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# Manual of Operations for SALES COMMISSIONS

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# MAGNA Commissions Checklist

## 1. Daily Activities

- a. \_\_\_\_\_ Contract Verification  
Review each contract written for commission amounts
- b. \_\_\_\_\_ Employee Master Records  
Enter new hires, terminations, license updates
- c. \_\_\_\_\_ Employee Compensation Records  
Ensure that overrides and compenstions for fronts and backs are accurately entered.

## 2. Payroll Processing

- a. \_\_\_\_\_ Pending Good Business Report
- b. \_\_\_\_\_ Bookable Deals Report
- c. \_\_\_\_\_ (opt) Pending Half Check Report
- d. \_\_\_\_\_ Review and distribute reports
- e. \_\_\_\_\_ Enter Manual Credits and Debits
- f. \_\_\_\_\_ Post Transactions
- g. \_\_\_\_\_ Run payroll and make adjustments
- h. \_\_\_\_\_ Run create check transactions
- i. \_\_\_\_\_ Edit checks and enter draw checks

## 3. Statements and Closing

- a. \_\_\_\_\_ Run Statements
- b. \_\_\_\_\_ Type Checks or enter into A/P of Accounting system
- c. \_\_\_\_\_ Run Period Ledger
- d. \_\_\_\_\_ Submit checks and stamens to check signer
- e. \_\_\_\_\_ Distribute checks and statements to personal

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## SALES COMMISSION SUMMARY

- Enter and Edit information on employees in the employee maintenance database. This will assign employee numbers for the sales people as well as assign payrate and type, store licensing information including numbers and expiration dates, and track hire and termination dates.
- Enter and Edit compensation records. Default compensation records are tracked by the sales line for fronts and backs, as well as a rate set in each salesperson's individual compensation record. This will avoid compensation error messages from popping onto the screen when entering a contract.
- Verify quality assurance has been performed on each contract's information thru the Contract Processing Verification option of the Main Commission Menu, in the Verification- Full Down-Cleared Date Entry screen. Without a verification date, the system will not consider the contract a payable deal.
- From the General Reports menu, run the Bookable Deals and Pending Good Business Reports. These are the pre-payroll edit reports. Using the Bookable Deals Report, you can verify that each day has the correct sales person and commission amounts to be paid; this report will show all the deals to be paid on the next payroll. The Pending Good Business report will list all the deals that have not yet been paid on (considering the commission posted date in the system as a basis). Once the two have been reviewed and any necessary adjustments have been made on the deals, the processing of payroll can be begin.
- Posting commissions is the next step. From the Processing menu, select Full Credit Posting and then simply enter the correct payroll period information: journal date and date to post (should match), paydate (usually 5-7 days out), and override paydate. This will prompt the system to show you a list of all the transactions that will be posted so that editing and additions can be done in the text editor. When you are complete and have saved those changes, the system will then post and charge back cancellations and action notices as necessary.
- Run the payroll to verify the posted transactions. Should there be any more changes, they can be done thru the Edit/View Transactions function by either employee number, contract number, or transaction date.
- Once you have cleaned up all of the posting, you can run checks using the same date parameters used when you posted. Again, you will have the option to make any necessary editing adjustments before the system checks are generated. You can then close the period (again using the same date parameters all the way thru).

# MAGNA COMPUTER CORP. SALES COMMISSIONS MODULE

## **1. OVERVIEW**

The commissions modules integrates various phases of data entry, drawing data from them and applying a rules based system to determine commissions payable. As such, information verification becomes of utmost importance.

### **A. Orientation**

The orientation of the system is based upon contract number, as opposed to unit-week, Purchaser name or salesperson based, for obvious reasons. Contract number is the UNIQUE identifier for a contract, Unit/Week may seem to be handy (and is in fact popular), however, it is very inaccurate. For instance, referencing a canceled deal is quite impossible as by the very nature of cancellation the inventory (Unit/Week) becomes disassociated with the contract! This may require a change in the work habits of personnel, and will enhance the efficiency and accuracy of information retrieval.

### **B. Implementation**

Due to the fact that the commission's module may be installed after a resort has been in operation for months or years, deals full down prior to certain date are usually marked as if the commission has been paid. This prevents all deals which have ever been written from showing up on the Pending Good Business Report (Described below). Deals full down prior to this date not actually paid on will have to be manually changed to indicate a blank in the date commission posted field. This is done by entering "Control-T" in the commission posted date field, and then saving the information with the "F-2" key.

