INTRODUCTION AND GENERAL STATEMENT

1.01 Effective March 1, 1983, the University adopted one of the acceptable methods of documenting payroll costs under the revised Circular A-21. This method is entitled "Plan—Confirmation Method" and involves the distribution of salaries and wages based upon a projection or plan of work activity which will be updated to reflect any significant changes in time allocation. The accuracy of the predetermined cost allocations is substantiated by after-the-fact confirmation by someone having first-hand knowledge of the employee's work efforts. The following information pertains to the specific policies and procedures in use for this method of documenting payroll costs in compliance with the requirements of Circular A-21.

1.02 The Monthly Time & Effort Confirmation, a segment of the on-line IMS-HRS system, is also used to record annual/sick leave taken and compensatory time earned/taken.

PURPOSE AND SCOPE

2.01 The University utilizes two payroll systems in order to pay employees. The biweekly payroll pays employees on the basis of time reports submitted after the work period has ended. Time reports list each element of cost distribution and must be signed by the department head or an authorized representative. Confirmation requirements are met before costs are charged to respective functions and accounts and no further steps are required to substantiate biweekly payroll costs.

2.02 The monthly payroll system utilizes budgeted cost distributions based on planned work assignments to distribute costs to functions and accounts. Although budgeted cost distributions are updated by an on-line labor distribution segment of IMS-HRS when significant changes occur in planned work activities, actual cost distributions must be substantiated by means of confirmation on an after-the-fact basis. This is accomplished by completing the "Monthly Time & Effort Confirmation" which is explained in Section 3.04-3.08 of this document.

2.03 In order for the system to work properly, it is important that all employees understand the system and the related requirements as they pertain to the human resource system and the accounting system. The following documentation is used to outline specific procedures, define terms, and provide technical explanations of the A-21 requirements for documenting and substantiating payroll costs.

PROCEDURES
Monthly Budget and Payroll

3.01 Preparation of the detailed salary budget is normally the first step in the operating budget process for the coming fiscal year. Based on employee evaluations, available funds, etc., the rate of pay is established for each regular employee. Next, work load assignments are established and salary costs are coded for appropriate cost distribution according to the time intervals to be worked and the percentage of effort budgeted under the planned work load assignments. The coded cost distribution records are established on Budget Development System and used to print the operating budget documents. The budget, after approval of the OSU Regents and State Regents for Higher Education, is loaded to the Human Resource System to create the payroll files for the fiscal year beginning July 1.

3.02 Cost sharing is the financial support contributed by universities to sponsored projects. Cost sharing and matching represent that portion of the project or program costs not borne by the sponsoring agency. Department Heads are expected to recognize the portion of each faculty employee's time devoted to cost sharing when the cost sharing effort is: (a) required as a condition of the agreement, or (b) 10% or more of the faculty member's effort. For more information on cost sharing, refer to OSU Policy and Procedures Letters 1-0113, Cost Sharing in Sponsored Research and Service Projects.

3.03 Salary costs are posted in the accounting system according to the percentage cost distributions recorded in the Human Resource System. Since work assignments are subject to change, department heads are expected to constantly monitor the budgeted work assignments and update these predetermined cost distributions by use of the on-line labor distribution segment when significant changes occur. Changes should be submitted during the month in which they occur so that the after-the-fact confirmation will be correct and will normally not need adjusting.

Monthly Time & Effort Confirmation

3.04 The Monthly Time & Effort Confirmation is produced monthly and includes the paid cost distributions for each employee paid on the monthly payroll. The purpose of the report is to provide assurance that the salary costs, as charged, are representative of the actual time and effort expended by employees during the month. If actual time and effort differs significantly from the paid distribution (5 percent or more of total effort), an adjustment must be made in the Human Resource System which feeds accounting records. Temporary changes, however, may be ignored if they result in less than a 5 percent change in total effort measured over the entire academic semester.

3.05 The Monthly Time & Effort Confirmation contains the following information:

a. Home Department (number and department name)

b. Month for which time and effort is being confirmed

c. Employee's Identification Number
d. Employee's name

e. Classification code

f. Title

g. Position number

h. Cost Distribution

(1) Account number(s) from which employee was paid
(2) Employee's monthly rate of pay
(3) The daily intervals during the month for which the employee was paid
(4) Percentage of time and effort (paid from this account for this interval)
(5) Amount paid (from this account for this interval)

A data field is provided on the screen to record a positive confirmation for each employee's cost distribution records. The department head or person authorized, who has first-hand knowledge of each employee's time and effort, is required to confirm that the cost distributions are reasonably representative of the work performed for the period and maintain sufficient auditable documentation of same. If the confirmation is positive, a "Y" should be placed beside the employee's records. If the confirmation is negative (a change is necessary), the appropriate comment should be recorded on the screen and a Reallocation Change Form prepared in order to correct the Human Resource System and accounting records.

3.06 If on-line payroll confirmation includes labor distribution charged to Ledger 4 (federal appropriations) and/or Ledger 5 accounts, on-line payroll confirmation will be performed by each principal investigator (P.I.) for his/her account(s) so charged. In the absence of the P.I., the P.I. may delegate the duty to the department head or his delegate. However, in those cases (Ledgers 4 and 5) when the on-line confirmation is performed by an individual other than the P.I., the P.I. will document his or her approval by signing a paper printout of the C3 screen. Such auditable documentation must be maintained by each department and will be routinely audited by the Office of Internal Audits to ensure provisions of this policy are observed.

