

Volume No. 1 - Policies & Procedures	TOPIC NO.	50905
Function No. 50000 — Payroll Accounting	TOPIC	MONTHLY RECONCILIATIONS
Section No. 50900—Reconciliation	DATE	January 2014

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Overview

Introduction In order to ensure the accuracy of payroll files, employee tax reporting, tax and deduction withholdings, etc., agencies must perform certain reconciliations on a monthly basis. CIPPS produces a variety of reports to facilitate this process. Monthly reconciliations include:

- Report 10 to Report 33 Reconciliation
 - Healthcare Reconciliation
 - VRS Reconciliation
 - VEC New Hire Reporting
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Report 10 to Report 33 Reconciliation

10/33 Reconciliation Overview

Reconciling Report 10 to Report 33 helps identify potential problems with payroll records, such as:

- Pre-tax deductions not being properly tax deferred due to incorrect Utility Field set-up.
- Manual payment processing that affected taxable fields incorrectly.
- Improper withholding of certain taxes.

The 10/33 reconciliation helps ensure that CIPPS masterfile records (Employee and Tax) are updated properly by calculating expected taxable/tax amounts using Employee Masterfile data and comparing them to the actual Tax Masterfile.

DOA has automated this reconciliation for agencies on a monthly basis. (See Report U092 and U093 later in this Topic.) However, agencies can still perform a 10/33 reconciliation on a pay period basis either manually or using FINDS or PAT. See CAPP Topics 70710 to 70730, *FINDS: CIPPS Downloading* and 70735, *Payroll Audit Tool* for additional information. Identifying and correcting discrepancies on a monthly basis facilitates essential quarter and year-end certifications. Agencies make corrections by updating appropriate employee CIPPS records and marking-up the U093 showing correct balances. The U093 is sent to DOA to update balances.

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Report 10 to Report 33 Reconciliation, Continued

Control Totals Agencies must maintain control totals for key payroll informational fields at an agency summary level to facilitate the 10/33 Reconciliation. The control totals can be maintained manually or using automated spreadsheets and must be updated every time a payroll is processed or on a monthly basis. Obtain the following informational fields from Report 33, Composite Tax Report:

Federal Taxable Wages	Federal Tax Withheld
Federal Non-Taxable Wages	OASDI Employee Tax Withheld
OASDI Employee Taxable Wages	OASDI Company Tax Paid
OASDI Company Taxable Wages	HI Employee Tax Withheld
HI Employee Taxable Wages	HI Company Tax Paid
HI Company Taxable Wages	Medicare Employee Tax Withheld
Medicare Employee Wages	Medicare Company Tax Paid
Medicare Company Wages	State Taxable Wages
EIC Payments	State Taxes Withheld
State Unemployment Insurance Gross	State Unemployment Insurance Taxable

In lieu of maintaining a manual control totals database, PAT provides for an automated version of the Quarterly Control Totals. This feature includes automatic cumulative totals for each calendar year and the ability to enter manual adjustments as necessary. Control totals should match the values found on Report U092 and discussed on the following page.

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 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 is divided into three sections:

- Report 10 totals,
- Report 33 totals,
- Difference column.

The U092 also provides a summary listing of all employees with exceptions and a brief message of the exception type. Any employee who has a U093 will be listed. However, 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. The most common reason for an employee to be listed but not have a U093, is that the employee has multiple records in CIPPS (i.e., reciprocal taxing). The list can also be used as a management tool to monitor the number of employee exceptions and ensure any necessary corrective actions are taken.

Report 10 Totals The Report 10 totals provide a computation of what should be accumulated in the Taxable Wages accumulation records in the Employee Tax Masterfile. This computation is based on pre-defined taxable or non-taxable categorizations of earnings and deductions, irrespective of the actual Tax Flags designated in the Utility Fields of the applicable earnings and deduction codes used during payroll processing.

Report 33 Totals The Report 33 totals provide the actual Taxable Wages accumulation records from the Employee Tax Masterfile record. These records reflect the taxable or non-taxable categorization assigned by the Tax Flags designated in the Utility Fields of the applicable earnings and deduction codes actually used during payroll processing.

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Difference Column

The Difference column shows differences between the Report 10 and Report 33 totals. Differences indicate there are 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. 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.

Report U093

The presence of a U093 indicates that the employee record meets the pre-defined report exception criteria that were developed to expose the majority of situations indicative of possible problems. A U093 does not necessarily indicate there is a problem with the Employee Tax Masterfile record. While corrective action may not be necessary, the employee records should be reviewed to ensure that the Masterfile is correct.

Exception Categories

Generally, exceptions can be classified into five categories:

Category	Description
1	Calculated taxable wages (Report 10 totals) do not equal the actual Taxable Wages on the Tax Masterfile (Report 33 totals) and reports.
2	Calculated gross pay and/or taxes (Report 10) do not equal the actual Gross Pay and/or Taxes on the Tax Masterfile (Report 33) and reports.
3	Abnormal accumulations were detected in employee records. For example, DI Taxes, FUTA Taxes, etc.
4	Abnormal statuses were detected in employee records. For example, Work State not equal to 47, FICA Status not equal to 4 or 6, etc.
5	Uncollected OASDI, HI, or Medicare Taxes.

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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, since the masterfile is correct, no adjustment is required. Another example is employees who require special coding due to reciprocal taxing or job location.

