LOYOLA MARYMOUNT UNIVERSITY
POLICIES & PROCEDURES

DEPARTMENT: CONTROLLER'S OFFICE	
SUBJECT: PAYROLL SERVICES	
Policy Number:	Supersedes: N/A
Effective Date: January 2011	Previous Issued: N/A

1 Introduction

The Payroll Department is responsible for the preparation of all university payrolls and for university compliance with all rules and regulations pertaining to and/or resulting from payroll operations which include the following activities:

- making accurate and timely payments to all persons on the university payrolls;
- making all statutory deductions and verifying that all required reporting procedures are followed in connection with statutory deductions;
- making all non-statutory deductions and/or reductions and verifying that accurate record keeping and reporting procedures are followed;
- maintaining records and reports required by the university, State and Federal Government agencies pertaining to personnel paid through the payroll system.

As part of the Business and Finance Division, the Payroll Department reports to the Controller. The Payroll Department out-sources its payroll processing function to Automatic Data Processing (ADP), a third party payroll vendor.

The Payroll Department is responsible for ensuring the accurate and timely payment of wages to all employees. Employees are responsible for reporting their time worked and time off within the appropriate timelines as designated by the Payroll Department. Each employee must also approve all of their time entries and obtain their supervisor's approval within the designated timelines. On pay days, employees are responsible for reviewing their checks for accuracy. If an employee finds a discrepancy on their paycheck, they must notify the Payroll Department immediately to rectify the situation in a timely manner.

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2 Definitions

Regular Base Salary	Base wages as determined by Human Resources.
Overtime	Payments made to non-exempt employees for hours worked over 8 in a day or 40 in a week.
Additional Straight Time	Payments made to non-exempt Westchester employees who work on a holiday or for Law School employees with a 35 hour per week schedule that work over 35 hours in a week up to 40 hours.
Double Time	Payments made to non-exempt employees who work over 12 hours in a day or who work on a 7^{th} consecutive day.
Holiday	Payments made to employees for company designated holidays.
Vacation	Payments made to employees for vacation time taken.
Sick	Payments made to employees for sick time taken.
Severance	Pay provided to employees who were terminated involuntarily due to no fault of their own.
Stipends	Payments made to employees for recognition of work and/or services performed by staff or faculty members that are in excess of regular compensation. These payments may or may not be eligible for 403b.
Workers Compensation	Payments made to employees who are working a partial schedule under a workers compensation claim.
Retroactive Pay	Payments made to employees for wages owed from previous pay periods.
Auto Allowance	Payments made to employees for auto expenses on their personal vehicles.
Grants	Payments made to employees that are designated under the guidelines of a specific grant.
Bereavement	Payments made to employees for time off due to the death of an immediate family member or close relative.
Jury Duty	Payments made to employees for time off to serve as a juror.
Imputed Income	The addition of the value of cash/noncash compensation to an employee’s taxable wages in order to properly withhold income and employment taxes from the wages.
Levy	An attachment to satisfy a tax debt or a court judgment.
Earnings Withholding Order	A court document specifying an obligation for the employer to withhold designated amounts from an employee’s wages to pay a debt owed to a third party.
Wage Assignment	A court document received by the employer that is an agreement between an employee and a third party to garnish the employee’s wages to pay a debt.

2. Location and Contact Information
The Payroll Department is located at 1 LMU Drive, University Hall, Suite 1880.

Office Hours: 8:30am to 4:30pm Monday through Friday.

Phone: 310-338-2713
Fax: 310-338-5920
Email: mytime@lmu.edu

3. Types of Employees
The university pays exempt and non-exempt employees. Typically, all exempt employees are paid a flat salary, while non-exempt employees are paid an hourly rate for the hours they work. There are a few exceptions to this for seasonal staff and dual job duty arrangements. Full time and Part time faculty are paid via contracts, and are not designated as exempt or non-exempt.

