

Business Process Review

Special points of interest:

- **Overview of the time, attendance, and distribution process for bi-weekly paid employees.**
- **Guidelines for processing time cards.**
- **Ensuring appropriate separation of duties, even in small or one-person offices.**
- **Helpful hints for reviewing and correcting time cards.**
- **Appropriate check distribution procedures.**
- **Post audit reports that every business office should review.**

The Time, Attendance, and Distribution Process

At Purdue University, many employees are paid on a bi-weekly pay schedule. Employees paid every two weeks are typically hourly paid employees who are eligible to receive overtime pay (non-exempt).

Before an employee can be paid, hourly paid employees must record their time worked by completing their time card in ink or punching their time card in a time clock. At the end of each pay period, the employee submits their time card to the supervisor for review and approval. After the supervisor approves the time card, the card is delivered to the business office for processing.

Business staff responsible for biweekly payroll review all

time cards for accuracy and completeness. They transcribe the time, attendance, and account distribution information from the time card to the time slip and prepare a Time Certification (Business Office Form 1415).

After the time slips and certification form are complete, the certification form is signed and the information submitted to the central payroll office where paychecks are generated.

The summary of the time, attendance, and distribution process seems fairly straightforward. However, because the time, attendance, and distribution process directly impacts many University employees, it is critical that the process in

your department meets basic audit standards.

Following is a series of audit checkpoints for the time, attendance, and distribution process. Please take a few minutes to review the information contained in this pamphlet and determine if the process followed in your department complies with basic audit requirements.



Timely Advice on Time Cards

Guidelines for Completing Time Cards

All hourly paid employees should understand the correct way to complete a Personnel Activity Report, commonly known as a time card. Following are guidelines for completing time cards.

1. Time cards should be completed daily in ink. Cards completed with pencils could be easily altered, leading to erroneous pay.
2. Time should be recorded to the nearest tenth. For example, if an employee works two hours and 30 minutes, the time card should be completed with 2.5 hours.
3. The employee should indicate the appropriate account numbers to be charged in the Effort Distribution section of the time card.
4. Both the employee and the supervisor must sign the timecard. Time cards should

not be signed before completing the pay period.

If the employees in your department seem unfamiliar with these guidelines, please take a few minutes to educate staff on these requirements.

Proper Procedures for Submitting Time Cards

In addition to educating staff on time card guidelines, it is also important that supervisors realize they are responsible for ensuring that

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Timely Advice on Time Cards *(continued from page 1)*



A secured time card drop box allows supervisors to feel confident that approved time cards will not be lost, stolen, or altered.

ble for submitting the approved time cards to the business office. After a supervisor reviews and approves the timecard, the supervisor should not return the card to the employee. Instead, the supervisor should deliver the timecard directly to the business office.

Why is it important that supervisors submit the time cards directly to the business office? By encouraging supervisors to follow this simple procedure,

the potential for time cards to be modified after the supervisor has reviewed and approved the time and attendance information is greatly reduced.

Securing Time Cards

When supervisors submit their employee's time cards to the business office, they need to feel confident that the time card will not be lost, stolen, or altered. To ensure that all time cards submitted for employees

are safeguarded, departments are encouraged to provide a secured drop box. The drop box should be placed within the business office in a monitored area easily accessible to the supervisor.

Please review the procedures in place in your department. Are time cards being handled appropriately? If not, please work to improve the procedures in your area.

Why is Separation of Duties Important?

1. People are an integral part of every financial transaction.
 - Having different individuals involved in each process is a common sense business practice.
 - Having different individuals involved in each process provides a consistent and successful process.
2. People are human; they may make mistakes.
 - Having different individuals involved in the process increases the chance of catching mistakes before a transaction is completed.
 - Having different individuals involved in the process greatly reduces the opportunity factor that may encourage an individual to commit fraud.

