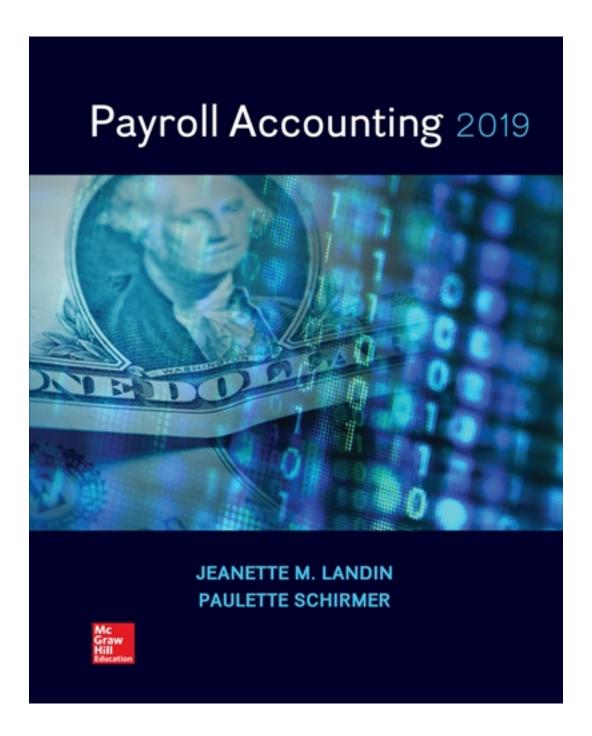
# Solutions for Payroll Accounting 2019 5th Edition by Landin

## **CLICK HERE TO ACCESS COMPLETE Solutions**



# Solutions

## **Chapter 2: Payroll System Procedures**

## **Instructor notes**

This chapter presents procedures for preparation of payroll, treatment and requirement for new hires, employee files, and internal controls procedures. As this chapter progresses, the student will understand the forms required and how to implement the process of placing a new employee into the payroll journals. New hire reporting requirements are discussed along with document destruction and retention periods. The student will gain an understanding of the different forms for new hires, pay period frequencies, and the different pay methods that can be employed by a business.

Some questions to stimulate discussion on this chapter would include:

- How many different forms are required for newly hired employees?
- What pay frequencies are they familiar with?
- How should an employer pay their employees (direct deposit, check, paycards)?
- Why are internal controls and review necessary for payroll processes?

	Vocabulary Definitions
Biweekly Payroll	A pay frequency in which employees are paid 26 times per year.
Commission	Employee compensation paid upon completion of a task, often pertaining to sales-based activities.
Daily Payroll	A pay frequency in which employees are paid each business day.
Document	The act of destroying documents that contain sensitive payroll and
Destruction	employee information.
Exempt	An employee who is not subject to the overtime provisions of the Fair Labor Standards Act.
File Maintenance	The application of all transactions, including any necessary modifications, to an employee's file.
File Security	The protection of sensitive payroll information by restricting access and securely storing files.
Foreign Account Tax Compliance Act (FATCA)	Federal law that regulates the income tax withholdings of foreign employees.
Hiring Packet	Examination and analysis of accounting records to ensure accuracy and completeness.
I-9	The Employment Eligibility Verification.
Internal Control	A firm's process of maintaining efficiency and effectiveness, work quality, accurate and reliable financial reports, and legal compliance.
Leased Employee	A person who provides services for a company subject to the provisions of IRS code section 414(n).
Monthly Payroll	A pay frequency in which employees are paid 12 times per year.
New Hire	A process by which a firm notifies governmental authorities of any new
Reporting	hires shortly after the hire date.

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Nonexempt	An employee who is subject to all overtime provisions of the Fair Labor
Nonexempt	Standards Act; generally, an hourly employee.
Outsourced Vendor	A party external to a firm that provides goods and/or services.
Pay Period	The recurring period during which a firm collects employee labor data and pays employees in accordance with wage and/or salary agreements.
Paycards	A debit card issued to employees that contains electronically transmitted wages.
Payroll Audit	An examination of a firm's payroll records to determine legal compliance.
Payroll Review	Verification of payroll accuracy for a period.
Piece Rate	Employee compensation based on production of unit or completion of an action during a specified time period.
Resignation	Voluntary termination of employment.
Review Process	Examination and analysis of accounting records to ensure accuracy and completeness.
Semimonthly Payroll	The payroll frequency in which employees are paid 24 times per year.
Separation of Duties	An internal control method in which payroll duties are spread among two or more employees.
Statutory	A special class of employees who run their own business but must be
Employee	treated as employees for tax reasons.
Tax Table	The percentage to be used when computing certain types of taxes.
Temporary	A worker who is employed by a temporary staffing agency and works under
Employee	the direction of the agency on a temporary basis for different companies.
Termination	Ceasing employment with a firm.
W-4	The Employee Withholding Allowance Certificate.
Weekly Payroll	The payroll frequency in which employees are paid 52 times per year.

	Answers to Review Questions
1. I	Payroll system design, authorized signers, documentation, and review of the process.
2. I	Internal controls and verification to avoid fraud or theft.
3. I	I-9 and W-4
4.	The enforcement of child support and legal withholdings, ensuring immigrants are still
$\epsilon$	eligible to work, verification of professional licensing/qualifications, administration of
(	COBRA benefits.
5. \$	Student answers will vary. This is a state specific regulation time ranging from the point
(	of discharge to no time requirements.
6. I	Daily, weekly, biweekly, monthly, semi-monthly.
7. I	Keep any requests for leave with the related paystubs, file retention schedule, have more
t	than one person responsible for the duties/verification, and separation of duties.
8. I	Pay frequency, pay types, method of payment, benefits, manual/computerized/outsourced
I	payroll processing, file security system.
9. I	Entering the employees, entering the hours, calculation of gross wages, determination of
l t	taxes, net pay, preparation of paychecks, payment of taxes, reporting requirements.

10.

- a. The Internal Revenue Service (IRS)
- b. Federal and State Departments of Labor
- c. Department of Homeland Security
- d. Other state and local agencies
- e. Labor unions

## 11. For a three-year period

- 12. It depends; some independent contractors are not included in the company's payroll, but are treated as vendors. Some independent contractors are considered statutory employees and would be included in the company's payroll.
- 13. An employee is terminated by the employer; when the employee initiates the separation it is a resignation. Employees who resign will receive their final paycheck in the normal payroll cycle, whereas terminated employees may be required to receive theirs sooner.
- 14. A weekly pay period is for one week, biweekly pay period is two weeks long, semi-monthly pay period is twice a month, and monthly pay period is once a month.
- 15. Nonexempt employees are covered under the Fair Labor Standards Act (FLSA) and are in non-supervisory positions. Exempt employees are typically in managerial positions, are exempt from overtime pay requirements and the FLSA.

16.

- 1. Payroll Records (time sheets, electronic records, etc.)
- 2. Employee federal, state, and local income tax records
- 3. Form I-9 and accompanying employee eligibility documents
- 4. Employee benefits and contributions
- 5. Health plan documentation

## **Additional Exercises for Class Discussion**

1. Nabeeha is an accountant for a small company. As she reviews time records prior to processing the weekly payroll, she notices that LeBron, a nonexempt employee, has worked 46.75 hours. Jason's standard workweek is 40 hours, and his pay rate is \$16.48 per hour. What is his gross pay for the week?

## Answer:

	Hours	Rat	te	Total
Regular	40	\$	16.48	\$ 659.20
Overtime	6.75	\$	24.72	\$ 166.86
	Total gro	oss p	ay	\$ 826.06

2. Padma earns \$45,000 per year. Compute his gross pay for each of the following pay frequencies: Weekly, Biweekly, Semimonthly, Monthly.

## Answer:

	# of pay periods	Gross pay
Weekly	52	\$ 865.38
Biweekly	26	\$ 1,730.77
Semimonthly	24	\$ 1,875.00
Monthly	12	\$ 3,750.00

3. Complete Form W-4 with your students for the following employee:

Victoria Maria Schneider 1537 Old Town Avenue Buffalo, NY 14201

SSN: 672-39-0487

She is married and her spouse works. She has four children. The total income for Victoria and her husband is \$85,000 per year. They will have \$3,600 in child care expenses this year.

The blank W-4 follows

## Form W-4 (2018)

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** You may claim exemption from withholding for 2018 if **both** of the following apply.

- For 2017 you had a right to a refund of all federal income tax withheld because you had no tax liability, and
- For 2018 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

If you're exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2018 expires February 15, 2019. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

#### **General Instructions**

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2018 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2018. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you might owe additional tax. Or, you can use the Deductions, Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

## Specific Instructions

#### **Personal Allowances Worksheet**

Complete this worksheet on page 3 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you can claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status

Line E. Child tax credit. When you file your tax return, you might be eligible to claim a credit for each of your qualifying children. To qualify, the child must be under age 17 as of December 31 and must be your dependent who lives with you for more than half the year. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse, during the year.

Line F. Credit for other dependents. When you file your tax return, you might be eligible to claim a credit for each of your dependents that don't qualify for the child tax credit, such as any dependent children age 17 and older. To learn more about this credit, see Pub. 505. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of

------- Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records. OMB No. 1545-0074 Employee's Withholding Allowance Certificate W-4 ▶ Whether you're entitled to claim a certain number of allowances or exemption from withholding is 2018 subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS. 2 Your social security numbe Your first name and middle initial Last name Home address (number and street or rural route) 3 Single Married Married, but withhold at higher Single rate. Note: If married filing separately, check "Married, but withhold at higher Single rate." City or town, state, and ZIP code 4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. Total number of allowances you're claiming (from the applicable worksheet on the following pages) 6 Additional amount, if any, you want withheld from each paycheck I claim exemption from withholding for 2018, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability If you meet both conditions, write "Exempt" here . . . Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete. Employee's signature (This form is not valid unless you sign it.) ▶ Date 8 Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.) 9 First date of employment 10 Employer identification number (EIN) For Privacy Act and Paperwork Reduction Act Notice, see page 4. Form **W-4** (2018) Cat. No. 10220Q

#### Answer

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Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records				
	Employee's Withholdin	g Allowance Cert	ificate	OMB No. 1545-0074
	her you're entitled to claim a certain numb to review by the IRS. Your employer may l			2018
Your first name and middle initia	Last name		2 Your soci	ial security number
Victoria M	Schneider		6	672-39-0487
Home address (number and stre	et or rural route)	3 ☐ Single ✓ Married	Married, but withho	old at higher Single rate.
1537 Old Town Avenue		Note: If married filing separately,	check "Married, but withho	old at higher Single rate."
City or town, state, and ZIP code	÷	4 If your last name differs fr	om that shown on your	social security card,
Buffalo, NY 14201		check here. You must ca	II 800-77 <b>2-121</b> 3 for a re	placement card. 🕨 🗌
5 Total number of allowance	s you're claiming (from the applicable	worksheet on the following	g pages)	5 10
6 Additional amount, if any,	you want withheld from each payched	x		6 \$
7 I claim exemption from wit	hholding for 2018, and I certify that I i	meet <b>both</b> of the following o	conditions for exemp	tion.
<ul> <li>Last year I had a right to</li> </ul>	a refund of all federal income tax with	hheld because I had <mark>no</mark> tax	liability, and	
<ul> <li>This year I expect a refur</li> </ul>	nd of all federal income tax withheld b	ecause I expect to have <b>no</b>	tax liability.	
If you meet both condition	s, write "Exempt" here		▶ 7	
Under penalties of perjury, I declare	that I have examined this certificate and	d, to the best of my knowledg	e and belief, it is true,	correct, and complete.
Employee's signature				
(This form is not valid unless you sig	n it.) ►		Date <b>▶</b>	
8 Employer's name and address (Employer's nam	oloyer: Complete boxes 8 and 10 if sending to te Directory of New Hires.)	o IRS and complete 9 First em		nployer identification imber (EIN)
For Privacy Act and Paperwork Re	eduction Act Notice, see page 4.		220Q	Form <b>W-4</b> (2018)

## 4. Complete an I-9 with your students for the following employee:

Karl Erik Hoffamann SSN: 374-02-4005

Date of birth: 9-23-1978 3234 Church Street Natchitoches, LA 71457

Louisiana Driver's license number 005738295, expires 9-23-2016

He is in possession of his social security card.