4. Employee Payroll Groups
The university has several groups of employees, which are paid differently according to their category. The employee payroll categories are:

Westchester Campus

- Full Time and Part Time Staff — Paid Bi-Weekly
- Full Time Faculty — Paid Semi-Monthly
- Part Time Faculty — Paid Bi-Weekly
- Students — Paid Bi-Weekly

Law School Campus

- Full Time and Part Time Staff — Paid Bi-Weekly
- Full Time and Part Time Faculty — Paid Bi-Weekly
- Students — Paid Bi-Weekly

Wages for all bi-weekly employees are paid one week in arrears. Wages for semi-monthly employees are paid according to the following guidelines:

* Full Time Faculty—Westchester campus — Paid to date

Pay Dates
The university has two payroll cycles; bi-weekly and semi-monthly. The bi-weekly pay dates are every other Friday (adjusted for holidays and weekends). The semi-monthly payroll pay dates are on the 15th and last day of each month (adjusted for holidays and weekends).

Pay Period Deadlines
Pay period deadline dates are issued for the bi-weekly payroll frequencies (full and part time staff employees, for the Westchester and Law School campuses). Payroll deadline calendars for staff employees can be obtained by contacting the Payroll Department or on the LMU website.

Payment Methods
The Payroll Department issues payment for wages in the following forms:

- Direct Deposit. A payroll system generated check that is electronically deposited to the employee's designated bank account(s).

- Live Checks**.** A payroll system generated "live" check, payable to the employee.

- Manual Checks. "Live" payroll checks, prepared manually by the Payroll Department staff outside the normal payroll processing cycle.

Paycheck Distribution

- Direct Deposit Paychecks. Direct Deposit voucher information is available through *iPay,* a secure, web-based, self-service software program that stores individual check information for each employee. In order for an employee to view their check information they are required to register on the *iPay* site to obtain a unique ID and password. No paper direct deposit vouchers are distributed nor produced from the Payroll Department.

- Live Paychecks. All live paychecks payable to employees are held in the Payroll Department each pay day for pick up. The employee must bring his/her ID in order to receive their check. No checks will be distributed without a picture ID. If the employee needs to have someone other than his/herself pick up their check, this must be arranged in advance with the Payroll Management. All paychecks for the Law School are delivered by private courier to the Director of Fiscal Affairs at the Law School campus.

- Manual Paychecks. Manual checks are held in the Payroll Department for pick up by the employee. The employee must bring a picture ID in order to obtain their check. In emergency situations, manual checks can be distributed to a specified person other than the check recipient, but only if arranged in advance with Payroll Management.

Direct Deposit

Direct deposit is voluntary, and an employee can initiate direct deposit of their paycheck by contacting the Payroll Department for a direct deposit form, or by downloading a form from the LMU website. Any bank that participates in electronic funds transfers can be used. Authorization to start, change or stop a direct deposit will require an employee's signature. Any incomplete forms will be returned to the employee for correction.

A maximum of four direct deposit accounts can be set up (checking or savings). A pre-notification period of one full pay cycle is required for all direct deposits.

An employee can change or stop their direct deposit by completing a direct deposit authorization form. These forms can be obtained by contacting the Payroll Department or on the LMU website.

iPay

iPay is a secure, web based, hosted system that collects and stores paycheck and W2 data for each employee. This system is hosted by ADP, the university's third party payroll company. Employees can gain access to their pay stub information by registering on the iPay website and obtaining a login ID and generating a password. Registration instructions can be obtained from the Payroll Department or on the LMU website.

The Payroll Department does not have access to each employees account on iPay. Only the employee can see their individual information. iPay is available to terminated employees also. If an employee has forgotten his/her login ID, they can contact the Payroll Department for this information. The Payroll Department, however, does not keep password information, so if a password is forgotten, the employee can request for it to be reset by the Payroll Department which will allow the employee to generate a new password.

Payment Descriptions

The university makes various types of payments to its employees, depending on the document received:

Regular Base Salary	Requisitions
Overtime	Stipends
Flex Credits	Workers Compensation
Additional Straight Time	Retroactive Pay
Doubletime	Auto Allowance
Holiday	Grants
Vacation	Bereavement
Sick	Jury Duty
Imputed Income	Severance

Reporting Time Worked

- Hourly Employees: Hourly employees are required to record their time worked and paid time off in *myTime.* Hourly employees must approve and submit their time cards electronically at the end of each period.

