



INDIANA UNIVERSITY
UNIVERSITY HUMAN RESOURCE SERVICES

To: PAO and PAU Staff Employees
Deans and Department Heads

From: Kathleen McNeely, Associate Vice President and Executive Director, FMS
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Date: March 2, 2009

Subject: Fair Labor Standards Act (FLSA) Compliance

FLSA regulations require employees to track their time worked by the hour and require that overtime be paid for work in excess of 40 hours in a work week, except for certain job duties and salary levels that are “exempt” from these provisions. These regulations are monitored by the U.S. Department of Labor, which can impose fines on entities that do not ensure these regulations are carefully followed.

Indiana University established the PAO and PAU job classifications in April 2005, as a result of revised FLSA regulations that imposed more stringent exemptions from FLSA recordkeeping and overtime regulations. Positions classified as PAO and PAU are considered Professional Staff, with incumbents subject to FLSA regulations for recording hours worked and overtime pay. A paper-based timesheet is currently used for recording hours worked, including the determination of overtime.

A review of timesheets by Internal Audit found significant FLSA compliance issues for PAO and PAU Staff employees. One finding was a **39 percent error rate in timesheets** for such inconsistencies as employees not recording all hours worked or recording hours worked that were not actually worked. While individual cases were addressed as an outcome of the audit, the University must install a better system for tracking time worked and calculating overtime pay.

To address the above audit findings and to install a more effective system that tracks hours worked and overtime pay, as required by FLSA regulations, PAO and PAU Staff employees will be switched from the University’s monthly payroll cycle to the bi-weekly cycle, effective August 23, 2009. The bi-weekly payroll cycle and the TIME system are specifically designed to track hours worked and overtime, whereas the monthly payroll cycle focuses on “monthly salary” for positions exempt from above FLSA regulations.

PAO and PAU Staff employees will remain Professional Staff, with the same personnel policies and PTO and retirement plan benefits provided to other Professional Staff employees.

Employees on the bi-weekly payroll cycle are paid every two weeks, 26 times a year. Employees receive their pay for work performed in a two week pay period at the end of the following pay period. Due to the timing in pay, a person switching from the monthly to the bi-weekly payroll cycle in August, 2009, would normally experience a six day decrease in pay for

that month. (Pay for this period will be included as part of the bi-weekly pay on September 18, 2009.) It is important to Indiana University that the PAO and PAU Staff employees who are switched to the bi-weekly payroll cycle in August not experience a reduction in income received in that month. Therefore, Indiana University will provide each employee with a one-time transitional supplemental payment equal to six days pay. This transitional payment will be included in the employee's final monthly paycheck on August 31, 2009. This additional payment does not have to be paid back to the University.

In the near future, the University will provide more information about relevant dates and the timing of these changes. Details regarding payroll cycles and the above mentioned additional payment will also be provided. Thereafter, there will be ongoing communication about deductions, taxes, and other relevant information pertaining to the above payroll conversion.

We realize that some individuals may not want to switch to the bi-weekly payroll cycle and related processes. This switch is, however, necessary to ensure better compliance with FLSA regulations, including the payment of overtime for hours worked in excess of 40 hours in a work week. Be assured that PAO and PAU Staff employees are considered Professional Staff and will continue to be covered by the associated personnel policies and the PTO and IU Retirement Plan benefits.

Your understanding and assistance with this matter is greatly appreciated.