

To-Be Process Review Workshop

Human Resources Payroll Processing Overview

An Introduction to the OnePurdue Payroll Process

Location: Ross Building

Room: 130

Time: 10 am

Date: July 28th 2005

Welcome!

▪ Introductions of Group

• Representatives from:

- » HR & Payroll & Benefits West Lafayette
- » HR & Payroll Calumet
- » HR & Payroll Ft. Wayne
- » HR & Payroll North Central
- » One Purdue HR team members
- » Business Managers
- » Physical Facilities
- » Housing & Food Services

• Facilitated by:

- » Troy Markusson (BearingPoint)
 - With input from:
 - Rick Miller (Purdue)
 - Julie Gregory (Purdue)
 - Greg Gick (Purdue)



Workshop Logistics

- Tent Cards
- Rest Rooms
- Breaks



Workshop Agenda

1. Begin Payroll Process Overview
2. Break
3. Conclude Payroll Process Overview
4. Define Next Steps (Upcoming Workshops)
5. Adjourn



Why Are We Here?

Our objective today is to...

- Discover
 - Introduction of the conceptual view of Payroll within the OnePurdue initiative.
- Validate
 - In this and future workshops you will be validating the processes, identifying gaps, identifying policy changes, and evaluating priorities.
- Facilitate Communication and Change Management
 - The future state of Purdue University
 - How people, processes, and technology will Integrate in the future.

What Is the OnePurdue Project Timeline?

OnePurdue SAP Implementation Timeline	2005												2006											
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Financials and Procurement	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
HR/Payroll 1	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
HR/Payroll 2	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
HR/Payroll 3	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Campus Management 1	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Campus Management 2	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Campus Management 3	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	

Finance and Procurement: Accounts payable, Account receivable, Work Effort Reporting, purchasing
HR/Payroll 1: e-Recruitment

HR/Payroll 2: Organizational Management, Personnel Administration, Payroll, Benefits, Time Entry and Evaluation, ESS, Workflow

HR/Payroll 3: Personnel Development, Open Enrollment, Year-End Payroll Processing

Campus Management 1: Student Recruitment, Admissions, PFAE/ADMS, Transfer Articulation and Equivalency Rules

Campus Management 2: Financial Aid

Campus Management 3: Course Catalog, Student Master, Academic History, Grading, Degree Audit, Graduation, Student Accounting Master Data, Cashiering, Account Management, Billing, Payment Plans, Classroom Scheduling, Registration, Academic Calendar, Academic Progression

Payroll Processing in SAP

Sub-processes

- Payroll frequencies
- Master data updates
- Concurrent employment
- Deductions (Taxes, Garnishments, Benefits, Miscellaneous)
- Taxable Benefits
- Time entry
- Retroactivity
- Payroll simulations
- Checks/Direct Deposit
- Posting to Accounting
- Posting to Accounts Payable
- Off - cycle
- Reporting

Payroll Frequencies

- SAP can handle multiple payroll frequencies
- Each employee will be assigned a “Payroll Area” based on enterprise structure
 - Payroll area is defaulted based on configuration, but can be overwritten
- Employee can only be attached to ONE payroll area
- Payroll area will determine pay period start date, end date, pay date, and payroll frequency
- All employees falling under the same payroll area will always be run together

Master data updates

- All information in one system
 - Information is live and real time
 - HR, Benefits, Time all entered into SAP
 - Payroll processes what HR, Benefits, and Time tells it to
- Payroll becomes dependent on other departments to enter information correctly
- Data entry drops in Payroll
 - Leaves more time to analyze data and ensure consistency

Concurrent Employment

- SAP will handle employees holding multiple positions at the same time in SAP
- Each separate personnel assignment is given a unique ID
- Each personnel assignment will hold their own position, have their own rate, have their own cost assignment, etc
- Employee with multiple personnel assignments can only be processed on one payroll
 - Tax calculations and garnishment calculations require all earnings to be together
 - Will not be able to have employee on both monthly and bi-weekly payroll

