

State Controller's Office

Payroll Procedures Manual

Section J Direct Deposit

Rev. 04/2024



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DIRECT DEPOSIT

Section J 001: INTRODUCTION (Revised 04/24)

G.C. 12480, 12481

The Direct Deposit system provides automatic deposit of all net earnings into the financial institution designated by the participant. All payments, are transferred through Direct Deposit once an employee is enrolled. It is a voluntary program available to all State employees.

All Direct Deposit payments are identified by warrant numbers beginning with 05 through 09; i.e., 05XXXXXX through 09XXXXXX.

Participants can view Statements of Earnings and Deductions on [Cal Employee Connect \(CEC\)](#).

The State of California's Direct Deposit Program operates under the National Automated Clearing House (NACHA) rules and regulations.

Section J 002: ELIGIBILITY (Revised 04/24)

The State Controller's Office no longer imposes, nor permits agencies/campuses to mandate eligibility criteria that employees must meet before initially participating in the Direct Deposit program.

Section J 003: ENROLLMENT (Revised 04/24)

Employees who wish to enroll or change Direct Deposit through Cal Employee Connect (CEC) must be connected to their Department Network and enable Multi-Factor Authentication (MFA). It is important that employees verify the routing and account numbers with their financial institution.

For departments with employees that do not have network access, employees can complete a form [STD. 699](#), Direct Deposit Authorization Form (available on DGS/SCO website). Once completed, the form is submitted to and retained by the employees' personnel/payroll office. The department keys the enrollment or change information using the SCO's 699 Excel File Generator, and submits the .txt file through ConnectHR. Required information to be entered on the 699 Excel File Generator to establish or change Direct Deposit:

- Type of Enrollment (new, change)
- Social Security Number
- Name
- Type of Account (checking or savings)
- Routing Number (9-digit bank transit number)
- Depositor Account Number

Required information to be entered on the 699 Excel File Generator to cancel Direct Deposit:

- Social Security Number
- Name

Section J 004: PRENOTIFICATIONS (Revised 04/24)

When a new Direct Deposit is established or an existing record is being changed, the State Controller's Office first sends a pre-notification to the designated financial institution. This pre-note allows the financial institution to examine the participant's type of account and account number for accuracy before Direct Deposit begins.

If the participant's account information is correct, the participant's Direct Deposit is activated within 15 to 20 days after the pre-note is sent.

If the participant's account information is incorrect, the financial institution is obligated to notify SCO. If the financial institution states what the correct information should be, SCO will process an "administrative change" document. If the financial institution does not indicate what the correct information should be, SCO will process an "administrative cancellation" and forward a PR250 to request the correct information.

Funds are posted to participants' accounts according to the timeframes:

Regular Payments

- Regular monthly (including Statutory employees) or semi-monthly employees paid on the last day of the pay period. [Direct Deposit posting dates and pay dates](#) can be found on SCO's website.

Funds are available to the financial institution on the first banking day after the end of the pay period. For example, if the pay period ends on a Wednesday, the funds are available on Thursday. If the pay period ends on Friday, a weekend or holiday, funds are available on the next banking day.

- Positive pay employees have a lag between the end of the pay period and pay day. Funds are available between the time the pay period ends and warrants are released. Funds should be posted no later than the date non-participants are paid.

Supplemental Payments

Supplemental payments (e.g., overtime, shift differential, premium pays, award/bonuses, adjustments, etc.) are available within two banking days of the issue date of the payments. The exception to this may be supplemental payments for Roll Code 7 and 8 employees, which may be delayed for a limited number of days while Roll Code 7 and 8 regular payments are being held (Roll Code 7 and 8 regular payments are held until two banking days prior to pay day).

NOTE: While most financial institutions post funds to accounts at the beginning of the bank business day, this is not a universal practice. Some institutions post funds in the afternoon instead of the morning. Additionally, some institutions may not be timely in posting Direct Deposits.

If money has not been posted by the fifth day after funds are available, contact the Direct Deposit Unit to request a trace.

