’s full name, as used for social security purposes, and on the same record, the employee’s Identification Number if such is used in place of name on any time, work or payroll records;
- E, NE – Address, including zip code
- E, NE – Birth date, if younger than 18
- E, NE – Gender and occupation
- E, NE – Work schedule (as applicable)
- NE – Basis on which employee’s wages are paid
- NE – Regular hourly pay rate
- NE – Total daily or weekly straight time earnings, excluding overtime pay
- NE – Total overtime earnings for the work week
- NE – All additions to or deductions from the employee’s wages
- NE – Amount and nature of compensation that is excluded from regular rate
- NE – Total wages paid each pay period
- NE – Date of payment and the pay period covered by the payment

## PROBLEM AREAS TO CONSIDER

Examine closely the following circumstances:

- Time records that reflect the exact in/out time and total hours works *EVERY DAY* of the week
- Time record *NOT COMPLETED* by the employee
- Time record not signed (live or electronic) by the employee
- Time record with multiple employees completed by the supervisor
- Time record that does not record actual hours worked, just present and absent information
- Time record that does not record actual time/hours worked, but only contracted hours

## CALCULATING PAY FOR NON-EXEMPT EMPLOYEES

FLSA requires hourly employees to be paid overtime for all hours in excess of forty (40) hours per week. Over time pay is required at one and one half for all hours in excess of forty hours in a given work week (7 consecutive 24-hour periods). If the employee's regular time is less than 40 hours, then he/she is entitled to additional straight time pay for extra hours worked between his/her regular workweek and forty hours.

Exception: In instances where there are less than five (5) emergency personnel assigned to work in the Emergency Management Department, all overtime hours are paid at the employee's regular rate of pay for each hour worked beyond the 212 hours in a 28-day work period (See [29 CFR § 553.200; Section 13\(b\) \(20\)](#)).

### Weighted Average Calculations

Calculating Overtime Pay for a Non-Exempt Employee – *for two or more different jobs*

- ❖ Employee hired to work two or more different types of work for which different straight time rates have been established – the employee's regular rate for that week is the weighted average of the two or more rates.
- ❖ The earnings for all such rates are added together and this total is then divided by the total number of hours worked at all jobs to determine the employee's regular rate of pay which serves as the basis for the "time and one half" pay for overtime compensation.

### Blended Overtime Rate

- ❖ If a custodian, driver or other similarly-classified employee is scheduled to work 60 % of his/her time as a custodian and 40% of his/her time driving or other similarly-classified role, the employer must pay overtime by calculating the blended overtime rate. Administrative procedures shall address the overtime rate for non-exempt employees that work after normally scheduled hours for various institution-wide sponsored or participating activities. *(If other percentages actually apply, they should be used rather than this example of 60/40).*

**The Calculation** = (60% X \$20, or \$12) + (40% X \$10, or \$4) – thus the blended overtime rate is \$24 per hour (\$16 [\$12 + \$4] X 1.5)

### Wages Related to Permitting/Suffering

- ❖ If the employer "suffers or permits" an employee to work overtime, even after telling the employee he/she cannot work overtime, the employer is liable to pay wages for the overtime. Mere promulgation of the rule is not sufficient to avoid overtime liability. Employers must insist that employees leave at designated times. It must be stressed that the record of time worked becomes extremely important. In the absence of GOOD record keeping, the employee's record will generally be favored if there is a dispute.

## COMPENSABLE TIME UNDER THE FLSA

**Employees “Suffered or Permitted” to work (See above):** Work is not requested, but suffered or permitted to be performed is work time that must be paid for by the employer. For example, an employee may voluntarily continue to work at the end of the shift to finish an assigned task or to correct errors. The reason is material. The hours are work time and are compensable.

**Waiting Time:** Whether waiting time is worked under the FLSA depends upon the particular circumstances. Generally, the facts may show that the employee was engaged to wait (which is work time) or the facts may show that the employee was waiting to be engaged (which is not work time). For example, a secretary who reads a book while waiting for dictation is working during such a period of inactivity. This employee has been “engaged to wait.”

