ClockShark

TIMESHEET ROUNDING RULES & BEST PRACTICES

Learn how to avoid risks of payroll non-compliance and best practices to eliminate time rounding.

INTRODUCTION

Timesheet rounding is a common practice among employers, intended to make running payroll simpler. However, timesheet rounding can be problematic and expensive if you're not following timesheet rounding rules and best practices.

WHAT IS TIME CLOCK ROUNDING?

Time clock rounding is the practice of rounding work hours either up or down in quarterly increments.

For example, if an employee clocks in or out from one to seven minutes beyond their schedule, their time can be rounded down to the nearest quarter hour. If they click in or out eight to 14 minutes outside of their shift, their time can be rounded up. This is known as the 7-minute rule.

TIME ROUNDING CHART

The chart below outlines how clock-in and clock-out times should be rounded in HR/Pay.

Clock Time (minutes after the hour)	Punch Clock Time is Rounded To
on the hour - 7 min 29 sec	0.00
7 min 30 sec - 22 min 29 sec	0.25
22 min 30 sec - 37 min 29 sec	0.50
37 min 30 sec - 52 min 29 sec	0.75
52 min 30 sec - on the hour	1.00

IS TIME CLOCK ROUNDING LEGAL?

The short answer is, yes. However, you can get into trouble if you are not doing it correctly. By law, according to the FLSA, employees must be paid a minimum of minimum wage for hours worked, and if you always round your employees' hours down, you risk breaking this labor law.

Although time clock rounding is legal, lawsuits against employers who practice timesheet rounding are frequently won by the employees who bring them to court. Employers who are shown to be non-compliant are ordered to pay for unpaid overtime or minimum wages, plus liquidated damages "equal to the amount of unpaid overtime or minimum wages."

You may also be required to pay attorneys' fees and costs and, if the non-compliance is found to be deliberate, you may face additional civil and criminal charges.

WHY DO EMPLOYERS ROUND TIMESHEETS?

Employers who practice time clock rounding are usually trying to keep their payroll process simple. Rather than paying to the minute for hours worked, calculating payroll in 15-minute intervals makes it easier to calculate.

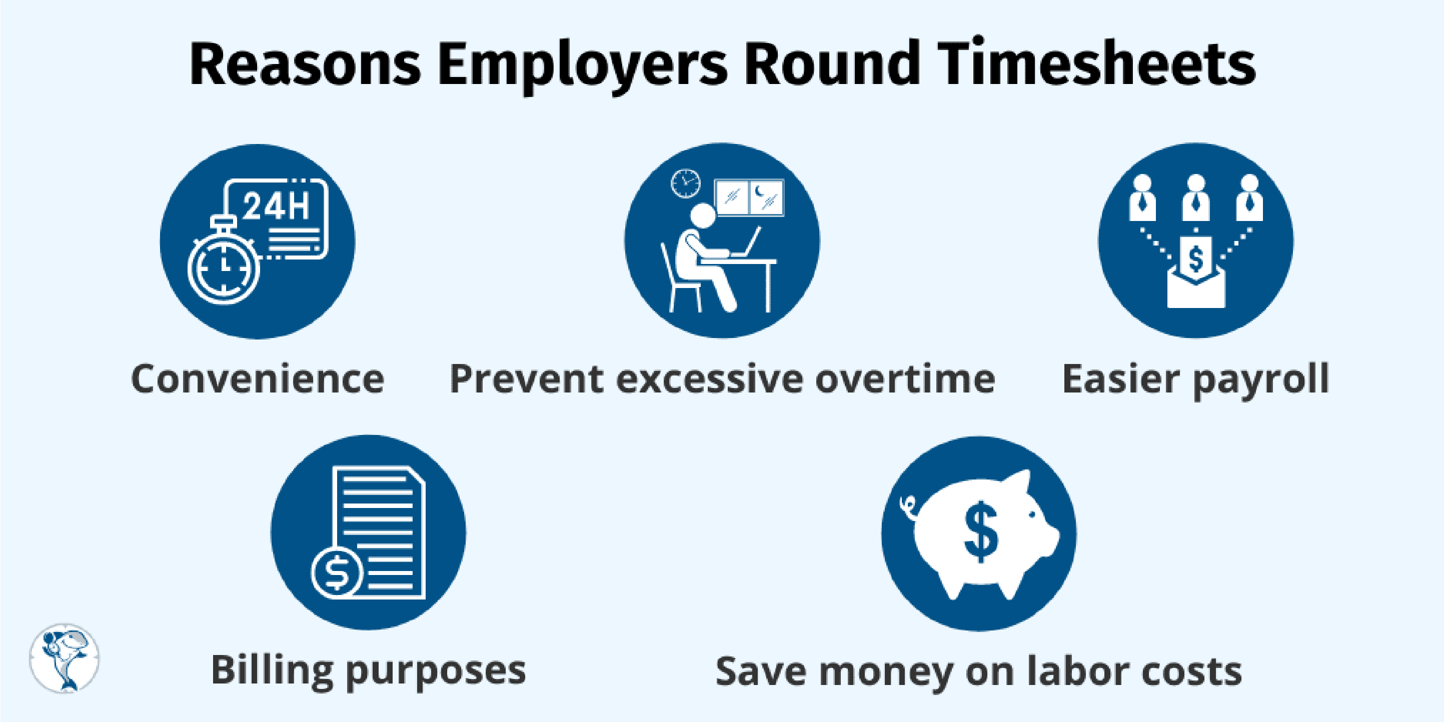
THE 3 BASIC RULES OF TIMESHEET ROUNDING

There are three basic rules of timesheet rounding according to the Department of Labor.