Email address: Karlh@me.com

Phone number:

The blank Form I-9 follows:



## **Employment Eligibility Verification Department of Homeland Security**

U.S. Citizenship and Immigration Services

**USCIS** Form I-9 OMB No. 1615-0047

Expires 08/31/2019 ► START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form. ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination. Section 1. Employee Information and Attestation (Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer.) Last Name (Family Name) First Name (Given Name) Middle Initial Other Last Names Used (if anv) State ZIP Code Address (Street Number and Name) Apt. Number City or Town Date of Birth (mm/dd/yyyy) U.S. Social Security Number Employee's E-mail Address Employee's Telephone Number I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form. I attest, under penalty of perjury, that I am (check one of the following boxes): 1. A citizen of the United States 2. A noncitizen national of the United States (See instructions) 3. A lawful permanent resident (Alien Registration Number/USCIS Number): 4. An alien authorized to work until (expiration date, if applicable, mm/dd/yyyy): Some aliens may write "N/A" in the expiration date field. (See instructions) QR Code - Section 1 Do Not Write In This Space Aliens authorized to work must provide only one of the following document numbers to complete Form I-9: An Alien Registration Number/USCIS Number OR Form I-94 Admission Number OR Foreign Passport Number. 1. Alien Registration Number/USCIS Number: OR 2. Form I-94 Admission Number: OR 3. Foreign Passport Number: Country of Issuance: Signature of Employee Today's Date (mm/dd/yyyy) Preparer and/or Translator Certification (check one): I did not use a preparer or translator. A preparer(s) and/or translator(s) assisted the employee in completing Section 1. (Fields below must be completed and signed when preparers and/or translators assist an employee in completing Section 1.) l attest, under penalty of perjury, that I have assisted in the completion of Section 1 of this form and that to the best of my knowledge the information is true and correct. Signature of Preparer or Translator Today's Date (mm/dd/yyyy) Last Name (Family Name) First Name (Given Name) ZIP Code Address (Street Number and Name) City or Town Employer Completes Next Page Page 1 of 3 Form I-9 07/17/17 N



## **Employment Eligibility Verification** Department of Homeland Security U.S. Citizenship and Immigration Services

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification (Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.") Last Name (Family Name) First Name (Given Name) Citizenship/Immigration Status Employee Info from Section 1 List B OR AND Identity and Employment Authorization Identity **Employment Authorization** Document Title Document Title Document Title Issuing Authority Issuing Authority Issuing Authority Document Number Document Number Document Number Expiration Date (if any)(mm/dd/yyyy) Expiration Date (if any)(mm/dd/yyyy) Expiration Date (if any)(mm/dd/yyyy) Document Title QR Code - Sections 2 & 3 Do Not Write In This Space Additional Information Issuing Authority Document Number Expiration Date (if any)(mm/dd/yyyy) Document Title Issuing Authority Document Number Expiration Date (if any)(mm/dd/yyyy) Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States. The employee's first day of employment (mm/dd/yyyy): (See instructions for exemptions) Signature of Employer or Authorized Representative Today's Date (mm/dd/vvvv) Title of Employer or Authorized Representative First Name of Employer or Authorized Representative Last Name of Employer or Authorized Representative Employer's Business or Organization Name State ZIP Code Employer's Business or Organization Address (Street Number and Name) Section 3. Reverification and Rehires (To be completed and signed by employer or authorized representative.) A. New Name (if applicable) B. Date of Rehire (if applicable) Last Name (Family Name) Middle Initial First Name (Given Name) Date (mm/dd/yyyy) C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes continuing employment authorization in the space provided below. Document Title **Document Number** Expiration Date (if any) (mm/dd/yyyy)

Form I-9 07/17/17 N Page 2 of 3

l attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual. Today's Date (mm/dd/yyyy)

Name of Employer or Authorized Representative

Signature of Employer or Authorized Representative

## LISTS OF ACCEPTABLE DOCUMENTS All documents must be UNEXPIRED

Employees may present one selection from List A or a combination of one selection from List B and one selection from List C.

	LIST A  Documents that Establish  Both Identity and  Employment Authorization	OR	LIST B Documents that Establish Identity	ND	LIST C  Documents that Establish  Employment Authorization
$\vdash$	U.S. Passport or U.S. Passport Card Permanent Resident Card or Alien Registration Receipt Card (Form I-551)		Driver's license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye	1.	A Social Security Account Number card, unless the card includes one of the following restrictions: (1) NOT VALID FOR EMPLOYMENT
3.	Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine- readable immigrant visa		color, and address  2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or		(2) VALID FOR WORK ONLY WITH INS AUTHORIZATION     (3) VALID FOR WORK ONLY WITH DHS AUTHORIZATION
4.	Employment Authorization Document that contains a photograph (Form I-766)		information such as name, date of birth, gender, height, eye color, and address	2.	Certification of Birth Abroad issued by the Department of State (Form FS-545)
5.	For a nonimmigrant alien authorized to work for a specific employer because of his or her status:		School ID card with a photograph     Voter's registration card	3.	Certification of Report of Birth issued by the Department of State (Form DS-1350)
	a. Foreign passport, and b. Form I-94 or Form I-94A that has the following:  (1) The same name as the passport;		U.S. Military card or draft record     Military dependent's ID card     U.S. Coast Guard Merchant Mariner Card	4.	Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal
	and (2) An endorsement of the alien's		Native American tribal document     Privada license issued by a Canadian	5.	Native American tribal document
	nonimmigrant status as long as that period of endorsement has not yet expired and the		Driver's license issued by a Canadian government authority		U.S. Citizen ID Card (Form I-197)  Identification Card for Use of
	proposed employment is not in conflict with any restrictions or limitations identified on the form.		For persons under age 18 who are unable to present a document listed above:		Resident Citizen in the United States (Form I-179)
6.	Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI		10. School record or report card  11. Clinic, doctor, or hospital record  12. Day-care or nursery school record	8.	Employment authorization document issued by the Department of Homeland Security

Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274).

Refer to Section 2 of the instructions, titled "Employer or Authorized Representative Review and Verification," for more information about acceptable receipts.

Form I-9 03/08/13 N Page 9 of 9

## Answer:



## **Employment Eligibility Verification**

USCIS Form I-9

**Department of Homeland Security** U.S. Citizenship and Immigration Services

OMB No. 1615-0047 Expires 03/31/2016

► START HERE. Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

	First Nam	ne (Given Name	) Middle Initial	Other Names	SUsed (if	any)
Hoffamann	Karl		E			
Address (Street Number and Na	ame)	Apt. Number	City or Town	S	tate	Zip Code
3234 Church Street			Natchitoches	I	LA ▼	71457
ate of Birth (mm/dd/yyyy) U.S	S. Social Security Number	E-mail Addres	s		Telepho	one Number
9-23-1978	7 4 - 0 2 - 4 0 0 5	Karlh@me	.com		3185552323	
am aware that federal law ponnection with the comple		ment and/or f	ines for false statements	or use of fa	alse doc	uments in
ttest, under penalty of pe	rjury, that I am (check	one of the fo	llowing):			
A citizen of the United Sta	ates					
A noncitizen national of the	ne United States (See in	nstructions)				
A lawful permanent reside	ent (Alien Registration N	Number/USCIS	S Number):			
An alien authorized to work ( (See instructions)	until (expiration date, if ap	plicable, mm/dd	/yyyy)	Some aliens	may write	e "N/A" in this field.
For aliens authorized to w	vork, provide your Alien	Registration I	Number/USCIS Number <b>OF</b>	R Form I-94	Admissio	on Number:
1. Alien Registration Num	ber/USCIS Number:					
OF	₹				Do No	3-D Barcode t Write in This Space
2. Form I-94 Admission N	lumber:					·
		BP in connect	tion with your arrival in the	United		
States, include the follo	owing:					
	owing: umber:					
	umber:			_		
Foreign Passport Nu Country of Issuance:	umber:		er and Country of Issuance	e fields. (See	e instruct	ions)
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Section 2. Employer or Authoric (Employers or their authorized representative must physically examine one document from the "Lists of Acceptable Documents" on the issuing authority, document number, and exp.	e must complete and List A OR examine a next page of this form	sign Section 2 within a combination of one	3 busines document	s days of the from List B	e employee's first day of employment. Yo and one document from List C as listed o
Employee Last Name, First Name and Mid					11.10
List A Identity and Employment Authorization	•	List B dentity		AND	List C Employment Authorization
Document Title:	Document Title	: Driver's Lice	ngo		ment Title: .al Security Card
ssuing Authority:	Issuing Author	ity:	1126	Issuin	g Authority:
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employee is authorized to work in the The employee's first day of employme Signature of Employer or Authorized Represe	ent <i>(mm/dd/yyyy)</i> : entative	Date (mm/dd/yyyy)	Tit	le of Employ	yer or Authorized Representative
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## **Critical Thinking Answers**

- 2-1. Key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; whether the employee self-service option would be eligible; confidentiality.
- 2-2. When the abnormalities are discovered, the management of the company should be made aware of the situation. Since the IRS audit is imminent, documenting the date of the find and attempts to rectify the error would be advisable. Depending upon the nature of the anomalies, the company or payroll employees may have made some serious errors.

## In the Real World—Guidelines for Discussion

Some questions that students should consider include Ms. Ledbetter's original access to confidential paperwork and the firm's internal controls.

Should she have been able to gain access to such confidential records?

What if the records had already been destroyed since the original statute of limitations had been exceeded?

What are implications for employers' document retention policies in the aftermath of this case? Should the employer have followed up on discrimination charges when they were originally raised?

Once a case of pay discrimination has been investigated, what should the employer do (if anything) about the other employees' pay?

Should all employees receive the same raise to avoid charges of discrimination?

Should records be retained longer than the current guidelines to avoid challenges like Ms. Ledbetter's case? If so, how long?

## **Activities**

Assign students to work individually or in small groups to explore the following websites:

Using a search engine find examples of what would be included in "New hire packet" for at least three different companies, preferable in different industries.

Go to www.irs.gov and search for IRS e-file security. List the facts the IRS shows for why e-file is a secure service.

Assign students to work individually or in small groups to explore the following websites:

www.uscis.gov www.irs.gov/businesses/ www.archives.gov/federal-register/cfr/subject-title-26.html www.proshred.com www.ironmountain.com

What did the students find for payroll support? What internal controls are mentioned? Is there a payroll destruction company in their area?

## Other classroom activities:

- Determine what new hire information should be shared between payroll and human resources.
- Should these two departments be used (in larger or midsized companies) to facilitate payroll internal controls and cross-verification?
- Using internet search engines, compare the options for a small business to outsource their payroll requirements.
- Split class into teams, some are managers, payroll accountants, outsourcing agencies, or external regulators. Determine the needs and if those needs are met by the payroll department.
- Check out the living wage calculator at http://livingwage.mit.edu.
- Check out the IRS's video about determining the correct amount of withholding allowances for your Form W-4 www.youtube.com/watch?v=6FSOvxkhxdM

## **Continuing Payroll Project**

The continuing project starts with the development of timecards and the payroll records for the company. Following this activity, the students should have their payroll files ready for the first actual payroll with annotated information on each employee's key facts.

Prevosti Farms and Sugarhouse pays its employees according to their job classification. The following employees make up Sugarland's staff:

The Departments are as follows:

Department A: Agricultural Workers

Department B: Office Workers

1. You have been hired as of February 1, 2018, as the new accounting clerk. Your employee number is B-XXXXX, where "B" denotes that you are an office worker and "XXXXX" is the first five letters of your last name. If your last name is fewer than five letters, use the first few letters of your first name to complete the employee number. Your social security number is 555-55-5555, and you are full-time, nonexempt, and paid at a rate of \$34,000 per year. You are single with only one job (claiming 2 exemptions). You live at 1644 Smittin Road, Woodstock, VT 05001. Your date of birth is 1/1/1991 and your Social Security number is 555-55-5555 for the project. You are a citizen of the United States and provide a Vermont driver's license #88110009 expiring 1/1/2020 in addition to your Social Security card for verification of

your identity. Complete the W-4 and the I-9 to start your own employee file. 2. Complete the headers of the employee earnings register for each employee. Enter the YTD earnings for each employee.

Employee Number	Name and Address	Payroll information
A-Mille	Thomas Millen	Hire Date: 2-1-2014
	1022 Forest School Rd	DOB: 12-16-1982
	Woodstock, VT 05001	Position: Production Manager
	802-478-5055	PT/FT: FT, exempt
	SSN:031-11-3456	No. of Exemptions: 4
	401(k) deduction: 3%	M/S: M
		Pay Rate: \$35,000/year
A-Towle	Avery Towle	Hire Date: 2-4-2014
	4011 Route 100	DOB: 7-14-1991
	Plymouth, VT 05102	Position: Production Worker
	802-967-5873	PT/FT: FT, nonexempt
	SSN:089-74-0974	No. of Exemptions: 1
		M/S: S
		Pay Rate: \$12.00/hour
A-Long	Charlie Long	Hire Date: 2-7-14
	242 Benedict Road	DOB: 3-16-1987
	S. Woodstock, VT	Position: Production Worker
	05002	PT/FT: FT, nonexempt
	802-429-3846	No. of Exemptions: 2
	SSN: 056-23-4593	M/S: M
		Pay Rate: \$12.50/hour
B-Shang	Mary Shangraw	Hire Date: 2-5-14
	1901 Main Street #2	DOB: 8-20-1994
	Bridgewater, VT 05520	Position: Administrative Assistant
	802-575-5423	PT/FT: PT, nonexempt
	SSN: 075-28-8945	No. of Exemptions: 1
		M/S: S
		Pay Rate: \$10.50/hour
B-Lewis	Kristen Lewis	Hire Date: 2-2-14
	840 Daily Hollow Road	DOB: 4-6-1950
	Bridgewater, VT 05523	Position: Office Manager
	802-390-5572	PT/FT: FT, exempt
	SSN: 076-39-5673	No. of Exemptions: 3
		M/S: M
		Pay Rate: \$32,000/year
B-Schwa	Joel Schwartz	Hire Date: 2-1-14
	55 Maple Farm Way	DOB: 5-23-1985
	Woodstock, VT 05534	Position: Sales
	802-463-9985	PT/FT: FT, exempt

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	SSN: 021-34-9876	No. of Exemptions: 2
		M/S: M
		Pay Rate: \$24,000/year base plus 3%
		commission per case sold
B-Prevo	Toni Prevosti	Hire Date: 2-1-14
	10520 Cox Hill Road	DOB: 9-18-1967
	Bridgewater, VT 05521	Position: Owner/President
	802-673-2636	PT/FT: FT, exempt
	SSN: 055-22-0443	No. of Exemptions: 5
		M/S: M
		Pay Rate: \$45,000/year

## Form W-4 (

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. You may claim exemption from withholding for 2018 if both of the following apply.

- For 2017 you had a right to a refund of all federal income tax withheld because you had no tax liability, and
- For 2018 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

If you're exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2018 expires February 15, 2019. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

#### **General Instructions**

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2018 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2018. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES. Estimated Tax for Individuals. Otherwise, you might owe additional tax. Or, you can use the Deductions, Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/ W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

### Specific Instructions

### Personal Allowances Worksheet

Complete this worksheet on page 3 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you can claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for vourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you might be eligible to claim a credit for each of your qualifying children. To qualify, the child must be under age 17 as of December 31 and must be your dependent who lives with you for more than half the year. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account. follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse, during the year.