**On-Call Time:** An employee who is required to remain on call on the employer’s premises is working while “on call.” An employee who is required to remain on call at home, or who is allowed to leave a message where he/she can be reached, is not working (in most cases) while on call. Additional constraints on the employee’s freedom could require this time to be compensated.

**Rest and Meal Periods:** Rest periods of short duration, usually 15 minutes or less, are common in industry (and promote the efficiency of the employee) and are customarily paid for as working time. These short periods must be counted as hours worked. Unauthorized extensions of authorized work breaks need not be counted as hours worked when the employer has expressly and unambiguously communicated to the employee that the authorized break may only last for a specific length of time, that an extension of the break is contrary to the employer’s rules, and any extension of the break will be punished. Bona fide meal periods (typically 30 minutes or more) generally need not be compensated as work time. The employee is not relieved if he/she is required to perform any duties, whether active or inactive, while eating.

**Sleeping Time and Certain Other Activities:** An employee who is required to be on duty for less than 24 hours is working even though he/she is permitted to sleep or engage in other personal activities when not busy. An employee required to be on duty for 24 hours or more may agree with the employer to exclude from hours worked bona fide regularly scheduled sleeping periods of not more than 8 hours, provided adequate sleeping facilities are furnished by the employer and the employee can usually enjoy an uninterrupted night’s sleep. No reduction is permitted unless at least 5 hours of sleep is taken.

**Lectures, Meetings and Training Programs:** Attendance at lectures, meetings, training programs and similar activities need not be counted as working time only if four criteria are met, namely: (1) it is outside normal hours, (2) it is voluntary, (3) not job related, and (4) no other work is concurrently performed.

**Travel Time:** The principles which apply determining whether time spent in travel is compensable time depends upon the kind of travel involved.

**Home to Work Travel:** An employee who travels from home before the regular workday and returns to his/her home at the end of the workday is engaged in ordinary home to work travel, which is not work time.

**Home to Work on a Special One Day Assignment in Another**

**City/Town/Location:** An employee who regularly works at a fixed location in one city/town/location is given a special one-day assignment in another city/town/location and returns home the same day. The time spent in traveling to and from is work time, except that the employer may deduct/not count that time the employee would normally spend commuting to the regular work site.

**Travel that is All in the Day's Work:** Time spent by an employee in travel as part of his/her principal activity, such as travel from job site to job site during the workday, is work time and must be counted as hours worked.

**Travel Away from Home Community:** Travel that keeps an employee away from home overnight is travel away from home. Travel away from home is clearly work time when it cuts across the employee's workday. The time is not only hours worked on regular working days during normal working hours, but also during corresponding hours on nonworking days. As an enforcement policy, the Wage and Hour Division will not consider as work time that time spent in travel away from home outside of regular working hours as a passenger on an airplane, train, boat, bus or automobile.

**Typical Problems Related to Hours Worked:** Problems arise when employers fail to recognize and count certain hours worked as compensable hours. For example, an employee who remains at his/her desk while eating lunch and regularly answers the telephone and refers callers *is working*. This time must be counted and paid as compensable hours worked because the employee has not been completely relieved from duty.

## **STRATEGIES TO MINIMIZE OVERTIME**

- ❖ Adjust schedules
- ❖ Minimize dual employment
- ❖ Utilize exempt employees as much as possible
- ❖ Make certain extra duties do not lead to overtime
- ❖ Develop, implement, and enforce overtime policies
- ❖ Properly classify employees as exempt or non-exempt
- ❖ Adopt and adhere to polices that set forth the workweek, overtime and compensatory time
- ❖ Identify the seven-day work week and the number of hours' employees are expected to work



- ❖ Ensure authorizations are in place to allow for overtime
- ❖ Annually train supervisory staff on FLSA compliance issues
- ❖ Train non-exempt staff on proper use of time records and overtime requirements
- ❖ Monitor weekly time records

## TIME AND EFFORT RECORDS

Time and effort records are employee-generated time records reporting the employees' effort in support of federal grant(s) and other assignments. The federal government's Office of Management and Budget (OMB) requires these records. ***(For additional information regarding time and effort reporting, see the Office of Management and Budget Circular A-87)***. Time and effort records are to be completed monthly, unless a substitute system has been adopted. Additionally, semi-annual certifications may be completed in lieu of monthly time records if the employee works on a single cost-objective, as defined in Circular A-87.

