***Department of Accounts***

***Payroll Bulletin***

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| *In This Issue of the Payroll Bulletin…....* | * **CIPPS Overtime Calculation Methods**
* **Payroll@DOA.Virginia.gov**
* **PAT Payroll Audit Tool and ARMICS**
 | 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.govState Payroll Operations**Director Lora L. George**Assistant Director Cathy C. McGill |

#### **CIPPS Overtime Calculation Methods**

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| FLSA Compliance | DHRM will soon distribute a document that explains proper overtime calculation for employees who are receiving multiple rates of pay. When a non-exempt employee receives more than one hourly rate of pay, works in more than one position at the same agency at different hourly rates, or receives other payments (such as shift differentials, on-call pay, non-discretionary bonuses, temporary pay, etc.) during the work cycle, special FLSA rules apply when calculating the **regular rate** of pay.  The employee’s **regular rate** of pay is the amount of ALL remuneration for employment during a work cycle divided by the total number of hours worked during the work cycle.  (Note: a work cycle is not the same as a pay period.)  The following sections will help agencies understand how to *properly enter overtime in CIPPS* when situations such as Temp Pay, On-Call Pay and Shift are encountered.   |

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| Method #1 – Automatic Average Overtime Calculations for Special Payments | **Method #1 will only calculate correctly if the following conditions are true:*** The special pay does not have hours associated with it. For example, Temp Pay is usually disbursed as an additional flat dollar amount each pay period. The amount paid is the same regardless of how many hours were worked in the pay period.
* The overtime hours are keyed in the same pay period that the special pay is processed. For example, the employee is receiving an additional $100 each pay period for Temp Pay. If the overtime hours are keyed in a pay period in which the same amount of Temp Pay is still active, the overtime will calculate correctly. However, if overtime hours are worked in a prior work cycle that included Temp Pay and the Temp Pay has since then been discontinued, you should manually compute the overtime rate and key the amount manually.
* The special pay is set up on the agency’s company header to be included in the average overtime rate. Temp Pay (Special Pay 32) and On-Call Pay (Special Pay 28) are included on all agency company headers as a statewide standard. If agencies have a specific special pay that needs to be included in the overtime rate, please contact State Payroll Operations to request that it be added.
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**CIPPS Overtime Calculation Methods,** continued

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| Method #1 – Automatic Average Overtime Calculations for Special Payments, **continued** | * The employees’ H0BBN screen has been established as shown in the example below. The Overtime Status must be a “5” in order to invoke the average overtime rate computation.

If any one of the conditions above is not true – you must manually calculate the overtime due and key the overtime rate in the transaction.**How to automatically include special pays in the overtime rate:*** Change the Overtime Status on screen H0BBN to a “5”. All of the other fields will remain the same. The OT 1 and OT 2 Premiums should reflect the employee’s overtime eligibility in PMIS. (The example below is for an employee with an Overtime Eligibility code of “Y”. If the employee had an Overtime Eligibility Code of “C”, the OT 2 Premium would be 1.0.)

 * Key the overtime transaction as normal on screen HUA03. Use a “1” in the overtime indicator if the overtime is for straight time. Use a “2” in the overtime indicator if the overtime is for premium overtime.

