

# *Department of Accounts*

## *Payroll Bulletin*

Calendar Year 2006

February 17, 2006

Volume 2006-05

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The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Cathy McGill at (804) 371-7800 or Email at [cathy.mcgill@doa.virginia.gov](mailto:cathy.mcgill@doa.virginia.gov)

#### State Payroll Operations

<b>Director</b>	<b>Lora L. George</b>
Assistant Director	Cathy C. McGill

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## **Fringe Benefits Management Company**

### **Virginia Provider Network**

The Provider Network is a guide to finding information regarding the wide variety of insurance and investment options made available to state employees. Employees should be directed to this website to find the providers, plans and services that best fit their needs. Information may be found by provider name or by the type of plan or service needed. The following link goes directly to the Provider Network index:

<http://www.fbmc-benefits.com/VaProviderNetwork/index.asp>

The providers and products listed in the Network have been approved to do business with the Commonwealth of Virginia through agreements with FBMC. Questions concerning providers not listed should be directed to Scott Mixon at FBMC, 800-872-0345 Extension 2115 or [SMixon@FBMC-BENEFITS.com](mailto:SMixon@FBMC-BENEFITS.com).

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### **Changes in Provider Network**

The following providers have been expelled or withdrawn from the Virginia Provider network and are no longer eligible to receive premiums from state employees through payroll deduction **effective April 1, 2006**:

- Professional Insurance Corporation
- Dominion Dental - has cancelled their group account (#7547).

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### **UTA and Texas International Life Insurance Corporation**

It has come to our attention that Texas *International* Life Insurance Company may be sending correspondence to employees with payroll deductions for products previously offered through United Teachers Association. Please be aware that Texas International Life is **not** an approved member of the Virginia Provider Network and Payroll Deduction Authorization forms for TILIC will not be accepted by FBMC. UTA continues to remain in the Provider Network and products not associated with TILIC are available to employees through payroll deduction. FBMC will provide a list of those employees impacted. Those who desire to continue to purchase products from Texas International Life will need to make arrangements for direct billing of those premiums effective April 1.

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## FBMC, continued

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**FBMC Focus Group** Over 40 agencies were represented at the FBMC Focus Group meeting that took place on February 7 in Richmond. The power point presentation given by Scott Mixon, Account Exec, of FBMC has been posted to our website for the benefit of those unable to attend the meeting:  
[http://www.doa.virginia.gov/Payroll/TPA/TPA\\_Main.cfm](http://www.doa.virginia.gov/Payroll/TPA/TPA_Main.cfm)

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**Additional FBMC Contacts** New contacts at FBMC:

- Dennis Deckerhoff  
Account Coordinator  
800-872-0345, Extension 2183  
[ddeckerhoff@fbmc-benefits.com](mailto:ddeckerhoff@fbmc-benefits.com)
- Kimberly Wilbanks  
Account Specialist  
800-872-0345, Extension 2170  
[kwilbanks@fbmc-benefits.com](mailto:kwilbanks@fbmc-benefits.com)

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## 1042 - Foreign Person's U.S. Source Income Subject to Withholding

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**1042 Deposits for Calendar Year 2005** Agencies with 1042 deposits for 2005 must complete and submit the following forms to the IRS by March 15th:

1042 – Annual Withholding Tax Return  
<http://www.irs.gov/pub/irs-pdf/f1042.pdf>

1042-S, Foreign Person's US Source Income Subject to Withholding  
[http://www.irs.gov/pub/irs-pdf/f1042s\\_05.pdf](http://www.irs.gov/pub/irs-pdf/f1042s_05.pdf) (form)  
[http://www.irs.gov/pub/irs-pdf/i1042s\\_05.pdf](http://www.irs.gov/pub/irs-pdf/i1042s_05.pdf) (instructions)

1042-T, Annual Summary and Transmittal of Forms 1042-S  
<http://www.irs.gov/pub/irs-pdf/f1042t.pdf>

Martha Laster, DOA Financial Research/Project Analyst, is available to review your completed form before you send it and offer assistance where needed. Please fax your completed form to 804-786-9201. Also, send her an email ([Martha.laster@doa.virginia.gov](mailto:Martha.laster@doa.virginia.gov)) with contact name and phone number.

