

TOPIC	PAYROLL	SUB-SECTION	20.20.40
SECTION	PROCESSING	ISSUANCE DATE	May 30, 2008
SUB-SECTION	PAYROLL ADJUSTMENTS	REVISED -	2018

PAYROLL ADJUSTMENTS

Payroll adjustments are necessary for several reasons. This includes overtime earned, unpaid leave taken, retroactive pay increases, adjustment for deductions taken, and payments for unused leave at termination. A payroll adjustment may also be necessary to issue a warrant for an individual not included on the original payroll.

Procedures for adjustments to void an individual's pay, reissue a check, and process vendor credits are discussed in Section 20.20.50.

CALCULATION OF OVERTIME

The Fair Labor Standards Act (FLSA) establishes guidelines for determining if an individual is entitled to overtime and the timeframe for calculating the overtime. Generally, overtime is calculated on a 7-day, 40-hour workweek; however, personnel identified in public safety and emergency response positions, may have a 28-day work cycle and hospital individuals may have an 8/80 or two-week fourteen-day cycle. The work cycle for the individual is derived from the FLSA code and schedule recorded on the SPAHRS position record.

The position and WIN records in SPAHRS denotes the classification of the individual as exempt or non-exempt from the FLSA and if they will receive pay or compensatory leave for any hours worked above their normal work schedule. Individuals classified as non-exempt accrue leave or are paid time and a half for overtime hours worked; other individuals accrue overtime hour for hour (straight time).

Agencies may elect to have the work cycle begin on any day of the week. The agency work cycle is established in SPAHRS.

SPAHRS calculates overtime based on hours worked within the established work cycle and not within a pay period or a calendar period. For example, an individual on a seven-day work cycle may work in excess of 40 hours during the calendar week (Monday through Friday); however, overtime may not accrue if the agency's workweek begins on a Wednesday. The system will determine if the individual worked in excess of 40 hours from the Wednesday through Tuesday work cycle.

If the work cycle splits payroll periods, the system will not calculate overtime until the work cycle has ended. For example, if the work cycle begins on Wednesday, and the pay period ends on Friday, overtime will not be calculated for that week on the current payroll. Overtime will be calculated at the end of the work cycle and overtime will be applied to the next pay period.

ADDITIONAL EARNINGS PAYROLLS

To increase the individual's pay because of overtime worked, shift pay or other reasons except a retroactive pay increase, the adjustment must first be recorded on the individual's timesheet. Enter either the additional hours worked or the earnings code amount for the day the work was performed. An adjustment record is then added in SPAHRS and must be approved for processing. The system will read the timesheet adjustment and calculate the increase.

Adjustments can be paid on a supplemental payroll or can be merged with the individual's next payroll.

LEAVE ADJUSTMENTS

If employees are not paid on a delayed pay frequency, their leave taken may be reported after processing the payroll. Leave taken/reported after processing payroll is entered on the timesheet for the day the leave was taken. The system will automatically adjust the employee's leave balances.

If the employee did not have enough accumulated leave balance for leave actually taken, additional action is necessary. If an employee is on leave without pay and receives a paper warrant, make a request to void the warrant and process an adjustment to pay the correct amount. If the individual was on leave without pay but received the EFT, an adjustment is needed to recover the overpayment. The timesheet should be modified to reflect the time not

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worked and once entered, an adjustment record is created in SPAHRS. This record must be approved for processing.

Section 20.20.50 outlines the procedures for voiding a check.

The system will calculate the employee's pay when the adjustment is processed. The calculation will include reducing the taxes and retirement amounts for the reduction in wages. If the net of the adjustment is a negative amount, the employee will be responsible for reimbursing the agency for the overpayment. A received check earnings code must be entered on the time sheet. If the adjustment is not flagged to be paid on a supplemental payroll, SPAHRS will merge the adjustment with the employee's next regular payroll. The amount of the adjustment will be deducted from that pay.

