



# PAYROLL

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AUDITOR SPRING CONFERENCE

APRIL 2022

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## SBOA IS NOT AN AGENT FOR THE IRS

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- We can try to clarify issues for you, but you will need to contact the IRS for authoritative guidance
- It matters if a person is an employee or an independent contractor and the County, as the employer, must make that determination.
  - An employee would have payroll withholdings, Social Security and Medicare match, be entitled to benefits or pension; be entitled to unemployment
  - An independent contractor is a self-employed individual that is contracting with the county to provide services for a specific fee.
- If there is any question – contact the IRS



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## COUNTY PERSONNEL POLICY

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- 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

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- 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

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- 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.
- Exceptions for salaries of Judges, court officers, prosecuting attorneys, deputy prosecuting attorneys and sheriffs



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## W-2's AND SALARY ORDINANCE

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- 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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## 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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## THE DREADED 27<sup>TH</sup> PAY

- SBOA recommends that the county set the salary ordinance for salaried individuals at a bi-weekly amounts
- In years where there are 27 pays, the biweekly pay is not lowered as a result of the 27<sup>th</sup> pay
- Salaries for even dollar amounts are more difficult to pay exactly over 26 or 27 pays without needing the last pay to be reconciled for rounding and the salary ordinance:
  - 40,000 divided over 26 pays = 1,538.4615
- Be consistent in how you pay
- If possible, include the pay period as well as the pay date on the paycheck.



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## COMPENSATION AND BUDGETS

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- 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

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- 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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## ELECTION WORKERS – WHO IS WORKING?

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- County Employees on County payroll:
  - 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

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- Election wages don't have federal 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.



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## COMPENSATION OF ELECTION WORKERS

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- Who sets compensation
  - Poll workers (Inspector, Judge, Clerk, Assistant clerk, Sheriff, Vote Center worker) – Commissioners
  - Canvas Clerical Assistant, Write-in Counting team – County Election Board
  - Provisional Ballot Counter- per diem set by County Fiscal Body
  - Election Board – County Fiscal Body
  - Absentee Courier and Absentee Ballot Counter – Per diem set by county fiscal body
  - Absentee Voter Board Member – Per Diem set by county fiscal body



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## COMMON PAYROLL QUESTIONS

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- Can I pay stipends or Per Diems by vendor claims?
  - Depends- are you reimbursing employee costs or paying for employee services
- Can the county pay for shirts or jackets with the county logo?
  - Depends, what is your county policy on this and have you considered in IRS reporting requirements
- I know didn't get all my pay; can you help me?
  - We can't audit payroll from our office. You need to schedule out your pays and see if you were paid in accordance with the salary ordinance



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## COMMON QUESTIONS (CONT.)

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- Exempt employees don't have to report their time, right?
  - Only elected officials are not required to track their time. All other employees must track and report their time (Form 99A)
- When does the raise go into effect?
  - Depends, what does your salary ordinance say?
- Why does the Auditor's office have to process payroll?
  - The Auditor is responsible for posting the funds ledger, and all disbursements from the funds, including payroll.
- What about outsourcing payroll?
  - Payroll calculations can be outsourced, but posting the payroll to the funds is still the responsibility of the Auditor



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## QUESTIONS

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