Ohio Department of Administrative Services

HUMAN RESOURCES DIVISION
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July 1, 1999

Payroll Letter 759
Supersedes Payroll Letter 603

To: Payroll Officers, Personnel Officers, Labor Relations Officers and Fiscal Officers of all Departments, Institutions, Boards and Commissions

From: Robert L. Cruse, State Payroll Administrator

Subject: Replacing Incorrect Paychecks with Manual Checks

This Payroll Letter supersedes **all** prior payroll letters regarding special checks and establishes new procedures for the issuance of these checks.

In addition to revised rules, we are implementing new accounting procedures, new terminology, and a new deduction code. We have replaced the Special Payroll Account (SPA) with a new Manual Emergency Payroll Checking (MEPC) Account and will refer to checks from this account as "Manual Pays." We will reimburse the new account on payroll using the code "EMP." The new authorization guidelines are outlined below in Section A.

A thorough review of the Special Payroll Account has led us to initiate the changes established by this Payroll Letter. This review by the Department of Administrative Services (DAS), Human Resources Division (HRD), Office of Payroll Administration and the Office of Budget & Management (OBM) made it apparent that we needed to revise the rules and procedures for issuing Special Checks. Representatives of OBM and the Auditor of State (AOS) worked with HRD to make the appropriate revisions.

The SPA & MEPC Accounts were created with limited funds. Because these accounts are established with limited funds, and because they observe strict accounting procedures, the State must exercise restraint in issuing Manual Pays. Each pay period there have been numerous requests for special checks. The funds are reimbursed to the HRD payroll account by posting an EMP to payroll the following pay period or recovering Direct Deposits as appropriate. This means that money used to write Manual Pays during the previous pay period is not available for requests received in the current pay period. We will therefore now only issue Manual Pays in accordance with the guidelines outlined below.

When an employee is overpaid, it presents additional problems. Not only are these wages included in the employee's earnings record (W-2), but the funds will have been taken from your agency budget. The deductions (e.g. taxes, health insurance, retirement, savings bonds, etc.) will have already been sent. You will need to initiate the corrective action before we can recover the deductions and correct the employee's earnings record. Furthermore, unless Payroll Services is notified before payday, any attachments that were taken will have been forwarded to the courts, and may not be recoverable.

A. General Guidelines for Manual Pays

1. Manual Pay Authorized

   a. Regular base wages only

   b. Maximum of 80 hours (except for firefighters & monthly payrolls)

   c. Regular hours worked (if employee worked less than 80 hours)

   d. 80 hours of disability pay during payday week only

      Payments for disability leave benefits are to be made on payroll and should rarely warrant the issuance of a Manual Pay. Payroll Officers should monitor the PDIA screen and work closely with their human resource personnel to ensure that disabilities are posted prior to payroll being finalized. Requests during pay day week from agencies consistently failing to post approved disabilities will have to obtain OBM approval through the special exception processing as described in Section E, below.

2. **Manual Pay Not Authorized**

   a. Any request for under $50.00

   b. Overtime

   c. Pay Supplements

   d. Cash conversion of accrued leave

      This includes both December conversion and at separation

   e. Lost checks

      Request replacement warrants through the Auditor of State (AOS).

2. **Manual Pay Not Authorized - continued**

   f. New employees

      It is the responsibility of agency Payroll and Personnel Officers to ensure that they have secured all necessary approvals and processed the required forms (i.e. PAs) in accordance with the "Personnel Action Process"

   g. Disability in excess of 80 hrs or any disability approved during Payroll Processing Week

3. Recovering Direct Deposits

   If it is necessary to recover funds from an employee's direct deposit, HRD will not issue the Manual Pay until the funds are returned from the financial institution. This will take a minimum of two full days and could take up to a week, depending on the Bank's procedures.

4. Miscellaneous

   a. Agency Payroll Officers may initiate all Manual Pays but requests must be signed by the individual authorized to sign the agency payroll.

   b. Manual Pays requested on or prior to Wednesday of payday week will not be available until Thursday. Manual Pays requested after Wednesday will be available the day requested, provided we receive all the required documentation by 3:00 PM.

B. Requesting Manual Pays

1. When the agency has determined that a Manual Pay is necessary, the attached "Request for Manual Paycheck" must be completed and sent to the attention of the Payroll Specialist assigned to the agency. The FAX number is (614) 466-1565.

