



PAYROLL PROCESSES

AUDITOR FALL CONFERENCE
OCTOBER 2022

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COMPENSATION

- Compensation includes an employee's salary or wage
- Compensation also includes **any financial benefit** the employer provides to the employee
- Health Insurance
- Pension
- Paid Time Off
- Bonuses
- Fringe Benefits or non-monetary awards



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REIMBURSEMENT OF EXPENSES

- Reimbursement of employee expenses is not considered compensation
 - Travel costs such as air fare, mileage, hotel costs and meals while in travel status
 - Parking
 - Reimbursement for goods and services purchased for the County
 - Uniform costs that are not considered adaptable for general use



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FRINGE BENEFITS

- We can try to clarify issues for you, but you will need to contact the IRS for authoritative guidance
- IRS Fringe Benefit Guide <https://www.irs.gov/pub/irs-pdf/p5137.pdf>
- Compensation: All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. Accounting and Uniform Compliance Guidelines Manual, Chapter 1



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COUNTY PERSONNEL POLICY

- IC 36-2-8-2 “The county auditor and county treasurer may pay salaries and wages to county officers and employees monthly, twice each month, every two(2) weeks, or weekly. “
- Chapter 1 of the Accounting and Uniform Compliance Guidelines for County Auditors states: “ All types of employee benefits must be detailed in a written policy. Payments for expenses not authorized in a written policy cannot be allowed. The governing body must adopt policies governing sick leave, vacation leave, and any other types of paid leave.”
- Also, from Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual: “Each unit must adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated written contracts approved by the governing board would be considered as written policy. The policy must conform to the requirements of all state and federal regulatory agencies.”



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SALARY ORDINANCE

- IC 36-2-5-3 provides that the county fiscal body shall fix the compensation of officers, deputies and employees, fix the number of officers, deputies and employees, describe and classify positions and services, and adopt schedules of compensation
- IC 36-2-5-11 provides that the salary ordinance is a separate ordinance from the budget and takes into consideration the statements and recommendations of the county executive that were presented to the commissioners by July 2 under IC 36-2-5-4 (Form 144)
- The salary ordinance fixes the compensation of all officers, deputies and other employees subject to this chapter and number of deputies and other employees for each office, department, commission or agency, except for part-time and hourly employee whose employment is limited only by the amount of funds appropriated for their compensation.



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CHANGE IN COMPENSATION

- IC 36-2-5-13 provides for changes to the compensation.
- Compensation does not include (1) payment of an insurance premium (2) payments for longevity, professional certification, or educational advancement that are separately identified on a salary ordinance or resolution (3) payment of a stipend or per diem allowed by statute.
- An elected officer is not required to report hours worked and may not be compensated on the number of hours worked.
- The compensation of an elected official may not be changed in the year for which it is fixed. The county council may change the compensation of other county officers, deputies and employees by a majority vote.



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CHANGE IN ELECTED OFFICERS COMPENSATION

- Salary Schedules IC 36-2-5-13
 - Assessors – certifications (IC 36-2-5-3.5)
 - Surveyors – registered under IC 25-21.5 or IC 25-31
 - Coroner – licensed to practice medicine
- IC 36-2-5-14 Sheriff Compensation
 - Contract
 - Percentage of Prosecutor's pay



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JUDGES SUPPLEMENTAL PAY

- Indiana Constitution Article 7 Section 19: “Pay. The Justices of Supreme Court and Judges of the Court of Appeals and of the Circuit Courts shall at stated times receive a compensation which shall not be diminished during their continuance in office.”
- In determining the compensation, include the supplemental pay paid by the county with the state compensation and the total must not decrease during the term served.



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RECORD OF HOURS WORKED

- The federal Fair Labor Standards Act (FSLA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee’s work week begins be kept for all employees. Accounting and Uniform Compliance Guidelines Manual, Chapter 1
- Elected officials do not need to track their time worked.
- Workers who hold more than one position must log their hours separately
- Exempt employees do need to track their days worked and their paid time off
 - Form 99 Payroll Schedule
 - Form 99A Employee Service Record



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Approved by State Board of Accounts General Payroll Form No. 99 (Rev. 1993)

PAYROLL SCHEDULE AND VOUCHER

NOTE: Total hours or days to be paid shall equal the days or hours worked plus authorized leave to which an employee might be entitled by law and under the leave policies established

Office, Board, Department or Institution _____ Page _____ of _____ Pages
 or Period Beginning _____, 19__ and Ending _____, 19__ Fund _____

| NAME OF EMPLOYEE | Approp. No. or Class Title | Noncash Benefits | DAYS OR HOURS IN PERIOD | | | | | | Total Days or Hours To Be Paid | Rate of Pay | Gross Pay | Total | DEDUCTIONS | | | | | | | Amount of Warrant (Gross Pay) Less Deductions | Warrant Number | | | | | | |
|------------------|----------------------------|------------------|-------------------------|------------|----------------|-----------|-------------|---------|--------------------------------|-------------|-----------|-------|--------------|---------------------|--------------|---------------|----------------|---------|---------|---|----------------|------------------|-------------------|--|--|--|--|
| | | | Worked | Sick Leave | Vacation Leave | Lost Days | Other Leave | C o d e | | | | | Fed. W/H Tax | Social Security Tax | Medicare Tax | State W/H Tax | County W/H Tax | C o d e | C o d e | | | Insurance Amount | Retirement Amount | | | | |
| 1. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. | | | | | | | | | | | | | | | | | | | | | | | | | | | |

SAMPLE

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STATE OF INDIANA, Dated _____ COUNTY, 19__

SS: _____ (Signature) _____ (Official Title)

I have examined the within claim and hereby certify as follows:
 This is in proper form.
 That it is duly authenticated as required by law.