1. Timesheet rounding cannot favor the employer.
If you most often round your employees' timesheets to benefit your business, you are likely breaking the law.

2. The maximum amount of time that can be rounded to is 15 minutes.
While you can choose to round to the nearest five or 10 minute mark, 15 minutes is the maximum.

3. Employers must honor the 7-minute rule.
You must always round timesheets according to the 7-minute rule. Use a timesheet rounding chart to get a better idea of how the 7-minute rule works.
Be aware, however, that even if you follow these rules, you are at risk of non-compliance. There are a few things you can do to reduce your risk of breaking federal and/or state labor laws:



HOW DO EMPLOYEES FEEL ABOUT TIMESHEET ROUNDING?

Imagine if, every time you went shopping and paid with cash, your change was rounded up or down. If you consistently receive less change than you should, you would lose money. How would you feel about this?

Similarly, employees may not appreciate - or even understand - why the times on their time cards are not being honored.

IMPROPER TIMESHEET ROUNDING CONSEQUENCES

While timesheet rounding may make payroll easier, it doesn't come without consequences and risks.

Unpaid Work

For many employers, workers are not allowed to clock in until their shift, but they will still work. This is a clear violation of the FLSA laws and can lead to hefty fines.

Inaccurate Timesheet Data

Increasingly, data is important to today's global workforce. Not only does accurate timesheet data mean your employees receive accurate pay, but you also have a clear picture of things like job costs and a visualization of how your company is running. The Department of Labor requires you to keep a minimum of three years of specific records for each employee, including total hours worked each week.

De Minimus Work

The De Minimus Doctrine dictates the law can't worry about "trifling" things such as a minute or two here and there of work not paid for. But these unpaid minutes can add up and result in penalties through the courts.

A specific example is Troester v. Starbucks, where an employee was required to clock out before closing the store. The procedure for closing the store would take varying amounts of time as Troester would send sales and inventory reports, profit and loss statements, activate the store alarm, bring in patio furniture left outside, escort employees to their vehicles, and more.

The California Supreme Court ruled in Troester's favor that the De Minimus Doctrine did not apply and that Starbucks had violated California and Federal laws.

HOW TO STOP TIMESHEET ROUNDING

To avoid risking non-compliance for your payroll, the best practice is to eliminate timesheet rounding altogether. But, how can you eliminate timesheet rounding and still pay your employees accurately?

The answer is: Automated time tracking. There are multiple benefits to using a time-tracking software and eliminating timesheet rounding is only one of them.

Improved Employee Experience

A time-tracking solution that provides employees with the option to clock in and out from their mobile devices and computers makes time tracking easier for them. They can view their timesheets any time, so they are clear about what to expect on their next paycheck, and they can rest assured knowing they will be paid the right amount for exactly the hours they worked.

Increased Time To Tackle New Projects

When your payroll administrators don't have to spend hours combing through timesheets and time records, they're able to focus on other projects. This will increase their productivity, too.

Ensured Compliance With Federal Law

Payroll rules and regulations are strict and the penalties for not following them can be debilitating. Accurate timesheets ensure accurate pay for your employees. This translates into State and Federal law compliance.

HOW CLOCKSHARK HELPS BUSINESSES ELIMINATE TIME ROUNDING AND INCREASE PROFITABILITY

ClockShark offers the opportunity for your employees to clock in when they begin work and clock out when they finish. They can do this with an easy-to-use mobile app or from a computer.

When you use ClockShark to track employees' work hours, you are going to pay them for the exact hours they worked so you know you're being compliant.

In addition, ClockShark helps your administrators run payroll much more quickly and easily because, most times, it can integrate into your accounting software allowing them to run payroll in minutes. They can spend that extra time performing other tasks, rather than chasing down incomplete time cards or guessing who did which jobs, when.

As an added bonus, ClockShark allows you to get a truly accurate picture of your job costs so you can be certain of how much you spent on a particular project.

Save Time and Money with ClockShark

Try ClockShark Free

ELIMINATE TIMESHEET ROUNDING

Timesheet rounding rules and best practices might help keep you out of hot water with state and federal agencies, but they're not guaranteed, even if you follow them to a T. The fact is, timesheet rounding is becoming obsolete and automated time-tracking is now the most common way employers are tracking their employees' times.