

# *Department of Accounts*

## *Payroll Bulletin*

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the Payroll  
Bulletin.....*

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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) 225-2245 or Email at [cathy.mcgill@doa.virginia.gov](mailto:cathy.mcgill@doa.virginia.gov)

State Payroll Operations

**Director** **Cathy C. McGill**

Assistant Director Carmelita Holmes

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### **New Quarterly Certification Procedures and Forms**

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#### **Overview**

The quarterly reconciliation and certification requirements are changing effective with the first quarter of 2019. The changes will help guide agencies through standard audit expectations and provide a more conclusive certification to State Payroll Operations, thus strengthening internal controls.

The new requirements use reports that are already in place and include a new certification spreadsheet to provide agencies with a quick, easy way to identify problem areas.

The deadline for the first quarter certification is April 11, 2019. Line agencies should review the attached document as soon as possible to make sure they have everything needed to meet that deadline including the required access to the PAT (Payroll Audit Tool) Quarterly Control Totals.

Please email [payroll@doa.virginia.gov](mailto:payroll@doa.virginia.gov) with any questions you may have.

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#### **PAT Report 33 Quarterly Control Totals Required**

Line agencies are now required to use the Report 33 - Quarterly Control Totals found in PAT (Payroll Audit Tool) as part of the reconciliation process.

Certain items do not appear on the Report 33 and must be added to the Quarterly Control Totals as an adjustment. (I.E., deleted paysets, adjustments sent to SPO).

Line agencies must add the required adjustments to the Quarterly Control Totals in PAT to balance with the Report 56 and the U092 by the posted deadline.

Only users with PAT Security Levels 2 or 5 can add, edit or delete adjustments. Please ensure the required employees have adequate access to complete this requirement. (NOTE: The Payroll Service Bureau adds required adjustments for their agencies).

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**New Quarterly Certification Procedures and Forms, continued**

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**Line  
Agencies  
Required to  
Use  
U092/U093  
Reports**

In the past, agencies were permitted to use agency-unique methods for reconciling the Report 10 YTD to taxable accumulators. Beginning with 1<sup>st</sup> Quarter 2019, the process will be standardized and line agencies are required to use the provided U092/U093, CIPPS Year-To-Date 10/33 Reconciliation reports.

These reports run monthly, and agencies are expected to clear up invalid exceptions as they are revealed rather than waiting for the end of a quarter or a year end.

Keep in mind that U093 exceptions may print for informational purposes and require no further correction. Agencies must review the U093 to determine if a correction is required. Some of the informational exceptions include:

- Employees with SUI Status “1”. The exception prints so that you can verify correctness. This condition is valid for a political appointee.
- Employees with multiple tax records. These exceptions are valid for out of state taxes. Review for correctness.
- Taxable differences that occur because the employee paid non-taxable deductions (premium conversion, deferred comp) from non-taxable earnings (workers’ comp and deceased pay). This creates a valid exception and does not need a correction. Taxable pay is computed on a pay period basis. However, the Report U092 and U093 use the YTD accumulations to highlight items that deserve attention. When you compute taxable pay on a YTD basis, it may appear as though a correction is necessary. If you encounter an exception for this scenario, review the employee’s Payline history to compute the amount of taxable earnings on a pay period basis to validate the record.
- Employees with FICA Status “1”. Every employee with FICA Status “1” will print an exception because the employee record should be established to withhold FICA unless the type of earnings is classified as FICA non-taxable. Regular pay is taxable, student wages are FICA non-taxable. Higher education institutions should review the section in this bulletin regarding student wages to avoid these exceptions.

Review the exceptions printed on the U093 each month. If you cannot correct the error using a manual payset, send the new adjustment form mentioned in this bulletin to SPO.

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**New Fields  
on PAT  
Queries**

To help agencies reconcile OASDI and HI Taxes as required, several new fields will be added to the State Tax Masterfile Query in PAT. Be on the lookout for these new fields:

- OASDI Taxable
- HI Taxable
- SUI Taxable
- SUI Tax
- OASDI Tax
- HI Tax

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## New Quarterly Certification Procedures and Forms, continued

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### New Adjustment Form

Effective immediately, line agencies must use the [Employee File Adjustment Form](#) found on the website. Screen prints or emails requesting changes that should be processed through manual paysets will no longer be accepted.