- Salaried Employees: Salaried employees are required to record their time on an exception basis, which means that they are only required to record their ***paid time off*** in *myTime.* Exempt employees must approve their time at the end of each pay period, whether paid time off is recorded or not.

- Faculty: Faculty employees are not required to record their time worked or paid time off. They are paid by contract, and thus any time worked and exception reporting is not tracked by the university.

myTime

myTime is an electronic, web-based time keeping software program utilized by employees to record time worked and paid time off. This software is provided by Worforce, the university's third party timekeeping vendor. The software is maintained by Workforce. A select group of client system administrators at LMU are designated and are responsible for such items as installing software updates, payroll processing functions and customer service routines for employees. These administrators are limited to Payroll Department personnel and specified information technology personnel. The Director of Payroll Services establishes and approves all client system administrators in the software program. Software updates for my*Time* are provided by Workforce.

Employees can inquire in Payroll and Human Resources departments regarding training for myTime. In the training class, they will receive their login ID. Employees login to *myTime* using a system generated user ID and user defined password. The user ID is the same user ID generated by the Information Technology Department for network access. Each individual user creates a unique password after they receive a temporary password that is a default for first time users. IDs are maintained by the Human Resources system administrator, but passwords are not. If an employee forgets their password, the system administrator can reset the employee's account with a temporary password, which will then enable the employee to create a new password.

Each pay period, an employee will enter hours worked or paid time off. Hourly employees are required to record their in and out times for each day they work as well as any paid time off. Salaried employees are required to record only paid time off. By each pay period deadline date, all entries in *myTime* must be approved by the employee and submitted electronically to their immediate supervisor in order to be paid.

The Sr. Payroll Coordinator performs a sign-off on the applicable payroll period in *myTime,* on the specified time card due date, and pulls the file created from *myTime* that will be used to pay employees. Once the payroll is signed off, no further entries can be made to that pay period by users. Any late time entries will have to be submitted via the amendment process in *myTime.*

Faculty Contract Pay
Faculty employees at the University are paid according to a contract approved through Human Resources. These contracts can either be annual or semester based. Full time Faculty are paid according to an annual contract. Part time Faculty are paid according to a semester contract. Full time Faculty contracts are paid on a per pay period basis according to the number of pay periods listed in the contract. Part time faculty contracts are paid according to the number of pay periods in the applicable semester for which the contract is for.

Full Time Faculty Contract Types
There are three types of full time faculty contracts currently in effect:

- <u>24-payments</u>. The contract divides the annual contract amount by the number of pay periods in the semi-monthly pay frequency (24). The contract begins with the August 31st paycheck and ends with the August 15th paycheck of the following year.

- <u>18-Equal payments</u>. This contract divides the annual contract amount by 18 pay periods beginning August 31st and ending with the final payment on May 15th of the following year.

- <u>18-Lump payments</u>. This contract pays the annual amount in 19 payments. 18 equal, semi-monthly installments beginning August 31st through May 15th of the following year, plus <u>one</u> additional lump sum check for the remaining 6 semi-monthly installments on May 15th of the following year.

Religious Payroll
<u>All</u> religious payroll employees (Staff and Faculty) are paid on a bi-weekly frequency and are paid one week in arrears in alignment with the regular bi-weekly payroll calendar. Religious employee's wages are exempt from taxation provided they have submitted a Vow of Poverty form from their community. They also receive a benefit allowance that provides them with the employer related costs of their benefits to afford them the opportunity to obtain benefits in the marketplace. Some employees choose to obtain their benefits through LMU.

Report Lost, Damaged or Stolen Paychecks
In the event a check is lost, stolen or damaged, the Payroll Department must be notified immediately at (310) 338-2713 or mytime@lmu.edu. The Payroll Department will verify that the funds have not been cashed and request a stop payment. A 5-day waiting period applies to insure the funds have been returned to the university before a replacement check can be issued. If a lost, stolen or damaged check is discovered to be cashed fraudulently, the Payroll Department will initiate an investigation into the matter and a replacement check will not be re-issued until the funds have been returned.