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## PB Payroll Reconciliation of Wages

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### Payroll Reconciliations

The start of each new calendar year brings with it the opportunity to improve on the prior year. Now is a good time to implement procedures that will ensure 2006 year-end will be a success. Reconciling your payroll records routinely throughout the year is the key to a stress-free year-end.

Optimally, the reconciliation process should be divided into three time frames: by payroll, by quarter, and by year. By setting up these time frames, payroll can ensure that the year-end reconciliation will be quick and smooth.

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### CAPP Topics

CAPP Topics 50905 - Monthly Reconciliation, 50910 – Quarterly Reconciliation and Certification and 50915 – Calendar Year-End Reconciliation and Certification provide detailed information about the reconciliations that should be performed. CAPP Topic 70735 – FINDS: CIPPS Payroll Audit Tool (PAT) describes how you can use downloaded files to perform reconciliations.

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### Automated 10/33 Reconciliation

The automated 10/33 reconciliation consists of two reports that are automatically produced after the month-end roll of payroll data. These reports are the Company Summary Report (Report U092) and the Employee Exception Report (Report U093). The reports display year-to-date totals for both active and terminated employees, regardless of pay frequency.

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### Report U092 - Company Summary Report

The U092 provides calculations needed to reconcile year-to-date Federal, State, OASDI, HI Taxable Wages and taxes withheld, as well as State Unemployment reporting. The Report 10 totals on the left side of the report provide a computation of what **should be** accumulated in the Taxable Wages accumulation records in the Employee Tax Masterfile. The Report 33 totals on the right side of the report provide the **actual** Taxable Wages accumulation records from the Employee Tax Masterfile record. The Difference column shows any differences between the Report 10 and Report 33 totals. Differences indicate possible problems with the Employee Tax Masterfile record, or that the record does not fall within normal parameters. Differences warrant further research prior to processing the next payroll.

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### Report U093 - Employee Exception Report

The U092 also provides a summary listing of all employees with exceptions and a brief message of the exception type. Most differences will cause a U093 to be produced, which shows the individual employee information and the fields with differences. If a U093 is not received with the U092, there are no exceptions to be reported for the agency. However, the U092 should still be reviewed and the totals verified against agency control totals. Other employees who do not have a U093 may also be listed. In this case the Employee Tax Masterfile records are probably correct, but they should still be reviewed.

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## Payroll Reconciliation of Wages, continued

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**Exception Messages**

Examples of the types of messages that may require research and possible payroll adjustments are:

- DIFF-OASDI WAGES
- DIFF-HI TXBL WAGES
- DIFF-SUI GROSS WAGES
- DIFF-SUI TXBL WAGES
- FICA STATUS NOT 4 OR 6
- SUI STATUS NOT 4
- EMP OASDI NOT W/IN \$.05 OF CO
- MORE THAN 1 TAX REC
- EIC PMT NOT ZERO

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**Correcting Exceptions**

Each exception report must be reviewed carefully, and a determination must be made if a correction to the employee's masterfile record is necessary. Corrective action is not always required. For example, an exception routinely generated is the Agency Head being reported as SUI exempt. Since Agency Heads are not eligible for unemployment compensation, their wages should not be reported to the VEC. While this is reported as an exception, the masterfile is actually correct and no adjustment is required. Another example is employees who require special coding due to reciprocal taxing or job location.

After marking the appropriate Masterfile changes on the Report U093, send a copy of the corrected Report U093 to Cathy Gravatt (fax # 804-225-3499) in the DOA Payroll/Benefits Accounting unit where the corrections will be keyed. Do not hold this information until quarter-end. Remit the marked-up U093 as errors are discovered, but no less than monthly. DOA will enter the changes when received, greatly reducing the incidence and volume of corrections needed at quarter-end. Also, once the correction is made, the U093 will no longer be produced. If corrections are made timely, the only "10/33" quarterly reconciliation errors that require correction will be those that occur in the last month of the quarter.

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## United States Savings Bonds

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**Authorization Forms for Bond Purchases** Authorization forms for purchase and request for change to United States Series EE Savings Bonds or Series I (Inflation Indexed) Savings Bonds may be found here: <http://www.publicdebt.treas.gov/forms/mar2362.pdf>

Employees may fill the form in on-line and print it for submission to Payroll or you may print a supply and make them available to your employees.

