

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
November 2004**

DATE: December 29, 2004

TO: All Civil Service/Exempt Departments

FROM: State Controller's Office  
Don Ward, Operations Manager  
Personnel/Payroll Operations  
(916) 322-8805

RE: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the November 18, 2004 Personnel/Payroll Committee (PPRC) Meeting and provides information for the January 13, 2005 meeting.

We would like to thank those department representatives that participated in the November meeting for their time and effort. There were 31 representatives from 22 departments that participated in this meeting.

Personnel/Payroll Review Committee  
November 18, 2004 Meeting Notes

Don Ward called the meeting to order at 1:30.

Departments represented:

Board of Equalization, California Energy Commission, California Integrated Waste Management, Developmental Services, Earthquake Authority, Environmental Health Hazard Assessment, Financial Institutions, Franchise Tax Board, General Services, Health and Human Services Data Center, Health Services, Inspector General, Justice, Parks and Recreation, Peace Officer Standards & Testing, State Controllers Office, State Teacher's Retirement System, Teale Data Center, Toxic Substance Control, Transportation, Treasurer's Office, and Water Resources.

Old Business:

None

New Business:

Agenda Items  
Distribute Handout Materials  
Approve Prior Meeting Notes  
Guest Speakers  
SCO Update  
Department Issues/Concerns  
Confirm Next Meeting Agenda, Time and Place

Discussion:

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Approved September 2004 meeting notes.

Guest speaker: Pat Quinn, SCO 21<sup>st</sup> Century project. Pat addressed the current status of the project. He described the split procurement process where SCO first selects the software vendor and after the software selection process is complete, the process of selecting a system integrator begins. The selected system integrator will work with implementation of the selected software.

The software will provide a human resources program to handle:

- Employment History
- Payroll
- Position Management
- Timekeeping
- Leave Accounting
- Management Reporting

Employee Self Service may include:

- Address changes
- Tax withholding
- Payment History
- Leave accounting

One item that we are aware of is that not all employees have PC's. With Employee Self Service we must be able to accommodate this.

21<sup>st</sup> Century staff met with all 4 software vendors to discuss the fit of their product with the State's Human Resources requirements. Final proposals were due on December 2, 2004. Unfortunately, the proposals received were determined to be conditional and therefore deemed to contain material deviations. As such, the proposals cannot be constituted as finals and are treated as drafts. Final software proposals are now anticipated to have a revised due date of late January/early February 2005.

Immediately following the selection of the software, the process to select the System Integrator will begin.

We continue to hold periodic stakeholder meetings. We have included meetings with the labor unions. There were not a lot of participants from the unions but of the ones who attended most units were covered. Meetings with the unions and other stakeholders will continue.

We have also been working with departments that have software systems, and with control agencies and departments who are building their own programs to handle some of their business procedures. We must consider these existing processes when implementing and developing the software.

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The next department Stakeholder Meeting will be scheduled after the software vendor has been selected. At that time the vendor should be ready to provide a demonstration of the software.

We are also starting Focus Group discussions to better understand department's current business practices. The first two areas being studied include:

- #1 Benefits
- #2 Position Management

Information and updates are posted on the 21<sup>st</sup> Century website which can be accessed from the State Controller's site at [www.sco.ca.gov](http://www.sco.ca.gov)

Guest speaker: William Greenhalgh, CalPERS Health Benefits (916) 795-3882, and Gaynail Johnson addressed the annual Member Statement. This was mailed out to members a week or so ago and if undeliverable at the address on the envelope will be returned to the vendor. The vendor will destroy the original and create and mail a copy to the employer. The employer will be instructed to obtain and post a new address, then mail the new copy to the employee.

This was the most successful Open Enrollment period we have ever had. Let us know if you have suggestions for making it even better next year. You will have better luck if you email your comments or suggestions to me. My email address is [William.Greenhalgh@calPERS.ca.gov](mailto:William.Greenhalgh@calPERS.ca.gov)

Some PPRC members made the following comments:

It was confusing to employees to have the Open Enrollment end on October 15th instead of the end of the month.

It was difficult to coordinate between agencies if both spouses were state employees.

Question: How do I handle an employee who is getting married soon and came in to tell me that he needs to delete his ex-wife from coverage?

