

Closing Out the Quarter

Thursday, June 11, 2009

Presented by

The Heart of Oregon Chapter – APA

“Spring Cleaning Series”

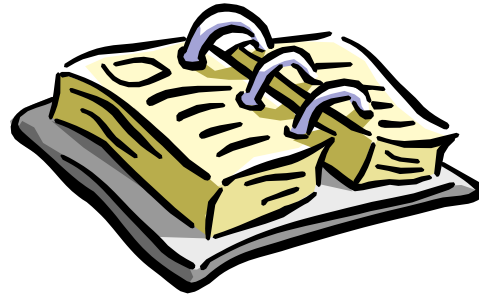
Closing out the Quarter in Payroll is like cleaning your home, yard, or garden.

- Where to begin?
- When to begin?
- What to do or consider?
- Who is involved?
- Why?



Beginning – Where to Start

- Payroll starts with an end
 - End to what?
 - A calendar year
 - A quarter
 - A month
 - A payroll cycle



Beginning – Where to Start

- Closing out the quarter generally begins with the start of a new quarter
- Procedures can begin at any point in the quarter but it is best to start with the beginning point (April, June, October, or January 1st)
- It is best to allow time to review, make corrections, add in an adjusting payroll if necessary

Who

- First – You!
- The Payroll Department
- Accounting
- HR / Benefits
- IT
- Any person or department you interact with to make transactions happen
- Communication is key to engaging a team effort

Why?

- Why would you not clean a house?
- A clean house is a happy house - the end result feels good
- Less Work Later - Year-end work or balancing has been minimized by breaking it down
- Prevention - Errors can be caught and corrected sooner



What to do or Consider

- There are lots of tasks to be done both quarterly and throughout the year
- Understanding your year-end payroll needs will aid in building a task list
- Ask yourself what areas are helpful to review or where problems have been in the past
- Are there new areas to be reviewed based on system updates or additions such as earnings, deductions, or tax localities?
- Is there a calendar or schedule to follow for all payroll processes?

What to do or Consider

- Build a “to do” list based on the considerations of the payroll
 - Label the tasks in priority such as essential, important, necessary, or as needed
 - Make a timeline or deadline to complete the list
 - Make every effort to stay within the budgeted time and list

Things to Do

- Build a reconciliation spreadsheet of taxable earnings and taxes by pay period
 - Total by pay period, MTD, QTD, and YTD
 - Include all earnings types and deductions (especially pre-tax)
 - Build in detail and then summarize

Reconciliation Spreadsheet Example

Check Date	Federal Wages	Federal Income Tax W/H	Social Security Wages	Social Security Tax W/H	Medicare Wages	Medicare Tax W/H	Advance Earned Income Credit
1/15/2009	\$25,000.00	\$ 892.00	\$22,000.00	\$ 1,364.00	\$22,000.00	\$ 319.00	\$ 10.00
1/30/2009	\$25,000.00	\$ 892.00	\$22,000.00	\$ 1,364.00	\$22,000.00	\$ 319.00	\$ 10.00
January Total	\$50,000.00	\$ 1,784.00	\$44,000.00	\$ 2,728.00	\$44,000.00	\$ 638.00	\$ 20.00
2/15/2009							
2/28/2009							
February Total							
3/15/2009							
3/31/2009							
March Total							
QTD Total	\$50,000.00	\$ 1,784.00	\$44,000.00	\$ 2,728.00	\$44,000.00	\$ 638.00	\$ 20.00
YTD Total	\$50,000.00	\$ 1,784.00	\$44,000.00	\$ 2,728.00	\$44,000.00	\$ 638.00	\$ 20.00

Reconciliation Spreadsheet Example

QUARTERLY RECONCILIATION WORKSHEET					
941 / W2 / W3 Items	QTR 1	QTR 2	QTR 3	QTR 4	Total YTD
Federal Wages	\$50,000.00				\$ 50,000.00
Federal Income Tax W/H	\$ 1,784.00				\$ 1,784.00
Social Security Wages	\$44,000.00				\$ 44,000.00
Social Security W/H	\$2,728.00				\$ 2,728.00
Social Security Tips	\$0.00				\$ -
Medicare Wages and Tips	\$44,000.00				\$ 44,000.00
Medicare Tax W/H	\$ 638.00				\$ 638.00
Advance EIC Payments	\$ 20.00				\$ 20.00
STATE TOTALS	QTR 1	QTR 2	QTR 3	QTR 4	Total YTD
State Wages	\$ 50,000.00				\$ 50,000.00
State Income Tax W/H	\$ 999.00				\$ 999.00
State Disability Tax W/H	\$ -				\$ -
SUI Tax W/H	\$ 8,000.00				\$ 8,000.00
Local Wages	\$ 50,000.00				\$ 50,000.00
Local Income Tax W/H*	\$ 279.00				\$ 279.00

* Local Income Tax W/H is based on local jurisdiction

Things to Do

- Review Employee wages for negative amounts
- Prepare a payroll calendar of events including deposit due dates, processing dates, filing dates, pay dates, etc.
- Send a creative message to employees to review their personal information for accuracy
 - New name? New Social Security Card?
 - Address change?
 - Tax withholding change?

Things to Do

- Validate / verify employee SSNs throughout the year through Social Security Administration
 - Register for Business Services online
 - <http://www.socialsecurity.gov/bsowelcome.htm>
- Review Fringe Benefits for taxability
 - Utilize the relationship with Accounts Payable
 - Request review of any moving expenses
 - What sort of employee payments have been processed through Accounts Payable?

Things to Do

- Plan for year-end
 - Re-review processing schedules especially around holidays
 - Start planning on W2 changes and estimating how many to order
 - Watch for seminars, classes, webinars, and trainings with legislative updates or year-end topics
 - Plan and organize for new files, new procedures
- Balancing each payroll to make ensure the gross to net amounts work

Things to Consider

- Spot audit sample groups for correct calculations
- Audit system updates and changes
- Update procedure manuals and documentation
- Review internal controls
 - Segregation of job duties
 - Rotation of job duties
 - Physical payout needed?