**Project Statement:** Payroll Efficiencies, a sub-project of the BFA Banner Initiatives, is to review, evaluate, and analyze existing payroll processes and Banner HR functional capability to enhance process efficiency, effectiveness, process documentation and team cohesiveness to the point that are best-in-class.

**Program:** Banner Initiatives: Payroll Efficiencies

<table>
<thead>
<tr>
<th>Created and submitted by: Vic Kiel</th>
<th>Date Created: March 1, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Owners: Chyerl Wolfe-Lee</td>
<td>Date Modified:</td>
</tr>
<tr>
<td></td>
<td>Version: 2</td>
</tr>
</tbody>
</table>
1. Current Situation

Within the past 60 days HR has faced egregious payroll errors and had a turnover of 2 of the 3 payroll staff members. This results in a high learning curve for the new employees and a backlog of workload (3 pay periods of reconciliations and a large volume of DRS transmittal messages). In our initial analysis we have identified:

- the need for a business process analysis
- the need for additional and improved documentation of processes
- duplication of effort between the HRIS and Payroll units
- a lack of fully utilizing technology
- some current reports need to have an Excel type format file produced to help reduce printing and reduce manual processes for auditing. We are exploring methods for cost-savings in reducing printing expenses; we are currently printing thousands of pages every pay period.
- broader distribution of knowledge for payroll processing

We have also identified and fixed local process names using standardized Banner naming conventions.

2. Business Processes To Be Reviewed

- Pre-Payroll process. This consists of all actions prior to starting the core payroll process PHPTIME, including audit reports, life insurance calculation process, and payroll calendar rules.
- Core Payroll Process. The process that begins with the execution of PHPTIME, which moves the payroll records to disposition 5 (payroll records ready for timesheet entry and approval) and ending with the last execution of NHPFIN2 with the payroll records at disposition 70 (payroll records ready for direct deposit and check printing execution).
- Post Payroll Process. The process of payroll and vendor reconciliation and audit, ACH preparation and payment, and report generation.
- Review errors that occurred during payrolls 1-3, 2012, including deduction creation/modification and sick leave incentive payments to identify solutions and/or improvements to related processes.
3. Functional Areas That Will Be Impacted

<table>
<thead>
<tr>
<th></th>
<th>Academic Affairs</th>
<th>Business Services</th>
<th>Capital, FM, Public Safety &amp; Parking</th>
<th>Enrollment &amp; Student Services</th>
<th>Financial Services</th>
<th>Human Resources &amp; Payroll</th>
<th>Information Technology</th>
<th>Internal Audit</th>
<th>Internal Control</th>
<th>Legal &amp; Policies</th>
<th>Outside Consultant</th>
<th>Planning &amp; Budgeting</th>
<th>University Advancement</th>
<th>University Relations</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impacted</td>
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<tr>
<td>Resources Required</td>
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</tr>
</tbody>
</table>

4. Identify Stakeholders

- Mike Ulrich – Accounting Manager, Accounting Services
- Teresa Mroczkiewicz – Director, Financial Services
- Bob Schneider – Director, ADMCS
- Steve Weinberg – Application Systems Manager, ADMCS
- Denny Demorest, Systems Analyst, ADMCS
- Kim Herrenkohl, Director, Office of the Internal Auditor
- Nicole Goodman, Internal Control, BFA

5. Identify Team Members

- Vic Kiel, HR Management Systems Manager (BFA/Human Resources)
- Lea Aune, HR Services Manager (BFA/Human Resources)
- Sarah Byker, Payroll Manager (BFA/Human Resources)
- Liz Rasmussen, Fiscal Specialist 1 (BFA/Human Resources)
- Karisa Dobler Fiscal Analyst 2 (BFA/Human Resources)
- Mike Ulrich – (BFA/Accounting Services)
- Steve Weinberg – (AA/ADMCS)
- David Weiss – (BFA/Human Resources)

Subject Matter Experts and consultants as needed
6. Relationship to Banner Initiatives Objectives

Banner Initiatives Objectives

- Simplify and automate business processes by implementing best-in-class practice
  - Avoid human errors
  - Improve data integrity
  - Reduce process cycle time and unnecessary paperwork and handling
  - Increase productivity and improve accuracy
  - Integrate systems and reduce/eliminate redundancy and shadow systems
- Improve services to campus and boost customer satisfaction
- Improve reporting capabilities on:
  - Management reports
  - State and federal reporting requirements
- Deliver effective training program to all identified end-users across different departments prior to “go-live”
- Provide efficient post implementation support to end-users

Payroll Efficiencies project will meet Banner Initiatives objectives as follows:

- Identify and eliminate redundancy between Payroll and HRIS thereby reducing process cycle time.
- Reduce the time from pre-payroll through post payroll processes through refined use of technology
- Improve data integrity and from improved processes and system audits will result in more up-to-date and accurate management, state and federal reports and well as decreased errors with employees deductions and pay
- Cross train payroll team in the different functions of the payroll process to ensure successful implementation
- Develop a standardized detailed set of documentation for all payroll processes.
- Reduce printing expenses by making use of electronic products versus paper.
7. Risk Assessment

