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Section No. 50500—Paying the Employee	TOPIC	Special Payments
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Overview

Introduction Cardinal HCM can be used to process payments to employees for compensation and payments not normally associated with regular salary or wages. These payments are commonly referred to as Special Payments and can be processed through either Additional Pay or the Single-Use Payroll Online Tool (SPOT). Examples of each include:

Additional Pay

- Temporary
- Military Supplemental
- Healthcare Premium Rewards
- Virginia Retirement System (VRS) Contribution Base
- Other miscellaneous income (e.g., Mobile Device reimbursement, Adjunct faculty contracts)

SPOT

- Annual, sick, or compensatory leave balance payments
- Terminated payments
- Workers’ Compensation payments
- Moving and Relocation payments
- Other miscellaneous taxable and non-taxable income (e.g., Reportable Meals, Bonus pay, Taxable Fringe Benefits)

Refer to the “Processing Additional Pays” and “Using the Single-Use Payroll Online Tool (SPOT)” Job Aids for detailed information. Refer to the “Additional Pay Earnings Codes” Job Aid for a list of available Additional Pay codes in Cardinal HCM.

Types of Special Payments

Special Payments are processed in Cardinal HCM in two ways:

- Additional Pay - refers to earnings that an employee will be paid as a static amount on a regular basis in addition to their regular pay.

Single-Use Payroll Online Tool (SPOT) - is used by payroll administrators to enter one-time transactions affecting pay or deductions in Cardinal. Transactions can be entered online in SPOT or through a SPOT Template upload.

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Overview, Continued

Audit Requirements

DOA performs a centralized post-audit of Cardinal HCM pay related payments. Any hourly employee payments made using Additional Pay or SPOT must contain the corresponding hours worked with the payment information. Any type of pay that requires using hours from the timesheet should not be processed using Additional Pay. Therefore, if pay is processed for an hourly employee and no hours are entered, an explanation to the DOA Cardinal Payroll/HR post-audit will be required, and excessive exceptions will be reported in the *Report on Statewide Financial Management and Compliance*, or Quarterly Report.

Additional Pay

Overview

Additional Pay that is paid on a regular recurring basis, in the same amount each pay period, is initially set up in Cardinal by HR.

Additional Pay can be charged to the employee’s default coding string, or it can be designated to a different charge code string. In either case, the specific account code will be applied by the system based on the Earnings Code and Employee Class code associated with the employee.

Once the Additional Pay is set up in Cardinal HCM for an employee, it is automatically processed at the same time as the employee’s regular payroll.

Establishing and Maintaining Additional Pay

While HR establishes and maintains an employee’s Additional Pay, payroll administrators can view the Additional Pay setup and are responsible for ensuring that the pay is processed correctly.

When an employee transfers to another agency, the employee (e.g., Employee Record 0) is terminated at the old agency and hired into the new agency (e.g., Employee Record 1). At termination, the employee’s Additional Pay at the old agency stops and must be reinstated at the new agency for it to continue, if the Additional Pay is still applicable for that employee. Both the termination and hire are executed by HR.

Refer to the “Processing Additional Pays” and “Managing an Inter-Agency Transfer” Job Aids.

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Additional Pay, Continued

Effective Dating

Additional Pays are effective dated and are set up and processed at the Employee Record level. If the actual effective date of the pay is in a prior pay period, or in the middle of the current pay period, and a retroactive or partial payment is due:

- a payroll administrator will need to manually calculate the amount due to the employee, and
- a payroll administrator will enter this amount into the Single Use Payroll Online Tool (SPOT), so that the calculated retroactive or partial amount is loaded into the employee paysheet. SPOT is covered later in this topic.

Note: Cardinal does not prorate Additional Pay. Therefore, the entire amount is paid if it starts or ends in the middle of the pay period. If there is a goal amount set, the amount will only be taken up to the amount of the goal.

Multiple Job Records

Additional Pay is paid at the Employee Record level. There will be separate Additional Pay records in Cardinal for each active Employee Record, whether the multiple records are within one agency or in different agencies.

Types of Additional Pay

Temporary Pay

Temporary Pay is typically set up in Cardinal HCM as Additional Pay when an employee takes on additional duties or serves as an acting supervisor.

Temporary pay is excluded by Cardinal HCM from the calculation for retirement, but it is included in the FLSA calculation for overtime. If an employee works overtime, a payroll administrator will not have to manually calculate the hourly rate.

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Types of Additional Pay, Continued

Military Supplemental Pay

An employee may be eligible for military supplemental pay if all of the following criteria are met:

- called to duty,
- not receiving regular state pay, **and**
- being paid by the Federal government at a rate lower than the employee’s state job rate

If the gross military salary plus allowances total is less than the employee’s base state salary, the employee receives Additional Pay for the difference.

See DHRM Policy #4.50, Military Leave, for more information.