 **NOTES:** * + Two warning messages will be received when the Overtime Status is changed to a “5”. The messages are “7602W-SALARY EMP HAS AVG OTIME” and “7709W-OTIME WILL BE PAY PERIOD CALC”. Simply press enter again to remove the warning messages and continue.
	+ The CIPPS to PMIS interface is programmed only to insert a “3” as the Overtime Status when a change to the Overtime Eligibility Code is made in PMIS. If the Overtime Status is changed to “5” in CIPPS and subsequently the U082 Report shows a change to the Overtime Eligibility Code from PMIS, then the Overtime Status on H0BBN will need to be changed back to “5” again in CIPPS.
	+ It is recommended that the H0BBN Overtime Status should be changed back to a “3” when the employee is no longer actively receiving the special pay. If late overtime needs to be paid to the employee for a work cycle that involved the special pay, and that special pay is no longer active, the proper overtime rate will have to be manually calculated and entered as an override.
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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #1 – Automatic Average Overtime Calculations for Special Payments, continued | **CIPPS computation explanation for Method #1:**Example: Employee with $2000 semi-monthly salary ($23.07 per hour) receives 2 hours of overtime during one work week and 3 hours of overtime during the second work week. The employee receives $100 of Temp Pay each pay period. If Method #1 is used – CIPPS will calculate the overtime as shown below:**NOTES:*** It would be incorrect to compute “time and one half” of the hourly equivalent of Semi-Monthly Salary and Temp Pay as the employee receives a flat dollar amount regardless of the number of hours worked in the period. The “time” is calculated at the normal straight time rate. Only the “one half” is calculated using the Premium Overtime Rate. Using amounts from example above, Wrong way: Average Rate of $24.16658 \* 1.5 = $36.25; Correct way: $23.07 + $12.08329 = $35.15329, $35.15329 \*5 = 175.77.
* The automated CIPPS average overtime rate uses the pay period hours to calculate the Average Overtime Rate. FLSA regulations require that the remuneration for each work cycle (for example a work week) is divided by the hours worked in that cycle to determine the Regular Rate. Provided all of the conditions shown at the beginning of this section are true, testing has proven that this method will produce a rate this is slightly higher than the required FLSA rate. System limitations prevent grouping hours together for a particular work cycle; therefore, it is recommended that Method #1 be used when appropriate. The slightly higher rate will ensure FLSA compliance and avoid the complications that can be present with manual calculations. Consider the following CIPPS Calculation to Work Cycle Calculation comparison below.
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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #1 – Automatic Average Overtime Calculations for Special Payments, continued | **Comparison - CIPPS Calculation to Work Cycle Calculation for Method #1****Work Week 1:**Straight Time Hours for 42 Hours (42\* 23.07)$968.94Plus Weekly Equivalent of Temp Pay ($100 \* 24/Divided by 52)$46.15Equals Total straight time remuneration for the pay period$1,015.09Divided by total hours for the work week (42) Equals Average Rate$24.16881Multiplied by .5 Equals Premium Overtime Rate$12.08440Multiplied by 2 Hours of Overtime Due$24.17Plus Straight Time for the 2 Hours of Overtime (2 \* 23.07)$46.14**Total Overtime Due for Work Week 1****$70.31** |
|  | **Work Week 2:****Total Overtime Due for Both Work Weeks ($70.31 WK1 + $105.42 WK2) = $175.73****Compare to CIPPS Calculation of $175.77** |

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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #2 – Automatic Overtime Calculations for Shift Payments | CIPPS does not include a time and labor component, therefore, it cannot group hours worked for multiple shifts by a particular work cycle (for example a work week). Thus, CIPPS cannot calculate the exact “Regular Rate” for each work cycle. In order to ensure FLSA compliance and maintain the ability to automate high volumes of transactions, it is recommended that agencies use Method #2 as described in this section. Method #2 will result in a slightly higher overtime rate; however, the complications involved with manual processing as well as the assurance of FLSA compliance are well worth the investment.**To calculate overtime with Shift Payments your H0BBN screen should be established as shown in one of the two examples below:**Option #1 – Shift Premiums on the H0BBN screen. Shift Location will contain the number “9” and the Shift 2 and Shift 3 premiums will be populated. Shift and Shift Rate indicators should be “4”. *The Shift 2 Premium should always reflect the lower rate.*Option #2 – Shift Premiums established on H0CCH screen. DOA can set Shift 2 to reflect the lower premium upon request. The H0BBN screen should look like this when used with the H0CCH: |

