

**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

TOPIC	PAYROLL	SUB-SECTION 20.20.35
SECTION	PROCESSING	ISSUANCE DATE May 30, 2008
SUB-SECTION	PAYROLL PROCESSING	REVISED - 2018

PAYROLL PROCESSING

Payroll processing includes calculating net pay, validating account distributions (i.e., fund, activity, organization, reporting category, etc.), correcting errors discovered in the preliminary run process and processing, certifying, and generating SAAS transactions.

PAY FREQUENCIES

The State has several pay frequencies established at the agency level and approved by DFA. Below are the SPAHRS pay frequency codes and descriptions:

- M - Monthly
- R - Semi-Monthly
- S - Semi-Monthly, Delayed
- B - Bi-Weekly, Delayed
- W - Weekly, Delayed
- K - Contract Workers, Bi-Weekly, Delayed
- L - Legislative (for in-session pay)
- X - Legislative Weekly Expense
- P - Supplemental Payrolls (Section 15.20.40)

Agencies may have more than one payroll frequency for different groups of employees. The employee's pay frequency is on their position record. Agencies may change the type of frequency used or add a frequency by making a request to BFC. Contract workers must be paid on the bi-weekly delayed (K) pay frequency.

Individuals paid on a delayed basis receive their pay after performing the work. All other individuals have their pay calculated based on anticipated time worked. For example, if the payroll is due on the 20th of the month, the time from the 20th to the end of the month is calculated prior to the work being performed. Adjustments may be required for time not worked for which pay has been received. More discussion on this topic is in Section 20.20.40.

PAY DATES

Employees with a monthly frequency code are paid the last working day of the month. Employees with a semi-monthly pay frequency are paid the 15th or the last working day prior to the 15th, and the last working day of the month. Employees and contract workers with a bi-weekly pay frequency are paid every other Friday on a schedule established by DFA. Employees paid weekly are paid every Friday.

DFA establishes a schedule of pay dates and the schedule is on the MMRS website at: . The schedule provides the date and time for submitting payrolls to DFA for processing. If an agency experiences a problem that may prevent the payroll from being processed on time, they should contact BFC - Payroll at least an hour prior to the established due date and time.

PAYROLL CALCULATIONS

SPAHRS calculates gross earnings, taxes, deductions, net pay, and overtime pay based on the time reports entered and data (rate of pay, pay frequency, authorized earning supplements, etc.) contained in various SPAHRS tables. Gross pay calculation includes all cash payments (salary, overtime), reimbursements and any imputed income (i.e., state vehicle use, taxable value of life insurance, housing, etc.). The system then calculates the adjusted gross pay (gross pay less imputed income).

If an employee does not work a complete pay period, and does not have sufficient accrued leave to use, the system automatically calculates a partial pay period by multiplying actual hours worked by an hourly rate. However, the pay will not exceed the salary amount.

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Deductions contain an assigned priority. This priority allows SPAHRS to perform a calculation for an employee who may not have earned enough money in that specific pay period for all withholdings. To calculate the net pay, take the adjusted gross pay less all taxes and deductions.

Different wage bases are used for calculating taxes. This is because some deductions are pre-tax; therefore, they are deducted before the taxes are calculated. Additionally, the individual or payment type determines if the payment is subject to the wage base calculation. For example, aliens (non-citizens) working under certain types of visas are not subject to FICA and Medicare taxes, students at the School for the Deaf and Blind are not subject to any taxes, and payments to beneficiaries and next of kin of deceased employees are not subject to federal and state withholding taxes. The employee/worker eligibility sequence number establishes the individual's reportable wage bases.

The various calculations performed by the system for wage bases are detailed below.

Retirement	Gross Wages - <u>LIFEI</u> (Benefit associated with life insurance) Retirement Wage Base
Medicare	Gross Wages - <u>Cafeteria</u> Medicare Wage Base
FICA	Gross Wages - <u>Cafeteria</u> FICA Wage Base
Federal/State	Gross Wages - Cafeteria - Deferred Compensation - <u>Individual's Retirement Contribution</u> Federal and State Taxes Wage Bases

Federal and state wage bases should always equal. Differences between FICA and Medicare wage bases should only occur when the FICA wage base reaches the maximum amount allowed by the federal government for the year. Once the maximum amount is met, SPAHRS will not withhold FICA taxes for the remainder of the calendar year. Wage bases are used for W-2 processing in addition to payroll processing.

PRELIMINARY PAYROLL RUNS

After establishing payroll dates, inputting all changes (new hires, terminations, and deduction changes) and entering actual time worked for the individuals, a preliminary payroll can be processed.

The preliminary run calculates gross to net pay. This process also generates reports showing any errors such as individuals with no default accounting distributions, deductions not taken from the payroll, individuals with time reporting errors, etc. These reports will help determine how to correct the payroll errors. Multiple preliminary runs may be necessary until the payroll processing is error free.

The preliminary payroll process creates SPAHRS journal entries to validate against MAGIC. The validation process includes the account distribution ((i.e., fund, activity, organization, reporting category, etc.). The budget and allotment authority and cash balances are also validated by fund and organization and other agency controls as appropriate. The journal entry screens must be reviewed to determine if any journal entry errors exist.

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FINAL PROCESSING

The final payroll processing repeats the preliminary run validation and edit processes. Errors may be detected during this process if the preliminary run was completed on a day prior to the final run. For example, the available cash balance may have been depleted during nightly processing. If errors are detected during the final run, the payroll will not process. The reports and journal entry screens should again be reviewed and the error corrected. Only one final run can be processed.

The reports generated from the final run will contain the Gen SAAS/Calc Pay Distribution Difference Report. This report should contain all zeros.

PAYDAY

Payroll warrants and vendor warrants are available for pick-up from BFC after 7:30 A.M. on the pay date. Agencies authorized for early pick-up can retrieve the payroll a day prior to the pay date. The agency must sign for the payroll packet when it is picked up from BFC. Payroll warrants are **not** to be in the hands of individuals until the actual pay date. Vendor warrants should be mailed when received. Electronic vendor payments (federal taxes and retirement system payments) and payments for state taxes are shown on the payroll reports even though the agency is not responsible for disbursing these payments.

CUT OFF DATES

Wages are considered paid when the individual receives the pay and not when the payroll is processed. Individuals paid on a bi-weekly basis may have earned income in two calendar years for the same payroll period. However, all wages will be on the W-2 for the new year since this is when the individual was actually paid.

Payrolls may also cross fiscal years. When this occurs, SPAHRS will automatically post the payroll to the new fiscal year. If the payroll is posted in the previous year due to payments for terminated leave at June 30, or travel payments, a mass change transaction is required to override the fiscal year and possible account distribution codes.

REFERENCES:

The SPAHRS Payroll Overview and Calculate Pay manuals provide additional information on payroll processing. This information can be found at:

<http://www.mmrs.state.ms.us/imported/docs/lib/DFA/Training%20Materials/SPAHRS/Payroll/6308%20SPAHRS%20PR%20Tables.pdf>