

State Controller's Office

Section A Index

Payroll Procedures Manual
Rev. 06/2016



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INTRODUCTION

REFERENCES (Rev. 12/85)

G.C.	12470-12479, 16390-16395, 18003
SAM	8500-8599
Board of Control Rules	652, 660
Constitution of California	Article XIII, Section 21

Section A 001: UNIFORM STATE PAYROLL SYSTEM (Rev. 03/02)

The Uniform State Payroll System (USPS) was started in the early 1950's. Departments entered on a flow basis and by 1954 all of the current state agencies and CSU campuses were combined in the SCO, Division of Disbursements payroll process.

There are other state entities that are not a part of the USPS--University of California, Legislative staff, Auditor General, etc.

In 1976, the payroll section of Division of Disbursements was combined with the new Personnel Services of Personnel Information Management System (PIMS) to form the current Personnel/Payroll Services Division (PPSD) of SCO. PPSD, in conjunction with the Division of Disbursements and Division of Accounting, are responsible for preparing and releasing all payroll warrants and related reports (see Organization Chart in PPM Section Z, Attachment A-1).

SAM prescribes pay periods and sets forth the statewide policies, procedures, regulations and information on payrolls. The PAM/PIMS instruct agencies/campuses in the preparation of employment history change forms. This Payroll Procedures Manual (PPM) prescribes detailed payroll procedures not provided elsewhere and coordinates instructions of various authorities on specific payroll subjects.

Section A 002: CLAIMS AND ADJUSTMENTS (Rev. 02/16)

State Board of Control prescribes the manner in which claims shall be filed with SCO under the USPS and prescribes the certifications to be used on payroll and position changes and attendance reports.

Payroll changes may be made automatically by SCO when such changes are by law or contract, without the need for payroll change documents. Most notices of miscellaneous deductions are received directly from the deduction companies, but notices of retirement, Group Legal, Long Term Disability, etc., deductions are received from the agencies. With some exceptions, deduction forms are processed as minor payroll changes and do not involve the payroll change certifications prescribed for the legally more significant information such as personnel change transactions, salary rate changes, etc.

No payment is made by SCO unless it is supported by an original payroll claim. Also, no payment is made without first ascertaining, as required by the Constitution, that an unexhausted appropriation exists and that funds are available in the State Treasury.

Payments of compensation to persons rendering service to the state as independent contractors from the "Salaries and Wages" category of expenditures are expressly prohibited and, therefore, may NOT be treated as payroll items under the USPS. Instead, such compensation should be obtained by filing a general claim with Division of Audits, for payment as an operating expense.

Section A 003: TYPICAL CYCLE OF MONTHLY OPERATIONS (Rev. 02/16)

On a day-to-day basis, each agency is expected to prepare documents and route them to Payroll Operations and Personnel Services.

SCO processes changes to Employment History based on personnel transaction documents and input from Decentralized Payroll received during the period as well as establishes correct payments for employment of less than the full pay period.

The agency/campus maintains daily attendance reports reflecting personnel and attendance transactions. On a prescribed cutoff date in each payroll period the agency/campus report docks for employees absent on non-compensable status.

SCO makes all computations and prepares the payrolls. These are referred to as "negative" payrolls because attendance reports have not been submitted and no working payrolls have been cleared with agencies/campuses when the payrolls are prepared. This payroll writing operation is performed for the majority of state employees during the period from the cutoff day in each pay period to the 27th and 28th of the month.

The warrants (paychecks) and Direct Deposit Advices are sent to the agencies/campuses in time to permit a reconciliation of the payrolls and attendance reports and to ensure the delivery of warrants and Direct Deposit Advices to employees on the first work day following the close of the pay period.

Near the close of the pay period after receiving the master payroll, an agency/campus reconciles the time to be paid. Time for each employee is reported by position. The differences between payrolls and attendance reports are recorded on the Report of Exception to Payroll.

Having completed the reconciliation, the agency/campus releases the warrants which are drawn either in payment of the time actually worked or for less than the amount due employees. The warrants drawn in excess of the amounts due the employees are returned to SCO. The improper warrants are redeposited and corrected warrants are issued on the basis of corrected attendance information and Employment History change documentation. SAM provides for salary advances if legally payable salary warrants are delayed.

If an overpayment occurs under these procedures, provisions exist for recovery of the overpayment.

Some employees of the state are paid on a "positive attendance" reporting basis. This means that attendance reports must be processed by the employing agencies before SCO prepares the payroll. Some employing agencies release these payrolls immediately, but others hold the payrolls for distribution on fixed dates.

In addition to the regular monthly, semimonthly, and positive payrolls, there are payrolls written daily for payment of overtime, special premium pay, immediate payments to separating employees, corrected salary payments, and payroll accounting adjustments, etc.

Payroll packages are released each day and normally contain warrants and related earnings statements, Direct Deposit Advices of disbursements and adjustments, notices of payroll revolving fund transfers, reports of exception to payroll, notices of claims paid, and listings of suspended payments.