2. When a Manual Pay is requested as a result of overpayment, include a copy of the "Payroll Warrant Cancellation Advice and Transmittal" (OBM 7221) together with the "Request for Manual Paycheck." **You must bring the original of the OBM 7221, with the warrant attached, when picking up the Manual Pay.**

3. Note that the "Request for Special," used previously is being replaced by the "Request for Manual Paycheck."

C. Recovering Direct Deposits

The accuracy of an employee's direct deposit payroll screen (EFTU) is critical and must be kept current at all times. Update this record promptly to reflect any changes or errors in employee bank account information, whether the result of changes made by the employee or by the bank (e.g. account closed by the employee, account numbers changed due to bank merger, etc.). Any changes made to the EFTU file will now generate a payroll warrant for one pay period. This will be a "pre-note" period allowing the employee to verify the accuracy of the bank account information. There will be no way to override this requirement.

Employers recover money through the banking industry in two ways: Returns & Reversals.

Returns – This is the term used in the banking industry when banks reimburse employers electronically for money that was sent with incorrect accounting information (or if the employee has closed his/her account). While some banks will work with your employees (their customers) to re-route the missing funds to the correct account, many will simply process a "Return" sending the funds back to the employer. Since processing the "Return" takes a few days, it would be wise for the employee to do everything he/she can to encourage the bank to locate the missing funds. If the funds are returned to the State, we will notify you upon receipt of the funds, to complete the "Request for Reversal/Return of Direct Deposit" (if you are aware of the "Return" you can save time by completing this form in advance). We will then issue a Manual Pay to the employee, and you must either cancel or correct the employee's EFTU record.

Reversal – This is the term used in the banking industry when an employer requests recovery of funds paid in error to an employee. It is important to initiate recovery of this money before the employee withdraws the funds from his/her account. If you notify us by the Tuesday **before** payday, we can often reverse the transmission of funds before they reach the employee's account. Some banks will only allow recovery of these funds for two days after their deposit into the employee's account (Tuesday **after** payday). The employee is responsible to return the funds and may be subject to prosecution if unable or unwilling to return the money.

To initiate recovery of Direct Deposits, complete the attached "Request for Reversal/Return of Direct Deposit" and send it to the attention of the Payroll Specialist assigned to your agency. The FAX number is (614) 466-1565.

D Lost/Stolen Payroll Warrants

A Manual Pay will not be issued for a lost or stolen payroll warrant. The Auditor of State's Office will issue a replacement warrant, per Section 117.46 of the Ohio Revised Code. The Payroll Officer must follow the stop payment procedure through the Auditor of State.

Complete the attached "Request for Stop/Release Warrants" to determine if the check has been cashed. In addition, complete the "Application for Replacement." **Be sure to indicate it is for replacement of a payroll warrant.** The AOS gives priority to the re-issuance of payroll warrants. All other warrants are only re-issued on a weekly basis. Send both of these forms to the Wire Unit at the Auditor of State's Office. This procedure will generate a replacement warrant from the Auditor of State within two business days. You will need to pick these up from the Auditor of State.

E. Exceptions to Guidelines

The director of the agency requesting the Manual Pay and the director of OBM must approve all requests for Manual Pays, not meeting the guidelines in this payroll letter. Complete the "Manual Paycheck Approval for Exception Processing" form, have your director sign the form, and forward it to the Director of OBM, along with any additional documentation required by OBM.

OBM will approve or disapprove and return the request to your agency. You must fax the approved request to your Payroll Specialist to initiate preparation of the Manual Pay.

F. Lost/Stolen Manual Pays

To obtain a replacement for a lost/stolen Manual Pay, the payee (payroll officer if the agency lost the check) must complete the attached "Application for Replacement of Manual Paycheck." Fax the completed form to State Payroll Services at (614) 466-1565.

We will place a "stop payment" on the check. The bank requires twenty-four (24) hours for the stop payment to go into effect. After the stop payment has become active, HRD will issue the replacement Manual Pay.

G. Voided Manual Pays

Manual Pays include a ninety (90) day suspense date, after which they become void. HRD will not re-issue replacements if these checks are not cashed within the ninety days. Instead, include it on payroll with the employee's next regular pay.

If you have checks that were not delivered to an employee, they must be returned to State Payroll Services for cancellation.

Samples of all forms referred to in this Payroll Letter are attached.

[To obtain the sample forms referred to in this Payroll Letter, contact the Payroll Administration Office at 614-466-6915.]

RLC/DAB/AMH/db

Attachments