The following table describes the majority of exception conditions reported on the U093 along with steps necessary to correct employee records:

Category - Exception	Corrective Action
1 - For all category 1 exceptions	Review the Utility Fields for the employee's pre-tax deductions and correct any improperly coded tax-exempt.
1- Differences in OASDI, HI, or Medicare wages	Check the employee's FICA status reported on the U093. If the value is in error, update the FICA status field on HOBAD.
1- Differences in Federal Wages	Check the employee's FIT status reported on the U093. If the value is in error, update the FIT status field on HOBAD. If the employee is "Exempt" from federal income taxes, be sure to use a value of "A" in the FIT Status field.

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Correcting Exceptions, continued

Category - Exception	Corrective Action
1 – Differences in State Wages	Check the employee’s SIT status reported on the U093. If the value is in error, update the SIT status field on H0ATX. If the employee is “Exempt” from state income taxes, be sure to use a value of “A” in the SIT Status.
1 – Differences in SUI Gross and/or Taxable Wages or, if the SUI Status code appears as an exception	Check the employee’s SUI status reported on the U093. If the value is in error, update the SUI status field on H0BAD. Keep in mind, Agency Heads should be exempt from SUI reporting.
2 – Differences in Gross Wages or any tax withholding accumulations	Represent an out-of-balance condition between the Employee and Tax Masterfiles. This may require a reconstruction of the employee’s payment and withholding history to determine which record is correct.
3 - DI Status does not equal a value of “1” and DI Tax and/or DI Taxable Wages may have accumulated	Check the employee’s DI status reported on the U093. If the value is in error, update the DI status field on H0ATX.
3 - Local Status does not equal a value of “1” and Local Tax and/or Local Taxable Wages may have accumulated	Check the employee’s Local status found on the U093. If the value is in error, update the Special Local status field on H0ATX.
3 - FUTA Status does not equal “1” and FUTA Tax and/or FUTA Taxable Wages may have accumulated	Check the employee’s FUTA status reported on the U093. If the value is in error, update the FUTA status field on H0BAD.
4 - The SUI State Code or Work State Code is not equal to “47” and/or SUI Tax has accumulated	Check the employee’s SUI State Code and Work State Code reported on the U093. If the value is in error, update the SUI State Code and Work State Code fields on H0BAD. Keep in mind, some employees do not work in Virginia and are ineligible for Virginia unemployment compensation. The SUI State Code and the Work State Code must always be the same value.
5 - Uncollected OASDI, HI, or Medicare Taxes	Collect tax from employee and update employee records using Manual Pay Sets.

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Submitting Corrections

After marking the appropriate Masterfile changes on the Report U093, send a copy of the corrected Report U093 to the DOA 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.

Remember that these corrections are made outside of CIPPS processing therefore manual adjustment entries will be required to control total databases.

Healthcare Reconciliation Procedures

Healthcare Reconciliation

Healthcare coverage is provided on a calendar month basis, with the monthly premium costs typically collected, through payroll deductions, on a semi-monthly basis. Premiums collected must be reconciled to BES enrollments on a monthly basis to ensure proper payment to each provider. The reconciliation is automated, however, agencies must review and make any necessary corrections each month. Agencies receive a variety of reports that show the automated reconciliation information, exceptions, and a listing of employees enrolled with a particular provider. See CAPP Topic No. 50430, *Health Insurance*, for detailed reconciliation procedures.

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VRS Retirement Reconciliation Procedures

Retirement Reconciliation Retirement contributions are calculated during payroll processing using payroll deductions. Contributions are remitted to the Virginia Retirement System (VRS) on a semi-monthly basis. VRS collects contribution information and produces agency reports on a monthly basis. CIPPS also produces semi-monthly and monthly reports to help complete a monthly reconciliation between CIPPS deductions and VRS reporting. See CAPP Topic No. 50410, *Retirement - VRS and ORP*, for detailed reconciliation procedures.

New Hire Reporting Procedures

New Hire Reporting All newly hired employees must be reported to the Virginia New Hire Reporting Center (VA NHRC) within 20 days of hire date. DOA produces the CIPPS New Hire Report (U094) and a tape with new hire information, which is sent to the VA NHRC, on a bi-weekly basis.

Agencies must compare the CIPPS Report 1013, the New Employee Add report, with the Report U094 to ensure that all new-hires are reported to the VA NHRC. If a new hire is not on the U094 report, the agency must manually submit the following information to the VA NHRC.

WHAT TO REPORT:

Employer's Name	Employee's Name
Employer Address	Employee's Address
Employer's Federal ID #	Employee's Social Security Number
	Employee's Start Date

WHERE TO REPORT:

<i>Virginia New Hire Reporting Center</i>	<i>Telephone Number:</i>
<i>P.O. Box 640097</i>	<i>1-800-979-9014</i>
<i>Atlanta, GA 30364</i>	<i>FAX NUMBER:</i>
	<i>1-800-688-2680</i>
Internet Address: http://www.va-newhire.com	

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Internal Control

Internal Control Agencies must complete and submit the required reconciliations in a timely manner and ensure that all records are maintained accurately and completely.

Records Retention

Time Period All reconciliations should be retained for five (5) years or until audited, whichever is later. Agency policy and procedures determine the retention of the related agency source documents/records. Please see CAPP Topic No. 21005, *Records Retention and Disposition*.

Contacts

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Subject Cross References

References CAPP Topic No. 21005, *Records Retention and Disposition*
CAPP Topic No. 50410, *Retirement - VRS and ORP*
CAPP Topic No. 50430, *Health Insurance*
CAPP Topic No. 70710 to 70730, *FINDS: CIPPS Downloading*
CAPP Topic No. 70735, *Payroll Audit Tool*