Concurrent Employment - Continued

- Overtime will be calculated based on total hours by week/pay period based on set policy
 - Overtime can either be applied to all personnel assignments or just the last assignment where the overtime occurred
 - Rate can either be a blended rate or last rate worked

Deductions

- Benefits
- Taxes
- Garnishments
- Miscellaneous (United Way/Parking)

Deductions - Benefits

- Employee enrollment will be facilitated through the Benefits module of SAP
- Payroll will retrieve the monthly costs of the plans from Benefits
- Deductions and deduction frequencies are attached to the plans in payroll
 - Payroll can deduct every pay period, first or last period of the month, or first two periods of the month (biweekly)
- Deductions can be prepaid prior to employee going on a leave so they still process while the employee is not receiving any pay

Deductions - Taxes

- In Payroll master data the WH-4 determines what IN county the employee resides and works in, and what their W-4 information is for Fed and IN.
- Payroll will calculate county, state, and local taxes
- SAP interfaces with a third party tax software called Tax Factory from a company called BSI.
 - BSI keeps up to date on all tax changes for over 5000 US tax authorities and provides their customers Tax Update Bulletins
- International tax will be handled in SAP
 - In SAP the visa type and country of citizenship will be entered

Deductions - Garnishments

- All appropriate garnishment rules (non-exempt amounts and disposable net) will be built in SAP.
- Setting up of new garnishment will only involve entering monthly (or pay period) dollar amount (or percent) and SAP will calculate how much can be taken
 - IN child support, 50% of disposable earnings is non-exempt (or higher percentage in certain circumstances)
- Priority of multiple garnishments is handled in configuration and setup of garnishment
- The administrative fees can be set up to automatically collect from employee
 - IN child support \$2.00/pay period
- FFT of IN child support delivered with SAP

Deductions - Misc

- All other deductions can be entered as either recurring deductions or one time deductions
- Recurring deductions can have deduction frequencies default
 - First or last period of the month
 - Both first and second
- These deductions can also have limits attached

Deductions – Arrears Processing

- What happens when employee does not have enough net pay to capture all deductions?
 - All deductions are given a deduction priority (taxes first, garnishments second, then other deductions prioritized)
 - All deductions are given a setting of how they should process if the employee does not have enough to deduct the full deduction
 - » Deduct what it can and place remainder into arrears to collect next period (or drop the remainder and never collect)
 - » Do not deduct anything and place full amount in arrears to collect next period (or drop full amount and never collect)
 - Next period Payroll will attempt to collect what is in arrears prior to any other deductions (not including taxes and garnishments)

Taxable Benefits

- Group term life insurance taxable benefit amount is calculated automatically based on coverage over \$50k and age of employee
 - This taxable benefit happens every pay period
- Other taxable benefits are entered as either a recurring or one time taxable benefit on same screen as recurring or one time deductions
 - Season tickets

Time entry

- Hours worked will either be entered in SAP CATS (Cross Application Time Sheet) or a third party time collection system
- Time will be evaluated prior to being sent to payroll and overtime will be generated based on the overtime rules
- Time will also calculate all vacation and sick accruals
 - Employees will not be allowed to use sick or vacation time unless they have enough accrual
- Payroll will pay the hours that Time has told it to pay

Retroactivity

- All master data in SAP is date sensitive
 - No more overriding of master data with the current information
- When master data is changed, the old information is “delimited” and the new information starts on the effective date of the change
- If the change happens to be in the past, the next time payroll runs it goes back to the period where the change occurred and reruns that payroll
 - The retroactive difference from the old payroll to the new payroll is carried forward and paid on the current check.
- Retroactivity can happen for Time, Benefits, HR, and Payroll.