Line F. Credit for other dependents. When you file your tax return, you might be eligible to claim a credit for each of your dependents that don't qualify for the child tax credit, such as any dependent children. age 17 and older. To learn more about this credit, see Pub. 505. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of

------- Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records.

Form	W-4
	ment of the Treasury

## **Employee's Withholding Allowance Certificate**

OMB No. 1545-0	)7.
2018	}

	nent of the Treasury Revenue Service		led to claim a certain numbe le IRS. Your employer may b					2018	
1	Your first name a	and middle initial	Last name			12	2 Your socia	al security number	
Stude	ent		Success				55	55-55-5555	
	Home address (r	number and street or rural route)		3 ✓ Single	Married	Marrie	ed, but withhold	d at higher Single rate.	
1644	Smitten Road			Note: If married fil	ing separately,	check "Marı	ried, but withhold	d at higher Single rate."	
	City or town, stat	te, and ZIP code		4 If your last na	ame differs fr	om that sh	own on your s	ocial security card,	
Wood	lstock, VT 0500	1		check here.	You must ca	II 800-77 <b>2</b> -	1213 for a rep	lacement card. 🕒	ं
5	Total number	of allowances you're clain	ning (from the applicable	worksheet on t	he following	pages)		5 3	
6	Additional am	ount, if any, you want with	held from each paychec	k				6 \$	
7	I claim exemp	otion from withholding for 2	2018, and I certify that I n	neet <b>both</b> of the	following o	conditions	for exempti	on.	
	• Last year I h	nad a right to a refund of a	I federal income tax with	held because I	had no tax	liability, a	nd		
	• This year I e	expect a refund of all feder	al income tax withheld b	ecause I expect	t to have <b>no</b>	tax liabil	ity.		
	If you meet b	oth conditions, write "Exer	npt" here			▶ □	7		
Under	penalties of per	jury, I declare that I have ex	amined this certificate and	, to the best of m	ny knowledg	e and beli	ef, it is true, c	orrect, and complet	te.
Emplo (This f	oyee's signature orm is not valid	e unless you sign it.) ▶ Sta	ident Success	2			<sub>Date</sub> ▶ 2	/1/2018	
8 Er	mplover's name an	d address ( <b>Employer:</b> Complete sending to State Directory of N	boxes 8 and 10 if sending to		9 Firs	t date of ployment		ployer identification nber (EIN)	
For Pi	rivacy Act and F	Paperwork Reduction Act I	Notice, see page 4.		Cat. No. 10	220Q		⊦orm <b>W-4</b> (2	(018)



## **Employment Eligibility Verification** Department of Homeland Security

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

U.S. Citizenship and Immigration Services

START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Success	First Name (Given N Student	lame)	Middle Initial	Other Last N	Other Last Names Used (if any)				
Address (Street Number and Name)	Apt. Numbe	er City or Town	1	State	e	ZIP Code			
644 Smitten Road		Woodstoc	k	VT		05001			
Date of Birth (mm/dd/yyyy)  U.S. Social Section 1/01/1991  5 5 5 5 - 5	s 5 5 5 5	ployee's E-mail A	ddress	Employ	ee's T	Telephone Numbe			
am aware that federal law provides for connection with the completion of this fo attest, under penalty of perjury, that I a	orm.			or use of false	e doc	cuments in			
1. A citizen of the United States									
2. A noncitizen national of the United States	(See instructions)								
3. A lawful permanent resident (Alien Reg	gistration Number/US	OIS Number):	N/A						
4. An alien authorized to work until (expiration Some aliens may write "N/A" in the expiration authorized to work must provide only on An Alien Registration Number/USCIS Number:  1. Alien Registration Number/USCIS Number:  OR 2. Form I-94 Admission Number:  OR 3. Foreign Passport Number:  N/A  Country of Issuance:  N/A	ation date field. (See i te of the following doc OR Form I-94 Admiss	instructions) ument numbers to				DR Code - Section 1 Not Write in This Space			
Signature of Employee Student S	uccess		Today's Dat	e (mm/dd/yyyy) 2/1/2018					
Preparer and/or Translator Certif  I did not use a preparer or translator.  Fields below must be completed and signed attest, under penalty of perjury, that I highwork the information is true and or Signature of Preparer or Translator	A preparer(s) and/or ed when preparers ave assisted in th	translator(s) assist and/or translator	ra assist an empl	loyee in compl	leting hat t	Section 1.) to the best of m			
		First Na	me (Given Name)						
ast Name (Family Name)					e	ZIP Code			

Form LO 07/17/17 M Page 1 of 3



## Employment Eligibility Verification Department of Homeland Security

USCIS Form I-9 OMB No. 1615-0047 Funires 08/31/2019

U.S. Citizenship and Immigration Services

OMB No. 1615-0047

Expires 08/31/2019

Employee Info from Section 1	Last Name (Fi	amily Name)		First Name (Give Student	n Name	) M.	. Citiz	enship/Immigration Statu
List A Identity and Employment Aut		R	List Iden		AN	D	Emp	List C Hoyment Authorization
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S/A				state/territory			•	(Unrestricted)
ssuing Authority	- 1	Versiont	nority			Issuing Au		dministration
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W/A		II						
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Form I-9 07/17/17 N

2. Complete the headers of the employee earnings register for each employee. Enter the pay rate for each employee.

Name			Thomas Mi	llen		_	Hire Date		2/1/2018			
Address			1022 Forest	School Rd		_	Date of Birth			12/16/1982		
City/State	e/Zip		Woodstock	/VT/05001		_	Exempt/N	lonexempt	Exempt			
Telephon	ne		802-478-50	55			Married/S	ingle	M			
Social Se	curity Numb	ber	031-11-345	031-11-3456			No. of exe	emptions	4 \$35,000/year			
Position			Production Manager			_	Pay Rate					
Period			had Dar Day OTDay		Comm			Ī	Taxable Pay for	Taxable Pay for		
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Position			Production	Worker		Pay Rate			\$12.00/hour		
Period Ended	Hrs Worked	Reg Pay	OTPay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA	
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Name Address		Mary Shang			_	Hire Date		2/1/2018 8/20/1994			
	/ <del></del>		1901 Main :			_	Date of Bi		Nonexempt		
City/State				er/VT/05520		_		Vonexempt			
Telephor			802-575-54	075-28-8945			Married/S	_	S		
	curity Num	ber					No. of exe	emptions	\$10.50/hou		
Position			Administrative Assistant			_	Pay Rate			ır	
Period Hrs					Comm				Taxable Pay for	Taxable Pay for	
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Name	Kristen Lew	/is		_	Hire Date		2/1/2018				
Address			840 Daily H	ollow Rd			Date of Bir	rth	4/6/1960		
City/State	e/Zip		Bridgewate	r/VT/05523			Exempt/N	onexempt	Exempt M		
Telephon	ne		802-390-55	72			Married/S	ingle			
Social Se	curity Numb	ber	076-39-5673				No. of exe	mptions	3		
Position			Office Man	ager		_	Pay Rate		\$32,000/ye	ar	
			T						Taxable	Taxable	
Period	Hrs					1			Pay for	Pay for	
Ended	nded Worked Reg Pay	Reg Pay	OTPay	Holiday	Comm	Gross Pay	Ins	401(k)	Federal	FICA	
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Name			Joel Schwa	rtz		_	Hire Date		2/1/2018		
Address			55 Maple Fa	arm Wy		_	Date of Bir	rth	5/23/1985		
City/Stat	e/Zip		Woodstock	/VT/05534		_	Exempt/N	onexempt	Exempt		
Telephor	ne		802-463-998	85		_	Married/S	ingle	M		
Social Se	curity Num	ber	021-34-987	021-34-9876			No. of exe	mptions	2		
Position			Sales			_	Pay Rate		\$24,000/year	+ commission	
Period	Period Hrs Ended Worked Reg Pay		Reg Pay OT Pay	Holiday	Comm	Gross Pay			Taxable Pay for	Taxable Pay for	
Ended	ed Worked Reg Pa	Reg Pay	OTPay	Holiday	Comm	Gross Pay	Ins	401(k)	Federal	FICA	
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Name Address City/State/Zip Telephone Social Security Number Position			Student Su 1644 Smitti Woodstock (555) 555-55 555-55-555	n Rd :/VT/05001 :555		-	Hire Date Date of Bir Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 1/1/1991 Nonexempt S 2 \$34,000/year		
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## Appendix A

There are two versions of a full quarter, from start to finish, payroll project located within Appendix A. Starting in chapter 2, instructors may assign coinciding portions from the appendix to supplement the materials in the textbook. This project may be assigned using a three-month data set that starts on October 1 (page 356 in the text) and runs through the year-end tax reporting. The other option is to assign the short version (page 366 in the text), which contains only the December transactions.

# SOLUTIONS MANUAL: CHAPTER 2 END OF CHAPTER ANSWERS ANSWERS TO STOP AND CHECK EXERCISES

## What's in the File?

- 1. A, B, D, E
- 2. B
- 3. D
- 4. A
- 5. C

### Who Are You?

- 1. Student answers will vary. One possible way to prove both identity and employment is a current U.S. passport. Alternatively, a current state-issued driver's license and a Social Security card will work for the purposes of the I-9.
- 2. Student answers will vary. Many students may underestimate their estimated exemptions.
- 3. Student answers will vary. Examples of statutory employees include: A driver who distributes beverages (other than milk) or meat, vegetable, fruit, or bakery products or who picks up and delivers laundry or dry cleaning, if the driver is a single company's agent or is paid on commission. A full-time life insurance sales agent whose principal business activity is selling life insurance or annuity contracts, or both, primarily for one life insurance company. An individual who works at home on materials or goods that a company supplies and that must be returned to that company or a designated agent in accordance with furnished specifications for the work to be done. A full-time traveling or city salesperson who works on a single company's behalf and turns in orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments. The goods sold must be merchandise for resale or supplies for use in the buyer's business operation. The work performed for that single company must be the salesperson's principal business activity.

## **Exempt vs. Nonexempt**

1. Exempt workers are exempt from the overtime provisions of FLSA. Exempt workers tend to be employees in a company's managerial or other leadership functions, in which they may need to work more than 40 hours per week to complete their tasks. Exempt workers usually receive a fixed salary per period that is not based on the number of hours worked. Nonexempt workers tend to be compensated on an hourly basis and often do not have

managerial or leadership responsibilities. It should be noted that some nonexempt workers do have managerial or leadership responsibilities and may receive a fixed salary; however, these employees are covered by the overtime provisions of FLSA.

- 2. C (40 hours)
- 3. Nonexempt. When workers are employed on a nonexempt basis, they are paid to perform a specific job regardless of the number of hours worked to accomplish that job. A 2017 Gallup Work and Education poll found that more than half of the nonexempt salaried workers surveyed worked in excess of 40 hours per week.

## **Worker Facts**

- 1. Hourly workers and nonexempt are protected by the FLSA
- 2. Exempt workers receive a fixed amount of money and generally direct the actions of other employees; nonexempt workers are eligible for overtime and generally have their work directed by a manager.
- 3. Commission workers are typically tied to sales completed by the individual; piece rate pay is determined by the number of pieces the employee completes during a shift or period.

## Who Does Which Job?

Student answers will vary. The answer should reflect a clear separation of duties, cross-training, rotation of tasks, and security protocols.

## **Internal Controls and Audits**

- 1. B
- 2. C

## **Destroy and Terminate**

1. Paper payroll records should be shredded or burned. Computer records should be purged from the server and all other storage devices.

2. Charlie should receive his final pay on October 11, and not later than October 12. His employer is not required to provide him with a severance package, although he may be eligible for his accrued vacation pay.

## ANSWERS TO END-OF-CHAPTER MATERIALS

## **REVIEW QUESTIONS**

- 1. What constitutes internal controls for a payroll department?
  - a. Payroll system design, authorized signers, documentation, and review of the process
- 2. Why should more than one person prepare/verify payroll processing?
  - a. Internal controls and verification to avoid fraud or theft
- 3. What documents should be included in all new hire packets?
  - a. I-9 and W-4
- 4. Why are new hires required to be reported to the state's employment department?
  - a. The enforcement of child support and legal withholdings, ensuring immigrants are still eligible to work, verification of professional licensing/qualifications, administration of COBRA benefits
- 5. For the state in which you live, when must a terminated employee be paid his or her final paycheck?
  - a. Student answers will vary. This is a state specific regulation time ranging from the point of discharge to no time requirements.
- 6. What are the five main payroll frequencies?
  - a. Daily, weekly, biweekly, monthly, semi-monthly
- 7. What are some of the best practices in establishing a payroll system?
  - a. Keep any requests for leave with the related paystubs, file retention schedule, have more than one person responsible for the duties/verification, and separation of duties
- 8. What are the important considerations in setting up a payroll system?

- a. Pay frequency, pay types, method of payment, benefits, manual/computerized/outsourced payroll processing, file security system
- 9. What are the different tasks involved in payroll accounting?
  - a. Entering the employees, entering the hours, calculation of gross wages, preparation of paychecks, payment of taxes, reporting requirements
- 10. What agencies or organizations can audit a company's payroll records?
  - 1. The Internal Revenue Service (IRS)
  - 2. Federal and State Departments of Labor
  - 3. Department of Homeland Security
  - 4. Other state and local agencies
  - 5. Labor unions
- 11. How long should employee records be retained?
  - a. For a three-year period
- 12. Are independent contractors included in company payroll? Why or why not?
  - a. It depends; some independent contractors are not included in the company's payroll, but are treated as vendors. Some independent contractors are considered statutory employees and would be included in the company's payroll.
- 13. What is the difference between termination and resignation?
  - a. An employee is terminated by the employer; when the employee initiates the separation it is a resignation. Employees who resign will receive their final paycheck in the normal payroll cycle, whereas terminated employees may be required to receive theirs sooner.
- 14. What is the difference between weekly, biweekly, semi-monthly, and monthly pay periods?
  - a. A weekly pay period is for one-week, biweekly pay period is two weeks long, semi-monthly pay period is twice a month, and monthly pay period is once a month.
- 15. What differentiates exempt and nonexempt employees?

