

PAYROLL

Control Objectives:

To ensure that payroll disbursements are made only upon proper authorization of management to bona fide employees, that payroll disbursements are properly recorded, and that related legal requirements (such as payroll taxes) are in compliance.

Employee Categories:

All employees paid through the USM Foundation receive the same benefits – they can be classified as a full-time or a part-time employee, exempt or non-exempt (**exempt means they are not entitled to overtime**). Labor laws are specific as to what constitutes exempt, so check with the USM Foundation payroll administrator to ascertain into which category the employee falls.

Employee Personnel Files:

➤ **Required documents:**

Before an employee can be paid, the following documents submitted by the department must be on file at the USM Foundation:

- (1) Employment Data Form
(Specifies employment status, salary and eligible benefit; identifies the department, account number, employee supervisor and person with signature authority.)
- (2) Signed form confirming the employee has received a copy of the USM Foundation personnel manual
- (3) IRS Form W-4
(See additional tax information re Resident and Nonresident Aliens.)
- (4) IRS Form I-9
- (5) Nonresident Aliens (also known as Foreign Nationals) require the following additional documents in their file at the USM Foundation for U.S. income tax purposes:
 - ☞ Copy of their Visa with a valid I-94 card / stamp
 - ☞ Copy of a valid passport
 - ☞ Form I-20 **or** Form IAP 66 (whichever is applicable)
 - ☞ Copy of Social Security card
 - ☞ Completed *Foreign National Data Form*
(Used to determine whether person is a Nonresident Alien or a Resident Alien for U.S. income tax purposes.) The form is available through the USM Foundation payroll office.

➤ **Employment Agreements:**

An Employment Agreement may be included in the personnel file when and if an employee has been hired for a specific time period and the employer wants to document that arrangement for the record. In those cases, the person with signature authority should submit a letter to the USM Foundation that documents the arrangement. The USM Foundation President will also sign the letter if the parties involved want the document to reflect the signatures of both the employer and the USM Foundation.

Procedure – General:

** The Payroll Administrator maintains the personnel files. He/she confirms that all required documents are completed and on file for each employee.

** Timesheets

Original bi-weekly timesheets signed by immediate supervisor(s) must be submitted. This record is used to compute pay for hourly employees and maintain leave records for salaried employees.

Hourly employees will only be paid upon submission of a timesheet. The timesheet must be received by noon on the Monday after the pay period ends. If it is received late, payment will be deferred to the next pay period.

Salaried employees must submit a timesheet for every two week period.

** Annual Leave

The record of annual leave accrued and used by the employee is maintained by the USM Foundation Payroll Administrator, using information submitted on the bi-weekly timesheets. When an employee resigns or is terminated, accrued annual leave will be paid only to the extent that the information has been provided to the USM Foundation for its payroll records.

** Payroll Registers

Account administrators or supervisors receive a copy of the payroll register for their unit each pay period. The register should be reviewed promptly and any inaccuracies reported immediately to the USM Foundation Vice President for Finance.

Procedure – Payment of salary, taxes, etc.:

A separate bank account is maintained for payroll. Funds are transferred bi-weekly (corresponding to the pay date) before the checks and/or direct deposits are distributed.

** The Payroll Administrator maintains the employee records and prepares the payroll register, which is reviewed by the Vice President.

** The Accounting Clerk prints and distributes the checks.

** The Vice President transfers the funds and posts to the general ledger.

** The Senior Accountant performs the bank reconciliation.

** The Payroll Administrator calculates and remits tax payments, insurance premiums and other required assessments according to the schedule indicated below:

BI-WEEKLY	MONTHLY	QUARTERLY	ANNUALLY	ON REQUEST
<ul style="list-style-type: none"> • Federal payroll taxes • Retirement plan deposits • SRA deposits • Parking fee withholding • State payroll taxes – MD 	<ul style="list-style-type: none"> • Health ins premiums • State payroll taxes – DC and VA 	<ul style="list-style-type: none"> • SUTA taxes • Form 941 	<ul style="list-style-type: none"> • Form W-2 (by 01/31 to the employee, by 2/28 to the gov't) • Form 5500 	<ul style="list-style-type: none"> • Flex Plan reimbursements

** The Payroll Administrator prepares the W-2 and Form 941 which is reviewed by the Vice President for Finance before filing and issuing.

Tax Information:

★ RESIDENT ALIENS:

For U.S. Income Tax purposes, people in this category are treated as U.S. citizens.

★ NONRESIDENT ALIENS:

Specific tax rules and requirements apply, per Internal Revenue Code.

☆ For U.S. income tax purposes, F-1, J-1, M-1 and Q-1 Visa holders who are classified as Nonresident Aliens are exempt from FICA and Medicare.

Form W-4

☆ For U. S. income tax purposes, the law requires an additional federal withholding each pay period for all persons classified as Nonresident Aliens at the current required rate.

☆ Nonresident Aliens may never claim exemption from federal withholding and must complete Form W-4 as follows:

- Filing Status – Single (even if marital status is not single)
- Number of exemptions claimed must be 1 or 0
- Additional federal withholding must be shown

Note: State tax rules and requirements follow the federal guidelines.