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**Series I Bonds - \$500 and \$1000** Employees now have the option of purchasing I Bonds with values of \$500 and \$1000 through Payroll Deduction. See CAPP Topic 50440 for instructions on setting up bonds for payroll deduction.

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## Payroll Certifications

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**Pay Period and Check Dates** Payrolls for pay periods 25<sup>th</sup> - 9<sup>th</sup> cannot be certified prior to the first working day of the month (i.e., 2/25 - 3/9 cannot be certified before 3/1) and payrolls for pay periods 10<sup>th</sup> - 24<sup>th</sup> cannot be certified prior to the 16<sup>th</sup> (or first workday thereafter) of the month.

In addition, never certify a check date that falls before the end of the pay period.

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## Direct Deposit

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**Reporting Threshold for Quarterly Report** Effective with the report for the third quarter of FY 2006, agencies with less than 85% participation in Direct Deposit will be listed in the Comptrollers Quarterly Report.

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**Promote Direct Deposit and Payline** The following suggestions are provided as ways to increase participation in Direct Deposit and Payline:

- Remind employees that Payline provides detailed information regarding pay at least four days *before* payday.
- Hold bank fairs or department in-services – actual contact with employees to encourage sign up for DD/Payline.
- Provide a computer and printer station where employees can log on to Payline during breaks.
- Use an email signature encouraging participation in DD/Payline (To add a signature to your Microsoft Outlook email, click on Tools>Options>Mail Format>Signatures):

Ask me about signing up for Payline!

<http://payline.doa.virginia.gov>

View your paycheck information before payday by signing up for Payline!

<http://payline.doa.virginia.gov>

W-2s now available on Payline – Sign up today!

<http://payline.doa.virginia.gov>

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## Direct Deposit, continued

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### Agency Election to Opt-Out of Earnings Notices

When it comes to providing statements that detail an employee's pay information, Virginia is a "No Requirement State". This means that employers *may choose* to deliver pay statements to employees in an electronic format if they choose to provide pay stubs at all. However, Section 40.1-29.C. of the Code of Virginia requires the employer, upon request of his employee, to furnish the latter a written statement of the gross wages earned by the employee during any pay period and the amount and purpose of any deductions taken.

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### Flag Opt-Out Employees

For those employees that opt out of receiving direct deposit notices, an agency may use the organizational code on the HOBID to notate that the employees are no longer receiving earnings notices. Agencies may use a letter or a code in any position of the organizational code to reflect the employee's status. This will eliminate the need to keep and update a separate listing of those employees who have opted out. Consideration should be given as to how payroll report sorts would be affected. If the agency uses the last position of the org code, the sort sequence will not be greatly affected.

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## Deferred Comp Deductions from Leave Payouts

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### Processing DC from Leave Payouts

Keep the following tips in mind when deducting Deferred Comp from Leave Payouts:

- Participant must complete a new Payroll Authorization Form indicating the amount of the one-time deferral of Employment Termination Payout.
  - The employee must submit a signed Payroll Authorization Form to the payroll office while the participant is still an employee and no later than the participant's last month of employment.
  - The payment/deferral of unused sick and annual leave must occur no later than 20 days after the employee's final paycheck.
  - Contributions to Deferred Comp are NOT FICA-exempt; therefore the entire amount of the leave payout cannot be deducted for Deferred Comp. The maximum amount that can be deferred is the gross amount of the leave payout less the FICA taxes. **Enter the new amount on the H0ZDC screen.**
  - Do not allow the YTD amount to exceed established maximums for Deferred Comp contributions.
  - Key the leave payouts as one payment (Tax Indicator – "5", Withhold taxes based on the EMF & Tax file; Check Indicator – "0", Do not produce a separate payment, and tax in conjunction with regular pay; Deduction Indicator – "0", Withhold normal deductions from the payment). **You must process a penny as regular pay on HUA03 in order for this to work.**
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# Garnishment Case Name and Number

## Garnishment Case Name and Case Number

CIPPS has been modified to include data from the Garnishment Case Number and Garnishment Case Name fields (H0901 screen) on the checks that go to third parties. The data contained in those fields appears on the face of the check just above the Payee name.

*Note: It is very important that you do not include social security numbers on any of the address fields on this screen because they will print with the address on the outside of the mailer.*