Healthcare Premium Rewards

Employees can enroll in the Healthcare Premium Rewards program by agreeing to participate in healthcare incentive activities. In return, they receive a “reward” payment that offsets part of their health insurance premium. In Cardinal HCM, the full health insurance premium is deducted as a pre-tax deduction, and the Healthcare Premium Reward is set up as an Additional Pay and paid as a taxable earning.

Healthcare Premium Rewards are created by an inbound interface from the administering vendor(s). This type of Additional Pay is automatic and does NOT have to be set up manually.

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Types of Additional Pay, Continued

Virginia Retirement System (VRS) Contribution Base

The Virginia Retirement System (VRS) Contribution Base is set up for the retirement benefits calculation only and does not add to the employee’s pay. The VRS base is calculated using the employee’s normal semi-monthly rate at the beginning of the month. Calculations differ based on the number of pay periods an employee is paid (e.g., higher education base could be calculated on 18, 20, or 22 pay periods).

For example, if an employee’s gross pay at the beginning of the month is \$1,500 and an employee receives an increase in the middle of the month raising gross pay to \$1,700, the VRS base will remain \$1,500 until the beginning of the next month.

If there are pay changes, or the employee terminates, an automated nightly batch process recalculates the VRS Additional Pay and inserts a row with a new effective date, effective on the first of the following month after the change. The VRS base is used to calculate retirement and other post-employment benefit deductions (e.g., Long-Term Disability, Retirement, Retiree Health Credit and Group Life).

VRS Contribution base is created automatically by Cardinal in a nightly batch process. This type of Additional Pay is automatic and does NOT have to be set up manually.

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Single-Use Payroll Online Tool (SPOT)

Overview

The Single-Use Payroll Online Tool (SPOT) is used by agency payroll administrators to enter one-time transactions affecting earnings or deductions in Cardinal. This is a key tool for payroll administrators to enter and update information that will be loaded into the employee paysheets. SPOT Transactions can be entered online manually or using the SPOT Template upload.

Refer to the “Using the Single-Use Payroll Online Tool” Job Aid for detailed instructions.

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Leave and Terminated Payments

Leave Payments

During periods of Leave of Absence (LOA), upon termination or transfer to another agency, employees may be entitled to payments for their accumulated annual, sick, and compensatory leave balances or may receive leave share payments. Leave payouts must be taxed at the supplemental rate.

The following chart references the appropriate policy for guidance on payout:

Special Pay		For Maximum Payouts and Other Information, See	
Code(s)	Name		
LSH	Leave Share	DHRM Policy No. 4.35, <i>Leave Sharing</i>	
ALP	IAP- (WTA)	Annual Leave	DHRM Policy No. 4.10, <i>Annual Leave</i>
SLP	ISP- (WTA)	Sick Leave	NON-VSDP EMPLOYEES - DHRM Policy No. 4.55, <i>Sick Leave</i> VSDP EMPLOYEES - DHRM Policy No. 4.57, <i>Virginia Sickness and Disability Program</i>
CLP	ICP- (WTA)	Compensatory Leave	DHRM Policy No. 3.10, <i>Compensatory Leave</i>
OLP		Overtime Leave	DHRM Policy No. 3.15, <i>Overtime Leave</i>

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Leave and Terminated Payments, Continued

Deceased Pay Guidelines

The method for handling federal taxation and reporting of a payment of wages to an employee who has died, depends on when the wages are paid in relation to the employee's death.

Electronic fund transfers (direct deposit) are considered "negotiated" for deceased employees once the transaction has been released through NACHA to the receiving financial institution (RFI) which occurs two banking days before payday. Therefore, the funds can be stopped up to and including three business days before payday. For example, if payday is Thursday, September 30, you can do a stop payment September 27 or earlier. As of September 28, the money has already been transferred out and there is no guarantee it can be stopped; therefore no void and reissue should be requested. Any overpayment will need to be deducted from any other funds due to the estate/beneficiary, such as regular pay, overtime, annual leave.

Employee dies before cashing paycheck. If an employee dies after a physical check has been mailed, check with the Department of Treasury to see if the check has cleared. If it has not, perform a stop payment and, upon receipt of the required documentation, reissue the check, through Accounts Payable, in the name of the executor/administrator according to established timeframes. If processed in the same year that the employee dies, the wages and amounts withheld must be reported on the employee's Form W-2.

Before any payments can be made to estates or successors of deceased employees, the proper documentation must be received. For documentation required from executors/administrators or heirs, see Code of Virginia Title 64.2 Wills, Trusts, and Fiduciaries » Subtitle II, Wills and Decedents' Estates, Chapter 5, Personal Representatives and Administration of Estates.

Payments under \$50,000 may be made to an estate upon receipt of the necessary documentation; however, when there is no executor or administrator, payments to any successor cannot be processed prior to 60 days from the date of the employee's death (see Chapter 6, Transfers without Qualification). Contact the Office of the Attorney General for guidance if the amount due is more than \$50,000.