Section J 006: MULTIPOSITION PARTICIPANTS (Revised 04/24)

A participant with multi-positions need to enroll only once. All payments will be deposited into the designated accounts regardless of the number or type (Civil Service or California State University) of positions the participant holds.

Section J 007: CHANGES IN SALARY OR NET EARNINGS (DEDUCTIONS) (Revised 04/24)

Changes in salary or net earnings do not affect a participant's Direct Deposit records. The new net amounts will continue to be deposited into the designated account. The Statement of Earnings and Deductions will reflect any changes in salary.

Section J 008: SALARY ADVANCES (Revised 04/24)

Agencies/campuses should not issue a salary advance to an employee who has an active Direct Deposit. An agency/campus should request to cancel the employee's Direct Deposit before an advance is issued.

Employees should be informed that this cancellation/salary advance process can cause a delay of several days in advancing funds.

Section J 009: TRANSFERS (Revised 04/24)

When a participant transfers to another agency/campus, Direct Deposit will continue into the designated account until canceled by the participant or agency/campus.

Section J 010: CRITERIA FOR AGENCIES/CAMPUSES REMOVING PARTICIPANTS FROM DIRECT DEPOSIT (Revised 04/24)

Guidelines to remove participants from the Direct Deposit Program were established under the SCO's authority to administer the USPS and/or GC Sections 12470, 12477, 12480, and 12481(a).

Removal at the agency/campus level or administratively by SCO can be for the following situations:

- The participant has late dock reported. The agency/campus may, at their discretion, establish guidelines requiring their employees to serve a specified number of consecutive months of service without additional late dock reported to be eligible for re-enrollment in the Direct Deposit Program.
- The participant requests a disability benefit.
- The participant requests a salary advance.
- The participant's Direct Deposit payment is returned (e.g., a closed account). The agency/campus is responsible to rekey or submit a STD. 674 and/or 674D for payments that cannot be keyed via PIP.
- The participant was overpaid (e.g., Death, permanent separation, suspension, AWOL, or a dock situation.)
 - The participant was overpaid and the State is recovering the amount of the overpayment.
- The participant filed bankruptcy under the National Bankruptcy Act, Chapters VII or XIII and a court order directs all, or a portion of the participant's pay to be remitted to a third party.

Section J 011: CHANGING DIRECT DEPOSITS (Revised 04/24)

When a change is submitted to SCO, the following occurs:

- The current active enrollment is terminated.
- A Pre-notification with the new information is sent to the participant's designated financial institution (The new Direct Deposit enrollment is not effective for approximately 15 to 20 days).
- The participant may receive a paper warrant from their agency/campus until the change is effective.

A Direct Deposit cancellation can be initiated by the:

- Participant
- Employing agency/campus
- State Controller's Office (SCO)

Cancellations are effective the day after SCO processes the request. Agencies/campuses can call SCO to request that SCO initiate a cancellation. A telephone request to cancel a Direct Deposit is permitted when agencies/campuses become aware that a participant is deceased, on disability, is separating, has a salary advance, bank fraud, a closed account, or will be overpaid.

Daily deadline for emergency cancellation by telephone or through ConnectHR is 3:00 p.m.

Information required to be entered on the 699 Excel File Generator to cancel Direct Deposit:

- Social Security Number
- Name

Section J 012.1: AUTOMATIC DIRECT DEPOSIT CANCELLATIONS (Revised 04/24)

Each year during June and December, an automatic Direct Deposit cancellation process occurs. This process involves comparing all Direct Deposit participants with their Employment History (EH) records. If EH shows that the record is active or on leave status, including Industrial Disability Leave (IDL), the participant remains on Direct Deposit. If the EH record reflects non-active for the prior six months, the participant is cancelled from Direct Deposit.

When an agency/campus becomes aware that a payment is an overpayment, the situation can be corrected via the STOP PAYMENT (Strip) or REVERSAL.

NOTE: Payments to which garnishments should be applied cannot be corrected by REVERSAL. The STOP PAYMENT (Strip) is the only method which can be used for garnishments.