Section A 004: BUSINESS MONTH (Rev. 01/08)

For accounting control of the payroll disbursements, SCO has established the period from the second of one month through the first of the next month as a "business month." This permits a current, strict accounting control of the state payroll disbursements from the State Payroll Revolving Fund. This fund is a clearing account only and is not funded.

Reports of deductions and taxes are prepared from the first through the tenth of each month. This includes the accounting and reporting of all transactions for the business month which ended on the first of the month.

If requested, voluntary deductions withheld from warrants with issue dates of the 2nd through the 16th are disbursed to the companies/associations on the 16th. Social Security, Medicare and State Disability Insurance.

Section A 005: INTERNAL PAYROLL AUDITS (Rev. 06/95)

SCO, Management Audit and Review Section (MARS), periodically conducts an internal payroll audit which is independent of any control by PPSD. The purpose of the audit is to ascertain that USPS procedures are being followed and disbursements are being accounted for and correctly made.

As part of this audit program, the auditors also determine that:

- 1) Payments are made within the prescribed period following receipt of the legal basis for payment.
- 2) Payments are made on regular payroll date for employees.
- 3) On the prescribed dates, settlements are made with agencies or companies for whom payroll deductions are made.

Payrolls are released to agencies/campuses that distribute warrants to their employees. Payrolls are released to agency messengers or other personnel authorized to pick up warrants or are mailed by the Division of Disbursements to addresses furnished by the agencies/campuses.

Arrangements must be made by letter to the Chief, Division of Disbursements, if changes are required. Agencies/campuses are responsible for prompt notification of address changes, etc.

Payrolls for monthly salary rate employees paid on negative attendance bear an issue date of the day following the close of the pay period (or the first of the month if the pay period ends that day). Payrolls for employees paid on positive attendance bear varying issue dates. Agencies/campuses should adopt schedules and practices in the release of salary warrants to conform the state objective of each employee having a fixed or determinable pay date.

It is imperative that the distribution of payroll warrants to employees be so timed as to absolutely preclude the warrants being presented to the State Treasurer prior to the date of issue either through bank clearing or by presentation at a cashiering window.

Payroll warrants may be released to employees on the date preceding the date of issue. Agencies/campuses may release payroll warrants on the last preceding normal workday (Monday through Friday) when the pay period ends on a Saturday, Sunday, or holiday. Warrants may NOT be given to employees until it is known that they are entitled to payment for the last day of the pay period.

Pay checks must not be cashed until just before bank closing time on the day preceding the issue date on the face of the pay check, or 4:00 PM on those days when the banks are open until 6:00 PM. Those which reach the State Treasurer prior to the issue date, must be charged back to the bank and agencies are notified of names of employees who cashed their pay checks early.

There shall be uniform pay dates for all permanent monthly salaried employees of each agency employed in the same geographic area and such pay dates shall not be more than ten calendar days following the closed of the pay period.

SCO records provide the basis for the preparation of:

1. Withholding tax settlement and reports
2. Retirement reports
3. Statements and settlements for insurance carriers, employee organizations, etc.
4. Analyses of certain payrolls and payroll costs
5. Budgetary salary and wage expenditure audit reports
6. Annual budgetary schedules of actual and anticipated salary and wage data

Section A 008: TRAINING AND AGENCY PERSONNEL (Rev. 12/98)

An agency/campus may arrange with PPSD to have new accounting clerks, personnel assistants, and managers instructed in the procedures and methods of payroll duties.

PPSD personnel is trained as to the nature and extent of assistance they may provide. Great emphasis has been placed upon the requirement that there be no interference with the effective functioning of agency/campus internal lines of authority and responsibility.

Section A 009: PAYROLL LETTERS (Rev. 11/04)

Payroll Letters are sent via Outlook – electronic Mail or Decentralized OfficeVision (OV) and are numbered sequentially by calendar year. These letters serve the following purpose:

1. An interim procedure until the PPM is updated.
2. A reminder for annual processes--fiscal or calendar year activity.
3. Instructions/notifications of mass updates for reorganization, tax changes, etc.

NOTE: By subscribing to the automated list (CSESCODC) via Listserv@Listserv.sco.ca.gov, the payroll letters will appear in your personal e-mail account.

Section A 010: FILE TRANSFER PROTOCOL (FTP) (Rev. 02/16)

Various information is available to agencies/campuses, companies, associations via FTP. Inquiries regarding information available and FTP requirements should be addressed to:

PPSD
Data Management Unit
FTP Coordinator, Samantha Kelly
(916) 324-7268
skelly@sco.ca.gov
P.O. Box 942850
Sacramento, CA 94250-5878

Section A 011: RETROACTIVE CHARGES (Rev. 02/16)

Retroactivity is defined as the processing of controllable personnel transactions processed more than 20 calendar days after the effective date, or controllable payroll transactions processed more than 15 calendar days after the transaction pay period.

NOTE: Changes related to disability, SPB decisions (e.g., stipulations), court actions and SCO processing errors will be considered non-controllable.

On the first business day of each month, agencies/campuses may access their Monthly Retroactivity Report identifying late transactions keyed the previous month on ViewDirect. It is the responsibility of each agency/campus to review reports to insure accuracy. If there

are questions related to the charges, please send a copy of the report to PPSD with items clearly identified and an explanation as to why the charge is inappropriate.

