



STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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Statement of Position Employee Timekeeping Procedures for Employees Paid on an Hourly or Daily Basis

Date Reviewed: June 2025
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This Statement of Position is not legal advice and is subject to revision.

Minnesota law requires statutory cities to implement certain internal controls with regard to payroll for employees paid on an hourly or daily basis.¹ For example, the statute requires both the employee and a timekeeper, supervisor, or other person having knowledge of the employee's work, to sign declarations attesting to the hours/days worked. While counties, charter cities, school districts, and towns do not have similar statutory requirements, they should devise adequate payroll control procedures.

Statutory cities have specific statutory authority to use electronic time recording systems if the governing body of the city adopts policies to ensure that the timekeeping and payroll methods used are accurate and reliable.² Some counties, charter cities, school districts, and towns have been using electronic time recording systems and have implemented various control procedures.

Regardless of the type of payroll/timekeeping recording system used, all government entities should adopt policies and procedures to ensure that timekeeping and payroll methods are accurate and reliable. The Office of the State Auditor (OSA) encourages public entities to design and implement a system that will get as close as possible to the following basic payroll system model for employees paid on an hourly or daily basis:

1. Positive reporting systems. Employees should affirmatively attest to the hours or days they have actually worked and the dates on which they worked. This is in contrast to negative payroll systems, where employees report only periods they were absent from work using vacation or sick leave.
2. Two attestations of the hours worked. One attestation should be made by the employee and the other should be made by the employee's supervisor or other appropriate person.
3. Affirmation of carry-forward amounts. During each payroll cycle, employees should affirm the carried-forward amounts of vacation or sick leave they have accrued. If the carrying forward of compensatory time is allowed by policy or collective bargaining agreement, the accrual of such accumulated time should also be acknowledged by the employee.

¹ See Minn. Stat. § 412.271, subd. 2(b).

² See Minn. Stat. § 412.271, subd. 2(c).

4. Hold-back period. There should be a delay or hold-back period between the end of the pay period and the date of payment to allow for review, approval, and processing.
5. Policies and procedures that:
 1.
 - Verify the identity of those involved in the submission and approval of payroll claims; and
 - For those using electronic timekeeping procedures, provide for the education of users in the safeguarding and protection of their electronic/digital identities.

The adoption of this basic payroll system should increase the accuracy and reliability of timekeeping and payroll procedures used by local units of government.