

CHAPTER 9  
UNDER CONSTRUCTION!



The overall accounting theory in Chapter 9 is still applicable, however details related to the new Peoplesoft HCM system are being updated. Training documents for state employees may be accessed through SuccessFactors learning tool, JAM: [State of Indiana Resources - Content/PeopleSoft 9.2 \(sapjam.com\)](#)

**CHAPTER 9**

**PAYROLL AND PERSONNEL  
TRANSACTIONS**

**SCOPE**

*This chapter is a brief summary of personnel rules and regulations and personnel transactions as determined by the State Personnel Department (SPD). Also included are descriptions of processes used by the Auditor of State (AOS) in the processing of payroll transactions.*

**Table of Contents**

9.1 STATUTORY AUTHORITY.....1

    9.1.1 Statutes .....1

    9.1.2 Indiana Administrative Code (IAC).....3

9.2 ACCOUNTING THEORY .....3

9.3 INTERNAL CONTROLS .....3

9.4 BUSINESS PROCESSES.....4

    9.4.1 State Personnel.....4

        9.4.1.1 Time and Attendance Report – Non Time & Labor.....4

        9.4.1.2 Overtime Eligible Employees .....4

        9.4.1.3 Overtime Exempt Employees – Comp Time .....5

    9.4.2 Auditor of State.....6

**9.1 STATUTORY AUTHORITY**

**9.1.1 Statutes**

*The State Civil Service law establishes the State Personnel Department (SPD) and applies to those executive agencies directly responsible to the governor or lieutenant governor. IC 4-15-2.2-15 notes 20 responsibilities of SPD, which include, but are not limited to:*

- *Develop personnel policies, methods, procedures, and standards for all state agencies.*
- *Establish and maintain a roster of all employees in the state civil service.*
- *Prepare, or cause to be prepared, a classification and pay plan for the state civil service.*
- *Administer the classification and pay plan.*
- *Approve individuals for appointment to positions in the state civil service.*
- *Approve employees for transfer, demotion, or promotion within the state civil service.*
- *Rate the service of employees.*
- *Investigate systems of appointment and promotion in operation in various departments or divisions of the state government.*

IC 4-2-6-16, **Nepotism**, states: (a) *This chapter does not prohibit the continuation of a job assignment that existed on July 1, 2012.* (b) *As used in this section, "employed" refers to all employment, including full-time, part-time, temporary, intermittent, or hourly. The term includes service as a state officer or special state appointee.* (c) *An individual employed in an agency may not hire a relative.* (d) *Except as provided in subsection (e), an individual may not be employed in the same agency in which an individual's relative is the appointing authority.* (e) *An individual may be employed in the same agency in which the individual's relative is the appointing authority, if the individual has been employed in the same agency for at least twelve (12) consecutive months immediately preceding the date the individual's relative becomes the appointing authority.* (f) *Except as provided in subsection (e), an individual may not be placed in a relative's direct line of supervision.* (g) *An individual employed in an agency may not contract with or supervise the work of a business entity of which a relative is a partner, executive officer, or sole proprietor.* (h) *Any person within an agency who knowingly participates in a violation of this chapter is subject to the penalties set forth in section 12 of this chapter.*

IC 35-44.1-1-3 **Ghost employment**, states in part: “(a) *A public servant who knowingly or intentionally: 1) hires an employee for the governmental entity that he serves; and 2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Class D\* felony.* (b) *A public servant who knowingly or intentionally assigns to an employee under his supervision any duties not related to the operation of the governmental entity that he serves commits ghost employment, a Level 6 felony.* (c) *A person employed by a governmental entity who, knowing that he has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Level 6 felony.* (d) *A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Level 6 felony.”*

IC 35-44.1-1-4, **Conflict of interest**, states in part: “(b) *A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.”*

*Exceptions to this law are included in (c) (1) through (6). Paragraph (6) refers to a disclosure to avoid a conflict of interest charge. This disclosure is further described in (d) as follows:(d) A disclosure must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase.....”*

For further information and possible exemptions, see the Indiana Code and contact the State Inspector General or State Ethics Commission.