Title _____ Agency _____ contract _____

That it is based upon statutory authority.

hereby certify that I have examined the time record of each employee listed on Pages _____ to _____ of this payroll, that each employee has performed the services for which the salaries or compensation is paid: that incorrect to the best of my knowledge and belief no part of the salary or compensation or any employee listed hereon is Disbursing Officer being divided or paid to any person on account of or by reason of his employment; that the compensation listed opposite the name of each employee is based upon either statutory or regulatory authority and is justly due each such employee; that the deductions have been authorized for the purpose stated; that this payroll totalling \$ _____ is correct and has by me been

Warrant No. _____ to _____ (Inclusive)

PAYROLL OF _____ (Office, Board, Department or Institution)

(Fund)

Total Gross Pay \$ _____

DEDUCTIONS

Federal W/H Tax \$ _____

Social Security Tax _____

Medicare Tax _____

State W/H Tax _____

CAGIT _____

Insurance _____

Retirement _____

Net Amount of Warrants \$ _____

Allowed _____ Total Gross Pay _____

In the Sum of \$ _____ FILED

SAMPLE

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W-2's AND SALARY ORDINANCE

- W-2 reports the actual wages received in a calendar year (cash basis). The salary ordinance authorizes the compensation for hours/days worked in that calendar year. They do not have to match as payment for hours/days worked in one year may be paid in a subsequent year
- Elected officials receive their annual compensation over the number of pays in the year. You should not pay in advance of days worked, but you can pay for work up to the pay date if your county chooses to do so. This may require a catch up pay at year end.
- Salaried positions can have paid time off (PTO) and that must be determined for each pay period. If they are exempt from overtime, they could be paid in the same manner as elected officials, however you will have to allow for any lost time if they have no PTO to claim and mis work.
- Nonexempt employees and hourly employees – you will need time to process their time as it can vary each pay.



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EMPLOYEE'S EARNINGS RECORD

| | | |
|-----------------------------------|---|-----------------|
| UNIT | BASIS OF PAY (PER MONTH, WEEK, \$ _____ \$ _____) | MR., MRS., MISS |
| OFFICE, BOARD OR DEPARTMENT | OTHER COMPENSATION TYPE | ADDRESS |
| (SEE OTHER SIDE FOR INSTRUCTIONS) | AMOUNT | CITY |
| | EXEMPTION STATUS FEDERAL STATE _____ | ZIP CODE |
| | | SOC. SEC. NO. |

Form Prescribed by State Board of Accounts General Payroll Form 99B (Rev. 1985)

| | DATE OF WARRANT | PAYROLL PERIOD ENDING | C o d e | NONCASH BENEFITS | GROSS PAY | TOTAL | DEDUCTIONS | | | | | AMOUNT OF WARRANT | WARRANT NUMBER |
|----|-------------------|-----------------------|---------|------------------|-----------|-------|-------------------|-----------------|-----------------|-----------|------------|-------------------|----------------|
| | | | | | | | FEDERAL WITH. TAX | SOCIAL SECURITY | STATE WITH. TAX | INSURANCE | RETIREMENT | | |
| 1 | | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | |
| 13 | | | | | | | | | | | | | |
| 14 | | | | | | | | | | | | | |
| | TOTAL 1ST QUARTER | | | | | | | | | | | | |

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WAGES MAY NOT BE PAID IN ADVANCE

- IC 36-2-8-6 states: “ A county officer or a deputy or employee of a county officer is entitled to payment for services only after the officer, deputy or employee has rendered those services.”
- IC 5-7-3-1 states: “ Public officers may not draw or receive their salaries in advance.”
- Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states:
“Compensation and any other payments for goods and services must not be paid in advance of receipts of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee”



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COMPENSATION AND BUDGETS

- Budgets for compensation, with exception of over time and part time, can be more precisely determined than many other budget estimates, so line items for wages are more accurate.
- The appropriation itself does not determine how much compensation an employee receives.
- Depending on when the wage is paid, budgets for the current year or the previous year may be used without audit exception.
- You can have unspent appropriation for wages at year end, or you may need additional appropriation for wages.
- If your county has budgeted for wages for days/hours worked in the calendar year, we will not take audit exception to encumbering unused appropriation for the first one or two payments in the subsequent year.



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COMPENSATION FROM OTHER FUNDS

- The source of compensation does not determine if an individual is an employee or an independent contractor. Additional duties assigned and paid from a grant or special revenue fund can be possible.
- Payroll claims can be allocated to more than one fund.
- Record of hours worked for regular duties and special duties should be kept to support payroll
- An employee should not be paid for the same hour for separate duties
- Grant funds have compliance requirements and documentation requirements that must be met
- Working for separate departments is possible, but hours must be maintained for each department



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Reporting Wages

- W-2 is used to report wages for employees
 - Elected officials
 - Board Members
 - Other County Employees
- 1099 is used to report compensation for independent contractors
 - Contracted Service Providers such as contractors, consultants, engineers, attorneys
- County must make the determination between employee and independent contractor



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ELECTION WORKERS – WHO IS WORKING?

- County Employees on County payroll:
 - County Clerks
 - County Clerk Deputies
 - Other County Employees

- Election workers
 - Poll workers on day of primary and day of election
 - Election workers that work for multiple days up to and after election



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ELECTION WORKERS

- Election wages don't have federal income withholdings
- Wages over \$600 in one year must be reported to the IRS (W-2)
 - If you know they will be below the \$600, you can pay those workers on a vendor claim (Form 17)
- Over threshold amount set by the Federal Government, the employer must pay the Social Security and Medicare match on all earnings of the election worker. Below that threshold no matching payments are required.
- IRS.gov



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QUESTIONS



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