The STOP PAYMENT (Strip) is used to prevent the payment from being sent to the participant's designated financial institution. Upon telephone request, SCO will delete the payment. The agency/campus should check the daily warrant register for the redeposit to ensure the payment was stripped (deleted from the electronic file transfer (EFT)).

The REVERSAL is initiated via a telephone call to SCO to recover payments already sent to the participant's designated financial institution. REVERSALS are posted the same day as the original payment if requests are received by the deadlines listed below. However, if the deadline is missed, REVERSALS may still be requested up to seven (7) banking days after the original payment was posted.

Deadlines for STOP PAYMENT (Strip) and REVERSAL requests are as follows:

STOP PAYMENT (Strip)

Monthly and Semi-monthly Payroll

- Telephone call to SCO between monthly or semi-monthly cutoff by 10:30 a.m. two (2) working days prior to the posting date.

DAILY PAYROLL

- Telephone call to SCO by 10:30 a.m. on date of issue.

REVERSAL

- Telephone call to SCO by 10:30 a.m. up to seven (7) banking days after the original issue date of the payment.

REQUIREMENTS:

- Strip or reversal requests must include all information listed below:
 - Caller Name and Contact Number
 - Reason
 - Employee's full name
 - Employee's Social Security Number
 - Warrant/s' number
 - Issue Date
 - Pay Period
 - Net Amount (for summarized warrants, the total net amount of all warrants)
- If a request is for more than three (3) employees, a list must be sent via ConnectHR to SCO after obtaining approval from the Direct Deposit Program.

IMPORTANT NOTE:

- Participants must be active on Direct Deposit to initiate a REVERSAL. REVERSALS may be rejected by the receiving financial institution if the funds in the account are not sufficient to cover the REVERSAL. In this instance, the agency/campus will be notified by SCO within 10 working days and an accounts receivable must be established to recover the overpayment.
- When requesting a cancellation, any payment that has not issued will automatically be stripped. It is the agency/campus's responsibility to check for outstanding payment(s) that will be stripped as a result of the Direct Deposit Cancellation and to rekey or request a reissue of the payment(s).

Section J 014: RETURNED DIRECT DEPOSIT PAYMENTS (Revised 04/24)

Direct Deposit payments sent to financial institutions through the Automated Clearing House (ACH) system may be returned for the following reasons:

- The participant is deceased and the account is frozen.
- Participant closed the account and did not notify the employer.
- Financial institution is unable to locate the account.

When a payment is returned, SCO will administratively remove the participant from Direct Deposit and will key the redeposit. The agency/campus must confirm the redeposit has posted and rekey the payment to issue a paper warrant. This process can take 9 - 15 working days from the original payment issue date.

1. The financial institution notifies SCO within 3 - 5 banking days after the issue date that the payment is being returned. SCO notifies the agency/campus that the payment is being returned and why. Once SCO is aware that the payment has been returned, the agency/campus can issue a salary advance to the participant.
2. SCO will cancel the participant's Direct Deposit within 1 - 2 payroll cycles.
3. SCO will key the redeposit of the returned funds, the agency/campus must confirm the redeposit has posted in payment history (POIS) and rekey the payment. This process can take 5 - 7 working days.

Section J 015: DIRECT DEPOSIT REDEPOSITED PAYMENTS (Revised 04/24)

Payroll Operations may redeposit Direct Deposit payments under the following conditions:

1. The financial institution returns a payment (refer to PPM Section J014) or Prenotification (Prenote)* because the participant's designated account is incorrect, frozen, or closed. If a payment is returned, the participant is removed from Direct Deposit and the payment is redeposited and reissued as a paper warrant and must re-enroll with a valid account.

*NOTE: Prenotifications are zero dollar records that are first sent to the participant's designated financial institution to verify the account information. If the financial institution has not rejected the Prenote, the participant's record is activated in 15 to 20 working days and all future payments are made through Direct Deposit.
2. Payroll Operations receives a telephone call from an agency/campus reporting a participant is deceased, on disability or has retroactively separated from State service and has been issued an overpayment that has not yet been sent to the financial institution. This would require a STOP PAYMENT (Strip) (refer to STOP PAYMENT (Strip) procedures, PPM Section J 013).
3. Payroll Operations receives a telephone call from an agency/campus reporting that a payment is subject to a late received garnishment and SCO determines that the funds have not yet been sent to the financial institution. This would require a STOP PAYMENT (Strip) (refer to Stop Payment (Strip) procedures, PPM Section J 013).