Manual adjustments to the employee file reflect changes made outside of the payroll system to the employee's record. Therefore, as an audit control, the new form requires the signature of a Certifying Officer.

The new form is a spreadsheet. Enter information about the employees' pay record on the initial sheet; the spreadsheet will calculate the correct taxable amounts as they should be reported on the tax accumulation screens. Then key the current amount of the accumulator creating a difference wherever a change is necessary.

You will notice that the new form is limited to certain fields that are appropriate to change outside of the payroll process. For example, taxes are no longer included on the adjustment form. For federal and state taxes, only adjust using a manual payset. **DO NOT USE MANUAL PAYSETS TO REFUND OASDI OR HI AS THEY ARE SELF ADJUSTING. SEND QUESTIONS REGARDING OASDI OR HI ADJUSTMENTS TO PAYROLL@DOA.VIRGINIA.GOV.**

Use this form throughout the year for any adjustment that cannot be corrected with a manual payset. Manual paysets are always the preferred method for corrections as they provide a better audit trail and are less prone to errors. Manual adjustments requested using the new form will not reflect on Report 33 and must be entered manually into the PAT Quarterly Control Totals as an adjustment.

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### New Tax Quarterly Certification Form

Effective with the 1<sup>st</sup> Quarter, line agencies must use the new [Quarterly Certification Form](#) found on the website.

The new form is a spreadsheet. Agencies are required to enter the YTD taxable totals from the PAT Quarterly Control Totals, the U092 and the Report 56. If the PAT Quarterly Control Totals do not match the Report 56 or the U092, agencies must find the cause and report the item as an adjustment using the Control Totals in PAT. SPO will review these adjustments for correctness.

The spreadsheet uses the amounts to highlight key differences that require attention. Please follow the instructions on the spreadsheet to identify and resolve any differences.

When the reconciliation is complete, submit the following to SPO by the deadline:

- Use the "Print Certification Packet" button on the Quarterly Certification tab. Submit all pages that are printed. The Fiscal Officer must sign the Certification Summary.
- Print and have the Fiscal Officer sign the first page of the Report 56 Company Totals.

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## New Quarterly Certification Procedures and Forms, continued

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### Helpful Reconciling Tips

- Differences between the Quarterly Control Totals and the U092/Report 56?
  - Look for deleted manual paysets. Agencies should never delete a manual payset; they must be reversed. Review Report 1007 (Deleted Pending) for the quarter to find deleted manual paysets (transaction codes that start with 4, 5 or 6). Line agencies must use the Report 1006 (Change Listing) from the night the manual payset was keyed to enter the missing amount of the change as an adjustment on the PAT Quarterly Control totals.
  - Review H1K01/H1K02/H1K03 for manual payset transactions that are stuck in pending (transactions beginning with 4, 5 or 6). To clear the item from the pending file, re-activate the employee on HOBES. You may need a penny to process the manual payset. In some cases, the manual payset may need to be “reversed” to clear it from pending (key the opposite of what was originally keyed). If the manual payset is in pending and will process in the following quarter, the agency must key an adjustment to balance the current quarter. This adjustment can be deleted in a future quarter after the manual payset processes.
  - Manual adjustments sent to SPO to key must be entered as an adjustment to the Quarterly Control Totals. Anytime that SPO updates the tax accumulators without a manual payset, the item is processed outside of the normal payrun and is not a part of the Report 33 totals. Review the forms that were submitted to SPO during the quarter.
  - Special payrolls that are processed in the final days of the quarter with a check date in the next quarter can cause these totals to be out of balance. When this occurs, the agency should enter the extra payroll as an adjustment to reduce the totals. This adjustment can be deleted in the next quarter. To avoid this issue, print the Quarterly Control Totals the day after all checks for the quarter have been certified.
- Differences Between Federal and State Taxable Income
  - If the employee lives and works in a state that has different tax rules, the differences are valid. Use Report U093 to identify the employees that have a difference between Federal and State Taxable Income. If the employee lives and works in a state listed on the “Federal to State Taxable Recon” tab, type the difference into the table on that tab to validate the amounts. In addition, agencies can download the Federal and State taxable income amounts from PAT (Payroll Audit Tool) into an Excel spreadsheet to find exceptions.
- Differences Between Federal Non-Taxable and YTD SP 054
  - At the end of the calendar year, any amounts in federal non-taxable will automatically merge into the Federal Taxable field unless the amount resulted from SP 054 – Deceased Pay Current. Therefore, the only valid amount in the federal non-taxable field should be SP 054. Invalid amounts of federal non-taxable income can be viewed on Report U093.