Answer: You should retroactively delete the ex-wife to the time that employee told you the divorce happened. Even though the ex-wife may have used services, they were legally not entitled to be a covered spouse once the divorce was final. They can be offered retro COBRA enrollment. Even though this retroactivity may be more than the three years, that monetary adjustments can be made to the employee share. Also, it's necessary to have the correct cancellation date on the record. CalPERS is obtaining a legal opinion and possible legislation to define the retroactivity periods for all state agencies.

Domestic Partners: AB 205 revamped the laws covering how Domestic Partnerships are recorded by California. Until 12-31-04 these are registered and deleted at the Secretary of State's Office. After 1-1-05 the family court will cover this activity like it does for divorces.

SCO Update:

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Statewide Training: The Winter 2005 Training semester scheduling process has been completed. Overall, 81% of the requests for training received (780 out of 968) will be satisfied.

CLAS

The 2004 CLAS Customer Satisfaction Survey was conducted during October and results are currently under analysis. We anticipate sharing the results with our customers during December/January.

Based on suggestions received from the CLAS survey, steps are being taken to automate the posting process for the Voluntary Personal Leave Program (VPLP). Posting will begin for the December leave period and a Leave Letter will be distributed shortly.

Steps are being taken to update the CLAS with upcoming Saturday Holidays (i.e., December 25th, January 1st, and February 12th). A Leave Letter will be distributed shortly.

MIRS

Analysis continued on the MIRS 2004 Customer Satisfaction Survey results and a report was prepared in final draft. The results show that the significant majority of MIRS users are satisfied with our customer services. Overall, 98.9 percent of the returned surveys stated they were either very satisfied (53.2%) or satisfied (45.7%) with our service level, which is a 1.0 percent increase over the 2002 survey. Results will be distributed to customers during December/January.

A Personnel Letter on Lump Sum Deferral was released during October. SCO will arrange for a "Round Table Discussion" at the September 2005 PPRC to assist in processing year end separations.

Reminder: The PPRC meeting notes are now being posted on the SCO web site instead of being sent to you via email. We try to post the notes on the web site within the month following the meeting. You can access this site at <http://www.sco.ca.gov/ppsd/pprc>

Agency Collection AR Pilot: We are conducting a pilot program involving the establishment of agency collection AR's on all salary overpayments. So far, five departments and two campuses have agreed to participate. As such, beginning in October all salary overpayments identified by PPSD staff (for these five agencies) will be established as agency collection A/R's, after a two-week lag period. This will be a change from our current practice of sending a notice of potential overpayment, and then waiting 60 days for a response. So far, the agency response is overwhelmingly positive.

Master Payroll Certification (MPC): We continue to process a report run on the 15<sup>th</sup> of every month, which indicates which agency reporting units have not cleared MPC. The Transaction Supervisors will be contacted if MPC is not keyed timely. For the October pay period there were 1,574 units that had not been cleared by November 15<sup>th</sup>. As such, we contacted 27 agency/campus supervisors in an effort to reduce the time spent completing 674s or calling the Telephone Liaison Unit. Many of the requested transactions would take place automatically if MPC were keyed timely. If you have any questions or comments regarding

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this new process, please contact Ann Mitchell at (916) 322-7978, or email [anmitchell@sco.ca.gov](mailto:anmitchell@sco.ca.gov).

Account Receivable Threshold: Recent legislation (Assembly Bill 2530) was passed and will become law effective January 1, 2005. This legislation allows SCO to disregard payroll errors that result in overpayments of \$25.00 or less. Implementing this new procedure will replace our existing \$5.00 threshold with a \$25.00 threshold. **This threshold does not pertain to deduction or disability overpayments.** What this means to the departments is; if we discover an overpayment that is \$25.00 or less per pay period, we will not send you the Notice of Pending Account Receivable nor will we establish an AR. We will, however; honor a Form 674 AR if you have a need to document and collect the overpayment.

AR/Leave Credit Offsets for Overpayments: We are receiving large packages of Forms 674 AR requesting that we issue Leave Credit payments for the purpose of offsetting agency collection ARs. Because of number of retroactive pay periods involved, we are, in some cases, summarizing the total of the ARs and applying them to the payments. If you have questions about the way these are applied, please contact Cindy Snider at (916) 322-8074.