Public service is a position of public trust. Public servants should be extremely sensitive to any transactions that may cause concern of the taxpayers that either elected them or caused them to be appointed to or employed in a public office.

IC 4-7-1-2, **Powers and duties** (Auditor of State) states in part: “The auditor of state shall do the following: . . . (8) Draw warrants on the treasurer of state or authorize disbursement through electronic funds transfer in conformity with IC 4-8.1-2-7 for all money directed by law to be paid out of the treasury to public officers or for any other object whatsoever as the warrants become payable.” This includes all salary or salary related payments for state employees.

### **9.1.2 Indiana Administrative Code (IAC)**

- Indiana Administrative Code (IAC), Title 31, Article 5, State Employees, further details personnel rules. See [www.in.gov/legislative/iac/](http://www.in.gov/legislative/iac/).

## **9.2 ACCOUNTING THEORY**

The State of Indiana utilizes three separate software applications to process payroll: PeopleSoft HR, maintained by the State Personnel Department (SPD) to enter information, INFOR, maintained by the Auditor of State Payroll Department to process payroll, and PeopleSoft Financials, maintained by the Auditor of State (AOS) to post expenditures to the general ledger.

Most state agencies are using the PeopleSoft HR Time and Labor (T&L) module to collect time and labor information, though this is not yet a required module. Payroll costs are expensed when paid through the current system (INFOR, formerly called GEAC). After an upload from INFOR to PeopleSoft, payroll deductions are accrued and expensed in the financial system; when paid to outside entities (taxing entities, insurance companies, etc.), the payable is reduced.

## **9.3 INTERNAL CONTROLS**

Regardless of the system used in time collection and to process payroll transactions, an internal control system should be in place to assure correctness and accuracy on payroll related documents. T&L electronic submissions must be approved by a supervisor after the last employee submission. The approval should be by a direct supervisor who has knowledge of the employee’s attendance. The electronic submissions and approvals are considered adequate documentation of the control activities; it is not required to print the attendance report.

If an agency is not yet utilizing Time and Labor, attendance reports should be dated as of the last day worked, should be signed by the employee, and should be approved by a direct supervisor who has knowledge of the employee’s attendance. Documentation of the employee signatures and supervisor approvals should be retained by the agency.

All state employees are now required to receive their payroll remittance either through direct deposit to a bank account or by means of a state issued debit card.

## **9.4 BUSINESS PROCESSES**

### **9.4.1 State Personnel**

The SPD website, [www.in.gov/spd/](http://www.in.gov/spd/), includes a wide variety of information of interest to state employees, ranging from a job bank listing to an employee newsletter to discounts for state employees. Forms and all information regarding the SPD's responsibilities and policies are easily accessible, along with phone numbers of contacts in the various programs.

Agency payroll/benefit/HR staff should access current policies and procedures at [www.in.gov/spd](http://www.in.gov/spd) and disseminate necessary information to agency staff.

#### **9.4.1.1 Time and Attendance Report – Non Time & Labor**

For agencies not using PeopleSoft HR Time & Labor, the Employee's Attendance Report is to be used for employees paid through the Auditor of State's payroll system. If a different attendance report or recording method is used, it must include the same information as State Form 46162, facilitate the entering of data into the payroll system, and be approved by the State Board of Accounts.

A state employee must submit an attendance report for each pay period. This report should contain accurate information and be signed and dated by the employee, on or after the last day worked in the pay period. Attendance reports may be electronically signed by the employee but a hand signature is required by the approving supervisor unless additional controls approved by the State Board of Accounts are implemented. Attendance reports should be submitted timely so that submission of payroll to the AOS for payroll processing is not delayed.

The completed attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee or his/her designee who has knowledge of the employee's attendance. This review should be completed prior to submission of payroll to the AOS. If an alternative procedure is needed, contact the State Board of Accounts for assistance and approval.

#### **9.4.1.2 Overtime Eligible Employees**

Overtime-eligible classifications, as defined by the Financial Management Circular entitled "Job Classifications Normally Eligible for Premium Overtime", who work in excess of 40 hours per week, are eligible to receive premium overtime compensation (i.e. are compensated for overtime at a time and a half rate). See State Personnel Department Policies and Procedures ([www.in.gov/spd/3065.htm](http://www.in.gov/spd/3065.htm)) for additional detail on hours of work and overtime.