The amount refunded for overpayment of deductions such as taxes and retirement will be reflected as a vendor credit in SPAHRS. The vendor credit will be applied to the next payroll processed by that agency with payments to the specific vendors.

RETROACTIVE PAY INCREASES

If an individual receives a pay increase after the payroll has been processed, the salary increase must be entered into SPAHRS with the effective date of the increase. A separate adjustment record is needed for each pay period in which the increase was not received. Adjustment records can be flagged as supplemental and one payment generated for all affected pay periods.

DEDUCTION ADJUSTMENTS

Payroll adjustments may be needed for individual deductions if the deduction was not withheld, over withheld, or under withheld. Entering the deduction or its modification on the individual's deduction screen in SPAHRS is the first step in this process. If the deduction was not withheld, it should be added with the correct effective date. If a deduction was made in error, an end date needs to be entered on the deduction record reflecting the last date of the deduction.

An adjustment record must be added into SPAHRS for each pay period needing adjustments. The adjustment record will create all necessary vendor payments or credits. If the individual owes money, the adjustment amount can be merged with the next regular payroll. If the amount shown on the deduction record was incorrect, the record should be ended and a new deduction with the correct amount added.

If there is an adjustment for a debt deduction that has previously been satisfied, the generated vendor credit cannot be applied by the system. The individual no longer owes that specific vendor. The agency must contact the vendor to have the overpayment returned. Section 20.20.45 contains more information regarding processing and reconciling vendor credits.

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SEPARATION PAYMENTS

When an employee is terminating employment with any agency, a separation record must be created in SPAHRS. The information entered on this record determines if the employee will receive a payment for leave and/or if leave will be transferred to another agency or to the retirement system.

All outstanding payments must be remitted to the employee before this transaction is created. Prior to creating the separation record, the agency should accrue the employee's leave for the final month of employment. Entering the employee's social security number in the leave accrual screen will perform this function without accruing the entire agency's leave. The accrual cannot be applied until DFA has processed the final payroll for the employee. NOTE: Although DFA performs some of the processing functions when the agencies submit payrolls, the final DFA processing may occur several days after the payroll due date. If the agency's accrual process occurs prior to the DFA process, the employee's leave record may not reflect correct balances.

EXCEPTION PAY

The exception pay process is for a payroll adjustment that cannot be processed any other way in SPAHRS. For example, an exception pay may be required if there is a court ordered back pay or reinstatement and the tax or holiday tables for that period are no longer valid in the system or if a court order sets payment requirements that do not follow normal payroll calculations.

Whenever exception pay is needed, SPAHRS will not perform any payroll calculations; all calculations must be manually performed by the agency. The calculation must include at least one earnings code. The deduction amounts for all taxes, retirement, and other deductions must be reflected and subtracted from the earnings. The employer matching amounts for FICA, Medicare, retirement, life insurance and health insurance premiums must also be shown separately. The manual calculation must show the individual's net pay.

The system will add the payment to the year-to-date payment amounts reflected in SPAHRS and will record the information on the individual's W-2; however, the payment will not be reflected in the month-to-date totals within the system. The system will generate the individual and vendor payments when the payroll is processed. If the payment is for a pay period that is more than eighteen months in the past, and it includes retirement withholdings, the agency must contact PERS to have the individual's creditable service adjusted manually.

Since SPAHRS does not perform the payment calculations and only performs limited edits, the exception pay can only be entered into SPAHRS by DFA. When the agency has performed all manual calculations, a SPAHRS – Exception Pay Request Form must be completed and submitted to BFC Payroll office for processing. A blank copy of this form is provided as a sample. The instructions for completing this form are provided below:

<u>REFERENCE</u>	<u>EXPLANATION</u>
1	Enter the name of the agency submitting the exception pay request.
2	Enter the person within the agency who will serve as DFA's contact for processing the exception pay.
3	Enter the direct telephone number for the agency contact.
4	Enter the name of the employee/contract worker being paid through the exception pay process.
5	Enter the SPAHRS agency number associated with the individual.
6	Enter the Social Security Number for the individual.
7	Enter the pay period end date for which the payment is owed. If multiple pay periods need to be adjusted, only one adjustment per quarter will be processed. In this case, calculate the amounts for the entire quarter and have only the most recent pay period reflected.