W-2 Information: During October, we printed the employee's home address on employee's earnings statements. We did this to encourage employees to update their home addresses for W-2 mailing purposes. We identified 161 employees with no address on the system. In November, we mailed a listing to the departments that had employees without mailing addresses on file. We will send an updated listing in early December. We will print the agency's address as the return address on 2004 Forms W-2 to allow you to forward any undeliverable Forms W-2 to your employees. Employees who need a duplicate W-2 can download a Form STD 436 from the SCO website at [http://www.sco.ca.gov/ppsd/empinfo/howto/dupw\\_2.shtml](http://www.sco.ca.gov/ppsd/empinfo/howto/dupw_2.shtml). There is an \$8.50 processing fee for each tax year a duplicate W-2 is requested. If an employee claims that they never received their 2004 Form W-2, we will not require a fee for providing a duplicate if the request is received by March 4, 2005. See Payroll Letter 04-017 issued November 22, 2004 for specific information required from departments for this fee waiver.

Savings Bonds: The Federal Reserve Bank has made several enhancements to their Savings Bond program. Specifically, they implemented a web based on-line application for purchasing electronic (paperless) EE and I savings bonds. Although SCO is not participating in this new program, we will continue to offer payroll deduction for purchasing paper EE savings bonds. However, individual employees can go directly to the TreasuryDirect web site to enroll in this new program and establish an account and make electronic payments via their bank account for the purchase of paperless bonds. The web site for this program is [www.TreasuryDirect.gov](http://www.TreasuryDirect.gov)

R&R Listings: These annual listings will be available on View Direct in early January. It is the agency's responsibility to determine each employee's anniversary date and pay the R&R at the appropriate time.

Exemption from Taxes: Departments that have employees who claim exemption from taxes will receive employee notices advising them that their exemption from withholding will expire in February 2005. We will mail a cover letter along with the notices to the departments during the last week of December. This year, we will also provide departments with a listing of their employees for tracking purposes. These employees will need to file a new Employee Action

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Request (EAR/STD Form 686) to be keyed no earlier than December 31, 2004 and no later than February 4, 2005. Employees that do not file a new EAR will have taxes taken at the default setting, which is single and zero exemptions.

If you have employees that claim exemption from taxes and they separate with lump sum that extends into the February pay period, taxes will be withheld unless you make changes to the EAR. There are instructions in the PAM, Section 10.16.1, for preventing taxes from being withheld in these situations.

Questions/Answers

Question: We have employees who separate prior to the end of the month and are due regular pay. How do we process the separation so that the pay will issue from the PAR?

Answer: The separation PAR should document the correct time to be paid in item 606 and the immediate pay item should be marked with an X. If time is possible, the PAR should issue the pay. If pay does not issue because there is more time than possible for the pay period or some other reason, the outstanding payments will be identified on our AB 2410 report, which is worked daily. When immediate pay is X'd, we have authorization to manually issue the pay. Regular hourly pay will not issue via PIP prior to the end of the pay period for Roll Code 3 or Roll Code 4 employees. Each case is individual and timing is usually the deciding factor.

Question: We keyed some out-of sequence PARs when the employees had a locked in premium on prior PARS and the premium is not shown on the PARs above. We feel it a system problem when the premium was not carried forward on our new transactions. What caused this?

Answer: This is not a system problem. The PAM, Section 9.6.1 lines 1-7 B, states that when adding a new transaction out-of-sequence, you must enter all other allowable items that are different from the "CURRENT STATUS" record. Allowable items left blank will reflect information from the current status record.

Recently there were numerous errors of this type where PARs were entered out-of sequence prior to the scheduled ending time for the employee's PLP. When the PARs were entered the PLP dollar amounts showed but not the established earnings identifying information. This caused adjustments to issue for the PLP amounts, resulting in payments that had to be redeposited or Accounts Receivable established.

Next Meeting:

The next Meeting is Thursday, January 13, 2005 from 1:30 to 3:30 at:

State Controller's Office  
300 Capitol Mall, 6th Floor, Room 635  
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the 2005 calendar year. All meetings are from 1:30 to 3:30 at the above location.

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March 10, 2005

May 12, 2005

July 14, 2005

September 8, 2005

November 10, 2005

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at [dward@sco.ca.gov](mailto:dward@sco.ca.gov)