

Diocese of Covington

Policies & Procedures Manual

Section: Compliance – Payroll and Personnel

Policy: Payroll – Centralized Office and Operations



INTRODUCTION AND HISTORY

The Payroll Office of the Diocese of Covington is a function of the Diocesan Finance Office, under the direction of the Chief Financial Officer.

The Payroll Office provides payroll services to the parishes, schools and agencies of the diocese. With the exception of the parish elementary and high schools, use of diocesan payroll services is voluntary on the part of the local entity. Because of the manner in which parishes are billed for the elementary teacher salaries, these schools are required to use diocesan payroll services for their teachers.

Diocesan payroll services began in 1968 as a program to more evenly spread the cost of teachers in parish elementary schools among all parishes with schools. In subsequent years the service was made available to all diocesan entities. Currently, most diocesan employees are paid through the diocesan payroll system (Over 2,000 Forms W-2 were issued for 2012).

PAYROLL PROCESSOR

The diocesan payroll system utilizes the services of [Paycor Payroll Services](#) headquartered in Cincinnati as its payroll processor.

PAY DATES

All employees are paid on a semi-monthly basis. Pay dates are the fifteenth and last day of each calendar month (or the last banking day preceding the fifteenth or last day).

TEACHERS 10 vs. 12 MONTH PAY OPTION

School teachers have the option to be paid on a ten month (September – June) or twelve month (September – August) basis. The first pay date of the school year for teachers is September 15. The ten or twelve month option is selected as part of the annual teaching contract.

Teachers and other salaried school employees must notify the Payroll Office prior to the first day of the school year if they wish a twelve month pay schedule. Failure to notify or late notification will result in a ten month schedule – pursuant to Internal Revenue Service regulations.

SOCIAL SECURITY/MEDICARE

All employees paid through the diocesan payroll system are subject to Social Security/Medicare. Lay employees have Social Security/Medicare withheld from their pay. The current at rate is 7.65%. A matching amount is paid by the local employer. Priests and permanent deacons are subject to the full 15.3% self-employment tax which they are required to file and pay. Priests and permanent deacons are exempt from withholding, but may request federal and/or state withholding in addition to or in lieu of quarterly filing. Religious stipends paid to the community for the services of their members are not subject to withholding by the employer.

FEDERAL, STATE AND LOCAL TAXES

Federal, state (Kentucky, Ohio or Indiana, as applicable) and local taxes are withheld and remitted with attendant documentation as required by statute. Forms W-2 are issued for employees at the end of the tax year in accordance with current IRS reporting regulations.

Diocese of Covington

Policies & Procedures Manual

Section: Compliance – Payroll and Personnel

Policy: Payroll – Centralized Office and Operations



HOURLY (NON-EXEMPT) EMPLOYEES

Hourly employees are paid semi-monthly, according to the pay rates and hours worked, as communicated to the Payroll Office by the respective local employers. Employers are instructed to “hold” one pay period for hourly employees and to maintain the original employee time sheets. “Hours to be paid” are communicated to the Payroll Office by telephone, fax, email or hand-delivery on a predetermined date – usually no less than eight days prior to the pay date. Local employers are instructed to indicate which, if any, hours are in excess of forty hours per week and qualify as “overtime”. Overtime hours are paid at one and one-half times the regular rate, in accordance with the Fair Labor Standards Act (FLSA). For more information, please see the “Exempt vs. Non-Exempt” policy in the Policies & Procedures Manual.

DIRECT DEPOSIT

All regular employees are required to use Direct Deposit. The net amount of the employee’s pay is deposited electronically to the checking and/or saving account specified by the employee. Direct deposit can be made to any bank or credit union that accepts electronic fund transfer. The employee must specify one checking or savings account to which the net pay will be deposited. The employee may specify up to two additional accounts to which funds, in the form of voluntary deduction(s), will be deposited. These accounts may or may not be in the same banking institution as designated for the net pay. The amount of the voluntary deduction(s) must be the same for every pay date and may not vary for the fifteenth or last of the month pay dates. If the employee has a deduction for the Northern Kentucky Educators Federal Credit Union, the Credit Union must be one of the designated accounts to which funds are to be deposited. The Credit Union may be the institution to which the net pay is sent or one of the additional voluntary accounts.