- a. Nonexempt employees are covered under the Fair Labor Standards Act (FLSA) and are in non-supervisory positions. Exempt employees are typically in managerial positions, are exempt from overtime pay requirements and the FLSA.
- 16. What categories exist for the purposes of document retention?
  - 1. Payroll Records (time sheets, electronic records, etc.)
  - 2. Employee federal, state, and local income tax records
  - 3. Form I-9 and accompanying employee eligibility documents
  - 4. Employee benefits and contributions
  - 5. Health plan documentation

## **EXERCISES SET A**

E2-1A. Krystal Valdez, a nonexempt employee at Misor Investments, works a standard 8:00–5:00 schedule with an hour for lunch. Krystal received overtime pay for hours in excess of 40 per week. During the week, she worked the following schedule:

4. 2.25

Monday	8:00-11:00	12:00-4:30	7.50
Tuesday	8:00-11:00	12:00-5:15	8.25
Wednesday	8:00-11:00	12:00-5:00	8.00
Thursday	8:30-5:00	(no lunch)	8.50
Friday	8:00-6:00	(no lunch)	10.00

Total 42.25

42.25-40.00=2.25

- E2-2A. Roger Ortega receives her pay twice per month working for Megaveo Enterprises. Which of the following choices describes his pay frequency?
  - b. Semimonthly
- E2-3A. Lila Rivera is a new employee for Divera Glass. Which Federal forms must be complete as part of the hiring process?
  - 1. W-4
  - 4. I-9

E2-4A. Wilbur Matthews, a resident of Wisconsin, ended his employment with Bovill Farms on December 7, 2018. The next pay date for the company is December, 20. By what date should he receive his final pay?

3. December 20

E2-5A. Charlene Kelley is a new nonexempt sales clerk for Oyondo Retail Stores. She completes her time card for the pay period. To ensure proper internal control, what is the next step in the payroll review process?

3. Submit the time card to her manager for review.

E2-6A. Alfonso Silva needs additional filing space at the end of the year in the company's offsite, secured storage. He sees several boxes marked for the current year's destruction. What methods can Alfonso use to dispose of the payroll records? (Select all that apply.)

- 1. Contact an offsite record destruction service.
- 3. Shred the records, then dispose of the shredded paper.
- 4. Incinerate the payroll records marked for destruction.

E2-7A. Ed Myers is verifying the accuracy and amount of information contained in the employee records for his employer, Genible Industries. Which of the following items should be present in the employee information? (Select all that apply)

- 1. Job title
- 2. Social Security number
- 4. Employee address

E2-8A. Ginger Klein is the payroll clerk for Neolane Transportation. A colleague who is classified as an independent contractor requests to be classified as an employee. What factors should Ginger consider? (Select all that apply.)

1. Relationship of the Parties

- 2. Behavioral Control
- 4. Financial Control
- E2-9A. What are the forms of identification that establish identity for the I-9? (Select all that apply.)
  - 1. Driver's License.
  - 2. Native American Tribal document.
  - 3. Voter's Registration card.
- E2-10A. What are the forms of identification that establish *employment authorization* for the I-9? (Select all that apply.)
  - 1. U.S. Citizen I.D. Card.
  - 2. U.S. Passport.
  - 4. Certified copy of the birth certificate.
- E2-11A. Jamie Patil is a candidate for the position of sales manager with Retrozz Furniture. She is going to be required to supervise several employees and can determine the direction in which she will complete the assignments given to her. What guidelines should she follow when classifying workers as exempt or nonexempt?
  - 2 FLSA
  - 3. Department of Labor
- E2-12A. Susana Robledo is the office manager for Wardley and Sons Auto Detailing. Because it is a small office she is required to keep track of all employee records and pay both employees and contractors. Which of the following are legal factors that will differentiate between exempt and nonexempt employees? (Select all that apply.)
  - b. Type of work performed
  - d. Amount of supervisor-given direction

# PROBLEM SET A

P2-1A. Henrietta Morales is a salaried employee earning \$75,000 per year. Calculate the standard gross salary per pay period under each of the following payroll frequencies:

a.	Biweekly	\$75,000/26 = \$2,884.62
b.	Semimonthly	\$75,000/24 = \$3,125.00
c.	Weekly	\$75,000/52 = \$1,442.31
d.	Monthly	\$75,000/12 = \$6,250.00

- P2-2A. Beth Caldwell is in the payroll accounting department of Acerill Films. An independent contractor of the company requests that Social Security and Medicare taxes be withheld from future compensation. What advice should Beth offer?
  - a. As an independent contractor they would be responsible for their own payments and these would not be withheld by the company
- P2-3A. You are the new payroll supervisor for your company. Which payroll documentation control procedures are now your responsibility?
  - a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff
- P2-4A. Leona Figueroa is a new employee in the payroll department of Octolium Computers. After working at the company for one week, she asks you why it is so important to submit new hire documentation. What guidance will you offer her?
  - a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.
- P2-5A. You are the payroll accounting clerk for your company, Conose Advertising, which has 50 employees. The controller has recently switched the firm from an in-house payroll system to an outsourced payroll provider. What are your responsibilities within the company for payroll records and employee file issues?
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- a. Even with outsourced payroll the company is responsible for maintaining records, responsible retention periods, and document destruction.
- P2-6A. Aaron Tallchief is a citizen of the Northern Pomo Indian Nation. In completing his I-9, he provides an official Northern Pomo Nation birth certificate to establish identification and employment eligibility. Is this sufficient documentation? Why or why not?
  - a. Yes, these are acceptable since this would fulfill the requirements of items from type B and type C of the acceptable documents.
- P2-7A. Ian Burns is the new payroll accountant for ECG Marketing. Certain employees have been requesting changes in classification from nonexempt to exempt. How do the U.S. Department of Labor guidelines help him answer the employees' questions?
  - a. The U.S. Department of Labor requires that employees meet all three tests to achieve exempt status: executive exemption, administrative exemption, and professional exemption.
- P2-8A. Twinte Cars, a California corporation, has internal corporate requirements that stipulate a three-year payroll document retention period. They enter into a contract with an international company that mandates a six-year payroll document retention requirement. How should Twinte Cars balance these requirements?
  - a. The longer retention period would be appropriate to satisfy the record retention requirements under the contract.
- P2-9A. Ted McCormick is a full-time life insurance agent with Centixo Insurance, a small insurance company. The company has classified him as an employee, and he feels that he should be classified as an independent contractor because he receives no company benefits and sets his own office hours. Should he be reclassified as an independent contractor? Why or why not?
  - a. Of the three tests, Ted does not meet the relationship of the parties and should be treated as an employee.
- P2-10A. Evelyn Hardy is an employee of Polyent Plastics, a company with headquarters in Rock Island, Illinois. She lives and works in Doha Qatar, and earns an annual salary of \$97,300. The company has been withholding U.S. federal income taxes from her pay, but Evelyn believes that she should be exempt because she is an expatriate. What course of action should Evelyn take?
  - a. Evelyn would need to file IRS Foreign Earned Income Exclusion
- P2-11A. Complete the W-4 for employment at Superore Wheels starting 3/16/2018.

Erma Jane Grant 441 West Hill Road

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Montrose, Colorado 81401 SSN: 432-55-6792 Single with no withholding allowances Does not require any additional amount to be withheld

# Form W-4 (2018)

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. You may claim exemption from withholding for 2018 if both of the following apply.

- For 2017 you had a right to a refund of all federal income tax withheld because you had no tax liability, and
- For 2018 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

If you're exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2018 expires February 15, 2019. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

#### **General Instructions**

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2018 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you A have a working spouse, more than one job, more than one job, more a large amount of nonwage income outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2018. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals.

Otherwise, you might owe additional tax. Or, you can use the Deductions, Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

#### Specific Instructions

#### Personal Allowances Worksheet

Complete this worksheet on page 9 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you can claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub, 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you might be eligible to claim a credit for each of your qualifying children. To qualify, the child must be under age 17 as of December 31 and must be your dependent who lives with you for more than half the year. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse, during the year.

Line F. Credit for other dependents. When you file your tax return, you might be eligible to claim a credit for each of your dependents that don't qualify for the child tax credit, such as any dependent children age 17 and older. To learn more about this credit, see Pub. 505. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of

Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records. Form W-4 Employee's Withholding Allowance Certificate CMB No. 1545-0074 ► Whather you're antitled to plaim a certain or 2018 Department of the Treasury subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS. Informal Playerup Service Your first name and middle initial Emma J Grant 432-55-6792 Home address frumber and street or rural routel 1 / Single Married Married, but withhold at higher Single rate. 441 West Hill Road Note: If married filing separately, check "Married, but withhold at higher Single rate." City or town, state, and ZIP code 4 If your last name differs from that shown on your social security card, Montrose, CO 81401 check here. You must call 900-772-1212 for a repla nument card. Total number of allowances you're claiming (from the applicable worksheet on the following pages) 5 Additional amount, if any, you want withheld from each paycheck 6 \$ I claim exemption from withholding for 2018, and I certify that I meet both of the following conditions for exemption. . Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and . This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here. Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete. Employee's signature Grant (This form is not valid unless you sign it.) > ima ( Date > 03/16/2018 8 Employer's name and address (Employer: Complete bases 6 and 10 f seeding to IRS and complete bases 9, 9, and 10 ff seeding to State Directory of New Hires.) 9 First date of Employer identification number (EIN) For Privacy Act and Paperwork Reduction Act Notice, see page 4. Form W-4 (2018) Oal. No. 102200

P2-12A. Complete the I-9 for employment at Superore Wheels starting 3/16/2018. Be sure to complete Section 2.

Erma Jane Grant

441 West Hill Road

Montrose, Colorado 81401

SSN: 432-55-6792

Maiden Name: Grant

Date of Birth: June 12, 1986

U.S. Citizen

Erma presented her passport for her employer to review. Passport number 3890493, issued by the United States State Department, expires April 1, 2020.

Administrative assistant Samantha Cook verified the information for the company.



# Employment Eligibility Verification Department of Homeland Security U.S. Citizenship and Immigration Services

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

► START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

**ANTI-DISCRIMINATION NOTICE**: It is illegal to discriminate against work-authorized individuals. Employers **CANNOT** specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

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		Erma				J				
ddress (Street Number and N	ame)		Apt. Num	nber (	City or Town	•	1	State	ZIP Code	
41 West Hill Road	1 West Hill Road		Montrose				co	81401		
Date of Birth (mm/dd/yyyy)	U.S. Social Sec	rity Number Employee's E-mail Add			dress	E	Employee's Telephone Number			
06/12/1986	4 3 2 - 5	5 - 6	7 9 2							
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1. A citizen of the United St	ates									
2. A noncitizen national of t	he United States	(See ins	tructions)							
3. A lawful permanent resid	ent (Alien Re	gistration	Number/L	JSCIS Nu	mber):	N/A				
4. An alien authorized to we	ork until (expir	ation date	, if applica	able, mm	dd/yyyy):	N/A				
Some aliens may write "l	N/A" in the expira	ation date	field. (Se	e instruc	ions)					
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1. Alien Registration Number/ OR	USCIS Number:	<u>N/.</u>	A			_				
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ddress (Street Number and N	ame)			City	or Town			State	ZIP Code	

Form I-9 07/17/17 N Page 1 of 3



# Employment Eligibility Verification

**Department of Homeland Security** U.S. Citizenship and Immigration Services

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

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Section 2. Employer or										
(Employers or their authorized reprint must physically examine one docur										
of Acceptable Documents.")	nent nom List A	OK a combin	adon or one	uocument n	OIII LIST	D anu	one docu	minem	II OITI LI	St C as listed on the Lists
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Employee Info from Section 1	Grant	, ,		Erma	,	·		J	1	, -
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Identity and Employment Auti	horization		Iden	tity						oyment Authorization
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Issuing Authority U.S. Department of State	_	Issuing Auth	nority				Issuing A	Author	ity	
Document Number	_	Document N	lumber				Docume	nt Nur	nber	
3890493	_	N/A					N/A			
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(2) the above-listed document(										
employee is authorized to work	k in the United	States.								
The employee's first day of e	employment (	mm/dd/yyy	v): _03/	/16/2018	3_ (S	ee ins	structio	ns fo	r exen	nptions)
Signature of Employer or Authorize	ed Representativ	/e	Today's Dat	te (mm/dd/y	<i>'YYY)</i>	Title of	f Employ	er or A	uthoriz	ed Representative
Samantha Cook			03/1	6/2018		Admi	inistrative Assistant			
Last Name of Employer or Authorized	Representative	First Name of	Employer or i	Authorized Re	epresenta	ative	Employer's Business or Organization Name			
Cook		Samantha					Super	ore V	Wheel	.5
Employer's Business or Organization	on Address (Str	eet Number a	nd Name)	City or Tov	vn			Sta	ate	ZIP Code
5421 Woodbridge Road	,		,	Montros	е			cc	)	81401
Cartion O. B. 101 11		<i>(</i>								( ( )
Section 3. Reverification	and Rehires	(To be con	npleted and	signed by	employ					
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Form I-9 07/17/17 N Page 2 of 3

### **EXERCISE SET B**

E2-1B. Stacy Romero, a nonexempt employee of Prosaria Publishers, works a standard 6:00–3:00 p.m. schedule with an hour for lunch. Stacy works in a state requiring overtime for hours over 8 per day and for those over 40 in a week. During the week, she worked the following schedule:

Monday	6:00-10:30	11:15-3:00	8.25
Tuesday	6:15–10:45	11:45–3:15	8.00
Wednesday	5:45-10:00	11:00-3:30	8.75
Thursday	7:00–12:00	1:00-3:00	7.00
Friday	6:00-3:00	(no lunch)	9.00

Based on the requirements above, how much overtime has Stacy worked during the period?

