Segregation of Duties for Payroll Processing
FIN-PAY-010

About This Policy

Effective Dates:
08-08-2017

Last Updated:
08-08-2017

Responsible University Administrator:
Executive Vice President for Finance and Administration

Policy Contact:
Margot Burke
Director University Tax & Payroll
Office of the University Controller
meckerle@indiana.edu

Scope

This policy applies to Payroll Processors, Fiscal Officers, and Fiscal Approvers.

Policy Statement

It is the policy of Indiana University to segregate the duties for payroll processing, as well as for distributing payroll, in accordance with sound internal control practices.

At a minimum, Payroll Processors should not be in a position to audit payroll, verify payroll, or pick up payroll checks. Further, Fiscal Officers or Fiscal Approvers should not have access to process payroll for their unit(s).

Fiscal Officers who have expenditures for salary and wages shall review the processing of payroll in their departments to ensure that all individuals who process payroll are not in a position to audit payroll, verify payroll, or pick up a payroll check other than their own.

Smaller organizations that do not have sufficient staff to segregate the duties for payroll processing must coordinate with their Responsibility Center Fiscal Officer to develop mitigating internal controls for the process, such as using Responsibility Center staff to perform aspects of the payroll processing to provide segregation of duties.

Reason For Policy

Segregating duties is prudent and necessary to reduce the risk of errors and fraud. This policy establishes the segregation of payroll duties with the aim of minimizing errors and preventing fraud involving the processing and distribution of payroll. Segregation of duties involves dividing responsibilities for handling payroll, as well as recording, authorizing, and approving transactions, among different people, so that no one person can control the payroll process from start to finish.

Procedure

University Payroll shall segregate the duties for processing payroll. University Payroll has the authority and responsibility to create, implement, monitor, modify, and enforce operating procedures and internal control processes consistent with this policy to ensure the accuracy and integrity of Indiana University’s payroll.

Fiscal Officers are responsible for all payroll expenditures that occur on their accounts. The Fiscal Officer can delegate approval authority to a Fiscal Approver, who is then authorized to approve all payroll transactions in the
place of the Fiscal Officer. This approval delegation also assigns authority to the Fiscal Approver to audit and verify payroll expenditures for the Fiscal Officer before each payday. The Fiscal Officer, however, retains ultimate responsibility for completing those functions on an accurate and timely basis.

At a minimum, the payroll review must include:

- Reviewing the names of those paid to look for people who have been terminated or not hired;
- Reviewing the amounts paid to people to make sure they look reasonable in amount; and,
- Reviewing hours worked to validate that they are reasonable for the person doing the job.

Definitions

**Auditing or verifying payroll:** The function of monitoring payroll activity on a given account by reviewing the Fiscal Approvers’ Voucher Audit Report.

**Fiscal Approver:** A person authorized by the Fiscal Officer pursuant to policy to approve all payroll transactions for a given organization.

**Fiscal Officer:** A person who is trained and hired for the purpose of providing fiscal, policy, and internal control management of all funds in a unit, and is responsible for ensuring that processes and related controls have been established to achieve the organization’s mission and objectives.

**Organization:** A unit that operates as one entity, and for the purpose of this policy, has one central processing area for payroll functions. The organization could be a department, responsibility center, or campus.

**Payroll processing:** Calculating gross and net salaries and wages, creating and modifying payroll vouchers, and distributing salaries, wages, and pay advices.

**Payroll Processor:** A person responsible for ensuring the completeness and timeliness of all time and attendance information. The Payroll Processor reviews the non-exempt staff members’ hours worked, benefit time taken, and earn codes used for compliance with university policies and procedures.

Additional Contacts

<table>
<thead>
<tr>
<th>Policy</th>
<th>Margot Burke</th>
<th>812-855-0142</th>
<th><a href="mailto:meckerle@indiana.edu">meckerle@indiana.edu</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Cassandra Amadio</td>
<td>812-855-3657</td>
<td><a href="mailto:cassfran@iu.edu">cassfran@iu.edu</a></td>
</tr>
<tr>
<td>Policy</td>
<td>Anna Jensen</td>
<td>812-856-2548</td>
<td><a href="mailto:anjensen@iu.edu">anjensen@iu.edu</a></td>
</tr>
</tbody>
</table>

History

This policy replaces policy **FIN-PAY-IV-200.**

Related Information

**PSOP 1.0: Fiscal Officer Responsibility**