

Chapter 9

Payroll and Personnel Transactions

Scope

This chapter is a brief summary of personnel rules and regulations and personnel transactions as determined by the State Personnel Department (SPD) and the State Comptroller (COMP). Also included are descriptions of processes used by the COMP in the processing of payroll transactions.

Table of Contents

9.1	STATUTORY AUTHORITY	2
9.1.1	Statutes.....	2
9.1.2	Indiana Administrative Code (IAC).....	3
9.2	Accounting Theory	3
9.3	Internal Controls.....	3
9.4	Business Owners.....	4
9.4.1	State Personnel.....	4
9.4.2	State Comptroller	4
9.5	Business Processes.....	5
9.5.1	Overtime Eligible Employees.....	5
9.5.2	Overtime Exempt Employees-Comp Time	5

9.1 STATUTORY AUTHORITY

9.1.1 Statutes

The State Civil Service law establishes the State Personnel Department (SPD) and applies to those executive agencies directly responsible to the governor or lieutenant governor. IC 4-15-2.2-15 notes 21 responsibilities of SPD, which include, but are not limited to:

- Develop personnel policies, methods, procedures, and standards for all state agencies.
- Establish and maintain a roster of all employees in the state civil service.
- Prepare, or cause to be prepared, a classification and pay plan for the state civil service.
- Administer the classification and pay plan.
- Approve individuals for appointment to positions in the state civil service.
- Approve employees for transfer, demotion, or promotion within the state civil service.
- Rate the service of employees.
- Investigate systems of appointment and promotion in operation in various departments or divisions of the state government.

IC 4-2-6-16, **Nepotism**, states: “(a) This chapter does not prohibit the continuation of a job assignment that existed on July 1, 2012. (b) As used in this section, “employed” refers to all employment, including full-time, part-time, temporary, intermittent, or hourly. The term includes service as a state officer or special state appointee. (c) An individual employed in an agency may not hire a relative. (d) Except as provided in subsection (e), an individual may not be employed in the same agency in which an individual’s relative is the appointing authority. (e) An individual may be employed in the same agency in which the individual’s relative is the appointing authority, if the individual has been employed in the same agency for at least twelve (12) consecutive months immediately preceding the date the individual’s relative becomes the appointing authority. (f) Except as provided in subsection (e), an individual may not be placed in a relative’s direct line of supervision. (g) An individual employed in an agency may not contract with or supervise the work of a business entity of which a relative is a partner, executive officer, or sole proprietor. (h) Any person within an agency who knowingly participates in a violation of this chapter is subject to the penalties set forth in section 12 of this chapter.”

IC 35-44.1-1-3, **Ghost employment**, states in part: “(a) A public servant who knowingly or intentionally: (1) hires an employee for the governmental entity that the public servant serves; and (2) fails to assign to the employee any duties, or assigns to the employee any duties not related to the operation of the governmental entity; commits ghost employment, a Level 6 felony. (b) A public servant who knowingly or intentionally assigns to an employee under the public servant’s supervision any duties not related to the operation of the governmental entity that the public servant serves commits ghost employment, a Level 6 felony. (c) A person employed by a governmental entity who, knowing that the person has not been assigned any duties to perform for the entity, accepts property from the entity commits ghost employment, a Level 6 felony. (d) A person employed by a governmental entity who knowingly or intentionally accepts property from the entity for the performance of duties not related to the operation of the entity commits ghost employment, a Level 6 felony.”

IC 35-44.1-1-4, **Conflict of interest**, states in part: “(b) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony.”

Exceptions are in subsection (c) (1) through (7), including disclosure by certain individuals. According to subsection (d) disclosure must: “(1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) if the governmental entity is a governmental entity other than the state or a state supported college or university, the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and (7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant.”

For further information and possible exemptions, see the Indiana Code and contact the State Inspector General or State Ethics Commission.

Public service is a position of public trust. Public servants should be extremely sensitive to any transactions that may cause concern of the taxpayers that either elected them or caused them to be appointed to or employed in a public office.

IC 4-7-1-2, **Powers and duties** (State Comptroller) states in part: “The state comptroller shall do the following: . . . (8) Draw warrants on the treasurer of state or authorize disbursement through electronic funds transfer in conformity with IC 4-8.1-2-7 for all money directed by law to be paid out of the treasury to public officers or for any other object whatsoever as the warrants become payable...” This includes all salary or salary related payments for state employees.

9.1.2 Indiana Administrative Code (IAC)

- Indiana Administrative Code (IAC), Title 31, Article 5, State Employees, further details personnel rules. See <https://iar.iga.in.gov/code>

9.2 ACCOUNTING THEORY

The State of Indiana utilizes a suite of Oracle PeopleSoft modules for Human Capital Management (HCM) and Finance. Business owners (see 9.4) are responsible for maintaining accurate data in their modules, which are used in producing accurate payroll processing.

State agencies either use PeopleSoft (PS)-Time and Labor (T&L) or UKG Timekeeping to collect time and labor information, with the exception of Department of Natural Resources (DNR) law enforcement who use CODY. Hours from CODY timekeeping use the standard time collection device (TCD) interface to load to PeopleSoft T&L. Payroll costs flow to finance after the payroll process is confirmed in HCM and flows into General Ledger (GL).