After the supervisors have approved and delivered the time cards to the drop box, the business office is responsible for processing the time, attendance, and distribution information. When processing the information, it is critical that adequate separation of duties is maintained throughout the process.

The term 'separation of duties' may not be meaningful to you. In a nutshell, the term means that one person's work serves as a complimentary check on another's. Implied in this definition is the concept that no one person should have complete control over any transaction from initialization to completion.

Throughout the time, attendance, and distribution process, key process points have been identified where separation of duties is critical. Following is a description of the key process points and an explanation of why the duties must be separated to assure adequate controls in the process.

Process Point #1

During the time card to time slip transcription process, no individual should be responsible for preparing their own time slip. If the individual preparing the time card to time slip transcription also has control over his or her own time card and time slip, it is possible that the time card and/or time slip could be altered.

To avoid potential problems, another individual should be given responsibility for preparing the time slip in question.

Process Point #2

After the time slips are prepared and the certification form is completed, a second individual should be responsible for reviewing and approving the completed time, attendance, and distribution information.

During the review process, the preparer should provide the reviewer with the time cards, time slips, and the certification form. Also, adding machine tapes reflecting the number of regular hours and overtime hours from both the time cards and the time

slips should be provided. After reviewing the data and making any needed corrections, the certification form can be signed by the department head or designee.

Process Point #3

After the time, attendance, and distribution information is certified, the information must be submitted to the central payroll office. Frequently, the certifier will return the approved payroll information to the original preparer for submission to the payroll office. While this practice may be convenient, it doesn't promote appropriate separation of duties. Returning the approved information to the preparer presents an opportunity for records to be altered. Instead, please find another individual who can submit the information.

Alternative Processes

For small business offices, it may be impossible to as-

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Creating Adequate Separation of Duties

Separation of Duties *(continued from page 2)*

sign duties to a second individual. If the recommended separation of duties is impossible to achieve, alternate processes may be implemented.

When the individual responsible for completing the time card to time slip transcription must also prepare his or her own time slip (Process Point #1), a simple step can be added to the process to ensure appropriate oversight.

After approving the time card of the individual responsible for

preparing the time slips, the supervisor (typically the Business Assistant or Business Manager) should make a copy of the time card. The time slip can later be validated against the copy during the certification process.

If the individual preparing the time, attendance, and distribution information must also certify and/or deliver the payroll centrally (Process Point #2 and #3), a copy of the original time card for the employee is again useful. A brio query can be

processed against the payroll charge data model to determine if the hours paid for the individual accurately reflect the information reported on the copied time card.

Separation of duties is a key element in a strong system of internal controls. Please review the procedures in place in your office. Can the time, attendance, and distribution process be improved in your area? If the answer is yes, please take steps to implement appropriate controls.



Reviewing Time Cards and Time Slips for Accuracy

When processing the time, attendance, and distribution information, each employee's time card should be reviewed for accuracy. Additionally, the total hours recorded on the time cards must be compared to the total hours transcribed to the time slips to ensure that all hours were transferred accurately to the time slips. Following are guidelines for reviewing the time cards and time slips.

Individual Time Card Review

Prior to transcribing information from the time card to the time slip, the individual responsible for the time, attendance, and distribution process should review each time card for accuracy. Following are items that should be reviewed:

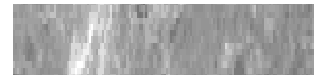
1. The time card should be completed in ink. If completed in pencil, return the time card to the employee. The employee will need to complete the time card in ink and obtain the supervisor signature.
2. Review the signatures on the time card. Both the employee and the supervisor must sign the card. If signatures are missing, please request that the individual stop by the business office to sign the card.
3. Check that hours are recorded to the nearest tenth. If hours are recorded incorrectly, please modify the time card to reflect the hours appropriately. Please use a red ink pen so that your modifications are obvious.
4. Verify that the hours reported on the time card are totaled correctly; both by line and by grand total. If hours are totaled incorrectly, please use a red ink pen to add the correct totals to the time card.
5. Verify the sick leave and vacation accruals on the leave report for any employee reporting sick leave or vacation on the time card. If the employee does not

have enough vacation or sick leave accrued to cover the hours requested on the time card, use a red ink pen to reflect the available accrual on the time card.