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- 8 Enter the individual's regular payroll frequency; this should not be P – supplemental.
- 9 Enter the Position Identification Number or the Worker Identification Number of the individual for the pay period associated with this payment.
- 10 Enter the individual's hourly rate of pay.
- 11 Enter the manually calculated net pay for the exception payment.
- 12 Enter P if the payment is for an employee in a PIN or enter a W if the payment is for a worker in a WIN.
- 13 Enter the individual's gross salary amount for the payment amount.
- 14 Enter a separate line for each earnings code. There should be at least one earnings code. Payroll deductions and tax withholdings should be entered on separate lines using correct tax and deduction codes.
- 15 Enter the individual amounts associated with the codes listed in column 14. Calculations may be necessary to determine the amounts. For example, the individual's federal and state taxes to be withheld will require a manual calculation. The FICA, Medicare and retirement withholdings are percentage amounts of the individual's gross pay. SPAHRS will perform an edit to ensure the percentages are correct.
- 16 This column is used to enter the employer (state) paid expenses associated with specific deductions. The FICA and Medicare portions are equal to the individual amounts; the state portion of retirement will be greater than the individual's amount. Any State insurance paid by the agency will also require an amount in this column. The system will perform an edit to verify the matching amounts are correct.
- 17 Include a detailed reason for the exception pay.
- 18 Provide the reason the payment cannot be processed through the normal adjust pay method in SPAHRS.
- 19 Signature and title of Agency contact.
- 20 Verify the date form was signed.

SUPPLEMENTAL PAYROLLS

Supplemental payrolls can be used to pay individuals hired after the agency payroll has been processed and submitted to BFC, to pay individuals omitted for some reason from the original payroll, or for payroll adjustments.

If the supplemental payroll is used to make a payment for a newly hired individual or an omitted individual payment, the adjustment record must be created using the issue pay screen; otherwise, the adjust earnings screen is used. If the adjustment record is not coded for payment on a supplemental payroll, the adjustment will be held until the individual's next regular payroll.

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BFC establishes the pay dates and they are posted on the MMRS website at: http://www.mmrs.state.ms.us/statewide_applications/SPAHRS/Payroll_Due_Dates.shtml. The schedule of pay dates provides the date and time for submitting the payrolls for processing. BFC processes a supplemental payroll each week.

Processing the supplemental payroll requires processing run and processing and certifying a run. There is a separate screen for processing the supplemental payroll runs. The pay frequency on this screen will default to P – Supplemental. The schedule pay date and not the pay period date should be entered on this screen.

SPAHRS will produce the same documents, warrants and remittance advices as it does when a regular payroll is processed. The individual will be paid in the same manner as the normal payroll, either a paper warrant or a direct deposit.

MERGING ADJUSTMENTS

Adjustments for multiple pay periods can be processed in one supplemental payroll run. For example, if a monthly paid individual had the wrong deduction amount withheld for dependent health care coverage for three months, separate adjustment records must be created for each monthly pay period end date. The three adjustment records can be processed on one supplemental payroll run.

Adjustment records may also be processed with the regular payroll. This is beneficial if the adjustment creates a negative amount and requires a payment from the individual. The amount owed can be subtracted from the next regular payroll.

When adjustment records merge with a regular payroll, the pay detail report generated through the payroll processing will show separate records for the individual and not the net effect of the adjustment. The individual pay records will merge during the DFA payroll processing and only one warrant or direct deposit record will be generated.

REFERENCE

The adjust pay manual of SPAHRS contains instructions for entering payroll adjustments. Access this manual at:

<http://www.mmrs.state.ms.us/imported/docs/lib/DFA/Training%20Materials/SPAHRS/Payroll/6307%20SPahr%20PR%20Adjust%20Pay.pdf>