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Leave and Leave and Terminated Payments, Continued

Wages paid after employee dies and in the same year. Wages paid to a deceased employee’s estate or successors after the employee dies, but in the year of death, are not subject to federal income tax withholding. However, they are subject to social security, Medicare, and FUTA taxes. (Note: Virginia wages are exempt from FUTA taxes.) Therefore, the agency must report the social security and Medicare wages and the amounts withheld on the deceased employee’s Form W-2 in Boxes 3-6. The amount of Federal and State taxable income should be reported only on a Form 1099-MISC in the name of the estate, if there is an executor/administrator, or in the name of the beneficiary, if there is no executor/administrator for the estate.

Wages paid after the year of death. Wages paid to a deceased employee’s estate or beneficiary after the year of the employee’s death are not subject to federal income tax withholding or social security, Medicare, or FUTA taxes and should be reported only on a Form 1099-MISC in the name of the estate or beneficiary receiving the payment.

NOTE: See CAPP Topic 20302, *Information Returns Reporting*, for information relating to Form 1099.

Deceased Payments

In the event an active employee dies, ALL payments (regular, overtime, annual leave, sick leave, etc.), for both current and prior year, are made through Accounts Payable for 1099 reporting. If the payment is made for the current year, it must be recorded in Cardinal HCM for W2 reporting. To accomplish this, the transaction should be entered in SPOT as an earnings and then entered as a deduction (DUEAGY) to have a net zero effect. Tax adjustments need to be coordinated with SPO.

Special Pay		Description
Code	Name	
DPC	Deceased Pay Current Year	Used to record payment to a deceased employee’s estate, administrator, and/or executor. All payments due the employee after the date of the employee’s death should be made using this special pay code, EXCEPT IF THE DEATH OCCURRED IN A PREVIOUS CALENDAR YEAR.

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Taxable Benefits

Taxable Non-Cash Fringe Benefits

Special Payments can be used for benefits that must be taxed, but not paid, to an employee. Some examples are rent, agency-owned automobile usage, gift cards, meals, and lodging. These benefits are sometimes referred to as non-cash fringe benefits. According to the IRS, in some cases, these non-cash fringe benefits must be reported as taxable income, and must receive special treatment for taxing and withholding purposes. Cardinal HCM earnings codes have been established on a system level to automatically accommodate any special taxing and/or reporting needs associated with these fringe benefits, and can be made using Additional Pay or SPOT, whichever is appropriate.

These Special Payments should be processed in a payroll in which the employee is also receiving regular pay, in order for taxes to be appropriately withheld. If Special Payments must be processed in a payroll in which the employee is not receiving regular pay, taxes will go negative and the next time a payroll with regular pay for that employee is processed, taxes will self-adjust in Cardinal.

A payroll administrator can make adjustments to Special Payments, as one-time overrides, with SPOT. If balance adjustments are necessary, payroll must work with DOA State Payroll Operations (SPO).

To update employee records to reflect taxable benefits, SPOT transactions must be processed **before the last payroll cycle of the calendar year** so that tax amounts can be withheld correctly. If they are not processed before the last payroll as indicated in the Calendar year-end Payroll Bulletin, payroll must work with DOA SPO to update the taxable wage fields for non-cash fringe benefits at year-end. Refer to IRS Publication 15, Circular E, Employer’s Tax Guide, and CAPP Topic 20319, *Electronic Federal Tax Payments Processing*, for the reporting of payroll taxes when not withheld from the employee as required.

Agencies are required to certify each quarter that all non-paid/non-cash taxable benefits have been recorded in Cardinal HCM.

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Internal Control

Internal Control

Access to employee personal data, as well as any page that contains confidential employee information, is restricted to agency staff that are assigned the appropriate Cardinal HCM roles. Refer to the **Statewide Cardinal Security Handbook for more details on roles.**

Agencies are responsible for verifying information pertaining to special pays is complete, properly authorized, and has been entered accurately into the system. Policies and procedures must be established to ensure the proper segregation of duties and review of information entered into the system, before payments are processed. Payroll actions in Cardinal HCM are a shared responsibility of the person(s) who collects and processes the source documents and the fiscal managers who must oversee the payroll operations to ensure consistent application of internal control procedures.

Records Retention

Time Period

The COVA Payroll Register, RPY137, must be retained for 4 years after the close of the calendar year or until the year has been audited by the Auditor of Public Accounts, whichever comes later. All other reports should be retained for 60 days.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, Library of Virginia.

Agency policy and procedures determine the retention of the related agency source documents/records. See CAPP Topic No. 21005, *Records Retention and Disposition*.

Contacts

DOA Contact

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Subject Cross References

References

CAPP – Topic No. 20302, *Information Returns Reporting*
CAPP – Topic No. 20319, *Electronic Federal Tax Payments Processing*
CAPP – Topic No. 21005, *Records Retention and Disposition*

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 Learning – Job Aids:

HR 351 Processing Additional Pays
HR 351 Managing an Inter-Agency Transfer
PY 381 Using the Single-Use Payroll Online Tool (SPOT)
PY 381 Additional Pay Earnings Codes

The following can be found on the Cardinal Website, under Resources > – Forms:

- Leave Payment Spreadsheet
-