Retroactivity reports with contested items must be received by PPSD or postmarked with a date no later than the first business day of the month after each set of reports has been released. PPSD will research all contested charges and respond in writing to your questions. If you fail to question any of the charges by the cutoff date, you will be billed for the total amount. No late credits will be allowed.

Effective January 1, 1991, retroactive billing rates are as follows:

For each controllable personnel document - \$2.30

For each controllable payroll transactions - \$3.34

Section A 012: FORM COMPLETION (Rev. 02/16)

Following are general instructions that apply to the completion of all payroll related forms.

1. All documents must be typed or printed in ink (**Please use blue or black ink**).
2. All documents must have an authorized signature (see Section I 500).
3. Only the ORIGINAL document is submitted to Payroll Operations. Any exception to this (additional copies) will be noted in the specific section.
4. "Employee name" always means initials and surname.

Detailed instructions are given in the special section for each type of transaction.

Incorrect information--wrong SSN, misspelled name, incorrect position, etc.--that does not agree with Employment History for each pay period will usually reject or suspend causing delay in issuing payments.

It is the responsibility of each department to maintain accurate records and process necessary documentation on a flow basis.

Section A 013: TELEPHONE CONTACTS FOR PAYROLL ACTIVITY (Rev. 06/16)

Agency/campus personnel/payroll office representatives may call the numbers shown below.

NOTE: The listed phone numbers are for agency/campus personnel/payroll office representatives' use only. These are not for public use. Calls received from employees will be referred to their respective personnel/payroll offices.

1. For questions on completing a document.
2. For interpretation of PPM and memos (PR 250's etc.).
3. To report errors made by Payroll Operations.
4. To request duplicate preprinted forms (672, etc).

Be prepared to supply the following:

1. Your name, agency/campus name, telephone number.
2. Employee name, SSN, position number of payment.
3. Type of transaction/form submitted.
4. Description of problem.

Unit	Phone Number	Topic
Civil Service Telephone Liaison Unit	(916) 372-7200	Accounts Receivable Payroll Decentralization Regular Pay Adjustments Overtime Shift and Premiums
CSU Telephone Liaison Unit	(916) 372-7200	Accounts Receivable Payroll Decentralization Regular Pay Adjustments Overtime Shift and Premiums
(CS/CSU Benefits)	(916) 372-7200	Dental FlexElect Health Vision CoBen FlexCash Dependent Care
Direct Deposit	(916) 372-7200	
Disability Telephone Liaison Unit	(916) 372-7200	Non-Industrial Disability Leave (NDI) Industrial Disability Leave (IDL) Temporary Disability Leave (TDL)
Garnishment	(916) 372-7200	Voluntary Child Support Deductions Voluntary Spousal Support Deductions
Miscellaneous Deduction Liaison	(916) 372-7200	Union Dues Fair Share Credit Union Insurance Parking TSA's/Deferred Comp Group Legal Long Term Disability Charitable Contributions
Non-USPS	(916) 372-7200	Fringe Benefits/Employee Business Expenses Moving Expenses Salary Advances Agency Collection Accounts Receivable

Unit	Phone Number	Topic
		Refund of Over collections
Personnel Liaison	(916) 372-7200	
Premium Pay	(916) 372-7200	
Retirement/Social Security/Medicare	(916) 324-1471	
Retroactivity	(916) 372-7200	
Statewide Locator	(916) 322-2760	
Statewide Training Administrator	(916) 322-0683	
Position Control	(916) 323-4928	
W-2 Info	(916) 372-7200	
Duplicate W-2	(916) 445-2847	

PPM Coordinator

Statewide Training - Chaa'ka Montgomery
(916) 324 -2532 - cmontgomery@sco.ca.gov

Submit PPM Revisions/Suggestions for clarification –

Be sure to identify the Section, Sub- Section Number and the Subject.

TO: PPM Coordinator – Chaa'ka Montgomery – cmontgomery@sco.ca.gov

State Controller's Office

PPSD, Customer Support Section

P.O. Box 942850, Sacramento, CA 94250-5878

(916) 324-2532

Payroll Deduction Mass Update Questions

Systems Activities and Coordination Support Unit

(916) 322-7968

Section A 014: TRANSMITTING PAYROLL DOCUMENTS VIA FAX (Rev. 02/16)

Agencies/campuses may transmit certain payroll documents to PPSD via FAX. Confidential information transmitted via FAX to PPSD is not secure. Agencies/campuses must decide if the risk associated with faxing non-encrypted data is acceptable.

The following documents may be transmitted to PPSD at the respective FAX number(s):

FAX number (916) 323-3449 or (916) 322-8137

- Garnishments received by noon on payroll master cutoff
- Form STD. 674 requesting regular pay when a garnishment is being taken
- Form STD. 674 A/R requesting account receivable for separating employee

FAX number (916) 327-7205 or (916) 322-8137

- Disability payments for current month
- Form STD. 674 requesting regular pay for a prior month