6. Verify that the account numbers in the Effort Distribution section of the time card are valid and have available funds.

Certain changes to the time card require that the employee and the supervisor review and initial the changes. If corrections change either the total hours to be paid or the category of the reported time, the employee and supervisor should initial the changes.

It is never a good idea to use white out to make a correction. It is most appropriate to use a red ink pen to reflect a corrected total. At a glance, an auditor will be able to tell what the employee recorded versus the business office correction.



Did you know that...

- **approximately 280,000 payments to biweekly employees are processed each year?**
- **Purdue employs approximately 11,000 biweekly paid employees during the academic year?**
- **An average biweekly payroll totals approximately \$4,500,000?**

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Balancing the Time Cards to the Time Slips

After the time cards have been reviewed for accuracy, the time slips should be completed, taking care to transcribe the hours on the time card to the appropriate spaces on the time slip. After the time card to time slip transcription is complete, it is important to balance the original time cards to the time slips.

To balance the time cards to the time slips, please follow these steps:

1. Total the regular hours reported on the time cards. Next, total the regular hours recorded on the time slips.

Compare the two totals. They should match! If the totals do not match, an error exists and will need to be resolved.

2. Total the vacation hours reported on the time cards. Next, total the vacation hours recorded on the time slips. Compare the two totals and make sure that they match. If an error exists, please make needed corrections.
3. Follow the same procedure for sick hours, holiday hours, overtime hours, and other hours. In every instance, the total hours re-

ported on the time card should match the total hours recorded on the time slips.

After balancing the time cards to the time slips, the certification form can be completed and the payroll submitted to the individual responsible for review and certification. Please be sure to include the adding machine tape for the certifier. The certifier will find this information handy when validating the completed payroll.

Are the review procedures working in your office? If not, please implement enhanced processes using these guidelines.

Which employees must complete time-cards?

- All hourly paid employees must complete and submit biweekly time cards to maintain a record of their attendance and hours worked.
- All monthly paid employees who are eligible for overtime pay must submit monthly time cards to maintain a record of the hours worked each workday of the calendar month.

Check Distribution Procedures

After the payroll is processed, pay checks and advices are generated and delivered to departments. Business office staff are typically responsible for ensuring that the checks and advices are delivered to the employees.

When checks are received in the business office, it is appropriate to store the checks in a



secure location such as a safe, locked desk drawer, or locked filing cabinet.

Employees should be directed to stop by the business office to pick up their check or advice. Placing checks in an employee's mailbox or on their desk could lead to lost or stolen checks.

Any check not picked up by the employee within 14 days should be returned to the Check Desk in Disbursements. When re-

turning unclaimed checks, please attach a note indicating the check was undeliverable. Do not void the check.

Why is it necessary to return unclaimed checks? Purdue is subject to Indiana's unclaimed property law. The law requires that Purdue turn over all unclaimed property to the state. Unclaimed checks fall under this law.

When an employee can not pick up their check within 14

days (ex: a student employee who returns home during the semester break), please make arrangements to mail the check to the employee's permanent address. Business offices may ask employees to provide a self addressed, stamped envelope for this purpose.

Future editions of this newsletter will contain more detailed information about check distribution procedures.

Valuable Post Audits

After the payroll is processed, business office staff are encouraged to review specific post audit reports.

The Biweekly Action Report (BWKLYACTION) is available in PageCenter. This re-

port provides information about unusual regular or overtime pay.

Additional queries to review overtime pay in the department can also be generated using the DSS payroll charge data model.

Up to date leave reports are delivered to departments along with the pay checks. This report should be reviewed to determine if leave balances are correct.

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