### **C. Consistency and Integration**

Keys and methods used to enter, change and alter data, as well as menu usage are consistent and integrated with other modules in the Timeshare series, and, these other modules, are not fully described in this documentation. Contractual information is entered into the marketing system and is the master record whenever a contract is mentioned.

## **2. DESCRIPTION**

The commissions programs create detail transaction records for individual EMPLOYEES, and further defined by contract, date and office. The creation is based upon a predefined set of rules. Some are a permanent part of the software and others are specified by the resort developer. The resultant transaction file can then be used to create statements by deal, employee, contract, etc. and various other reports. The posting process marks dates on individual deals for "Commission Posted Date" and "Half check Posted Date". One can, however edit and create individual transactions, by deal or by salesperson via the "Edit/View Transactions" menu (See description below). In this manner, individuals can be manually credited with advances, etc. Once transactions are posted, a "Pay List" can be run by Salesperson, Override Manager and Salaried Persons. These reports are mutually exclusive, even though one person may be on two reports. These reports detail the posted transactions sorted by sales line/office and employee, with totals for each.

The posted transactions create a "Ledger" for each employee which consists of "Credit" transactions indicating that an amount is "Due" to the employee and vice-versa. After creating and reviewing the "Pay List" for accuracy, "Create checks" program is run.

Posting can be separated into three areas; credit and debit posting (automatic and manual), payment determination ( what the check amount for the period will be) and period closure (preventing any further posting for that week)

**A. Credit and Debit Posting:**

Prior to posting transactions, employees should review the "Bookable Business Report" which serves as an edit listing for deals which are eligible to be posted to the employee journals. Note that deals need not be "Full Down" to be credited. For example, "1/2 Checks" can be credited based upon the 1/2 check rules.

Post Half Checks - Creates transactions for all half check payable deals. Half check field must be set to "Y", half check must not be paid and period end date must be within 7 days of contract written date. Deal must not be in action notice.

Post Full Credits - Creates transactions for all full check and final commission deals. All criterion must be met in order for transaction to be created. The criterion are:

- 1) Deal must be full down.
- 2) Deal must be verified.
- 3) Down payment monies must be both DEPOSITED and CLEARED.
- 4) Salesmen must be active in employee master file.
- 5) Salesmen licenses must not be expired.
- 6) Deal must not be in action notice.

The system determines if full commission or final commission is to be paid by looking at previous transactions applied to the deal. If there are previous transactions, it will subtract the previously paid amount from the full commission, and pay the difference. If a manual transaction is created with the "Final" flag turned on (see below), no additional transaction will be created for this salesperson for this deal.

Edit/View/Create Transaction - This section enables individual transactions created by the posting process to be edited and/or new transactions to be created by an authorized employee. If, for instance, one wanted to pay 1/2 half check on a deal in action notice, simply call up the salesperson via edit/view (both salesperson number and alpha lookup are available), hit the insert key or "A" key to insert a transaction, type in the necessary information:

- 1) Transaction type (CC-credit commission; CP-credit prepaid; CO-credit override; CS-credit salary DC-debit commission, DO-debit override; etc.)
- 2) Transaction Date
- 3) Sales Line
- 4) Contract number to apply to
- 5) Amount of transaction
- 6) Check #/comment (Displays on report)
- 7) Final (Computer rule override field)

Finally, save via F-2.

## **B. Posting rules**

Permanent Credit Rules - The system will **NOT CREDIT** any half commission or full commission contract that:

- is in "Action Notice" or cancelled.
- a verification date does not exist.
- has a date in the half posted field or the comm. posted field.
- no employee specified for the function.
- a commission of zero (\$0.00) dollars is due.
- the date written is null.
- status "X" or deleted contracts.

The system will **NOT CREDIT** any full commission contract that:

- is has a null (0) full-down date
- has an amount in the Additional Down Payment Due field.
- does not have a deposit and cleared date.

The system will **NOT CREDIT** any half commission contract that:

- does not have a "Y" in the "OK to Pay Half Check?" field.
- was written outside the processing week.
- associated overrides that are due.