## TRAINING FOR PAYROLL PERSONNEL

Training activities shall include, at a minimum:

- Offering staff development opportunities through educational programs, seminars, and sessions by outside agencies
- Updating payroll and human resources personnel whenever major changes occur, i.e. tax schedules, insurance rates, salary changes, retirement rates, etc.
- Orienting new employees and new management on payroll, including administrative procedures and state and federal requirements
- Training administrative/supervisory personnel to understand the payroll process

## PLANING AND EVALUATION OF SYSTEMS AND POLICIES

- Management shall thoroughly review changing payroll requirements and communicate to appropriate personnel who process payroll.
- Management shall analyze requirements for hardware, software and staffing and update accounting systems whenever necessary. Staff shall continually analyze software applications that may save time and enable staff to work more efficiently and economically.

- Payroll policies and procedures shall be evaluated and revised as required, according to changing federal, state and/or local requirements.

## EMPLOYEE CONTRACTS

Section 801.04 of the IHL Board of Trustees Policies & Bylaws (Employment Contracts) empowers the President/IEO of Alcorn State University to approve and execute contracts only with deans, professors, other members of the teaching staff and such categories of administrative employees as designated by the Commissioner in accordance with state law and IHL Board of Trustee Policy. Board approval for appointments and promotions is still required as provided within Board policy 401.0102, Delegation of Authority. Unless otherwise approved by the Board, no one employed at Alcorn may be granted an employment contract of more than one year, other than partial years as a part of a transition. Approval of multi-year contracts by the Board is not required for athletics employees or non-tenure track faculty. (See IHL Policy 404.01 regarding non-tenure track faculty contracts). No multi-year employment contracts, whether or not approved by the Board, may exceed four (4) years in duration.

Employee contracts are maintained in individual personnel files located in the Office of Human Resources Management.

## EMPLOYEE OR INDEPENDENT CONTRACTOR

An employer must generally withhold taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax on wages paid to an employee. An employer does not generally have to withhold or pay any taxes on payments to independent contractors.

### Common Law Rules

To determine whether an individual is an employee or an independent contractor under common law, the relationship of the worker and business/organization must be examined. In an employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence **must be consistent**.

Facts that provide evidence of the degree of control and independence fall into three categories, behavioral control, financial control, and the type of relationship of the parties. These facts are discussed below.

1. **Behavioral Control** - Facts that show whether the business has a right to direct and control how the worker does the task for which the worker is hired, including the type and degree of:
  - ❖ Instructions that the business gives to the worker – an employee is generally subject to business instructions about when, where, and how to

work. The following are examples of types of instructions about how to do work:

- When and where to do the work
- What tools or equipment to use
- What workers to hire or to assist with the work
- Where to purchase supplies and services
- What work must be performed by a specified individual
- What order or sequence to follow

The amount of instruction needed varies among jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals. In other cases, the task may require little or no instruction. ***The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.***

**Training that the business gives to the worker.** An employee may be trained to perform work or provide services in a particular manner; independent contractors ordinarily use their own methods.

2. **Financial Control** – Facts that show whether the business has a right to control the business aspects of the worker's job include:

**The extent to which the worker has unreimbursed business expenses.** Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services they perform for their business.

**The extent of the worker's investment.** An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, significant investment is not necessary for independent contractor status.

**The extent to which the worker makes his or her services available to the relevant market.** An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise and maintain a visible business location, and are available to work in the relevant market.

**How the business pays the worker** - An employee is generally guaranteed a regular wage amount for an hourly, weekly, monthly or other time period. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions to pay independent contractors hourly, by the month, or in some other defined way.

3. **Type of Relationship** – Facts that show the parties type of relationship include:

**Written contracts describing the relationship the parties intend to create.**

**Whether or not the business provides the worker with employee type benefits; such as insurance, a retirement/pension plan, vacation or sick pay.**

**The permanency of the relationship.** If a worker is engaged with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered evidence that the intent was to create an employer-employee relationship.