Direct Deposit Returns and Reversals
Direct deposit returns generally occur when the money being wired to an employee's account through normal payroll processing is sent back to the university, due to an invalid bank account or routing number. When this happens, the university will be contacted by ADP via email. The Payroll staff will then research the invalid account information and contact the employee for updates or corrections if needed. A manual check will be issued to the employee for the returned wages, once the funds have been received by the university.

In some cases, if the time frame for reversing a direct deposit has passed (5 business days), the Payroll Department will need to request a direct deposit return after wages have been deposited into an employee's account in error. The Payroll Department will notify the employee, and if necessary, a manual check will be issued.

Direct deposit reversals are generally initiated by the Payroll Department in the event of an incorrect payment to an employee. If necessary, a manual check will be issued to an employee for the correct wages.

Stale Dated Checks
Paychecks are negotiable for six months from date of issue. Stale-dated checks should be returned to the Payroll Department for reissue. Funds from checks not cashed after 1 year from date of issue must be remitted to the State of California Unclaimed Property Bureau.

Paycheck Deductions
There are two types of paycheck deductions; mandatory and voluntary. Mandatory deductions are those that the Payroll Department is required to collect as regulated by governmental agencies. Voluntary deductions are those requested by the employee.

- <u>Mandatory Deductions.</u> Include but not limited to; state income tax, federal income tax, local income tax (CA SDI), FICA contributions, garnishments, tax levies and wage orders.

- <u>Voluntary Deductions.</u> Include, but are not limited to deductions for; retirement, credit union, medical/dental insurance, life insurance, flexible spending accounts, LMU campaign, LMU campus recreation, voluntary wage repayments, loans, promissory notes, direct deposit, rental agreements, parking, flexi dollars, S dollars, housing loans, loan forgiveness, computer loans, united crusade and miscellaneous items. Voluntary deductions require written authorization from the employee.

Tax Compliance
The Payroll Department is required to collect various taxes mandated by federal, state, and local governments. This is accomplished by withholding the required amounts from employees' wages and timely paying them over to the appropriate governmental unit. The university taxes all wages paid to employees based on their form W4 and DE4 information. For taxation on various forms of payment, employees can contact the Payroll Department or review the chart listed on the LMU Website.

Withholding Taxes
The Payroll Department is required to withhold income taxes from wage payments to employees. To determine the proper amount of income tax to withhold from wages and other payments, withholding allowance certificates are required to be completed by each employee upon hire. These withholding allowance certificates provide the basis for calculations for withholding. An employee may not specify to withhold percentages or flat dollar amounts on any withholding certificate.

<u>Federal Withholding.</u> The federal withholding allowance certificate is the Form W4. A Form W-4 must be kept on file by the Payroll Department for each employee. If the employee does not provide an original, complete, valid, signed W-4, the Payroll Department must withhold as if the employee were single with zero withholding allowances. Verbal or other written instructions are not enough to establish an employee's right to withholding allowances. Employees may file a new W-4 form whenever the number of allowances they are entitled to increases or they feel they are entitled to claim exempt from withholding. A Form W4 can be obtained from the Payroll Department, the LMU website or on the IRS website; www.irs.gov.

State Withholding. The state withholding allowance certificate is the Form DE-4. A Form DE-4 must be kept on file by the University for each employee. If the employee does not provide an original, complete, valid, signed DE-4, the Payroll Department will withhold according to the information on the employee's W4, or if that is not available, as if the employee were single with zero withholding allowances. Employees may file a new Form DE-4 whenever the number of allowances they are entitled to increases or they feel they are entitled to claim exempt from withholding. A Form DE4 can be obtained from the Payroll Department, the LMU website or on the EDD website; www.edd.ca.gov.

An employee who currently claims exempt from withholding must submit a new Form W-4 or DE-4 within 10 days after realizing that his or her claim of exemption is no longer valid because the employee will have income tax liability in the current year.