Retroactivity - Example

- Payroll has been run up to 02/28/2008 and Jane Doe makes \$2,000/month
- She should have a pay increase to \$2,200/month going back to 01/01/2008
- When payroll is run for March a retro will occur and pay Jane \$2,600 (2,200 + 200 (Jan) + 200 (Feb))
- If Payroll was to enter 01/01/2007 by mistake Jane would receive \$5,000 instead of \$2,600

Overpayments

- Overpayments can be collected using the retroactive processing
- Employee was overpaid \$200/month for the last three months
 - Master data would be updated to reflect this
 - Next time payroll is run retroactivity will occur and collect back \$600 gross pay and all taxes and benefits will recalculate accordingly
- In special cases total amount to collect back may be more than the gross pay the employee is to receive in the current period
 - Special Claim processing will be triggered and the overpayment will try and collect back each future period until it can collect the money back

Payroll Simulations

- Simulations can be run as many times as needed for either an individual employee or for an entire group of employees
- Ensures payroll will calculate correctly before live payroll is run
 - Output will be a screen shot of the employee's pay stub
- Can set up security to allow HR/Benefits to run payroll simulations to ensure their data entry is correct
- Payroll simulation runs the same as a live payroll except it does not write the result to the database
- Once simulations have been completed successfully a live payroll is run to update database

Checks/Direct Deposit

- Employee can have multiple bank accounts in SAP
 - Number of accounts is unlimited
- Employee can either have an additional percentage or dollar amount
- Because employee can have multiple accounts Credit Union deductions usually just become a second direct deposit
- SAP delivers the correct EFT format file that needs to be submitted to your originating bank

Posting to Accounting

- Posting to accounting is automated through configuration
 - All earnings, deductions, employer contributions, taxes, etc are mapped to a GL account
- After payroll is processed the posting to Accounting jobs sends the information over
- Drill down functionality exists where you can drill down to employee detail from Accounting

Posting to Accounting – Cost Distribution

- Three separate ways costs can be allocated:
 - Employee's home cost center
 - Cost distribution percentage split between cost centers
 - Override on an individual day (or even hour)

Posting to Accounts Payable

- All deduction wage types, including taxes, can be set up to be remitted automatically through Accounts Payable
- Due dates of when payments are due are sent over to Accounts Payable
 - Payments sit in Accounts Payable until they are due
- Also the payment type (check, wire, EFT) sent to Accounts Payable
- Simple Accounts Payable reconciliation reports can be ran to reconcile the checks created by Accounts Payable

Posting to Accounts Payable - Example

- United Way deductions total \$10,000 on biweekly and \$20,000 on monthly
- United Way only wants one check from Purdue University
- Both will have a due date of the end of the current month
- Both will accumulate in Accounts Payable and only one check will be cut for \$30,000

Reporting

- Quarter End Reporting

- Form 941
 - » SAP integrates with Accounts Payable to report the remittance dates

- Year End

- W-2
 - » SAP delivers W-2 and all associated forms and file layouts
- 1042-S
 - » SAP delivers 1042-S and reports exempt earnings