**The extent to which services performed by the worker are a key aspect of the regular business of the organization.** If a worker provides services that are a key aspect of a regular business activity, it is more likely that the employer will have the right to direct and control his or her activities.

### **Consequences of Treating an Employee as an Independent Contractor**

- ✓ If an employee is classified as an independent contractor and there is no reasonable basis for doing so, the university may be held liable for employment taxes for that worker. (See Internal Revenue Code Section 3509)
- ✓ If this situation occurs and is tested and discovered during independent audit, an audit finding is likely.
- ✓ The Internal Revenue Service may also perform audits that will likely discover any discrepancies or deviation from the rule and the university may be liable for penalties or fines.

## **EMPLOYERS' RESPONSIBILITIES FOR WITHHOLDING**

Although the employer is not required to verify the accuracy of the employee's withholding allowances, the employer is responsible for the following:

1. Withholding tax based on the number of allowances claimed, as well as additional dollar amounts requested
2. Verifying that the Form W-4 is signed, dated, and that the Social Security number is correct
3. Rejection of invalid W-4s

4. Notification of employees by December 1 to submit amended W-4s if allowances and/or marital status has changed
5. Retaining all Forms W-4 on file for at least four (4) years from the time the employee separates from the university or submits an amended W-4
6. Sending a copy of all Forms W-4 to IRS with the quarterly 941, or filing magnetically (See IRS Pub. 1245) for specifications regarding:
  - a) Employees claiming more than ten (10) withholding allowances
  - b) Employees claiming exemption from withholding if the employee earns more than \$200 per week

### **Assisting Employees with Completion of Form W-4**

It is important that the employer assists employees in understanding the Form W-4, but it is equally important not to get placed in the role of the employee's tax advisor. Consulting with employees as to the number of allowances and marital status could make the university and HRM/Payroll liable for penalties for under-withholding. Steps that can be taken include:

1. Explain the Form W-4 and its purpose. Go over the worksheet for calculating allowances if needed; that is, explain the purpose of the worksheet and some of the terminology
2. Provide **IRS Publication 919 "Is My Withholding Correct?"** as appropriate
3. Make sure the employee understands the rules for being exempt from withholding and understands that there is a civil penalty of \$500 for being under-withheld because of claiming more allowances than the person is entitled to claim
4. Remember the December 1 date for notification to all employees to revise their W-4 for any change in allowances or marital status

### **DEPOSITING FEDERAL TAXES**

Alcorn State University adheres to deposit requirements set forth in **IRS Publication 15, Circular E, Tax Guide**. Management ensures that Circular E is retrieved and disseminated to payroll staff annually, with training on any changes year over year provided, as required.

Employers making more than \$200,000 in aggregate deposits for a calendar year must use the Electronic Federal Tax Payment System (EFTPS). Employers who are required to use EFTPS, but fail to do so may be subject to a ten percent (10%) penalty. To ensure that EFTPS deposits are received timely, the university initiates the transaction as required.

Deposits are made electronically using the IRS Electronic Federal Tax Payment System (EFTPS).

### **Deposit Schedules**

**The \$100,000 one-day rule.** An employer who accumulates \$100,000 or more in federal taxes must deposit those taxes by the next banking day. This requirement stands even though the employer may be designated as a semiweekly or monthly employer.

Alcorn State University deposits federal taxes on the next banking day following the payroll date.

## **WHEN WAGES BECOME TAXABLE**

Wages are taxable when ***paid***. Thus, wages paid in January are taxable in the new calendar year, even though the wages may have been partially earned in December of the prior year.

The employee is considered paid when he/she actually receives the direct deposit/paycheck. The employee is considered to have constructively received his /her pay if the direct deposit has been transmitted to his/her financial institution or the paycheck has been made available to the employee, even if he/she does not actually take physical possession of the check until a later time.

## **VOLUNTARY TAX SHELTERED PLANS FOR EMPLOYEES**

### **Tax Sheltered Accounts**

#### **403(b) Plans**

A 403(b) plan, commonly referred to as a tax sheltered account (TSA), is a deferred compensation retirement arrangement. Only employees of public educational systems and employees of other specific tax-exempt organizations (generally, hospitals and non-profit groups) may utilize these programs.