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## New Quarterly Certification Procedures and Forms, continued

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### Helpful Reconciling Tips, continued

- Differences Between OASDI/HI Tax Amounts?
  - Use Report 844 to review differences between the Employee OASDI Tax Withheld and the Employer OASDI Tax Withheld. The Employee and Employer OASDI Tax amounts should be the same.
  - Use Report 848 to review differences between the Employee HI Tax and the Employer HI Tax. The Employee and Employer HI Tax can have a valid difference if the employee has HI taxable income greater than 200,000. The extra .9% surtax should be the only difference between the two.
    - If the employee OASDI/HI Tax is less than the employer OASDI/HI Tax, the employee owes tax. The **ONLY VALID REASON** for uncollected OASDI/HI taxes is when the employee has uncollected OASDI/HI as a result of Imputed Life while on LWOP. If the employee owes OASDI/HI for any other reason consider the following:
      - If the agency believes the employee will receive pay before the end of the year, leave the uncollected amount as is. The next time the employee receives pay the system will self-adjust and collect the amount automatically.
      - If the employee will not receive any future payments, the agency must pay on behalf of the employee. Refer to the [Advanced Masterfile Maintenance Handout](#) on the website. Process an HTQTA transaction to reduce net pay and increase the OASDI/HI Tax. The employee still owes the agency. **LINE AGENCIES MUST PERFORM DUE DILIGENCE TO COLLECT THIS AMOUNT FROM THE EMPLOYEE.** As discussed in the handout, if the employee does not reimburse the agency, the amount paid on behalf of the employee also becomes taxable. Agencies must perform the calculation discussed in the handout and key a transaction to Special Pay 071 ER Paid TAX. This will result in more OASDI/HI Tax owed by the employee, please follow the instructions carefully to record these amounts properly in CIPPS.
    - If the employee OASDI/HI Tax is greater than the employer OASDI/HI Tax, the employee is due a refund. This can occur when an agency performs a reclassification to non-taxable income and terminates the employee too soon. The system will automatically refund OASDI/HI when the employee is actively receiving regular pay. The refund will not attach to a special pay unless the special pay is processed on HUC01 as a “7XX” transaction.

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## New Quarterly Certification Procedures and Forms, continued

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**Proactive  
Recons**

The new Quarterly Certification spreadsheet can be used monthly to reconcile the Quarterly Control Totals in PAT to the Report U092. Even without the Report 56 figures, agencies can use the spreadsheet to quickly identify errors that may present an issue.

Agencies who proactively reconcile will be rewarded with an easier quarter and year end certification.

In addition, many payroll errors can be resolved earlier in the calendar year minimizing negative impacts to the employee.

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## New Special Pay Code for Student Wages

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**New Special  
Pay Code  
091 Work  
Study Wages**

As stated in a previous section, Report U093 will print for every employee that has FICA Status "1". This is because the FICA status does not belong on the employee level, but should be based on the type of wages being paid. Certain wages are FICA non-taxable and will process correctly if you designate the earnings under the proper classification. Doing so will clean up the U093 exceptions and allow for faster review.

To avoid these errors, establish students in CIPPS with FICA status "4". Use Special Pay 091 to process payments that are FICA non-taxable. Use Regular pay to process payments to students that are taxable. Agencies can key Special Pay 091 on either HUC01 or HUE01. Key the hours only and CIPPS will multiply the number of hours by the hourly rate established on HOBID.

Special Pay 091 will default to account code 501146 (Wages, Federal Work Study Student). Agencies can establish an HMBU1 screen for Special Pay 091 to override the account code by employee when necessary (i.e., when it is a State Work Study program as opposed to Federal).

This will also make it easier to re-classify prior payments that are incorrectly classified. In these cases, move the non-taxable student wages to taxable student wages on HTPSA.

Agencies that upload student hours to CIPPS via batch transactions need to send 7XX or 9XX transactions instead of 700 transactions to use Special Pay 091.

Please contact SPO using [payroll@doa.virginia.gov](mailto:payroll@doa.virginia.gov) for assistance with the transition to the new method.

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