Social Security and Medicare Taxes

Employers and employees both pay taxes required by the Federal Insurance Contributions Act (FICA) to fund two federal government benefit programs: Social Security and Medicare. Social security is comprised of Old Age and Survivor's Insurance (OASI) and Disability Insurance (DI), and Medicare benefits are provided by the Health Insurance (HI) program. The employee share of social security and Medicare taxes is withheld from wages and matched by the employer, which then pays both shares to the federal government. The social security tax rate is 6.2% and the Medicare tax rate is 1.45%. There is also an additional Medicare tax rate of .09% on wages over $200,000.

State Disability Taxes

The California State Disability Insurance program provides temporary benefit payments to workers for non-work-related disabilities. The SDI tax provides State Disability Insurance (SDI) and Paid Family Leave (PFL) benefits. Paid Family Leave is a component of SDI and extends benefits to individuals unable to work because they need to care for a seriously ill family member or bond with a new minor child. The SDI is a deduction from employees' wages. The Payroll Department withholds a percentage for SDI on a specified wage base paid to each employee in a calendar year. The Employment Development Department establishes what the tax percentage and wage base will be for that year.

Student Taxation

Student employee pay is subject to federal and state income tax withholding and is reported on Form W2. Work performed in California is subject to withholding and reporting to California, regardless of residency status of the student. Registered degree-seeking students do not pay FICA (Social Security and Medicare) taxes and California Disability Insurance if they are enrolled in 6 units or more.

Paying Non-Registered Students

Students who are working but are not enrolled for a given quarter must be treated as temporary employees. Wages paid during this period are subject to FICA (Social Security and Medicare) taxes and California Disability Insurance.

Pay Advances

The university does not issue pay advances.

Payroll Error Correction Methods

It is the employee's responsibility to review their pay stub each payday for accuracy. If discrepancies are found, the employee must contact the Payroll Department immediately. The Payroll Department corrects paycheck errors in one of two ways; payroll adjustment or manual check. In the case of overpayments to employees, a payroll adjustment is typically made on the employee's check in the pay period following the pay check with the error on it. In the case of underpayments to employees, a payroll adjustment can be made as in the case of overpayments (retroactive pay will be added to their regular paycheck), or if it's a financial hardship for the employee, a manual check for the retroactive pay can be generated. Both types of error correction methods ensure that the employee's wages are accurate for W2 purposes.

Overpayment of Wages
All overpayments should be brought to the attention of the Payroll Department as soon as possible. Overpayments made to a current employee will be taken from the employee's wages on the following paycheck, unless the employee agrees to reimburse the University prior to the next payday. Overpayments made to a former employee should be reported to the Director of Payroll Services, who will coordinate the collection efforts.

Termination Pay
An individual's final paycheck must include the total amount of salary or wages owed as of the date of termination. This includes all payments due, including accumulated, unused vacation leave, less authorized deductions. A "live" manual check is issued for all termination payments as these checks may not be direct deposited.

If the university initiates the termination, or if the employee initiates the termination and gives at least 72 hours notice of the termination, the final paycheck must be given to the employee on the date of termination.

When an employee initiates the termination and gives less than 72 hours notice of the termination, the final paycheck is due to the employee within 72 hours after termination. Notwithstanding any other provision of law, an employee who quits without providing a 72-hour notice shall be entitled to receive payment by mail if he or she so requests and designates a mailing address. The date of the mailing shall constitute the date of payment for purposes of the requirement to provide payment within 72 hours of the notice of quitting.

W2's
Form W2 is used to report wages paid to employees and the taxes withheld from those wages for a calendar year. The form is also used to report FICA taxes to the Social Security Administration. W2's are required to be distributed to employees by January 31st of the year following the year the wages were earned. Paper W2's are mailed each year to the employee's home address before the January 31st deadline, and the same W2 information is available for each employee on *iPay*.

The Payroll Department will provide copies of W2's for employees up to four years. Employees requesting earlier copies of W2's will need to obtain this information from the IRS by completing form 4506 "Request for Transcipt of Tax Return." This form is available on the IRS website: www.irs.gov.