A non-negotiable voucher and paystub are available online to all employees. Paystubs are available at www.paycor.com. See the separate document entitled “Online Paystub Registration Instructions” on the Diocesan website (www.covdio.org) to obtain access.

CASHING PAY CHECKS EARLY

There are instances when employees will receive a ‘live’ pay check versus a direct deposit. In those instances, employers are cautioned not to distribute any pay checks prior to the pay date. In the event an employee receives and cashes the check prior to the pay date, the Payroll Office incurs a \$50.00 bank penalty, which will be passed on to the local employer. Legal counsel advises that the penalty cannot be passed on to the offending employee. Direct Deposit vouchers are not negotiable and may be distributed by the local employer at any time.

NEW EMPLOYEE – REQUIRED FORMS

The following forms and information must be on file in the Payroll Office before an employee can be activated. All are available on the diocesan website (www.covdio.org) and can be downloaded directly from the website:

- FORM I-9 – Employment Eligibility form completed and signed by the employer and the employee, along with photocopies of the document(s) presented by the employee to demonstrate that he/she is eligible for employment in the United States.
- FORM W-4 – Federal income tax withholding form
- FORM K-4 – Kentucky state tax withholding form (or Form IT-4 for Ohio residents).

Diocese of Covington

Policies & Procedures Manual

Section: Compliance – Payroll and Personnel

Policy: Payroll – Centralized Office and Operations



- DIRECT DEPOSIT FORM – indicating the bank(s) to which pay is to be deposited. For deposit to a checking account, a voided check must be attached.
- NEW/CHANGE EMPLOYEE FORM – provides certain information about the employee and states the hourly or semi-monthly pay rate. Form signed by the local employer.

NEW EMPLOYEE – PROTECTING GOD’S CHILDREN PROGRAM

Under diocesan policy, prospective employees and volunteers are not permitted to work or volunteer for any parish, school or agency of the diocese until the following conditions have been met:

- A. Successfully passed the required background check, and
- B. Attended a *Protecting God’s Children for Adults* program, and
- C. Submitted the signed statement agreeing to be bound by the *Policies and Procedures for Addressing Sexual Misconduct*, and
- D. Registered for the *VIRTUS* online training program.

Any employees not meeting all of the above requirements are not to be permitted to work or volunteer until such time that they are in complete compliance.

CHANGE PAY RATE

Employers wishing to change an employee’s pay rate submit the New/Change Employee form containing the updated hourly or salary rate. The pastor must sign all pay rate change forms.

SUBSTITUTE TEACHERS

Schools use the Request for Payment of Substitute Teacher form to have the Payroll Office process payment of a substitute teacher. The form requests the name of the substitute, the number of days for which payment is due, the pay rate (see Teachers Salary Schedule), the name of the teacher for whom the person substituted, how the day(s) are to be coded (leave per contract, other absence with pay, jury duty, leave without pay.) The Payroll Office keeps track of “leave per contract” and notes remaining days leave on the pay stub of teachers. For “leave without pay” the teacher’s salary will be reduced by 1/187th of the annual salary for each day without pay.

For a substitute teacher who has not previously been paid through the diocesan payroll system, see New Employee – Required Forms and New Employee – Protecting God’s Children Program (above).

VOLUNTARY DEDUCTIONS

Employees may request voluntary deductions for the following programs:

- Diocesan Medical Insurance (as required for the coverage chosen)
- Diocesan Pension Plan (3% of gross wage)
- Flexible Spending (unreimbursed medical and/or dependent care)
- Diocesan approved voluntary dental, life insurance, disability plans
- Diocesan approved 403B plan
- Credit Union (Northern Ky. Educators’ Federal Credit Union)
- United Way Campaign

Diocese of Covington

Policies & Procedures Manual

Section: Compliance – Payroll and Personnel

Policy: Payroll – Centralized Office and Operations



GARNISHMENT

The Payroll Office is required by law to follow all properly executed garnishment orders as submitted by various governmental agencies.

UNEMPLOYMENT INSURANCE

The Diocese of Covington does not participate in Federal or State Unemployment Insurance programs.

PAYROLL AND RELATED COSTS

All payroll charges/fees are deducted directly from the parish/school accounts every payroll one business day before the payroll effective date.

AUDIT

The Payroll Fund is audited annually by the same external auditing firm that audits all Diocesan operations.