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Section No. 50400—Deductions	TOPIC	General Deductions
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Overview

Introduction

The Commonwealth of Virginia offers employees a wide range of programs and services that can be paid by the employee through payroll deduction. Some of these programs are State sponsored while others are administered through third party vendors. Examples of such programs are:

- TPA Supplemental Insurance and Annuities – Programs offering eligible employees a variety of insurance and tax sheltered annuity options. (An administrative fee is required for some of these products)
- Combined Virginia Campaign (CVC) – A charitable donation program providing a system for state employees to support not-for-profit charities
- Parking and Transportation - Deductions available to help agencies collect parking and other transportation program fees using pre- or post-tax deductions

All activity for insurance and annuity deductions must be processed through an automated interface between the TPA and DOA. Employees usually complete an enrollment form and/or some type of deduction authorization form to initiate the payroll deduction for CVC, miscellaneous insurances, and annuities. Refer to the “General and Benefits Deductions” Job Aid for a list of general deduction codes available in Cardinal HCM.

Court-ordered withholdings (i.e., garnishments) are also general deductions and are reviewed and verified by agency payroll administrators. See CAPP Topic 50405, *Court-Ordered Withholdings*, for detailed information regarding garnishments.

TPA Supplemental Insurance and Annuities Program

TPA Supplemental Insurance and Annuities

The TPA Supplemental Insurance and Annuities program benefits employees by providing payroll deduction services for commercially available products offered by a network of independent providers. Two types of products are offered:

- Insurance (post-tax)
- Tax Sheltered Annuities/TSA (403(b) pre-tax) (See CAPP Topic 50425, *Retirement*, for more information)

Each pay period, an automated file for updating Cardinal HCM is received 5 workdays before final confirmation. The TPA schedule can be viewed on DOA’s website. At the same time, change and enrollment reports are available to Benefit Administrators on the TPA’s website. Depending on the provider, an administrative fee may apply that must be charged to the employee through payroll deduction.

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TPA Supplemental Insurance and Annuities Program, Continued

Third Party Administrator (TPA)

An independent third party administrator:

- Manages the network of providers
- Serves as the clearinghouse for deduction authorization forms processed by network providers in response to employee enrollment activity
- Makes reports available to agency staff for changes and enrollments processed by network providers
- Reconciles and remits payments to providers in accordance with pre-established schedules. Supplemental insurance payments are remitted by the TPA to providers on a monthly basis after the deductions have been withheld from employee pay; therefore, the employee may need to pay for the first few months of coverage outside of the payroll system.

Refer to the TPA Administrative Manual on the DOA website at www.doa.virginia.gov (Click Payroll Operations, then Third Party Administrator) for more information on the enrollment and remittance processes.

TPA Administrative Fee

Administrative fees are charged by the TPA to fund processing activities. In many cases, the provider pays the administrative fee on behalf of the employee. When the provider does not pay the administrative fee, the fee must be charged to the employee through payroll deduction. If applicable, the administrative fee deduction is established in Cardinal HCM at the same time the TPA deduction is established. The fee is charged each pay period.

DOA Administrative Fee

DOA charges a minimal administration fee to employees with supplemental insurance deductions. The fee is the same regardless of the number of supplemental insurance products in which the employee is enrolled and is charged each pay period for which there is a deduction for supplemental insurances.

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TPA Supplemental Insurance and Annuities Program, Continued

Refunds

When deductions are withheld in error, the Cardinal Single-Use Payroll Online Tool (SPOT) process can be used to refund the employee deduction. The refund must be processed along with the employee’s regular payment. Refer to CAPP Topic 50515, *Special Payments*, for instructions. The refund process should not be handled outside of Cardinal HCM.

Deduction Terminations

All terminations should flow through the TPA. The forms found on DOA’s website and in the Administrative Manual are the only forms that will be accepted to stop a deduction. To initiate a change or a cancellation, the employee should:

- Contact the provider and complete a new form denoting the cancellation. (As a contingency, the Agency Payroll/Benefit Administrator should have a small supply of the forms.)
- The provider will notify the TPA of the cancellation.
- The TPA provides a cancellation transaction on the automated file. If an employee notifies the agency payroll personnel of a delay in cancellation, the deductions should be manually deactivated and the agency should notify the TPA via email.