The university does not charge a fee for copies of W2's. Requests for copies of W2's will either be mailed per the employee's instruction or will be available in the Payroll Department for the employee to pick up in person. The university will not fax copies of W2's.

Payroll Reporting
The university has various internal departments and external vendors and regulatory agencies that it submits payroll information to on a regular basis.

- <u>Internal Department Reporting.</u> There are various departments across the university that require specific payroll reporting on a per pay period, monthly or annual basis. This reporting is required for purposes of budget monitoring, research and evaluation. All reports are distributed securely and to only authorized employees. Any files sent electronically by email are password protected.

- External Vendor Reporting. There are several external vendors that require specific payroll reporting on a per pay period, monthly or annual basis. These external vendors include state and federal regulatory agencies, credit unions and employee benefit vendors. This reporting is required as per state or federal regulation and as per contractual agreement with the third party vendor. All reports are distributed securely and to only authorized recipients. Any files sent electronically by email are password protected.

Subpoena for Payroll Information
On occasion, the Payroll Department will receive a subpoena for payroll information for an employee. Each subpoena is handled in conjunction with the Human Resources Department. All confidential payroll information is reported only to the authorized individual(s) noted on the subpoena.

Income Verification Requests
All income verification requests are done in writing. The Payroll Department will not give out income verification information for any employee without a signed authorization agreement from the employee, approving the inquiry.

Employee Payroll Confidentiality
The Payroll Department upholds stringent confidentiality when releasing employee information. Only the employee may obtain information regarding their payroll account. No unauthorized persons may obtain payroll information on another employee without the written or verbal consent of the employee. If the consent is verbal, the employee must give his/her consent directly to the Director of Payroll Services, and provide proof of identification (ie: verify employee-specific information on their account).

Late Timecards
All time data must be entered in *myTime* and approved by the employee and their supervisor by the designated timecard due dates. Any timecards that are received or approved after the payroll processing deadlines, will be processed on the following pay cycle.

Late New Hire Paperwork
Employees are hired on specific dates each month as designated by Human Resources. If the paperwork for these new hires is submitted to the Payroll Department after the time card due date, a manual check can be issued at the employee's request. Otherwise, the employee will be paid any retroactive wages on the following pay date.

Leave of Absences
Leave of absences are processed according to company policy as specified in the LMU Staff Policy Manual issued by Human Resources. Upon notification by the Human Resources Department, the Payroll Department will either coordinate wages with California State Disability payments or utilize paid time off benefits as per the university's leave of absence policy.

Garnishments
A garnishment is a legal order to withhold a specified sum from an employee's wages to satisfy a debt or fulfill a court order. Depending upon the agency that initiates the garnishment, there are a number of different terms that also may be used to refer to withholding an employee's wages. For example:

- "Levy" is used by the Federal Government.
- "Earnings Withholding Order" is used by the State of California
- "Wage Assignment" is used by the Sheriff's Department, Child Support Agencies, District Attorney, and Family Support Divisions.

Upon receipt of a garnishment order, the Payroll Department will notify the employee before beginning to garnish wages. The Payroll Department will send the employee copies of all required paperwork, and alert him/her about when the garnishment will begin.

After the required waiting period (as defined in the garnishment order) has been observed, the Payroll Department is required to deduct a portion of the employee's salary earned from future paychecks until the terms of the garnishment order have been satisfied (i.e. the debt has been paid) or the garnishment has been withdrawn.

The terms of the garnishment (i.e., the amount to be withheld each pay period) is defined by the taxing agency or firm/person named as plaintiff in the order. Only the issuer of the garnishment has legal authority to modify payment terms or withdraw the garnishment order.

Recordkeeping

There are several different agencies that regulate payroll recordkeeping requirements; Internal Revenue Service, State of California and the Wage and Hour Division of the Department of Labor. Each of these agencies has different recordkeeping requirements, ranging from 2 years to 4 years. It is the policy of the Payroll Department to keep all payroll records for ten years after the termination date of all inactive employees. All records older than ten years are securely destroyed by a third party document destruction company.

3 Appendix