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of time available to team members to dedicate to training and project tasks above their normal workloads</td>
<td>Time to complete the project</td>
<td>Build time into the work breakdown structure to off-set resource availability</td>
</tr>
<tr>
<td>Errors in payroll execution during the transition of the new payroll staff</td>
<td>Incorrect paychecks and additional time to fix errors</td>
<td>• Use a team approach to execute the payroll processes • Utilize external payroll consultant expertise</td>
</tr>
<tr>
<td>Level of ADMCS support</td>
<td>ADMCS resources may be limited due to competing resources (other projects)</td>
<td>• Delay rollout • Seek consulting help</td>
</tr>
</tbody>
</table>

8. Research

Research Banner documentation and incorporate it into our process documentation; collaborate with other institutions. Conduct an on-site visit to another Banner HR institution to observe and learn from their practices.

9. Process Review Budget

Use of external payroll consultants and an off-site visit to a Banner school (e.g. Portland State University) – $5,000.
Appendix 1: Payroll Outstanding Payroll Tasks 2012.xlsx

<table>
<thead>
<tr>
<th>Payroll - Outstanding Tasks</th>
<th>As of 3/5/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Point Person</td>
</tr>
<tr>
<td>Federal withholding for tax treaty employee set up as Waived instead of Exempt</td>
<td>Sarah</td>
</tr>
<tr>
<td>Possible incorrect wage reports submitted to Social Security Administration</td>
<td>Sarah</td>
</tr>
<tr>
<td>HCA Refund to Emma Shephard &amp; Caroline Chamblin</td>
<td>Sarah &amp; Karisa</td>
</tr>
<tr>
<td>Quarterly &amp; Annual tax training</td>
<td>Sarah</td>
</tr>
<tr>
<td>Payroll Reconciliation - PAY# 1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>Fed Reconciliation - PAY# 1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>DRS Reconciliation - PAY#1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>HCA Medical Reconciliation - PAY# 1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>PEBB Optionals Reconciliation - PAY# 1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>Mistake in Fact Contributions</td>
<td>Jason &amp; Karisa</td>
</tr>
<tr>
<td>DRS Transmittal Edit Messages</td>
<td>Karisa</td>
</tr>
<tr>
<td>BPA Efficiencies</td>
<td>HRMS</td>
</tr>
<tr>
<td>Life Insurance view on Web4U</td>
<td>Vic &amp; Jeff</td>
</tr>
<tr>
<td>HSA (less than 12 employees)</td>
<td>Jeff</td>
</tr>
<tr>
<td>Create Excel download files for PWPHCBL, PWPHCTL and PWRDEDR</td>
<td>HRMS</td>
</tr>
<tr>
<td>Task</td>
<td>Team</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Modify PWRPEND to add approver email address and proxy info to download file.</td>
<td>HRMS</td>
</tr>
<tr>
<td>Identify reports &amp; processes that do not need to be printed</td>
<td>TEAM</td>
</tr>
<tr>
<td>Conduct analysis of all processes (Pre, Core, Post, Internal Control)</td>
<td>TEAM</td>
</tr>
<tr>
<td>Accounting Services Negative Manual Checks</td>
<td>Karisa</td>
</tr>
<tr>
<td>Repay for Kergie Garcia</td>
<td>Sarah</td>
</tr>
<tr>
<td>Liability Account Reconciliation - PAY# 1, 2, 3</td>
<td>TEAM</td>
</tr>
<tr>
<td>Online journal voucher - PAY#3</td>
<td>TEAM</td>
</tr>
<tr>
<td>AFRS journal voucher - PAY#3</td>
<td>TEAM</td>
</tr>
<tr>
<td>UAAL payment - for December &amp; January</td>
<td>TEAM</td>
</tr>
<tr>
<td>DRS correction - contributions made to wrong plan</td>
<td>Lea &amp; Karisa</td>
</tr>
<tr>
<td>Veba Fed deduction for Randy Senf</td>
<td>Sarah &amp; Karisa</td>
</tr>
<tr>
<td>Emergency check request (Sean Matson, student)</td>
<td>Sarah</td>
</tr>
<tr>
<td>FIM &amp; FIO corrections for 2 students (deductions were active, should be waived)</td>
<td>Sarah &amp; Karisa</td>
</tr>
<tr>
<td>Parking corrections - 2 refunds needed</td>
<td>Sarah</td>
</tr>
<tr>
<td>Duplicate W-2's</td>
<td>Danny Chan</td>
</tr>
<tr>
<td>Death of employee Meredith Cary</td>
<td>Sarah</td>
</tr>
<tr>
<td>Obsoleted PWPMAXC</td>
<td>HRMS</td>
</tr>
<tr>
<td>Updated parameter date entry for 4 reports/processes</td>
<td>HRMS</td>
</tr>
<tr>
<td>Renamed 4 local objects to use Banner naming convention</td>
<td>HRMS</td>
</tr>
<tr>
<td>Deleted 2 local reports, PWRAEMP &amp; PWREEMP from payroll processing</td>
<td>TEAM</td>
</tr>
<tr>
<td>Use Adobe Acrobat to document report corrections in the electronic file versus printing and filing a paper copy.</td>
<td>TEAM</td>
</tr>
</tbody>
</table>
Appendix 2: Payroll best practices internal control.docx

Payroll best practices

Separation of duties

A major step you can take to ensure proper payroll processing is to have different people performing key payroll duties. Employees should not process or approve actions affecting their own pay.