1. 2 hours

E2-2B. Grant Saunders is a salaried employee earning \$84,000 per year who receives pay every two weeks. Which of the following best describes the pay frequency?

a. Biweekly

E2-3B. On October 31, 2018, Dolores Goodman quit her job after ten years with Omnivue Optics in Utah. Omnivue Optics pays employees weekly on Fridays. Upon quitting, Dolores had 38.5 hours of vacation accrued that she had not used, and she had worked 45 hours, 5 hours of which was subject to overtime. When must she receive her final paycheck?

1. On the next pay date.

E2-4B. Adrienne Norman terminated her employment with Univee Inc. on December 15, 2018. When is the earliest that Univee Inc. may destroy her payroll records?

3. December 15, 2021

- E2-5B. Elijah Brown is a new payroll clerk at Zata Imports, a company with 250 employees. He has completed entering all time card data for the pay period. What should Elijah's next step in the payroll review process be?
  - 3. Ask his supervisor to verify the accuracy of the payroll data.
- E2-6B. Elaine Wheeler needs additional filing space at the end of the year in the company's office and chooses to use offsite, secured storage. Upon arriving at the storage facility, she discovers that the unit is nearly full and sees several boxes marked for destruction at the end of the calendar year. What are Elaine's obligations regarding the destruction of the payroll records marked for destruction? (Select all that apply.)
  - 2. She should make arrangements to pulp or burn the payroll records marked for destruction.
  - 3. She should arrange to have a document destruction service pick up the boxes marked for destruction.
  - 4. She should bring a shredding machine to the storage facility and prepare to shred the records marked for destruction.
- E2-7B. Gerardo Rogers is conducting a review of the payroll files for each employee at Meejo Games. Which of the following items must be present in the file? (Select all that apply.)
  - 1. Basis upon which compensation is paid.
  - 2. Overtime pay earned during each pay period.
  - 3. Hours worked during each pay period.
- E2-8B. Jane McCarthy is preparing to compute employee pay and needs to determine the amount of employee federal income taxes to be withheld. Which of the following should she consult?
  - 2. IRS Publication 15
- E2-9B. John Franklin is a new employee of the Camidel Clothiers. Which of the following will provide proof of identity for the completion of the I-9? (Select all that apply.)
  - 1. U.S. Passport a U.S. Passport will establish both identity and employment authorization.
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- 2. U.S. Military Identification Card.
- 4. New York driver's license.

E2-10B. Sheri Jennings is completing the I-9 for her new employment at Insulend Tours. Which of the following provides proof of her employment authorization? (Select all that apply.)

- 1. Social Security Card.
- 2. Certificate of birth abroad, issued by the U.S. Department of State.
- 4. U.S. Passport a U.S. Passport will establish both identity and employment authorization.

E2-11B. Laverne Watkins is a candidate for the position of marketing clerk with the promotions department of Paramba Productions, earning \$10.25 per hour. She will work occasional overtime in her new position and will not have managerial or supervisory duties as a regular part of her job description. Why should Laverne be classified as a nonexempt employee? (Select all that apply.)

- 2. She has no supervisory or managerial duties
- 3. She has the term *clerk* in her job title

E2-12B. Rex Marshall manages a ski resort with year-round and seasonal employees. Assuming that the ski resort engages in interstate commerce, which are the FLSA requirement(s) that Rex should consider?

- 1. Hourly wages paid to employees
- 3. Number of hours worked per week
- 4. Employee age and weekly work schedule

# PROBLEM SET B

- P2-1B. Tasha Webb is an independent contractor for Antimbu Exports, where you are the payroll accountant. She feels that she should receive employee benefits because of the number of hours that she dedicates to the company. What guidance can you offer Tasha?
  - a. Independent contractors are most frequently treated as a vendor and would not be included in employee benefits. There are specific tests that determine the relationship between employer and employee; however, the number of hours committed is not one of the defining traits.
- P2-2B. Joseph Lyons was terminated for cause from Telecy Industries in Hawaii, on August 21, 2018. As of the date of his termination, he had worked 22 hours of regular time. Employees at Telecy are paid semimonthly on the 15th and last day of the month. Joseph would like to know when he will be paid for the accrued hours. What will you tell him?
  - a. Hawaii requires that when an employee is terminated their final pay is given at the time of termination or on the next business day if financially unable to issue the check.
- P2-3B. Sara Northman, a member of the Algonquin Indian Nation, is a new employee at Predeo Game Design. During the process of completing her I-9, she claims that the only way to prove her identity is the Algonquin Indian National official birth certificate. Is this document sufficient to verify his employment eligibility? Explain.
  - a. Algonquin Indian National official birth certificate would be adequate as it can fulfill both requirements for establishing identity and employment verification.
- P2-4B. Abraham Manning is a new employee of Symity Batteries. He is curious about the purpose of the requirements for new hire documentation to be forwarded to government agencies. What should you tell him?
  - a. Reporting creates a registry to monitor child support obligations, tracks immigration to ensure individuals are legal to work in the United States, ensures that individuals in professions that can have sanctions are legally able to continue to work, finally to enable the tracking of COBRA benefits.
- P2-5B. Frances Perez wants to start her own company. As a seasoned payroll professional, she approaches you for guidance about the differences between weekly, biweekly, and semimonthly pay periods. What would you tell her?
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a. Weekly payroll is where individuals will receive 52 paychecks per year and are suited for companies that are small – construction or professional entities. Biweekly payroll is where individuals will receive 26 paychecks per year processed every two weeks and is one of the more common pay periods, occasionally this method may result in 27 pay periods. Semimonthly is where employees will receive 24 paychecks per year

P2-6B. Katrina Wilkins is a new payroll clerk for Remm Plumbing. She is curious about the purpose of the different steps in the payroll review process and asks you, her supervisor, for guidance. What would you tell her?

a. The payroll review process is designed to verify the information so that employees are paid correctly and the data is correct. Starting with the employee completing their time card, the information is then verified by the manager. After the manager has agreed that the employee has accurately portrayed the hours worked, the payroll clerk will prepare the information for the manager to review and approve. Once the information has been approved, the payroll checks can be issued to the employees.

P2-7B. George Andrews started as a payroll accountant at Portose Herbals, a company with 70 employees. He soon notices that the former payroll accountant had been processing payroll manually, and suggests that the company immediately switch to cloud-based payroll. Although the company is switching to an electronic payroll processing system, what types of paper documentation must be maintained in employee records?

 a. Employers retain physical copies of employees' time records, pay advice, and any other documentation processed with the paycheck. Some other types of documentation include: Request for a day off; reports of tardiness or absenteeism; detailed records of work completed during that day's shift.

P2-8B. Tara Morris, a payroll clerk, has received a promotion and is now the payroll supervisor for Fligen Enterprises. What document control items could now become her responsibility?

a. Payroll system security, Maintenance of paid time off (i.e., vacation, sick, etc.), Access to payroll data, Separation of duties, Training of payroll staff

P2-9B. Herman Watkins is in the payroll department of Neombee Plastics, a multistate company. The company has historically been filing employee information with each state. What alternative exists for multistate employers?

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 Multistate Employer Notification Form allows centralized reporting from the Office of Management and Budget

P2-10B. Derek Allen is the payroll supervisor for Caposis Freight. His company is preparing to merge with another distribution company that has a different pay cycle. The president of the company wants to know the difference between biweekly and semimonthly pay cycles as far as pay dates and pay amounts. What should Derektell him?

a. Moving between biweekly (26 pay periods per year with the possibility of 27) to a semimonthly system (24 pay periods per year) would cause individual to see increases per pay period since there are more days being covered on the pay period under semimonthly than on biweekly. This would also result in higher taxes per pay period.

P2-11B. Complete the W-4 for employment at Equtri Farms effective 6/17/2018:

Linda Ellen Marshall

8924 County Line Road

Taylorville, Illinois 62555

SSN: 129-53-2309

Married filing jointly

Three dependents and does not wish to withhold additional amounts.

Linda earns \$32,000 at her primary job. She has a second job as a delivery driver for Tazio Labs, where she earns \$12,000/year.

# Form W-4 (2018)

Future developments, For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose, Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding, You may claim exemption from withholding for 2016 if both of the following apply.

- For 2017 you had a right to a refund of all federal income tax withheld because you had no tax liability, and
- For 2018 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

If you're exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2018 expires February 15, 2019. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

#### General Instructions

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You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2018. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income, If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals.

Otherwise, you might owe additional tax.

Or, you can use the Deductions,

Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

## Specific Instructions

### Personal Allowances Worksheet

Complete this worksheet on page 3 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you can claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you might be eligible to claim a credit for each of your qualifying children. To qualify, the child must be under age 17 as of December 31 and must be your dependent who lives with you for more than half the year. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse, during the year.

Line F. Credit for other dependents. When you file your tax return, you might be eligible to claim a credit for each of your dependents that don't qualify for the child tax credit, such as any dependent children age 17 and older. To learn more about this credit, see Pub. 505. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of

Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records. Employee's Withholding Allowance Certificate OMB No. 1545-0074 Whether you're entitled to claim a certain number of allowances or exemption from withholding is Department of the Treasury Informal Revenue Service subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS. 129-53-2309 Linda E Marshall Married, but withhold at higher Single rate. Home address (number and street or rural mute) ✓ Married 3 Single Note: If married filing separately, check "Married, but withhold at higher Single rate." City or town, state, and ZIP code 4 If your last name differs from that shown on your social security card, Taylorville, IL 62555 check here. You must call 900-772-1213 for a replacement card. Total number of allowances you're claiming (from the applicable worksheet on the following pages) 5 6 5 I claim exemption from withholding for 2018, and I certify that I meet both of the following conditions for exemption. Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here . **>** 7 Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete, Employee's signature (This form is not valid unless you sign it.) Linea Ellen Marshall Date > 8 Employer's name and address (Employer: Complete boxes 6 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.) Employer identification number (EIN) 9 First date of employment Form W-4 (2018) For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220G

P2-12B. Complete the I-9 for employment effective 7/23/2018 at Ecovee Energy located at 244 Winston Drive, Gretna, Virginia 24557. Be sure to complete Section 2.

**Lloyd Gregory Flowers** 

SSN: 382-10-0392

Date of Birth: 11-20-1993

1298 Chantham Road

Gretna, Virginia 24557

U.S. Citizen

Lloyd presented his driver's license and Social Security card to the Human Resources Manager, Amanda Weeble, to review.

Virginia Driver's License #293034293, Expires 11/20/2020



# **Employment Eligibility Verification** Department of Homeland Security

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

U.S. Citizenship and Immigration Services

► START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Last Name (Family Name) Flowers	First Name (Given Nam Lloyd	e)	Middle Initial G	Other I	Last Name	es Used (if any)
Address (Street Number and Name) 1296 Chantham Road	Apt. Number	Apt. Number City or Town			State VA	ZIP Code 24557
Date of Birth (mm/dd/yyyy)  11/20/1993  U.S. Social Section 11/20/1993	urity Number Emplo	yee's E-mail Add	ress	E	imployee's	Telephone Numbe
I am aware that federal law provides for connection with the completion of this f I attest, under penalty of perjury, that I a	orm.			or use o	false do	ocuments in
1. A citizen of the United States						
2. A noncitizen national of the United States	(See instructions)					
3. A lawful permanent resident (Alien Reg	jistration Number/USCIS	Number):	n/A			
4. An alien authorized to work until (expiral Some aliens may write "N/A" in the expiral some aliens may be aliens m			N/A	-		QR Code - Section 1
Aliens authorized to work must provide only on An Alien Registration Number/USCIS Number:  1. Alien Registration Number/USCIS Number:  OR  2. Form I-94 Admission Number:  OR  3. Foreign Passport Number:  N/A	OR Form I-94 Admission					o Not Write in This Space
Country of Issuance: N/A				-		
Country of Issuance: N/A Signature of Employee Lloyd Flow	lers		Today's Dat	e (mm/da 23/201		
Signature of Employee  Lloyd Flow  Preparer and/or Translator Certif  I did not use a preparer or translator.  (Fields below must be completed and signal lattest, under penalty of perjury, that I he knowledge the information is true and completed.)	ication (check or A preparer(s) and/or trai ed when preparers an lave assisted in the o	nslator(s) assisted d/or translators	7 /2 d the employee in assist an empl	completing oyee in a	8 ng Section completin and that	g Section 1.) to the best of m
Signature of Employee Lloyd Flow Preparer and/or Translator Certif I did not use a preparer or translator.  (Fields below must be completed and signal lattest, under penalty of perjury, that I had	ication (check or A preparer(s) and/or trai ed when preparers an lave assisted in the o	nslator(s) assisted d/or translators	7 /2 d the employee in assist an empl	completing oyee in a	8 ng Section completin	g Section 1.) to the best of m
Signature of Employee  Lloyd Flow  Preparer and/or Translator Certif  I did not use a preparer or translator.  (Fields below must be completed and signal  I attest, under penalty of perjury, that I h  knowledge the information is true and o	ication (check or A preparer(s) and/or trai ed when preparers an lave assisted in the o	nslator(s) assisted dior translators completion of	7 /2 d the employee in assist an empl	completing oyee in a	8 ng Section completin and that	g Section 1.) to the best of m

Page 1 of 3 Form I-9 07/17/17 N



Last Name (Family Name)

Document Title

continuing employment authorization in the space provided below.

