



DEPARTMENT OF FINANCIAL SERVICES BUREAU OF STATE PAYROLLS

BASIC PAYROLL PROCESSING
AND COMMON PITFALLS



AGENDA

- Introductions
- Basic Overview of Payroll Process
- Common Pitfalls
- New Initiatives
- Frequently Asked Questions
- Q&A



BASIC OVERVIEW OF PAYROLL PROCESS

TEAMWORK



PURPOSE

Convert personnel
information into
payments

HOW DFS RECEIVES PAYROLL INFORMATION?



- People First (PF) – Pay, Insurance, Retirement, W-4's
- FAMU F0001
- Legislature Change Order File
- Deferred Compensation Office
- Court Orders



WHAT AGENCIES CONTROL

- Gross Pay
- Some Employee Deduction information
- Entry of W-4 information (in conjunction with employee entry)

ADDITIONAL ENTITIES INVOLVED




- DSGI – Insurance & Pre-Tax benefits
- Employee – Deferred Compensation deductions
- Employee – EFT participation
- BOSP – Collections
- BOSP – Gross to Net Calculation



THE PROCESS BEGINS

- Payroll Requisition files are validated from PF, FAMU and Legislature
- W-4 data is verified and a Skeletal W-4 created if needed for payment
- Calculations are performed for taxes, insurance (including Value Group Term Life-VGTL), deferred comp, collections, and other pre-tax benefits

THE PAYROLL PROCESS CONTINUES ...

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- Payroll maximums are checked and recalculations performed when needed
 - If deductions exceed net salary, deductions are dropped according to the drop priority
 - Employer costs are calculated
 - Net salary & gross salary charge are computed



OUTPUTS FROM THE PAYROLL PROCESS

- Retirement file
- Insurance file
- Deferred Compensation file
- Payroll Data to Agencies
- Payroll Data to People First



OUTPUTS FROM THE PAYROLL PROCESS (continued)

- Posting Transactions to Central Accounting
- Unemployment Compensation reporting
- New Hire reporting
- Vendor Payments
- Collections Payments

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COMMON PITFALLS

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COMMON PITFALLS

- Warrant Cancellations
- Salary Overpayments
- Use of OPS Retirement Codes
- CJIP (Criminal Justice Incentive Pay)



WARRANT CANCELLATIONS

- Paper versus EFT cancellations
- Paper warrant **MUST** be in agency staff's possession when canceling
- Error when trying to cancel paper warrant day after payroll has run

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SALARY OVERPAYMENTS

PREVENTION

- Monitoring of special situations like Workers Compensation
- Monitoring of leave without pay
- Terminations
- Employee Change from OPS to Career Service
- Timesheets correct & approved timely



SALARY OVERPAYMENTS

DISCOVERY

- Periodic audits of payments
- Terminal audits
- Payroll reports

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SALARY OVERPAYMENTS

Process for Collection of an Overpayment

- Should be done ASAP
- Cannot bring employee below minimum wage
- Must be approved by cut-off at end of year
- Periodic review of Salary Refund records added to ensure approved when needed
- Proper documentation & procedure followed when sent to Bureau of State Payrolls for further collection action



SALARY OVERPAYMENTS

Salary Refunds that must come to BOSP

- Overtime payments
- Any type rate of pay not 1 or 2
- If paid in prior year but not approved until current year, proof must be provided to BOSP for taxable gross adjustment
- Agency cannot get withholding tax back if not approved by cut off date (usually around Jan 10th)



SALARY OVERPAYMENTS

Manual Salary Overpayment Errors

- Missing Employer Contribution codes and/or Gross types
- Incorrect Retirement Contributions - see Volume IV Section 3 of Payroll Preparation Manual for rates
- Missing authorized signature
- Salary Overpayment guidance - Volume V, Section 6



PROPER USE OF OPS RETIREMENT CODES

OVERVIEW

- The payroll processing system utilizes retirement codes as a way of determining whether payments to individuals are subject to Social Security and Medicare taxes
- It is up to individual agencies to determine whether individuals are subject to Social Security and Medicare taxes.



PROPER USE OF OPS RETIREMENT CODES

Statutory Authority

- Section 3121 of the Internal Revenue Code defines wages, covered employment and exemptions.
- Section 3101 of the Internal Revenue Code imposes FICA taxes on the employee.
- Section 3111 imposes FICA taxes on the employer.



PROPER USE OF OPS RETIREMENT CODES

- Effective July 2, 1991, social security and Medicare coverage became mandatory for state and local government employees who are not (1) members of a public retirement system, or (2) are not covered under a Section 218 Agreement.
- Mandatory Medicare only coverage became effective for state and local government employees hired (or rehired) after March 31, 1986.



PROPER USE OF OPS RETIREMENT CODES

Exemption from FICA taxes

- Students working at the institution where they are enrolled
- Non Resident Alien Students
- Non Resident Alien Teachers or Trainers
- Rehired Retirees- in certain situations
- OPS position of a Dual Employed Individual



PROPER USE OF OPS RETIREMENT CODES

Exemption from FICA taxes

- Temporary workers hired for Emergencies or Natural Disasters
- Patients, Inmates, or Clients employed by a hospital, home, prison, or other institution in which they reside
- Employees hired solely to **relieve them from unemployment**



PROPER USE OF OPS RETIREMENT CODES

- ZZ should be used when the employee is subject to FULL FICA (Social Security & Medicare Tax)
- ZX should be used when the employee is exempt from FULL FICA
- ZM should be used when the employee is only subject to Medicare taxes



CJIP - BEING IN SYNC

- Master CJIP File
- Position Number Authorization File
- PeopleFirst

ALL THREE MUST BE IN SYNC!!!