4. Payroll Operations receives a telephone call from an agency/campus reporting that a participant is deceased or has retroactively separated from State service and has been issued an overpayment that has been sent to the financial institution. This would require a REVERSAL (refer to REVERSAL procedures, PPM Section J 013).
5. Payroll Operations receives notification that internal SCO processing resulted in an overpayment that has been issued and not yet sent to the financial institution. This would require a STOP PAYMENT (Strip) (refer to STOP PAYMENT (Strip) procedures, PPM Section J 013).

Section J 016: ATTENDANCE CERTIFICATION (Deleted 04/24)

Section J 017: GARNISHMENTS (Revised 04/24)

It is very important for agencies/campuses to expedite Salary Garnishment forms STD. 639 to Payroll Operations once a Notice of Garnishment is received. If there is insufficient time for the STD. 639 to be received and processed by Payroll Operations for monthly payroll cutoff, call the Direct Deposit team within the time frames noted within PPM Section J 013 for STOP PAYMENTS (Strip).

NOTE: The STOP PAYMENT (Strip) procedure for Garnishments is only for those Garnishments with effective dates prior to the next pay period that will not be received and processed by Payroll Operations monthly payroll cutoff.

For example: A Garnishment that is received two days after monthly payroll cutoff and is effective for that month.

In this instance, since the Garnishment must be deducted from the monthly pay warrant, contact the Direct Deposit team immediately. Requests must be received by the Direct Deposit team by 10:30 AM on the day before payday to request a STOP PAYMENT (Strip).

Section J 018: BU 18 AND GENERAL SERVICES SEMI-MONTHLY POSITIVE (ROLL CODE 8) EMPLOYEES PAYROLL (Revised 04/24)

The State payroll system sends Direct Deposit payments to designated financial institutions based on issue dates and roll codes, which allows posting of payments on the appropriate day for semi-monthly positive pay employees with date-specific pay days.

Under the current USPS, there are two categories of Roll Code 8 employees with specific pay dates - employees at General Services Office of State Printing in Bargaining Unit 14, and Psychiatric Technicians in Bargaining Unit 18 who are employed at the Departments of Developmental Services and Mental Health State Hospitals. Both groups of employees are paid on a semi-monthly positive basis and their specific pay dates are mandated by collective bargaining agreements.

General Services employees' payroll is submitted to SCO electronically on the first working day following the close of each semi-monthly pay period. Direct Deposit payments are then released into the ACH system on the following day and posted by the fourth working day following the close of the semi-monthly pay period.

Developmental Services and Mental Health State Hospitals Roll Code 8 employees' payroll has traditionally been requested or keyed by the hospitals on a flow basis beginning with the first working day following the close of each semi-monthly pay period. If Unit 18 Roll Code 8 employees' payroll is processed in the same cycle as the General Services Roll Code 8 employees' payroll, it is released and posted to accounts ahead of the normal pay date.

General Services payroll should be submitted on the first working day following the close of semi-monthly payroll, but no later than the second working day. Developmental Services and State Hospitals facilities should not key or submit payroll transactions for Unit 18, Roll Code 8 employees (Psychiatric Technician) until the fourth working day following the close of each semi-monthly pay period. Specific dates for submitting Unit 18 Roll Code 8 payroll can be found

in the Civil Service Decentralized Calendar. Once Unit 18, Roll Code 8 Direct Deposit payments are created, they will be held by SCO and released into the ACH system in time for posting on the specific pay date.

Section J 019: DIRECT DEPOSIT ADVICE AND STATEMENT OF EARNINGS (Revised 04/24)

Per [Cal Employee Connect Letter #20-003](#), "Printing of Direct Deposit Advices Permanently Discontinued" is effective June 2020 pay period.