9.3 INTERNAL CONTROLS

Regardless of the system used in time collection and to process payroll transactions, an internal control system should be in place to assure correctness and accuracy on payroll related processes. Please refer to the Time Reporting Policy at <https://www.in.gov/spd/files/Time-Reporting-Policy.pdf>

The electronic submissions and approvals within the PS T&L and PS Absence Management or UKG Timekeeping systems are considered adequate documentation of the earning and use of compensatory time off; it is not required to print the Employee Compensatory Time Worksheet (State Form 42386) or a computer worksheet mirroring that form. Forms can be accessed from the Indiana Archives and Records Administration website (<http://www.in.gov/iara/>). For agencies not using PS T&L with Absence Management, or UKG, the electronic or paper system chosen must provide the same internal controls as required for the State Comptroller's payroll system, including entry or review of entries by the affected employees and by supervisors knowledgeable of the employee's attendance.

All state employees are now required to receive their payroll remittance either through direct deposit to a bank account or by means of a state issued pay card.

9.4 BUSINESS OWNERS

9.4.1 State Personnel

Title 4, Article 15 of the Indiana Code outlines the mission and requirements for the Indiana State Personnel Department. The department is mandated to establish and administer a personnel system that attracts, develops, and retains a qualified workforce for efficient and effective state government operations. This includes recruitment, classification, compensation, health care benefits (including a disability plan), paid and unpaid leaves all within the framework of the state's laws and policies. The goal is to ensure a skilled and motivated workforce dedicated to serving the people of Indiana.

The employee data and position management information necessary to achieve these goals and process payroll accurately are contained in the PS/HCM modules for Core HR/Workforce Administration, Benefits, and Absence Management. This includes items such as the Compensation Rate, Pay status, FLSA status, Benefits Program, Leave Accrual Dates, and Leave Balances.

Administrative staff responsible for entering or processing data and monitoring accuracy of the information should access current policies and procedures at www.in.gov/spd and Job Aids and Training Materials for these modules and UKG Timekeeping through SuccessFactors/JAM and Learning pages and disseminate necessary information to agency staff.

9.4.2 State Comptroller

The State Comptroller (COMP) issues all payroll payments to state employees, through direct deposit or a paycard. COMP is responsible for tax withholding, reporting, remitting to tax authorities, submission of all payroll deductions to vendors, and maintaining the official state payroll records. All payroll personnel should have access to all Job Aids and Training Materials for PeopleSoft HCM T&L & Payroll and UKG Timekeeping. These documents provide instructions and guidance on processing T&L and UKG time and absence transactions and the submission of all earnings not related to time or absences, and submission of payroll forms to COMP. Additionally, deferred compensation is administered by the COMP office.

9.4.2.1 Additional Third-Party Administrators

In addition, the employee life cycle includes retirement benefits which are administered by Indiana Public Retirement System (INPRS) under Title 5, Article 10 and related benefit programs such as deferred compensation and retiree medical reimbursement programs administered under a contract with a third party.

9.5 BUSINESS PROCESSES

9.5.1 Overtime Eligible Employees

Overtime-eligible classifications are defined by the Financial Management Circulars entitled “Job Classifications Eligible for Premium Overtime Compensation” and “Compensatory Time Off for Premium Overtime Eligible Employees. See State Personnel Department Policies and Procedures (www.in.gov/spd/3065.htm) for additional detail on hours of work and overtime.

Per State Personnel Department Policy, overtime work must generally be approved in advance, although public safety and emergencies may require retroactive approval consistent with agency policy. In accordance with Financial Management Circulars 1.1 and 1.2, each agency must exercise fiscal prudence and annually submit a Fiscal Spending Plan to the State Budget Agency. Financial Management Circulars 6.1 and 6.2 provide guidance on internal controls and risk analysis.

Employees are prohibited from working additional hours without authorization and should notify supervisors in advance whenever they realize they may not be able to meet deadlines or complete assignments during assigned work hours.

Supervisors should set priorities and ensure that employees are managing their time with good planning and effective work habits; however, when overtime work is necessary, supervisors must follow agency procedures to request and secure authorization for such additional work.

State Personnel Department Rules 31 IAC 5-7-1, et seq., related to compensable hours of work and overtime for state government employees, can be found at www.in.gov/legislative/iac/.

With permission from agency heads, overtime eligible employees may be permitted to choose compensatory time off in lieu of monetary overtime compensation. State Personnel rules 31 IAC 5-7-6 covers compensatory time off and provide that, in most cases, compensatory time off accrued by overtime eligible employees must be taken prior to the end of the calendar quarter succeeding the quarter in which the additional hours were worked.

Special rules apply to law enforcement personnel, including Correctional Officers. See 31 IAC 5-7-8.

9.5.2 Overtime Exempt Employees – Comp Time

State employees performing exempt work are not eligible for premium overtime compensation. Employees performing exempt work may only be paid monetary overtime compensation if the agency head receives prior approval from the State Personnel Department and Budget Agency, consistent with 31 IAC 5-7-3 or the Financial Management Circular titled “Compensatory Time Off for Overtime Exempt Employees” (www.in.gov/sba/2512.htm).

Agency heads may authorize compensatory time off for employees required to perform exempt work substantially beyond their normal work schedule. Compensatory time off for overtime exempt employees must be accrued and taken in accordance with the Financial Management Circular. Compensatory time rules include:

- An exempt employee must receive prior approval from the supervisor to work on a specific task for a specific number of hours.
- Compensatory time off should not accrue for projects that will take less than four hours of overtime work.

- *Compensatory time off may be used in quarter hour increments.*
- *No exempt employee may use more than 112.5 hours of compensatory time off during a calendar year.*
- *Accumulated compensatory time off may not be used after an exempt employee has given notice of intent to terminate employment or transfer interagency. Upon termination or interagency transfer, the exempt employee receives no compensation for accumulated compensatory time.*