Reports

Two reports that can be reviewed to verify updates are:

- RHR002, Employee Data Change Audit Report – Can be run as needed and lists changes made to key employee personal data fields and key employee job data fields.
- RHR147, Annuity and Miscellaneous Insurance Error Report – Lists employee Annuity and Miscellaneous Insurance (including fees) changes from the daily FBMC-Cardinal interface which could not be loaded and the error reason,

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Combined Virginia Campaign

Introduction

The Combined Virginia Campaign (CVC) is conducted annually, during the months of October through December, among all classified and hourly state employees that wish to donate via the payroll option. CVC is the only authorized workplace giving program in the Commonwealth’s workforce that solicits donations and encourages volunteerism on the behalf of approved 501(c)(3) charitable organizations. The CVC is designed to provide a convenient system for state employees to support the efforts of charitable organizations that have various missions that support diverse communities across the state of Virginia. Contributions made to charitable organizations are completely voluntary. For more information, access the CVC website at <https://www.cvcgives.org>.

Agency CVC Coordinator

The Agency CVC Coordinator is an employee selected by a state agency to coordinate the campaign in *their* agency. This employee is responsible for:

- Collaborating with the statewide CVC office at DHRM and registering as an agency CVC coordinator
 - Participating in Agency CVC Coordinator training during CVC's open office hours
 - Collaborating with their respective Agency/Department Head to set agency's fundraising goal
 - Promoting ePledge, Silent Auctions, Peer-to-Peer and Online Fundraisers
 - Reinforcing why giving/donating is important to the community
 - Distributing the annual Giving Guide
 - Hosting agency special events for fundraising
 - Monitoring campaign's progress
 - Serving as the CVC point-of-contact for the respective agency
 - Reporting pledges using CVC transmittal reports
 - Reporting direct giving to CVC
-

Charity Designation

Employees may contribute to a charity through payroll deduction, cash, check, credit card, stock donation, or direct giving. Campaign contributions may be designated to as many specific organizations participating in the CVC that the employee chooses, or they may make their donation undesignated. Undesignated contributions are automatically donated to the Virginia State Employee Assistance Fund.

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Combined Virginia Campaign, Continued

Pledge Card Processing

Employees can donate via e-pledge at <https://epledge.cvcgives.org>. Employees may also complete and print the CVC pledge card to make a donation and hand it to their agency's CVC Coordinator for processing. Pledge cards indicating payroll deduction as the method of contribution are forwarded to the agency's payroll office for processing. The deduction is established on the employee's deduction screen in January following the campaign season (i.e. If the pledge was made during the 2021 campaign, the first deduction will start in January of 2022).

CVC Deduction Termination

To stop a CVC deduction contribution, the employee will need to submit a written request to their agency's payroll officer.

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DGS Parking Services Program

DGS Policy DGS Directive 14 establishes policies and procedures governing state-owned or leased parking facilities. This Directive is supplemented by the policies contained in the DGS Pre-tax Parking Fee Program document. Employees must follow DGS procedures for obtaining, completing, and submitting the required enrollment and DGS Salary Reduction Agreement forms to their agency’s human resources or payroll Agencies are charged for all allocated parking spaces. Costs are typically collected from employees through payroll deduction. Agencies must reconcile the Parking Fee Suspense Account monthly.

Pre-Tax Parking Internal Revenue Code Section 132(f)(1)(c) allows fees for DGS parking to be collected through payroll deduction on a pre-tax basis. DGS Salary reduction agreement forms must be completed in advance of participation in the pre-tax program.

<u>Forms that are submitted between:</u>	<u>Reflected on payday:</u>
1 st -15 th of month	The 1 st of the following month
16 th -31 st of month	The 16 th of the following month

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DGS Parking Services Program, Continued

DGS Parking Charges and Agency Parking Reconciliation

Each month DGS processes a journal entry in Cardinal FIN charging a program and fund pre-defined by the agency and object code 5015450 for the total amount due for all parking spaces allocated to the agency. This transaction is processed with journal source of EXA.