Per State Personnel Department Policy, overtime work must generally be approved in advance, although public safety and emergencies may require retroactive approval consistent with agency policy, per Financial Management Circular 89-2. Each agency must annually submit a Financial Management Plan to the State Budget Agency outlining anticipated overtime needs

for the fiscal year. Overtime work not anticipated in those plans must be reported within one business day.

Employees are prohibited from working additional hours without authorization and should notify supervisors in advance whenever they realize they may not be able to meet deadlines or complete assignments during assigned work hours.

Supervisors should set priorities and ensure that employees are managing their time with good planning and effective work habits; however, when overtime work is necessary, supervisors must follow agency procedures to request and secure authorization for such additional work.

A general description of overtime-eligible classifications and can be found at [www.in.gov/sba/2512.htm](http://www.in.gov/sba/2512.htm). Choose the most recent Financial Management Circular entitled "Job Classifications Normally Eligible for Premium Overtime".

State Personnel Department Rules 31 IAC 5-7-1, et seq., related to compensable hours of work and overtime for state government employees, can be found at [www.in.gov/legislative/iac/](http://www.in.gov/legislative/iac/).

With permission from agency heads, overtime eligible employees may be permitted to choose compensatory time off in lieu of monetary overtime compensation. State Personnel rules 31 IAC 5-7-6 covers compensatory time off and provide that, in most cases, compensatory time off accrued by overtime eligible employees must be taken prior to the end of the calendar quarter succeeding the quarter in which the additional hours were worked.

Special rules apply to law enforcement personnel, including Correctional Officers. See 31 IAC 5-7-8.

#### **9.4.1.3 Overtime Exempt Employees – Comp Time**

State employees performing exempt work are not eligible for premium overtime compensation. Employees performing exempt work may only be paid monetary overtime compensation if the agency head receives prior approval from the State Personnel Department and Budget Agency, consistent with 31 IAC 5-7-3 or the Financial Management Circular titled "Compensatory Time Off for Employees Exempt from Premium Overtime Compensation and the Fair Labor Standards Act" ([www.in.gov/sba/2512.htm](http://www.in.gov/sba/2512.htm)).

Agency heads may authorize compensatory time off for employees required to perform exempt work substantially beyond their normal work schedule. Compensatory time off for overtime exempt employees must be accrued and taken in accordance with the Financial Management Circular. Compensatory time rules include:

- An exempt employee must receive prior approval from his/her supervisor to work on a specific task for a specific number of hours.
- Compensatory time off should not accrue for projects that will take less than four hours of overtime work.
- Compensatory time off may be used in quarter hour increments.

- *No exempt employee may use more than three weeks of compensatory time off during a calendar year.*
- *The Employee Compensatory Time Worksheet (State Form 42386), or a computer worksheet mirroring that form, should be completed and submitted with every attendance report in which compensatory time is noted as earned or used. This is not necessary if compensatory time is tracked in Time and Labor. Forms can be accessed from the Indiana Archives and Records Administration website (<http://www.in.gov/iara/>).*
- *Accumulated compensatory time off may not be used after an exempt employee has given notice of her/his intent to terminate employment or transfer interagency. Upon termination or interagency transfer, the exempt employee receives no compensation for accumulated compensatory time.*

#### **9.4.2 Auditor of State**

*The Auditor of State issues the payroll warrants, disburses withholdings, and maintains the official state payroll records. All payroll personnel should have a copy of the State of Indiana Payroll Manual issued by the Auditor of State. This manual provides instructions and guidance on processing payroll through the Auditor's Office, including the proper forms to use and instructions for their completion.*

*At the present time, the AOS continues to process payroll transactions through INFOR. Payroll detail is processed to the PeopleSoft Financials general ledger through an interface with INFOR. Agency employees are responsible for allocating payroll costs to other applicable chart field combinations. Allocation of payroll should be completed through a Journal Entry to the general ledger (GL).*