Permanent Debit (Chargeback) Rules - The system will DEBIT any employee for a contract that cancels within the processing period by an amount equal to the sum of the transactions for that contract and employee.

Other Debit Rules - The system will DEBIT any employee for the transactions with commission code types "1" (weekly paid credits) or type "2" (monthly paid credits). Additionally, the system will only DEBIT only those contracts that are:

- UNRECORDED
- Originating as a BACK and 7 months have gone by OR 6 payments if the Mortgage Receivables system is installed.

### **C. Payment Determination ( create Check Transactions):**

This process must be run individually for salaried persons, salespersons and override persons. In this manner, each group can, and usually is, paid separately, possibly at different times of the week or month. In the case of a "terminated" employee, the ledger does not get "zeroed". The assumption is that the balance will continue to be "Due" to the employee until the company decides to pay the amount due. Transactions will continue to be credited, or debited in the case of chargebacks as transactions occur affecting the net balance receivable or payable.

The system will automatically ( upon command ) create the weekly checks from all commission code type "1" (regular commissions). Whenever you want to create the monthly checks you can create these at will as well. Note that "Checks" actually refers to creation of credits to accounts, not actual hardcopy printed checks.

Print Paylist - Will create a payroll. Three (3) types of paylists can be chosen. They are: 1) By salesperson 2) By Salaried person 3) By Override person (Line Manager, generally.) These type are specified ion the employee master file.

### **D. Close period:**

Creates reversing transaction for the current period. This essentially brings the current period transaction summary to zero, for most type of personnel. A period ending balance is created. This balance becomes the beginning balance for the next period. In the case of terminated employees, for which no check will be paid until 3 monthly payments have been made, a running balance will be maintained of the amount due. Amounts may be charged back as deals cancel, and transactions pertaining to an individual deal are kept together. In this manner it is easy to determine if and when a deal has been charged back. In the case of override persons, weekly statements can be created showing the weekly salary debited and the weekly override credited. Recipients will be able to tell if they are "Ahead" or "Behind".

## **3. Information Accuracy**

The most crucial point in any systems of information recordation is the verification or "Review" process. Without a dedicated person to review the input, whether it be computer or manually generated, no system can be relied upon to produce dependable results. As such, various information entry points are created created to control commissionable salespersons and rates.

One such point is the Employee Master file. The master file contains information such as start and end dates, pay type (Override, salary, commissioned), License expiration date, etc. A detail file which links to the master file exists, which contains information such as starting and ending time period, commission rate for 10% down by sales line, additional point for

15% down, decrease 1 point for pending deal. It is imperative that the files be maintained up to date, with changes made on a written approved basis only. Upon entry of a sale, the commission rate will be pulled from the detail file if it exists for the line of sale, otherwise the master file record detail is used. If a salesperson is not in the master file, or is terminated, he cannot be entered as a salesperson at point of sale.

### **A. Verification Process**

The verification process as it currently exists begins in contract processing. The contract receiving clerk examines and reviews the contract package, comparing various items to the "Daily Journal", which is generated each day. Items to review are:

- 1) Names should appear exactly as signed on the original contract.
- 2) Cash and/or credit card voucher should be exactly as stated on the contract. Amount of promissory note, if it exists should be shown under "Additional Due"
- 3) Salespersons should agree exactly to the "Worksheet". If noncommissioned salespersons exist, the "Broker" on the deal should be listed as the 2nd "TO", with the total commission rate shown. Non-Commissioned salespersons should have a zero rate of commission.
- 4) Deeder should agree to the worksheet.
- 5) Sales price should agree to the Contract. Items on worksheet, if different, do not apply, as the contract is the master recorded document.
- 6) Telephone number should agree to worksheet. If they are different, we suggest using the 2nd phone number field as input field. This may help collections department at a later date.
- 7) Sales line must be verified as correct. If the sales line is not correct, commission rate must be reviewed for propriety, as the commission rates are pulled from the employee compensation file by line type.