Signature of Employer or Authorized Representative

# Employment Eligibility Verification Department of Homeland Security U.S. Citizenship and Immigration Services

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

Section 2. Employer or Authorized Representative Review and Verification (Employers or their authorized representative must complete and sign Section 2 within 3 business days of the employee's first day of employment. You must physically examine one document from List A OR a combination of one document from List B and one document from List C as listed on the "Lists of Acceptable Documents.") Last Name (Family Name) First Name (Given Name) Citizenship/Immigration Status Employee Info from Section 1 Flowers Lloyd G List A OR AND List C List B Identity and Employment Authorization **Employment Authorization** Identity Document Title Document Title Document Title 12/2 Social Security Card (Unrestricted) Driver's license issued by state/territory Issuing Authority Issuing Authority Issuing Authority M/A Virginia Social Security Administration Document Number Document Number Document Number 293034293 282100292 Expiration Date (if any)(mm/dd/yyyy) Expiration Date (if any)(mm/dd/yyyy) Expiration Date (if any)(mm/dd/yyyy) 11/20/2020 Document Title M/A QR Code - Section 2 Issuing Authority Additional Information Do Not Write In This Space M/A Document Number N/A Expiration Date (if any)(mm/dd/yyyy) Document Title Issuing Authority N/A Document Number N/A Expiration Date (if any)(mm/dd/yyyy) Certification: I attest, under penalty of perjury, that (1) I have examined the document(s) presented by the above-named employee, (2) the above-listed document(s) appear to be genuine and to relate to the employee named, and (3) to the best of my knowledge the employee is authorized to work in the United States. The employee's first day of employment (mm/dd/yyyy): Signature of Employer or Authorized Representative Today's Date (mm/dd/yyyy) Title of Employer or Authorized Representative Amanda Weeble Human Resources Manager 7/23/2018 Last Name of Employer or Authorized Representative Employer's Business or Organization Name First Name of Employer or Authorized Representative Ecovee Energy Amanda Employer's Business or Organization Address (Street Number and Name) City or Town State ZIP Code 244 Winston Drive VA Section 3. Reverification and Rehires (To be completed and signed by employer or authorized representative.) B. Date of Rehire (if applicable) A. New Name (if applicable)

Form I-9 07/17/17 N Page 2 of 3

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Today's Date (mm/dd/yyyy)

C. If the employee's previous grant of employment authorization has expired, provide the information for the document or receipt that establishes

Document Number

Middle Initial

Date (mm/dd/yyyy)

Name of Employer or Authorized Representative

Expiration Date (if any) (mm/dd/yyyy)

First Name (Given Name)

## **CRITICAL THINKING**

- 2-1. When Omnimia Graphics was looking to implement a payroll accounting system, the manufacturing firm had several options. With only 40 employees, the manual preparation of payroll through spreadsheets and handwritten time cards was a comfortable option for the firm. Another option is to convince the senior management of Omnimia Graphics to implement a software program for payroll processing. What are the key points to consider? If the company has more than one department, how can this transition be accomplished? Should this be moved to Chapter 1 since it is related to Small Businesses?
  - a. Key points that need to be included: ease of update for changes in tax laws, tax tables, and payroll regulations; ease of reporting; whether the employee self-service option would be eligible; confidentiality
- 2-2. You have been hired as a consultant for Semiva Productions, a company facing an IRS audit of their accounting records. During your review, you notice anomalies in the payroll system involving overpayments of labor and payments to terminated employees. What would you do?
  - a. When the abnormalities are discovered, the management of the company should be made aware of the situation. Since the IRS audit is imminent, documenting the date of the find and attempts to rectify the error would be advisable. Depending upon the nature of the anomalies, the company or payroll employees may have made some serious errors.

# IN THE REAL WORLD: CASE FOR DISCUSSION

Student response will vary.

# CONTINUING PAYROLL PROJECT: PREVOSTI FARMS AND SUGARHOUSE

Prevosti Farms and Sugarhouse pays its employees according to their job classification. The following employees make up Sugarhouse's staff:

Employee Number	Name and Address	Payroll information
A-Mille	Thomas Millen	Hire Date: 2-1-2018
	1022 Forest School Rd	DOB: 12-16-1982
	Woodstock, VT 05001	Position: Production Manager
	802-478-5055	PT/FT: FT, exempt
	SSN:031-11-3456	No. of Exemptions: 4
	401(k) deduction: 3%	M/S: M
		Pay Rate: \$35,000/year
A-Towle	Avery Towle	Hire Date: 2-1-2018
	4011 Route 100	DOB: 7-14-1991
	Plymouth, VT 05102	Position: Production Worker
	802-967-5873	PT/FT: FT, nonexempt
	SSN:089-74-0974	No. of Exemptions: 1
		M/S: S
		Pay Rate: \$12.00/hour
A-Long	Charlie Long	Hire Date: 2-1-2018
	242 Benedict Road	DOB: 3-16-1987
	S. Woodstock, VT 05002	Position: Production Worker
	802-429-3846	PT/FT: FT, nonexempt
	SSN: 056-23-4593	No. of Exemptions: 2

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		M/S: M
		Pay Rate: \$12.50/hour
B-Shang	Mary Shangraw	Hire Date: 2-1-2018
	1901 Main Street #2	DOB: 8-20-1994
	Bridgewater, VT 05520	Position: Administrative Assistant
	802-575-5423	PT/FT: PT, nonexempt
	SSN: 075-28-8945	No. of Exemptions: 1
		M/S: S
		Pay Rate: \$10.50/hour
B-Lewis	Kristen Lewis	Hire Date: 2-1-2018
	840 Daily Hollow Road	DOB: 4-6-1960
	Bridgewater, VT 05523	Position: Office Manager
	802-390-5572	PT/FT: FT, exempt
	SSN: 076-39-5673	No. of Exemptions: 3
		M/S: M
		Pay Rate: \$32,000/year
B-Schwa	Joel Schwartz	Hire Date: 2-1-2018
	55 Maple Farm Way	DOB: 5-23-1985
	Woodstock, VT 05534	Position: Sales
	802-463-9985	PT/FT: FT, exempt
	SSN: 021-34-9876	No. of Exemptions: 2
		M/S: M
		Pay Rate: \$24,000/year base plus 3% commission per case sold
B-Prevo	Toni Prevosti	Hire Date: 2-1-2018

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The Departments are as follows:

Department A: Agricultural Workers

Department B: Office Workers

1. You have been hired as of February 1, 2018, as the new accounting clerk. Your employee number is B-XXXXX, where "B" denotes that you are an office worker and "XXXXX" is the first five letters of your last name. If your last name is fewer than five letters, use the first few letters of your first name to complete the employee number. Your social security number is 555-55-5555, and you are full-time, nonexempt, and paid at a rate of \$34,000 per year. You are single with only one job (claiming 2 exemptions). You live at 1644 Smittin Road, Woodstock, VT 05001. Your date of birth is 1/1/1991 and your Social Security number is 555-55-5555 for the project. You are a citizen of the United States and provide a Vermont driver's license #88110009 expiring 1/1/2020 in addition to your Social Security card for verification of your identity. Complete the W-4 and the I-9 to start your own employee file.

# Form W-4 (2018)

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** You may claim exemption from withholding for 2018 if **both** of the following apply.

- For 2017 you had a right to a refund of **all** federal income tax withheld because you had **no** tax liability, **and**
- For 2018 you expect a refund of **all** federal income tax withheld because you expect to have **no** tax liability.

If you're exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2018 expires February 15, 2019. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

# **General Instructions**

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2018 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2018. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals.

Otherwise, you might owe additional tax. Or, you can use the Deductions, Adjustments, and Other Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

## **Specific Instructions**

#### **Personal Allowances Worksheet**

Complete this worksheet on page 3 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you can claim head of

only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you might be eligible to claim a credit for each of your qualifying children. To qualify, the child must be under age 17 as of December 31 and must be your dependent who lives with you for more than half the year. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse, during the year.

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------ Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records.

	■ Whether you're enti	- tled to claim a certain numbe	S Allowance Certificates of allowances or exemption from with the required to send a copy of this form	ithholding is	OMB No. 1545-0074		
1	Your first name and middle initial	Last name		2 Your social :	security number		
Stude	ent	Success		555	-55-5555		
1644	Home address (number and street or rural route Smitten Road	)	3 ✓ Single Married Married, but withhold at higher Single rate.  Note: If married filing separately, check "Married, but withhold at higher Single rate."				
Wood	City or town, state, and ZIP code Istock, VT 05001		4 If your last name differs from that check here. You must call 800-7				
5 6 7	Total number of allowances you're clai Additional amount, if any, you want wit I claim exemption from withholding for • Last year I had a right to a refund of a • This year I expect a refund of all fede If you meet both conditions, write "Exe	hheld from each paychec 2018, and I certify that I r all federal income tax with ral income tax withheld b	k		5 2 6 \$ n.		
	penalties of perjury, I declare that I have expee's signature orm is not valid unless you sign it.) ► 54				rrect, and complete.		
8 Er	mployer's name and address ( <b>Employer:</b> Comple oxes 8, 9, and 10 if sending to State Directory of N	e boxes 8 and 10 if sending to			oyer identification er (EIN)		
For Pi	rivacy Act and Paperwork Reduction Act	Notice, see page 4.	Cat. No. 10220Q		Form <b>W-4</b> (2018)		



# **Employment Eligibility Verification** Department of Homeland Security

U.S. Citizenship and Immigration Services

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

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Last Name (Family Name) Success	First Name (Given Nam Student	e)	Middle Initial	Other I	ast Name	s Used (if any)
Address (Street Number and Name) 1644 Smitten Road	Apt. Number	Apt. Number City or Town			State	ZIP Code 05001
Date of Birth (mm/dd/yyyy)  U.S. Social Sec  01/01/1991  5 5 5 5 5	s - s s s s	yee's E-mail Add	ress	E	imployee's	Telephone Numbe
am aware that federal law provides for connection with the completion of this attest, under penalty of perjury, that I	form.			or use of	false de	ocuments in
1. A citizen of the United States						
2. A noncitizen national of the United State	s (See instructions)					
3. A lawful permanent resident (Alien Re	gistration Number/USCIS	Number):	N/A			
An alien authorized to work until (expir Some aliens may write "N/A" in the expir			N/A	_		
Alliens authorized to work must provide only or An Allien Registration Number/USCIS Number 1. Allien Registration Number/USCIS Number	OR Form I-94 Admission				0	QR Code - Section 1 o Not Write in This Space
OR	N/A		_			
2. Form I-94 Admission Number: 11/A OR			_			
3. Foreign Passport Number: N/A  Country of Issuance: N/A			_			
Signature of Employee Student S	Success		Today's Dat	e (mm/da 2/1/2	(18) 018	
Preparer and/or Translator Certil I did not use a preparer or translator.  Fields below must be completed and sign	A preparer(s) and/or train	nslator(s) assisted				
		completion of \$	Section 1 of th	is form	and that	to the best of m
	correct					(ddf.com)
nowledge the information is true and o	orrect.			Today's	Date (mm	OD YYYY)
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lattest, under penalty of perjury, that I is knowledge the information is true and of Signature of Preparer or Translator Last Name (Family Name) Address (Street Number and Name)		First Nam City or Town	e (Given Name)	Today's	State	ZIP Code