- Best practice is to have different people:
  - Prepare and update online payroll and personnel data
  - Approve online payroll actions
  - Review monthly payroll expense reports
  - Review and reconcile financial records on a monthly basis
  - Distribute the payroll

- Potential consequences if duties are not separated:
  - Unauthorized payments made to non-existent employees
  - Unauthorized payroll transactions processed
  - Improper changes made to payroll files, personnel documents
  - Misappropriation of funds
  - Overpayments resulting in UCSD loss of funding to terminated employees

Accountability, authorization, and approval

When you authorize, review, and ensure that payroll entries and personnel actions follow policy, you are adhering to accountability principles. Maintain data confidentiality by giving payroll and personnel access only to authorized individuals.

- Best practices:
  - Periodically review and update signature authorizations.
  - Obtain pre-approval for changes made to timekeeping records.
  - Review attendance records for accuracy and compliance to policy.
  - Reconcile ledgers monthly for accuracy of recorded transactions.

- Potential consequences if accountability does not exist:
  - Unauthorized, unnecessary, or fraudulent payments
  - Unauthorized payments made to non-existent employees
  - Improper charges to incorrect account/ funds
  - Inaccurate entries made to payroll, personnel, and financial records
  - Inability to provide paycheck on payday

Security of assets

It's important to protect employee resources. Secure payroll checks and Surepay statements in a safe location, and restrict access to personnel records to designated employees who need the information to fulfill their job functions.

- Best practices:
  - Request proof of identity prior to distributing payroll.
Notify payees of unclaimed checks or Surepay statements.
Return unclaimed checks to the Payroll office.
Keep private and sensitive information secured.

Potential consequences if your assets have not been secured:

- Lost or stolen checks
- Violate privacy laws
- Sensitive or private employee information jeopardized

Review and reconciliation

On average, payroll costs will represent the largest cost component of your department budget. Monthly reconciliation activities ensure that you’re paying the right people at the correct rates.

Best practices:

- Review and audit monthly payroll costing reports.
- Compare actual payroll costs to estimated costs to discover any variances.
- Perform monthly reconciliations of operating ledgers to ensure accuracy and timeliness of expenses.

Potential consequences if review and reconciliation is not performed:

- Improper charges made to department budgets
- Payments made to non-existing employees
- Disallowances resulting from costs charged to incorrect accounts, funds, or awards
- Duplicate payments made
- Inaccurate recording of payment type distorts employee data
- Financial records misstated
Appendix 3: Payroll Internal Control, SunGard Commons Question/Response

Payroll Internal Control

by Vic Kiel - Western Washington University on 02/29/2012 09:42 AM 4 comments, 77 views
Categories: Payroll, Human Resources & Payroll

Payroll is part of HR here. Our question is, does your Payroll staff also have maintenance permission for NBAJOBS, PDADEDN and/or PHAHOUR? How do you mitigate the risk of fraud through job or deduction creation and payroll execution? What do you have in place for internal controls?

Vic Kiel
HR Management Systems Manager |360.650.7418
Western Washington University, Human Resources

Comments

# by J Lee Watts - Virginia Commonwealth University, Richmond, VA on February 29 2012, 09:55 AM
At VCU, Payroll is also part of HR. We do not give them access to NBAJOBS except as query only. Our normal flow is as follows:

1. HR OPS receives paperwork and keys NBAJOBS and most deductions
2. Payroll reviews the keyed data and returns errors for correction

Payroll does have access to PDADEDN and PHAHOUR. They have to. But moving the job creation to a different area provides a level of security so that Payroll can not create jobs and then pay them without a check/balance.

Lee Watts
VCU HRIS

# by Merry Toberman - Eastern Illinois University, Charleston, IL on March 01 2012, 10:32 AM
The EIU Payroll office is located in HR and has been under HR and the Treasurer in the past. Our deligation of duties between the offices has remained the same regardless of who we are under. Our Employment offices are the only offices with maintenance access to NBAJOBS. The HR Benefits office and the Payroll office share maintenance of PDADEDN. Payroll is the only office with access to PHAHOUR. Like VCU this provides the security that Payroll can't produce a job and pay it also.

Merry Toberman
Eastern Illinois University
Charleston, IL
At EWU Payroll is separate from Human Resources and Benefits is a unit within Human Resources. Only Human Resources and Student Employment staff can add or change NBAJOBS records; both Benefits and Payroll can update PDADEDN and only payroll can update PHAHOUR. Like the other answers, this means payroll cannot add/change a job and also pay it.

Jeri Morgan, Payroll
Eastern Washington University

Payroll/HR is structured the same way at SFA.

Jamie Derrick
SFASU