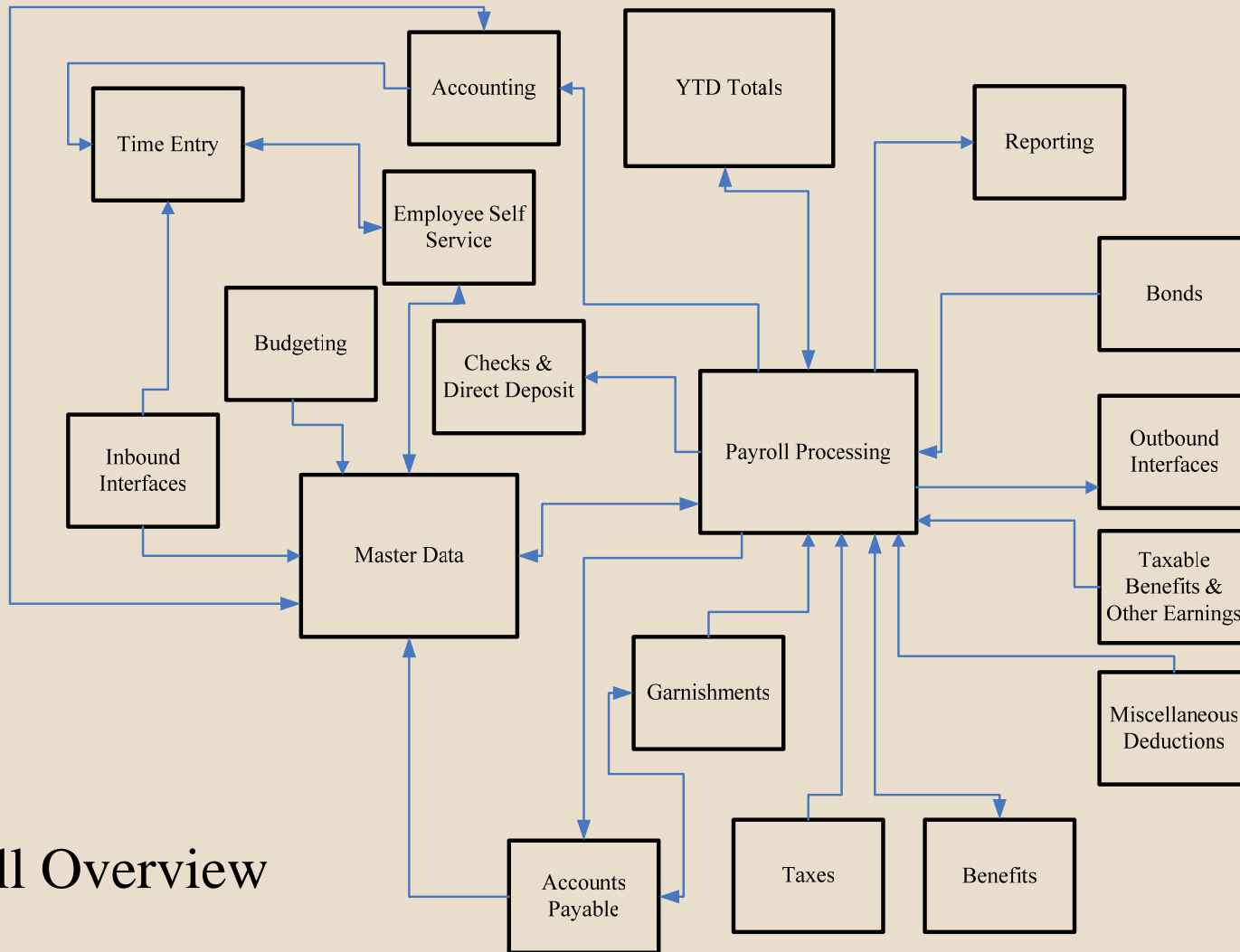
- Other reporting

- SAP delivers many different reports and query tools
- Team will be analyzing all existing reports and map to SAP equivalent
 - » In cases where no SAP equivalent, if report is needed, it can be programmed

Off-cycles

- **Correction Run**
 - Rerun the last payroll with master data changes and pays difference
- **Bonus Run**
 - Pays any bonuses that are paid as not a part of the regular payroll
 - Special Merit Pay
- **On Demand**
 - Run a future payroll early
 - Typically used when someone is terminated and want to get final check to employee early
- **Replacement check**
 - Reprints a check that was lost or destroyed
 - Simply reprints and voids the old check number
- **Void check**
 - Voids an incorrect check
 - Usually used in conjunction with correction to get the correct amount to the employee
- **Manual adjustment**
 - Used to update YTD amounts in SAP

SAP Payroll Process Flows



Payroll Overview

BPR schedule - Payroll

Aug 8 – Pre-audit, Earnings, Direct Deposit, Checks

Aug 10 – Deductions, Benefits, Taxable Benefits

Aug 17 – Payroll calendars, and overpayments

Aug 18 – Garnishments, Terminations, Disability, Deceased employee, PRF Loans

Aug 29 – Back Pay Awards, Mass hiring, and Grad Reappointment

Aug 30 – Miscellaneous transactions and adjustments

Sept 13 – Payroll reporting and interfaces

Sept 15 – Special merits/Awards, and off cycle processing

Sept 19 – Tax Processing

Sept 28 – Posting to FI/CO, Labor distribution, and Third party remittance

Sept 29 – Post payroll audit