3.07 Retroactive salary and benefits cost transfers are made only from Reallocation Change forms. After confirmations have been completed, requests to change cost distributions on a retroactive basis must be accompanied by a letter, through the Dean/Director's office, which explains and justifies the change to the confirmation. Retroactive salary and benefits cost transfers that impact grant or contract accounts should be routed through Grants and Contracts.

3.08 Sick leave and annual leave are recorded on the confirmation report for staff. Only sick leave for faculty is recorded on the confirmation. Annual leave records for faculty are the responsibility of department heads.

3.09 The Monthly Time & Effort Confirmation is available on about the 28th day of the month. The confirmation process is completed prior to the fifth working day of the following month. If errors are detected concerning the amount of pay, the department must contact Personnel/Payroll
prior to the release of paychecks on the last working day of the month. All confirmations are
signed electronically by the department head or authorized person indicating the acceptance of
responsibility for the confirmation. Paper copies of the confirmations are distributed to
divisions after the 5th working day of the month.

3.10 Access to the Monthly Time & Effort Confirmation segment is granted by University
Personnel Services based on written authorization by the department head. Authorization is
limited to ability to read, input information and/or confirm information. While one individual
may be authorized to input and confirm, the system will not permit a person with input authority
to confirm the same information. A listing of all individuals who have been authorized to input
or confirm information is distributed to deans and vice presidents twice a year.

Leave Time Reporting

3.11 Sick Leave - Under current University policy, all regular employees employed .50 FTE or
greater earn sick leave. Subsequently, any sick leave taken is absorbed by the cost center(s)
paying the salary of that employee at the time of the leave.

3.12 Annual Leave - Under current University policy, faculty personnel on nine and eleven
month appointments do not earn annual leave. Faculty hired prior to fiscal year 1991, who have
ten-month appointments earn one month (22 working days) annual leave per year. This paid
leave time is theoretically the month of June. Due to summer teaching intervals and the
discrepancies between beginning and ending work intervals, it is obvious that paid intervals do
not always coincide with actual work assignments. When annual leave taken does not agree with
time and effort confirmation, a notation should be made on the confirmation and an adjustment
made by the department. Staff personnel earn annual leave in the amounts of 14 to 22 days a
year according to length of service and position. Annual leave taken is recorded on the Monthly
Time & Effort Confirmation.

3.13 Compensatory Leave - This type of leave comes in two forms.

a. The most common type of compensatory leave is for unpaid overtime for non-
   exempt staff. Since overtime pay for non-exempt personnel generally accrues at
   the rate of 1 ½ times the straight time rate, compensatory time is computed on the
   same basis. Faculty and other professional staff do not earn overtime pay and are
   not eligible for compensatory leave of this type.

b. The other form of compensatory leave is used to adjust variations in the
   appointment intervals of faculty employees. For example, the 10-month
   appointment period is from September 1 through June 30. Employees are usually
   required to report to work about August 20, and complete work assignments
   around May 20. Assuming the month of June is a month of annual leave, the
   employee is not paid for work performed between August 20 and September 1
   until the end of May (May 20 to May 31). The amount of time worked but not yet
   paid (August 20-August 31) is compensatory time and should be accounted for by
department heads and employees. It is not necessary to report compensatory leave on the Monthly Time & Effort Confirmation.

3.14 Funeral Leave - This is an earned benefit for all employees and should not be recorded on the time and effort confirmation.

Overtime and Overload Pay

3.15 This type of compensation is paid by an on-line IMS-HRS Special Pay segment requiring specific documentation and costing information and is always paid on an after-the-fact basis. It is considered incidental pay and is not subject to the confirmation requirements of Circular A-21.

Definition of Terms

3.16 In order to calculate applicable indirect cost rates, direct costs must be accumulated by major functions of the institution and indirect costs must be identifiable to each of the major functions. The University's accounting system establishes an individual account number in which costs are accumulated for each activity in which there is a need to report costs for management purposes. The labor distribution and cost accumulation system used by the University is much more precise than called for under Circular A-21. However, the accounts are categorized within the accounting system so that major functional costs are easily identified and summarized.

3.17 Independent Internal Evaluations - Circular A-21 requires internal evaluations to ensure the system's effectiveness and compliance with A-21 requirements. The Department of Internal Audits will periodically and randomly test the system, including an examination of departmental records in order to verify adherence to University policy and compliance with Federal regulations. While compliance with the Policy and Procedures Letter is important for confirmation of time & effort and documentation of leave for all employees paid monthly, it is particularly required for the following effort areas:

a. Sponsored Research - Represent all research and development activities that are sponsored by federal and non-federal agencies and organizations and are separately budgeted and accounted for. This category also represents the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

b. Sponsored Training - Represents specific instructional or training activity established by grant, contract or cooperative agreement.

c. Other Sponsored Programs - Represents programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than Instruction or Sponsored Programs.
d. Cost Sharing - Represents any additional effort, approved and budgeted for by the Dean, expended on Sponsored Research, Sponsored Training or Other Sponsored Projects over that which has been funded by and charged directly to the Sponsored project.

4.01 Oklahoma State University reserves the right to change this Policy and Procedures Letter or any portion thereof at any time.

4.02 This policy replaces 3-0321 Documentation of Payroll Costs adopted July 1984.

Approved: July 1984
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