### **Verification Data Entry**

Entries to be made by Verification clerk are as follows:

- 1) Verification date - Computer automatically enters verification person.
- 2) Deposit date - Entry only upon final deposit of funds, or date of deposit of the last item which will clear the bank and trigger the deal to be paid.
- 3) Clear date - Same as deposit date for Amex, Visa, etc.. Deposit date +21 days for personal checks, or however else your Resort Manager directs you to perform this function.
- 4) O.K. to pay half check - Yes if \$250 cash/visa and balance of funds depositable same day. Otherwise enter no. This is a required entry field. Note that even though "Y" may be entered, a half check will only be paid during the pay period following the one for which the deal was written.
- 5) Commission comments - Should be used to explain reason for non verification, etc.

## **Verification Reports**

Reports can be generated for requested time periods by Verification clerk, and should be run each day following the verification or non-verification of deals. Exception reports (e.g. Deals not verified) should be run weekly by verification clerk and distributed to department head for review.

- 1) Deals verified
- 2) Deals not verified
- 3) Monies deposited
- 4) Monied not deposited
- 5) Monied Cleared
- 6) Monies not cleared

## **B. Commission Process**

The general process to be performed is for the commission clerk to review the bookable deal report and verify that Salespersons and commission rates are correct. During the early stages of implementation, each deal should be reviewed to make sure that all deals that are on the report should be (i.e. they have not been previously paid) and that all deals that should be on the report are actually there (no deals have been marked paid which are not actually paid). The split commission previously mentioned will cause problems here, until all split commission deals are paid in full.

### **A. Commissions Reports**

Reports are available to indicate which deals are not yet paid on and which deals will be paid on for the upcoming pay period. The accuracy of these reports, during this early stage of implementation, depends upon the computer having correct payment histories for individual deals. The fact that one half check has been paid to a salesperson and not to a TO will create problems in determining if a deal has been paid upon. The practice of paying one of two salespeople on a deal is counterproductive and inconsistent. It should not be done.

#### 1) Pending Good Business Report

ALL deals which are not cancelled or upgraded and have not yet been paid on. The system uses the "Commission Posted Date" to determine if payment has been made. The "Problem" column indicates individual problems on each deal, as well as giving information regarding half check "Y" or "N". If half check O.K. to pay = "Y", additional information regarding if the 1st half commission is indicated (either "Due" or "PD"). Every deal on this report MUST initially be reviewed for COMPLETE information accuracy. Any inaccuracies must be immediately corrected.

#### 2) Pending Good Business w/Page breaks

Same as above except each sales line is printed on its' own page, for distribution to line managers for review, 1 week in advance of distribution of paychecks. This system works flawlessly for the OPC's, and eliminates last minute frustrations and arguments. f. \_\_\_\_\_

#### 3) Bookable Deals Report

This report details all deals which will be paid on for the next posting period. Note that the posting of half checks and commissions will clear this report entirely for the time period posted. This report has the same "Trouble" column as explained above under Pending good business report.

#### **4. Pre Contract Activities**

##### **A. Employee Records:**

In order for the payroll system (or any other system) to recognize a person for payroll purposes the following must exist:

- employee record must exist with a number
- date of contract or manifest must be equal to or greater than the hiring date and less than the termination date or termination date has not been entered.
- there must be a commission allotment record for the: sales line, effective date ranged, downpayment type.
- license expiration must be appropriate.

##### **B. Override Table:**

This will be a separate set of records that will contain the effective dates, rate, line and employee number of the person to receive such. There exists a number of reports that will report on employees and their status. One such report will be invaluable, The License expiration report. In addition there will be a report to show the current commission allotment between any two effective dates.

#### **5. Contract Printing and Transmittal Activities**

##### **A. Contract Printing**

The system will automatically enter in the appropriate commission percentage based on the commission allotment record for the sales person and the TO (sales manager) on the deal. Any changes required to change a salesperson or TO must be requested in writing, approved by \_\_\_\_\_ and submitted to contract processing, where the system allowed person(s) will change the person.

Deeders are entered by the contract person based on the "verbal" or "observed" person doing the deeding. Upon completing the day, the contract person will run a daily journal to ensure that the information on the report matches each and every contract. These contracts are then transmitted **WITH THE CHECKED JOURNAL** to the contract processing area no later than the next day.

##### **B. Transmittal to Contract Processing:**

Upon receipt of the previous days contracts, the designated contract processing person will examine each set of contract and verify that every item matches the computer screen. It is especially important to verify: the financial information AND the employee identification sections.