Form I-0 07/17/17 M Page 1 of 3

Page 2 of 3



Form I-9 07/17/17 N

# Employment Eligibility Verification Department of Homeland Security

USCIS Form I-9 OMB No. 1615-0047 Expires 08/31/2019

U.S. Citizenship and Immigration Services

Section 2 Employer or Authorized Representative Review and Verification

Employee Info from Section 1	Last Name ( Success	Family Name)		First Name Student	(Given Name	e) M	II. Citi	izenship/Immigration Status
List A Identity and Employment Au		OR	Lis Ider		Al	ND	Em	List C ployment Authorization
Document Title		Document 1	Title			Documen	t Title	
N/A		Driver's lio	ense issued by	state/territor	ry	Social Sec	urity Car	d (Unrestricted)
Issuing Authority		Issuing Aut	hority			Issuing A	uthority	Salar I market
B/A		Vermont				Social S	ecurity	Administration
Document Number		Document				Documen	t Number	
N/A		8811000	9			555555		
Expiration Date (if any)(mm/dd/yy N/A	01/01/20		mm/dd/yyyy)		Expiration N/A	Date (if	any)(mm/dd/yyyy)	
Document Title		1						
W/A								
Issuing Authority		Additiona	al Information	on			t	QR Code - Section 2 Do Not Write in This Space
Document Number If /A								
Expiration Date (if any)(mm/dd/yy	(vv)	111						<b>光路运动</b> (20)
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II/A								
Document Number		111						
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Expiration Date (if any)(mm/dd/y)	(VV)	111						
N/A Certification: I attest, under p	enalty of per						_	
N/A.  Certification: I attest, under place (2) the above-listed document employee is authorized to wo The employee's first day of Signature of Employer or Authorized	enalty of per t(s) appear to rk in the Unit employmen ted Representa	be genuine a ed States. t (mm/dd/yyy	nd to relate		(See in	ed, and (3) estruction of Employe	to the b	est of my knowledge the emptions) orized Representative
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N/A  Certification: I attest, under p (2) the above-listed document employee is authorized to wo The employee's first day of Signature of Employer or Authorize  Mary Shangra  Last Name of Employer or Authorized	nenalty of per ((s) appear to rk in the Unit employment and Representa	be genuine a ed States. It (mm/dd/yyy ative	y):	to the employed to the to the employed to the	(See in	ed, and (3) estruction of Employer inistrat Employer	s for ex	eest of my knowledge the emptions) prized Representative esistant ess or Organization Name
N/A  Certification: I attest, under p (2) the above-listed document employee is authorized to wo The employee's first day of Signature of Employer or Authorized  Mary Shangra  Last Name of Employer or Authorized Shangraw	penalty of per t(s) appear to rk in the Unit employmen ted Representa W	be genuine a ed States.  t (mm/dd/yyy ative  First Name o Mary	y): 2/ Today's Da 2/1// f Employer or	to the employed to the employe	(See in  (See in  (See in  Adm:  Adm:	ed, and (3) estruction of Employer inistrat Employer	to the b s for ex or Authorive As 's Busine ti Far	eest of my knowledge the remptions) prized Representative ssistant ess or Organization Name ms and Sugarhouse
N/A  Certification: I attest, under p (2) the above-listed document employee is authorized to wo The employee's first day of Signature of Employer or Authorize  Mary Shangra  Last Name of Employer or Authorized Shangraw  Employer's Business or Organiza	penalty of per t(s) appear to rk in the Unit employmen ted Representa W	be genuine a ed States.  t (mm/dd/yyy ative  First Name o Mary	y): 2/ Today's Da 2/1// f Employer or	to the employed to the employe	(See in Adm:	ed, and (3) estruction of Employer inistrat Employer	s for ex	eest of my knowledge the emptions) prized Representative esistant ess or Organization Name
N/A  Certification: I attest, under p (2) the above-listed document employee is authorized to wo The employee's first day of Signature of Employer or Authorize Mary Shangra  Last Name of Employer or Authorize Shangraw Employer's Business or Organiza 620 Westminster Road  Section 3, Reverification	penalty of per t(s) appear to tk in the Unit employment ted Representa the d Representative tion Address (S	be genuine a ed States.  t (mm/dd/yyy ative  First Name o Mary Street Number a	Today's Da  2/1/ f Employer or  and Name)	to the employed to the employed to the employed to the (mm/dd/yy, 2018 Authorized Republic City or Town Bridgewa	(See in  (Se	ed, and (3) estruction of Employee inistrat Employer Prevos	to the b s for ex r or Authorive As 's Busine ti Far State VT	pest of my knowledge the memptions) prized Representative saistant less or Organization Name ms and Sugarhouse ZIP Code 05520
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2. Complete the headers of the enfor each employee.	mployee earnings register for e	ach employee. Enter the pay rate

Name Address City/State/Zip Telephone Social Security Number Position		Thomas Mi 1022 Forest Woodstock 802-478-509 031-11-3450 Production	School Rd /VT/05001 55		- - -	Hire Date Date of Bin Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 12/16/1982 Exempt M 4 \$35,000/year		
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	]

Name Address City/State/Zip Telephone Social Security Number Position			Avery Towle  4011 Route 100  Plymouth/VT/05102  802-967-5873  089-74-0974  Production Worker			- - - -	Hire Date Date of Bi Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 7/14/1991 Nonexempt S 1 \$12.00/hour	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	

Name Address City/State/Zip Telephone Social Security Number Position			Charlie Long  242 Benedict Rd  S. Woodstock/VT/05002  802-429-3846  056-23-4593  Production Worker			- - - -	Hire Date Date of Bir Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 3/16/1987 Nonexempt M 2 \$12.50/hour	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
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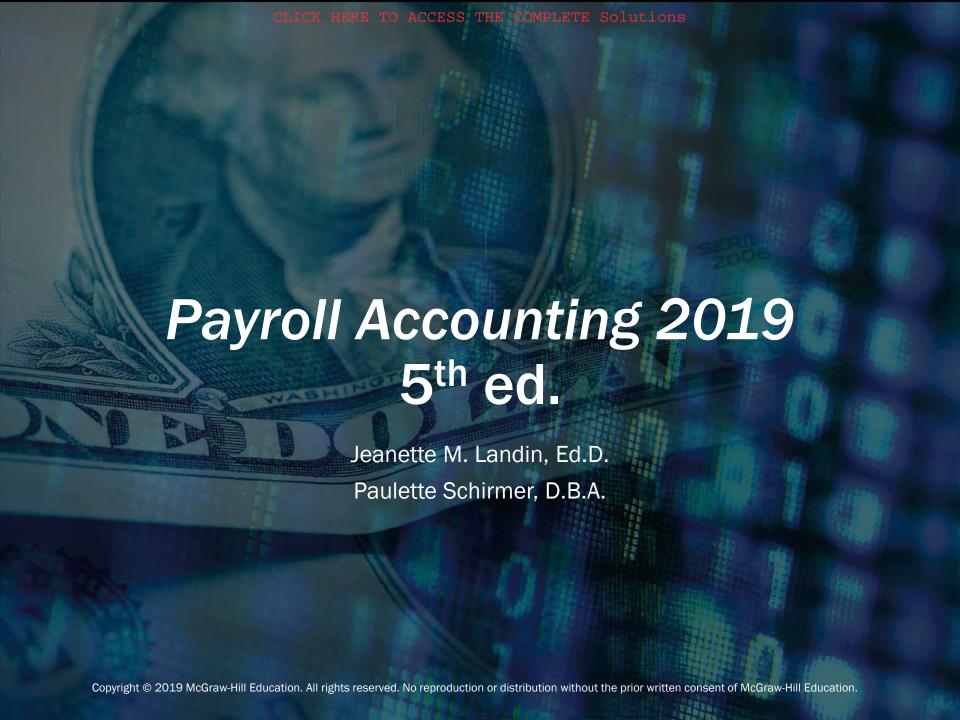
Name Address City/State/Zip Telephone Social Security Number Position			802-575-542 075-28-8945	St #2 er/VT/05520 23		- - - -	Hire Date Date of Bi Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 8/20/1994 Nonexempt S 1 \$10.50/hour	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable Pay for Federal	Taxable Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	

Name Address City/State/Zip Telephone Social Security Number Position			Kristen Lewis  840 Daily Hollow Rd  Bridgewater/VT/05523  802-390-5572  076-39-5673  Office Manager			- - - - -	Hire Date Date of Bir Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 4/6/1960 Exempt M 3 \$32,000/year	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
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Pay for Federal	Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	
										-
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Name Address City/State/Zip Telephone Social Security Number Position			Joel Schwa 55 Maple Fa Woodstock 802-463-998 021-34-9870 Sales	orm Wy /VT/05534 85		- - - -	Hire Date Date of Bit Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 5/23/1985 Exempt M 2 \$24,000/year+commission	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable	Taxable	<u> </u>	<u> </u>			<u> </u>	<u> </u> 	<u> </u>	<u> </u>	<u>.                                    </u>
Pay for Federal	Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	
										]

Name Address City/State/Zip Telephone Social Security Number Position			10520 Cox H Bridgewate 802-673-26: 055-22-044: Owner/Pre	Hill Rd er/VT/05521 36		- - - -	Hire Date Date of Bir Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 9/18/1967 Exempt M 5 \$45,000/year	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable Pay for	Taxable Pay for	Fed Inc.	Social Sec.		State Inc.			YTD Net	YTD Gross	
Federal	FICA	Tax	Tax	Medicare	Tax	Total Deduc	Net pay	Pay	Pay	-

Name Address City/State/Zip Telephone Social Security Number Position			Student Success  1644 Smittin Rd  Woodstock/VT/05001 (555)555-5555  555-55-5555			- - - -	Hire Date Date of Bir Exempt/N Married/S No. of exe Pay Rate	onexempt ingle	2/1/2018 1/1/1991 Nonexempt S 2 \$34,000/year	
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Pay for Federal	Taxable Pay for FICA
Taxable	Taxable	<u> </u>					<u> </u>			<u> </u> 
Pay for Federal	Pay for FICA	Fed Inc. Tax	Social Sec. Tax	Medicare	State Inc. Tax	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	





# **Chapter 2**

Payroll System Procedures

# **Employer Payroll Concerns**

- Pay Frequency
- Pay Types
  - Direct Deposit, Paycards, or Paper Checks
- Employee Benefits
- Pay Advances
- Confidentiality
- Fraud protection



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# LO 2-1: Identify Important Payroll Procedures and Pay Cycles

- Reporting requirements
- Deadlines
- Other compliance issues related to the firm's industry



### **EIN Purposes – Tax Related**

 EIN is the permanent federal identifier for the company

#### Must accompany

- Tax Deposits
- Payroll Tax Returns
  - Forms 940, 941, 944
  - Forms W-2 and W-3
  - Any 1099s (independent contractors)
- States may issue a different identifying number

### **Non-Confidential Company Documents**

- Expense Receipts
- Vendor Invoices

Check copies



### **Confidential Company Documents**

Privacy Act of 1974

Personnel information

Payroll documents



Note: Fraud-related documents may be subpoenaed at any time and must be accessible to government authorities.

### Payroll File Requirements- Employee

- Employee full name
- Social Security number
- Complete address
- Birth date (if younger than 19)
- Gender
- Occupation

### Payroll File Requirements—Compensation

Time/day when Hours/pay and total Basis of wages workweek begins hours/workweek Total overtime Total straight-time Hourly rate earnings earnings **Date Paid** Additions/deductions **Total Wages** 

### **Employee Earnings Record example**

**EMPLOYEE EARNING RECORD** 

Name Address City/State, Telephone Social Secu Position	2	ber				- - - -	Hire Date Date of Bi Exempt/N Married/S No. of exe Pay Rate	lonexempt ingle		
Period Ended	Hrs Worked	Reg Pay	OT Pay	Holiday	Comm	Gross Pay	Ins	401(k)	Taxable Wages for Federal	Taxable Wages for FICA
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Taxable Wages for Federal	Taxable Wages for FICA	Federal W/H	Social Sec. Tax	Medicare Tax	State W/H	Total Deduc	Net pay	YTD Net Pay	YTD Gross Pay	
										1
										1
										1

### **Payroll Cycle Options**

### Daily

- Usually used in a day-labor situation
- Often paid at end of day or next day

### Weekly

- Usually paid
   Friday of
   following week
- 52 pay periods/year

### **Payroll Cycle Options** (continued)

- Biweekly
  - Paid every other week
  - 26 pay periods/year
- Semimonthly
  - Paid twice/month
  - 24 pay periods/year
- Monthly
  - Paid once/month
  - 12 pay periods/year



### Payroll Frequency: Example

Payroll frequency	Pay periods/year	\$50,000/year gross salary per pay period
Daily	365	\$136.99
Weekly	52	\$961.54
Biweekly	26	\$1,923.08
Semimonthly	24	\$2,083.33
Monthly	12	\$4,166.67

### LO 2-2: Prepare Required Employee Documentation

- •Form W-4
- •|-9
  - Filed within 20 days of employee hire
  - \$25 fine for non-reporting per employee
  - \$500 fine for intentional non-reporting

Form W-4

Department of the Treasury Internal Revenue Service

#### **Employee's Withholding Allowance Certificate**

► Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

OMB No. 1545-0074

2018

1	Your first name and middle initial	Last name		2	Your social	security numbe	r
Jonat	han A.	Doe	987-65-4321				
	Home address (number and street or rural rou	te)	3 ✓ Single  Married  Married, but withhold at higher Single rate.				
123 M	lain Street		Note: If married filing separately, check "Married, but withhold at higher Single rate."				
	City or town, state, and ZIP code		4 If your last name diffe	ers from that she	own on your so	cial security ca	rd,
Anyto	own, KS 54932		check here. You mus	st call 800-772-	1213 for a repla	acement card.	▶□
5	Total number of allowances you're cla	niming (from the applicable	worksheet on the follo	wing pages)		5 2	
6	Additional amount, if any, you want w	k			6 \$		
7	I claim exemption from withholding for 2018, and I certify that I meet <b>both</b> of the following conditions for exemption.						
	<ul> <li>Last year I had a right to a refund of</li> </ul>	all federal income tax with	held because I had <b>no</b>	tax liability, a	nd		
	• This year I expect a refund of all fed	eral income tax withheld b	ecause I expect to have	e <b>no</b> tax liabili	ty.		
	If you meet both conditions, write "Exempt" here						
Under	Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.						
Employee's signature (This form is not valid unless you sign it.)▶ Qonathan A. Doc Date▶ 1/2/18							
<b>8</b> Ei b	mployer's name and address ( <b>Employer.</b> Co <b>ppl</b> oxes 8, 9, and 10 if sending to State Directory of	ete boxes 8 and 10 if sending to New Hires.)	IRS and complete 9	First date of employment		loyer identificatio ber (EIN)	on

### W-4 Example

### Form I-9 Example, page 1



#### **Employment Eligibility Verification**

Department of Homeland Security U.S. Citizenship and Immigration Services USCIS Form I-9

OMB No. 1615-0047 Expires 08/31/2019

► START HERE: Read instructions carefully before completing this form. The instructions must be available, either in paper or electronically, during completion of this form. Employers are liable for errors in the completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) an employee may present to establish employment authorization and identity. The refusal to hire or continue to employ an individual because the documentation presented has a future expiration date may also constitute illegal discrimination.

