

UC Santa Barbara
Policies

Policy 5155

Issuing Unit: Administrative Services

Date:

DEPARTMENTAL PAYROLLS--INTERNAL CONTROL STANDARDS

I. REFERENCES:

- A. University of California Business and Finance Bulletin, IA-101, Internal Control Standards, Departmental Payrolls
- B. University of California Accounting Manual, Chapter G173-15, Check Stock Control
- C. University of California Accounting Manual, Chapter P-196-13, Attendance, Time Reporting and Leave Accrual Records
- D. University of California Staff Personnel Policy 606, Attendance Records

II. INTRODUCTION:

The following control standards apply to the payroll functions of departments and other administrative units. Payroll functions include the preparation and approval of personnel action forms including those for employment, change, and separation actions; and record maintenance, approval, and reporting related to time worked, absences, and sick leave and vacation accrual.

The control standards are presented in terms of the most desirable operating conditions. There may be situations when optimum conditions are not attainable or when existing conditions may provide adequate control within the intent of the standards. In such situations, variance from these control standards must have the written approval of the Chancellor. Authority to approve variances may be delegated to the Vice Chancellor level.

III. CONTROL STANDARDS:

A. Approval Authorizations

- 1. Signature authorization or cancellation forms specifying payroll approval authority shall be signed by department chairpersons or administrators at a similar level and filed with the campus Accounting Office. Notification of changes in delegation of this authority shall be submitted promptly to the Accounting Office.
- 2. Personnel action forms and other payroll documents shall be approved only by a University employee to whom the authority has been formally delegated.
- 3. An employee authorized to approve payroll documents shall not be responsible for reviewing Distribution of Payroll Expense reports (PPP5302) or for distributing payroll checks.
- 4. An employee shall not approve documents which affect the

employee's own pay. Formal approval at a higher administrative level is required.

B. Time and Absence Reporting and Recording

1. Time reported for pay purposes shall be in accordance with University policy. Time reported for pay purposes may include, but is not limited to, the following: regular hours worked, paid holidays, earned vacation or sick leave taken. (Note: An employee may be eligible to receive compensation which is not directly related to time reporting. Such compensation may include, but is not limited to, the following: specialty pay, holiday premiums, special performance awards).
2. Time worked and absences will be reported after the fact. If reporting deadlines require the estimating of time to the end of the reporting period, adequate control shall be maintained to ensure that appropriate adjustments are made for differences between estimated and actual time worked.
3. Overtime shall not be worked unless approved in advance by the appropriate vice chancellor, dean or department head. Overtime worked in emergency situations should be approved on an after-the-fact basis. The approval requirements pertain to paid overtime and to overtime compensated by time off.
4. Records of overtime worked each day shall be maintained. For employees in classes eligible for premium overtime, overtime worked must be designated either as overtime earned at the straight-time rate or as overtime earned at the premium rate. Similarly, compensatory time off records must distinguish between compensatory time off for overtime earned at the straight-time rate and compensatory time off for overtime earned at the premium rate.
5. Alterations made in pay status (personnel action forms) or time worked records (payroll time sheets and special payrolls) shall be formally approved by an authorized individual.
6. Daily attendance and job time records, including sick leave and vacation accrual records, shall be maintained on a formal and current basis. Individual attendance and job time records shall be approved by the employee's supervisor and shall not be returned to the employee after supervisory approval.
7. Procedures and controls shall be established to prevent the issuance of improper payroll checks to employees who have been terminated, demoted, placed on leave without pay, or otherwise placed in any status under which full standard pay is not to be received.

C. Departmental Check Distribution

1. Payroll checks shall be distributed in accordance with check disposition forms signed by the employees, within

the distribution options provided by campus policy (direct deposit to bank through Surepay or check delivery to department).

2. Checks awaiting distribution to employees shall be kept in locked storage accessible only to a check custodian and an alternate who have been formally assigned responsibility for the checks.
3. Custodians who release checks or Surepay statements to employees not known to them shall require presentation of proper identification before checks are released.
4. When a check or Surepay statement is released to someone other than the payee, the custodian shall: (1) require proper identification, (2) require an authorization signed by the payee to release the check, and (3) obtain a signed receipt which will be retained by the custodian.
5. An employee who distributes payroll checks shall not be authorized to approve payroll documents or to review the Distribution of Payroll Expense reports.
6. Unclaimed payroll checks and Surepay statements delivered to departments for distribution to employees shall be promptly returned to the campus Accounting Office with an explanation of the department's inability to distribute the checks.

D. Review of Distribution of Payroll Expense Reports

1. As a normal administrative control procedure, departments are expected to review the validity of payroll payments charged to their accounts. To assure that the payroll charges are reviewed, departments are expected to establish necessary internal procedures. One of several possible methods of assuring that such reviews are documented is to require the responsible staff member assigned the review function to sign the Distribution of Payroll Expense and indicate the date of review.
2. Responsibility for reviewing the Distribution of Payroll reports shall not be assigned to an employee who approves documents or distributes payroll checks.

For questions or comments regarding the format of the above information, please contact webcontact@ucsbuxa.ucsb.edu.

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