

106 Payroll Records

106 PAYROLL RECORDS

106.1 Use of UltiPro Required:

All Archdiocesan locations must use UltiPro for payroll processing. All new employees must be added to the UltiPro system before issuance of payroll may occur. UltiPro requires the bank to have reverse wire/ drawdown capabilities and the location has to be able to upload an ACH/NACHA file on the banks website to pay the employees.

106.2 Payroll Records:

Complete payroll records shall be maintained confidentially by the parish and school for all employees.

Procedures:

- A) Parishes/Schools processing payroll via direct deposit should not allow the same individual to initiate and release the payroll transactions electronically. The Bookkeeper should initiate the payroll using their userid and password and the Pastor/School President/ Principal should release the payroll user their userid and password after reviewing the Payroll Register.
- B) A detailed payroll register shall be maintained through UltiPro and shall be the source document for posting payroll into the general ledger.
- C) The Pastor/Principal should review each Payroll Register (for additions, errors, changes irregularities and omissions) to ensure that only legitimate employees are paid and that they are paid the proper amount. This review should be evidenced by him/her signing and dating the Payroll Register.
- D) Every payroll processed shall be recorded as an individual journal entry.
- E) State and Federal quarterly withholding tax returns and year-end Employee Earnings Statements (W-2s) shall be filed accurately and on-time through UltiPro.
- F) Timely deposits of withheld taxes shall be made through UltiPro.
- G) Current signed payroll tax withholding authorizations (W-4s) and applicable state withholding forms, which show the number of claimed exemptions for employees who claim to be exempt from taxes, should be obtained yearly and maintained in the employee file. Current W-4s and state withholding forms for other employees should also be maintained, however, they are not required to be obtained annually.
- H) For all changes in compensation and benefits, including new hires, terminations, or wage rate or benefits changes for current employees, a personnel action form must be completed

and maintained in the employee's personnel file.

I) If employees are paid on an hourly basis, time sheets indicating the dates and hours worked, and signed by the employee and approved by the Pastor/School President/Principal should be maintained to support the wages. Salaried employees should also complete and sign a Leave Exception Report for each pay period indicating any holiday, sick or vacation time used.

J) The Parish/School should develop a policy related to vacation/sick/ personal time earned, used and available. Specifically, any vacation/sick/ personal time used should be recorded on a Leave Exception Report, be formally approved by the Pastor/School President/Principal and input into UltiPro. In addition vacation/sick/ personal time earned, used and available each period should be included in each employee's paystub.

K) Direct deposit is recommended as a safer and more cost effective payroll method. Payments to employees who choose to receive checks shall be processed through UltiPro, and such payments may be made through a separate payroll account.

L) All salaries, bonuses, and stipends should be processed through the payroll system so that employee wages and federal and state withholding taxes are properly calculated. (IRS Publication 15, Section 5: Wages and Other Compensation). Bonuses/stipends should never be paid with cash.

M) The employees listed on the Payroll Register should be reconciled to the AoB Health and Benefits Bill monthly to ensure that only legitimate employees are being provided benefits and that the proper unemployment and worker compensation taxes are being paid on all employees.

N) Parishes and Schools should ensure that federal and state withholding taxes, as well as, employee 403B contributions are remitted to the appropriate parties in an accurate and timely manner. Employee 403B contributions must be remitted within 15 calendar days after each pay date.

O) The Bookkeeper should reconcile the IRS Form 941s to the IRS Form W-3 before distributing the IRS W-2s to employees and filing with federal and state taxing authorities.

106.3 Employee vs. Non-Employee:

School/parish personnel shall be treated as employees unless approval is received from Archdiocesan legal counsel to treat the personnel as non-employees (independent contractors or volunteers).

Procedures:

A) All persons determined to be employees must be included in the payroll records, have taxes withheld from their pay according to the tax tables, and receive W-2 withholding tax statements at calendar year-end.

B) If an independent contractor does work for a school or parish, he/she/it must issue an

invoice for the work done. IRS regulations require reporting of all payments of \$600 or more in a calendar year to independent contractors on IRS Form 1099s.

106.4 Priests' Compensation & Taxes

Procedures:

A) All priests should complete an Annual Salary Authorization & Annual Declaration Professional Expense Allowance form for each fiscal year according to Archdiocesan guidelines.

B) The Bookkeeper should calculate the Priest's salary using the current AoB Compensation Guidelines provided by AoB and ensure that each priest is paid the appropriate amount.

C) If the Parish pays the IRS for the Pastor's FICA (employer portion) then the amount paid should be deducted from the Pastor's pay.