Rules that apply to 401(a) are similar to 403(b) plans relates to taxability, excise taxes, rollovers, withholding, non-discrimination, minimum distributions, early distributions, and plan loans. Amounts contributed to 403(b) plans may be invested in certain funding vehicles. Funding vehicles refer to the type of investment arrangement for the assets of a 403(b) plan. The funding vehicles for 403(b) plans are generally limited to:

- Annuity contracts – 403(b)(1)
- Custodial accounts – 403(b)(7) {for regulated investment company stock}
- Retirement income accounts – 403(b)(9) {for churches}

## **Plan Document**

The Plan Document is a legal instrument outlining the program specifics of tax sheltered accounts and provides the rules that govern the terms and conditions under which a retirement account is operated.

Alcorn State University utilizes qualified third party administrators (TPAs) to manage and maintain Plan Documents. An authorized university administrator or the assigned TPA must authorize all transactions of the employee concerning tax sheltered accounts. Reporting and compliance issues should also be addressed to the TPA.

## **Eligible Employees for Tax Sheltered Accounts**

- All employees who meet the Internal Revenue Service 403(b) universal availability requirements set forth in IRC 403(b) (12) (A)(ii) are eligible to participate in university sponsored tax sheltered programs. Under this rule, if any employee of the employer maintaining the 403(b) may participate, then all of the employer's employees must be given the opportunity to participate.

Certain employees may be excluded, including:

1. Employees who normally work less than 20 hours per week (all must be excluded)
2. Students performing services described in IRC 3121(b) (10)
3. Non-resident aliens described in IRC 410(b)(3)(C)
4. Employees who are eligible to make elective deferrals under another 401(k), 403(b) or 457(b) plan sponsored by the employer

403(b) plans are commonly funded in whole or in part through salary reduction contributions. Salary reductions under a 403(b) plan are subject to specific requirements such as annual contribution limits, nondiscrimination rules and withdrawal restrictions.

Salary reduction contributions are defined as contributions made by an employer as a result of an agreement with an employee to take a reduction in salary or to forego an increase in salary, bonuses or other wages. Salary reduction contributions are:

- Often referred to as elective deferrals because they overlap with the definition of elective deferrals under § 402(g)
- Made pursuant to a salary reduction agreement

## **Section 457 Plans**

Plans of deferred compensation described in the Internal Revenue Code (IRC) Section 457 are available for certain state and local governments and non-governmental entities

tax exempt under IRC Section 501. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans eligible under 457(b) allow employees of sponsoring organizations to defer income taxation on retirement savings into future years.

Alcorn State University offers deferred compensation administered by the Mississippi Deferred Compensation Plan, which is administered by the Public Employees' Retirement System (PERS) of Mississippi. Deferral is not subject to Federal Income Tax at the time of deferral

- FICA applies if the employee is otherwise subject to FICA

## **PAYROLL RELATED RESOURCES AND REFERENCES**

**Internal Revenue Service website:** [www.irs.gov](http://www.irs.gov)

Forms W-2 (Wage and Tax Statement, Form W-3 (Transmittal of Wage and Tax Statements) and Form W-2C (Corrected Wage and Tax Statements)

Pub. 15 (Circular E) Employer's Tax Guide <https://www.irs.gov/pub/irs-pdf/p15.pdf>

Pub. 15-A (Supplement to Pub. 15) Employer's Supplemental Tax Guide <https://www.irs.gov/pub/irs-pdf/p15a.pdf>

Pub. 15-B (Supplement to Pub 15) Employer's Tax Guide to Fringe Benefits <https://www.irs.gov/pub/irs-pdf/p15b.pdf>

Pub. 957 Reporting Back Pay and Special Wage Payments to the Social Security Administration <https://www.irs.gov/pub/irs-pdf/p957.pdf>

### **Fair Labor Standards Act Webpage (Handy Reference Guide):**

<https://www.dol.gov/agencies/whd/compliance-assistance/handy-reference-guide-flsa#8>

- Basic Wage Standards
- Who is Covered
- Recordkeeping
- Terms Used in FLSA
- Computing Overtime Pay
- Enforcement
- Other Labor Laws
- Equal Pay Provisions