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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #2 – Automatic Overtime Calculations for Shift Payments, continued | Consider a non-exempt, salaried employee with a 7-day work cycle and a semi-monthly salary of $836.75. (Hourly Rate $9.65). The employee earns an additional $.75/hour for hours worked on Shift 2 and an additional $1.00/hour for hours worked on Shift 3. There are 3 work weeks to be paid during the semi-monthly pay period. Specifics of each work week as well as the FLSA computations are shown below:**Work Week 1** – The employee worked 56 Hours Total. 54.3 of those hours were worked on Shift 3. The employee earned 16 Hours of premium overtime. **Work Week 2** – The employee worked 48 Hours Total. 8 Hours were worked on Shift 2. The employee earned 8 Hours of premium overtime.  |

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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #2 – Automatic Overtime Calculations for Shift Payments, continued | **Work Week 3** – The employee worked 55.8 Hours Total. None of those hours were worked on a Shift. The employee earned 15.8 Hours of premium overtime.NOTE: Testing has proven that if all of the overtime hours in a particular work cycle are associated with the highest Shift Rate worked in that work cycle, the resulting overtime is only slightly higher than the FLSA required rate as shown above.For example, if Shift 2 was the only shift worked during a cycle, key the overtime indicator on HUA03 along with a “2” in the Shift Indicator. If Shift 2 *and* Shift 3 were worked during a work cycle, then key the overtime indicator on HUA03 *with only* a “3” in the Shift Indicator. If no Shift hours were worked during the work cycle leave the Shift Indicator blank on HUA03 when overtime hours are keyed. Provided the agency makes it a practice to establish the lower rate as Shift 2 and the higher rate as Shift 3 on the employee masterfile, FLSA compliance will be maintained and the agency will not have to manually calculate high volumes of transactions. |

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#### **CIPPS Overtime Calculation Methods,** continued

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| Method #2 – Automatic Overtime Calculations for Shift Payments, continued | **A breakdown of the CIPPS transactions for each Work Week is shown below.** **Work Week 1 –** The following transactions should be keyed on HUA03:* Transaction #1 will pay 16 hours of premium overtime at the Shift 3 Rate provided the employee masterfile is established as shown at the beginning of this section. All of the overtime hours are associated with the highest shift code that was worked that week (Shift 3).
* Transaction #2 will pay 38.8 hours for Shift 3. No overtime was earned for those hours. Notice that the original 54.3 hours of Shift 3 was offset by the 16 hours keyed in Transaction #1.

**Work Week 2 –** The following transactions should be keyed on HUA03:* Transaction #3 will pay 8 hours of premium overtime at the Shift 2 Rate provided the employee masterfile is established as shown at the beginning of this section. All of the overtime hours are associated with the highest shift code that was worked that week (Shift 2).

**Work Week 3 –** The following transactions should be keyed on HUA03:* Transaction #4 will pay 15.8 hours of overtime at the regular rate of pay – no shift hours were worked during that work week.
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**CIPPS Overtime Calculation Methods,** continued

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| Method #2 – Automatic Overtime Calculations for Shift Payments, continued | **A summary of the 4 transactions keyed is shown below:****CIPPS will calculate the transactions keyed above as shown below:**NOTE: When each work week was manually calculated at the beginning of this section, the total due for all three work weeks was $584.37. (Week 1 - $239.36; Week 2 - $116.30 and Week 3 - $228.71). Using Method #2, CIPPS calculated the total overtime payment as $587.37. The minimal extra cost associated with this method is offset by the savings in administrative costs and risks associated with manual computations. |

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#### **CIPPS Overtime Calculation Methods,** continued

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| Calculating Overtime for Employees Receiving Multiple Rates of Pay | Consider the following for employees who received multiple rates of pay for different types of work and are owed overtime for that work cycle: * Method #1 will not work for this situation. The hours for the second job could be keyed to a different special pay on the employee’s record; however, Method #1 only works if the Special Pay has no hours associated with it.
* Method #2 may be used for this situation. If the employee has a different pay rate when they perform a different type of work, simply key the additional amount they are paid as a Shift 2 or Shift 3 differential. For example, a salaried employee is paid $10 per hour on one job, but receives $15 per hour on the second job. Set up the H0BID screen with the employee’s regular salary amount ($866.70 Semi-Monthly) then key the additional amount of $5 as the Shift 2 Premium on screen H0BBN:

If the employee worked 45 hours during a Work Cycle and 8 hours were worked at the $15 per hour rate, key the transactions on HUA03 as shown below:The employee automatically receives $10 for each hour worked in the base rate according to H0BID. The transactions above will pay the employee a total of $40 dollars for the 8 hours worked at the additional $5 rate. Also, the employee will receive $12.50 for the premium overtime (rate of $2.50 per hour) on the 5 hours of overtime for Shift 2. $52.50 will be received in the Shift 2 Pay amount. $75.00 will be in the Overtime amount for the premium overtime due on the base rate of $10.If Method #2 is used, only the additional amount charged for the shift (in the example above $52.50) will be charged to the general ledger coding established on HMBU1 for Pay Type 0S2 (Shift 2) or 0S3 (Shift 3).* If Method #2 will not work, manual calculations are necessary.
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#### **CIPPS Overtime Calculation Methods,** continued

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| Calculating Overtime Manually | The overtime must be manually calculated if neither of the above methods will work. These resources may be helpful when performing manual calculations:* Calculation Spreadsheet from State Payroll Operations
* DHRM Overtime Guidance
* DHRM guidance on calculating overtime related to **Discretionary** Bonus Payments. Note: Non-Discretionary Bonuses do not have to be included in overtime).
	+ <http://www.dhrm.virginia.gov/resources/communications/crabs/crab22a.pdf>
	+ <http://www.dhrm.virginia.gov/compreform/crabs/crab22_chart1.pdf>
* Department of Labor Resources
	+ Fact Sheet #54 – The Health Care Industry and Calculating Overtime Pay: <http://www.dol.gov/whd/regs/compliance/whdfs54.pdf>
	+ Fact Sheet #23 – Overtime Pay Requirements of the FLSA: <http://www.dol.gov/whd/regs/compliance/whdfs23.pdf>
	+ Comprehensive FLSA Presentation: <http://www.dol.gov/whd/flsa/comprehensive.ppt>
* Consider using the Department of Labor’s Coefficient Tables for retroactive overtime adjustments:
	+ <http://www.dol.gov/whd/forms/CoefficientTableWH-134.pdf>
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#### **Payroll@DOA.Virginia.gov**

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| Technical Support/Simple Inquiry | When you are in need of technical support, or simply have an inquiry, please send an email to payroll@doa.virginia.gov in lieu of calling or emailing a DOA Payroll Operations staff member directly. This will help us to provide timely support to you in case a particular individual is out of the office and enable the staff to concentrate on the task-at-hand without continuous interruption. Several staff members monitor this email box daily. An analyst will review the email and provide direct support as soon as possible. Be sure to provide thorough details and attach screen prints where applicable to document the inquiry. |

#### **PAT – Payroll Audit Tool and ARMICS**

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| A Suggested Tool to Comply with ARMICS | The Payroll Audit Tool (PAT) is a Web-Based application that facilitates the review and comparison of key payroll and leave information. PAT can be used to generate reports in a user-friendly format to: 1. Audit and review payroll and leave activity
2. Expedite the tracking and analysis of payroll expenditures
3. Track Wage Employee 1500 Hour status
4. Summarize monthly EPR information to key into PMIS
5. and much more.

Please read CAPP Topic 70735 to become familiar with the data analysis and reporting PAT can provide. Use of this information reporting tool can empower your fiscal office with necessary data to remain in compliance with Commonwealth policies and identify potential problems before the payroll is produced.Additionally, the Certification CAPP Topics (50800 series) reference the use of PAT to “*reduce the review time by highlighting differences, summarizing data, and much more.”*  |