DGS requires agencies to reconcile the Parking Fee Suspense Account. Agencies must charge agency funds for spaces occupied by agency-owned vehicles or for unassigned spaces; however, agency funds cannot be used to pay parking fees for spaces assigned to employees. A monthly transfer of funds collected in the Parking Fee Suspense Account to offset the expenditure processed by DGS should be processed by GL Journal, with a debit entry to the applicable parking fund (which is 02700 for most agencies), account 22051441, Pay Susp-DGS Parking to reduce the suspense account, and a credit entry to reduce the expenditure. If the agency did not collect enough through payroll deduction, the difference remains charged as an expenditure to account 5015450.

Agencies are responsible for reconciling the activity in account 22051441 to ensure the balances are clearing in all funds where transactions post. The original Payroll journal will record activity to various funds and the Central Agency Journal process (journal with 'PL' journal mask), will move this activity to the agency's parking fund.

Agency Parking

Agency Parking Programs

Agencies may also sponsor employee parking programs in non-DGS facilities. Such programs are supported in Cardinal HCM through pre or post-tax payroll deductions.

See IRS for additional information on non-DGS employer-provided parking benefits: <https://www.irs.gov/government-entities/federal-state-local-governments/qualified-parking-fringe-benefit>.

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Agency Parking Qualified Transportation (Commuting) Programs

Pre-tax Programs

Other transportation programs (i.e., mass transit pass, van pooling) sponsored by agencies are supported through pre-tax payroll deduction only. Although transportation programs for commuting can be designed to provide direct employee reimbursement for actual expenses, benefits are typically paid through one central bill administered by the agency. If direct employee reimbursement is provided, employees must provide proper certification and documentation of actual expenses. Salary reduction agreement forms must be completed in advance of participation in each pre-tax transportation program. Agencies must also prohibit:

- Retroactive application of salary reduction agreements
 - Cash pay-outs of excess deducted amounts
 - Carryover of excess deducted amounts to future months
-

Local Tax Exemption

Deductions that are tax sensitive (i.e., exempt from FIT, SIT, FICA) may also be exempt from local taxes, if the employee is paying other than Virginia taxes.

Creating, Updating, and Stopping General Deductions

Overview

General Deductions can be both pre-tax and post-tax based on setup from the General Deductions or Garnishment tables in Cardinal. Deductions are set up at the Agency level for employees to be eligible. Refer to the “Creating, Updating, and Stopping General Deductions” Job Aid for detailed instructions on creating, updating, and stopping general deductions.

Reports

RPY140, Deductions Not Taken – Report lists employees who had benefit or general deductions omitted for a pay period. Agencies should use this report to determine when additional deductions should be taken to bring deductions current.

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Internal Control

Internal Control

Agencies must have documented Transportation Programs in place that meet all IRS requirements before offering Transportation Benefits. Agencies should ensure that all required employee authorizations are obtained before the deduction is established in Cardinal HCM. Agencies must ensure employees pay for assigned parking spaces and obtain appropriate salary reduction agreements for pre-tax deductions.

Records Retention

Time Period

Supporting payroll documents should be retained for a period of 5 years or until audited whichever is later.

Contacts

DOA Contacts

Director, State Payroll Operations
 Voice: (804) 225-2245
 E-mail: Payroll@doa.virginia.gov

Assistant Director, State Payroll Operations
 Voice: (804) 371-7800
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Subject Cross References

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CAPP – Topic No. 50405, *Court-Ordered Withholdings*
CAPP – Topic No. 50425, *Retirement*
CAPP – Topic No. 50515, *Special Payments*

Refer to suggested job aids and training information for data entry and processing on the Cardinal website: <http://www.cardinalproject.virginia.gov/>.

Suggested Additional Resources

The following can be found on the Cardinal Website, under Statewide Toolbox – Job Aids:

PY381 General and Benefits Deductions Codes
PY381 Creating, Updating, and Stopping General Deductions

The following additional resource can be used:

- IRS Publication 15-B: <https://www.irs.gov/pub/irs-pdf/p15b.pdf>