Last Name (Family Name) Doe	First Nam Jonatha	e <i>(Given Name</i> an	)	Middle Initial	Other I	ther Last Names Used (if any)	
Address (Street Number and Name) 123 Main Street	,	Apt. Number	City or Town Anytown			State KS	ZIP Code 54932
Date of Birth (mm/dd/yyyy)  05/17/1981  U.S. Soc 9 8 7	ial Security Numb		/ee's E-mail Addi handoe@anym		E		Telephone Number
am aware that federal law provide		ment and/or	fines for false	statements o	or use of	false do	ocuments in
attest, under penalty of perjury, t		k one of the f	following boxe	es):			
1. A citizen of the United States							
2. A noncitizen national of the United	d States (See instr	ructions)					
2. A noncitizen national of the United     3. A lawful permanent resident (Al			Number):	N/A			
3. A lawful permanent resident (Al	ien Registration N	lumber/USCIS if applicable, m	m/dd/yyyy):	N/A N/A			
3. A lawful permanent resident (Al	ien Registration N (expiration date, e expiration date for	lumber/USCIS if applicable, m field. (See instr llowing docume	m/dd/yyyy): uctions) ent numbers to co	N/A omplete Form I-9			QR Code - Section 1 o Not White In This Space
3. A lawful permanent resident (Al  4. An alien authorized to work until  Some aliens may write "N/A" in the  Aliens authorized to work must provide	ien Registration N (expiration date, e expiration date for only one of the follumber OR Form I	if applicable, m field. (See instr flowing docume I-94 Admission	m/dd/yyyy): uctions) ent numbers to co	N/A omplete Form I-9		D	
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### Form I-9 Example, page 2

Employee Info from Section 1	Doe Past Name (Fa	mily Name)		First Name (Giver Jonathan	n Name)	M A		zenship/Immigration Status	
List A Identity and Employment Aut	OI horization	₹	List Iden		AND		Em	List C ployment Authorization	
Document Title		Document T	itle		D	ocument	Title		
I/A		Driver's lice	nse issued by	state/territory	50	Social Security Card (Unrestricted)			
Issuing Authority		Issuing Authority				Issuing Authority			
N/A		Kansas	1550					Administration	
Document Number		Document Number			659	Document Number			
N/A		G9384756				87654			
Expiration Date (if any) (mm/dd/yyyy)		Expiration D		nm/dd/yyyy)	E	Expiration Date (if any) (mm/dd/yyyy)			
N/A		05/17/20	20		N	/A			
Document Title									
Issuing Authority		Additional	l Informatio	n			D	QR Code - Section 2 to Not Write In This Space	
Document Number									
Expiration Date (if any) (mm/dd/yy)	(y)								
N/A	10000								
Document Title	_								
N/A									
Issuing Authority							8		
N/A									
Document Number N/A									
Expiration Date (if any) (mm/dd/yy)	ny)								
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## Tests to determine employee vs. independent contractor

- Behavioral control
  - Does the employer tell the person when to work and what work to do?
- Financial control
  - What amount and nature are worker's expenses?
  - What investment does the worker have in tools needed for the job?
  - Is the worker available to work with other companies?
  - How is the worker paid?
- Relationship of the parties
  - Work contract between worker and employer
  - Benefits offered and permanence of the relationship

### **New Hire Reporting: Why?**

- Child support tracking
- Employment eligibility verification
- Permanent resident alien tracking
- Other garnishments
  - Credit card debt
  - Court judgments

### **Child Support**

- As of the 2010 U.S. census, the estimated amount of child support transferred between parents in the United Stated exceeded \$41.7 billion.
- As of March 2015, outstanding unpaid child support:

\$14.3 Billion

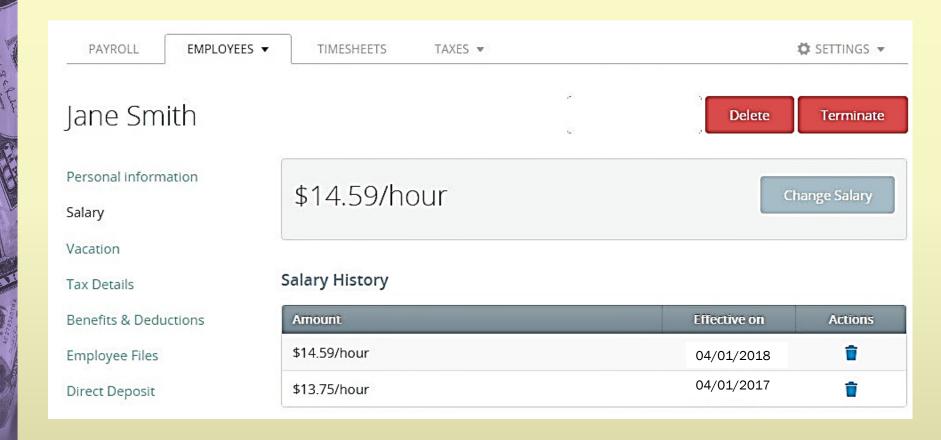
### **Statutory Employees**

- A driver who is a single company's agent or is paid on commission
- A full-time life insurance sales agent for one life insurance company
- A home-worker who works on a company's provided materials
- A full-time traveling or city salesperson who works on a single company's behalf

### U.S. Workers in Foreign Subsidiaries

- Known as expatriate workers
- Foreign Account Tax Compliance Act (FATCA)
  - Report wages of earners in foreign locations
  - Ensures appropriate taxation
  - Workers may exclude first \$102,100 of wages (2017 figure)
- Enforcement can be difficult due to foreign banks compliance with U.S. law

### **Entering New Employees into a Database**



# LO 2-3: Differentiate between exempt and nonexempt employees

### **Exempt Employees**

- Not subject to FLSA wage and hour laws
- Usually applied to
  - Highly-skilled workers
  - Managers
  - Executives



Typically receive fixed salary per pay period

# **Exempt Executive Employee Duties Test**

1

An employee whose job description involves regular management

2

An employee who has substantial input into other employees' job status

3

Regularly supervises two or more employees

### **Professional Exempt Employee Duties Test**

An employee whose work requires specific education, usually a terminal degree

Is considered a knowledge worker or a creative professional

An employee who must use discretion and professional judgment

### **Exempt Administrative Duties Test**

An employee whose primary duties are office-based or non-manual

An employee who contributes input on matters of significance to the firm

An employee whose regular tasks directly relate to the firm's operations



# Nonexempt employees

- Subject to FLSA wage and hour provisions
- Employees receive specific amount per hour or other measure of output
- Must be paid a premium for work performed past the FLSA maximum during a pay period

### LO 2-4: Explain Pay Records and Employee File Maintenance

#### Pay Records include:

- Pay period
- Pay date
- Pay rate
- All deductions

#### **Employer Retains:**

- Copy of time card
- Copy of pay stub
- Any other documentation included with pay check
- Time off documentation

### **Pay Rate Determination**

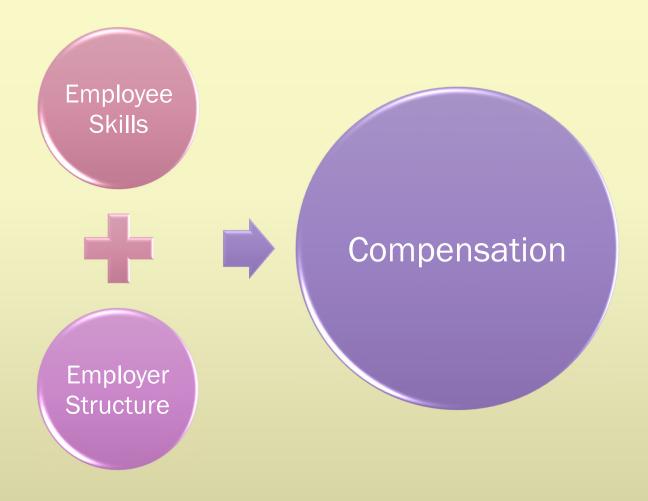
#### **Employee**

- Experience
- Education
- Certifications
- Governmental Regulations
- Hours Worked
- Job Performed

#### **Employer**

- Salary
- Hourly
- Commission
- Piece Rate
- Exempt
- Nonexempt

### **Compensation considerations**



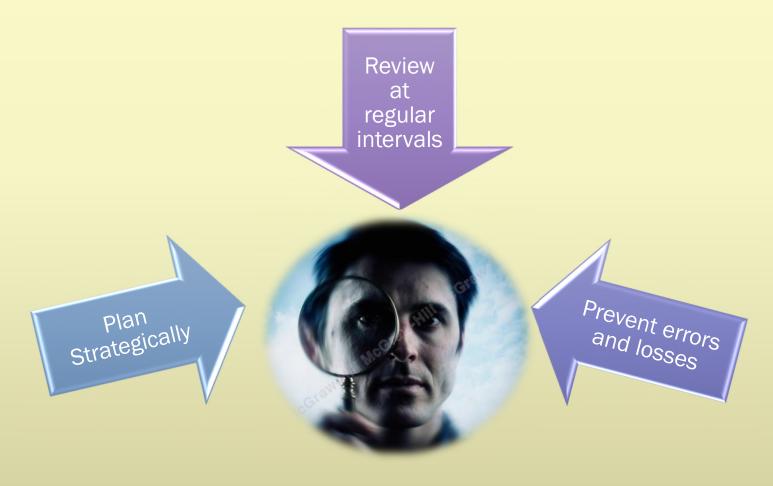
### Calculations of Time: Exempt Employee

- Juan is a manager for a textiles firm. He earns \$52,000 per year and is classified as an exempt employee, and is paid biweekly.
- He normally works 40 hours per week.
- In June, he worked 85 hours during one pay period and 78 hours during the next.
- He would receive his salary of \$2,000 (\$52,000/26 periods) for each pay period, no matter how many hours he worked because he is classified as an exempt employee.
- Total pay = \$2,000

### Calculations of Time: Nonexempt Employee

- Monique works as an administrator at a busy hospital.
- She is paid \$52,000 on a weekly basis and is classified as nonexempt.
- During one week, she worked 50 hours.
- She would earn her regular weekly wage of \$1,000 (\$52,000/52 period) plus time and a half for the overtime hours.
- Based on a 40-hour workweek, her hourly wage is \$25 (\$52,000/(52x40)), so her overtime pay would be \$375 (10 hours x 1.5 x \$25).
- Total Pay = \$1,000 + \$375 = \$1,375

# LO 2-5: Describe Internal Controls and Record Retention for a Payroll System



### **Review Process Elements**



Managerial Verification of Time Cards



Verification of Payroll Computations



Approval of Pay Amounts



Preparation of Pay Disbursement



Approval of Pay Disbursement

### File Security

- Important part of internal control
- Safeguards governmental obligations
- Involves
  - Multiple passwords
  - Personnel cross-training
  - Electronic encryption
  - Restricted access
  - Duty rotation



### Payroll fraud occurrence example

A payroll specialist in Florida was HIV-positive, and was afraid to reveal his illness to employers. Instead, he took the money from his employer to pay for expensive medications.

- He would memorize his coworkers' usernames and passwords to create "ghost" employees.
- These ghosts' pay would go to the payroll specialist's bank account.
- He would falsify the payroll summaries he submitted for approval.
- The payroll specialist was found guilty of embezzling \$112,000 before his termination.

Source: Journal of Accountancy

### **Best Practices: Employee File Maintenance**

- IRS Regulation 26 CFR 1.6001
  - Employer responsible for file maintenance
  - Recommends labeling and storage of backups
  - Employer must guarantee auditor access
- IRS Revenue Procedure 98-25
  - Record keeping duration for employers
  - Must include payroll transaction detail
  - Record derivation of executive pay
  - All pay must be benchmarked and justified

#### **Best Practices: Electronic Records**

- Closed system
  - Access granted only to specific employees
- Record identifiers and logging
  - Marks who accessed which record and when
- Employers must monitor records for hacker activity

#### **Best Practices: Non-Solo Effort**

 More than one person involved in the generation and maintenance of payroll records

- Separation of duties
  - No single person could generate paychecks
- Documentation of employee duties
  - Provides verification of completed tasks
  - Protects employer against fraud



### What a Non-Solo Payroll Department Prevents

- Terminated employees could continue to be paid via the payroll system or the funds could be subverted to someone else perpetrating the fraud.
- Sales commission plans, employee bonus plans, incentive programs are all subject to employees' and management's manipulation.
- The payroll checks distributed to employees could be stolen individually or en masse prior to their distribution.

#### **Best Practices: Document Retention**

- Regulation 26 CFR 1.6001
  - Pertains to manual and computerized records
  - Guideline is 7 years
  - Retention period begins upon final pay disbursement
     \*In the event of payroll fraud, all records must be accessible indefinitely\*
  - Records for terminated employees must be kept for 7 years following separation
- Employer is responsible for all records, even when payroll is outsourced

### Document retention and the U.S. Supreme Court

In 2012, the U.S. Supreme Court issued specific guidelines to the IRS about the statute of limitations for audits. In *U.S. v. Home Concrete Supply, LLC*, the Court directed the following guidelines about records audits:

- 3 years to assess a taxpayer's deficiency
- 6 years if the taxpayer's gross assets were understated by more than 25%
- Unlimited time if intent to commit fraud exists

### LO 2-6: Discuss Employee Termination and Document Destruction Procedures

- Paper records
  - Incineration
  - Shredding
  - Pulping



- Electronic records
  - Must be purged from company servers
  - All backup copies must be destroyed

### **Termination Pay Regulations**

- Termination type
  - Involuntary termination ("firing" or "layoff")
  - Voluntary resignation ("quitting")
- Final pay
  - Must contain all hours worked
  - Vacation and sick time owed
  - Any other compensation owed or due

### Final Pay Regulations: Selected States

AR	Within 7 days of discharge	NV	Immediately upon discharge
CA	At time of discharge	NH	Within 72 hours
СО	Immediately upon discharge	NJ	By the next regular payday
СТ	No later than the next business day	NM	Within 5 days when wages are definite, otherwise within 10 days if wages are indefinite

# Final Pay Regulations: Selected States (continued)

GA	No termination pay guidelines	ОК	Next regular payday for the pay period
ID	Within 10 days, excluding weekends and holidays	PA	Next regular payday
IL	No later than the next payday, immediately if possible	RI	Next regular payday

### **Summary of Payroll System Procedures**

- Payroll system requires careful planning
- Allow room for company growth
- Best practices promote accuracy and prevent fraud
- Records may be paper, computerized, or outsourced
- Records must be maintained securely and allow auditor access
- Final pay for terminated employees must reflect all amounts due