What should BOSP receive?

■ New CJIP Recipient

- People First! sends a **NEW** Change Order
- Agency sends Position Number Authorization Form

■ Changes

- People First! sends a **CHANGE** Change Order
- The Authorization File is updated systematically if there is a change for one position to another



Common Problems/Errors

- Position Number Authorization Form NOT received for NEW
- Position Number Authorization not received when changing positions
- A Change instead of a New change order is received for new CJIP recipient
- A New instead of a Change change order is received for updating files



Common Problems/Errors

- Duplication of Effort
- No Match Errors – Usually Position Numbers
- Disallowed Flag set to “X”
- Position Ineligible vs. No Education Pay
- Retirement Code Mismatches



Rule of Thumb

If the Master File is not correct but the information in People First is correct, the best solution is to send in a PC payment Change Change Order to correct the discrepancy.

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LWOP Calculations

Types of LWOP that Affect CJIP

PF CODE	ACTION
49	EXCLUDE PARTIAL DAYS ALTOGETHER; THEN REMAINING TOTAL DIVIDED BY 8
58	EXCLUDE PARTIAL DAYS ALTOGETHER; THEN REMAINING TOTAL DIVIDED BY 8
59	EXCLUDE PARTIAL DAYS ALTOGETHER; THEN REMAINING TOTAL DIVIDED BY 8
60	TOTAL DIVIDED BY 8
82	TOTAL DIVIDED BY 8
83	TOTAL DIVIDED BY 8



LWOP CJIP Calculations

Daily Rate Table

CJIP Amount

Days Available

	130	120	110	100	90	80	70	60	50	40	30	20
23	5.65	5.22	4.78	4.35	3.91	3.48	3.04	2.61	2.17	1.74	1.30	0.87
22	5.91	5.45	5.00	4.55	4.09	3.64	3.18	2.73	2.27	1.82	1.36	0.91
21	6.19	5.71	5.24	4.76	4.29	3.81	3.33	2.86	2.38	1.90	1.43	0.95
20	6.50	6.00	5.5	5.00	4.5	4.00	3.5	3.00	2.50	2.00	1.50	1.00
19	6.84	6.32	5.79	5.26	4.74	4.21	3.68	3.16	2.63	2.11	1.58	1.05
18	7.22	6.67	6.11	5.56	5.00	4.44	3.89	3.33	2.78	2.22	1.67	1.11



LWOP CJIP Calculation

■ Step One:

- Add up all LWOP hours for the month.
- NOTE: If PF Code 49,58,59 do not include partial days in this total sum. See Table

■ Step Two:

- $\text{Total LWOP Hours} / \text{Daily Scheduled Hours} = \text{Number of Days to Reduce for}$
- Total Days- this total is rounded to the nearest lowest whole number
 - EX: 5.25 round to 5.00
 - EX: 5.75 round to 5.00



LWOP CJIP Calculation

■ Step Three:

- Number of Days Available to Work minus Total from Step Two = Total Number of Days to Pay

■ Step Four:

- CJIP Payment Amount / Number of Days Available to Work = Daily CJIP Rate (See Table to confirm)

■ Step Five:

- Daily Amount x Total Number of Days to Pay = CJIP Amount Owed to the Employee



LWOP Exercise

- A CJIP recipient is on Worker's Comp LWOP during the month of September 2006, which had 21 workdays available and 168 contracted hours. Their incentive pay is \$20.00 each month.
- The employee is scheduled to work 8 hour days Monday through Friday. The employee is on Worker's Comp LWOP (Code 60) for all 21 days. The employee's total LWOP hours for September was 112.25.

What is the amount of the CJIP they are to receive?

\$6.65

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RDS Reports

- U**M; PR5530; CJIP Turnaround Documents
- U**L; PR5525; CJIP Error – Audit List

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CJIP Resources

- **FDLE**
 - <http://www.fdle.state.fl.us/cjst/RulesandForms/index.html>
- **Florida Administrative Code**
 - Chapter 11-B
- **Payroll Statutes**
 - Chapter 943
- **Payroll Preparation Manual**
 - Volume 4 Section 10
- **DMS**
 - GC-29 CJIP Data Entry Instructions in People First



NEW INITIATIVES

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New Initiatives

- New format of Cumulative Detail
- Agency Print of Earnings Statements
- On-line Social Security Correction process
- Changes to EI screens to view additional years of data



FREQUENTLY ASKED QUESTIONS

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FREQUENTLY ASKED QUESTIONS

- Why can't my employees access their on-line Earnings Statements?
- Is training available for BOSP systems or processes?
- When am I going to get my Overtime?
- What do I do when my Access Control Custodian is not available?



CONTACTS/RESOURCES

- Payroll Preparation Manual on the web at http://www.fldfs.com/aadir/bosp/BOSP_MANUAL.pdf
- Bureau of State Payrolls main phone number (850) 413-5513 sc 293-5513

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QUESTIONS?

