

**WELCOME TO:  
FUNDAMENTALS OF PAYROLL**

**Using Form STD 674 A/R:  
Accounts Receivable Process  
&  
Completing a Leave Offset**

*Presenter:*

*Cassandra Fine  
Associate Governmental Program Analyst  
Statewide Training  
Personnel and Payroll Services Division*

**State Controller's Office**




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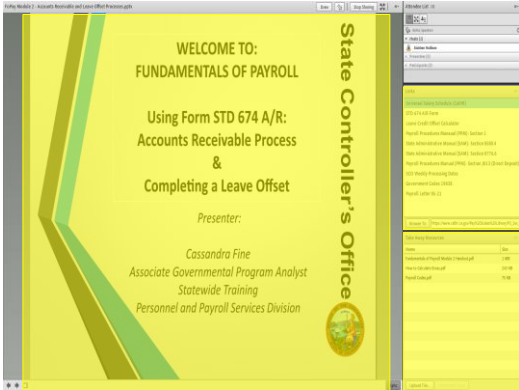
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**Disclaimer**

This training being provided is to enhance the learnings and/or instruction you have already received from your HR Department.

All personnel specialists should refer to the Payroll Procedures Manual (PPM) to locate reference information and procedures on completing payroll transactions. Doing this will help you become more confident in knowing how to locate answers in order to solve issues that arise with the rosters you are managing.

If you would like to view the PowerPoint presentation to print for note taking during this training, you can access it under the Take Away References box in the lower right corner of your screen.

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**Objectives**

By the end of this module, you will have received the following information/instruction:

A clear understanding about the Accounts Receivable Process to include:

- ✓ Explanations about how overpayments occur
- ✓ Deduction Arrears, Deduction Offset, Taxes
- ✓ How to notify the employee and collection options
- ✓ How to process paperwork for separating employees
- ✓ Guidelines for the collection process
- ✓ Explanation of the A/R Notice, Statute of Limitations
- ✓ What to do when PPSD discovers an overpayment due to a PAR transaction

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**Objectives**

By the end of this module, you will have received the following information/instruction:

- ✓ Explanation about the leave offset process and when it can be used
- ✓ How to complete the Leave Offset Calculator
- ✓ How to create the STD 674 A/R for this option
- ✓ What leave balances can be used
- ✓ Reminders on viewing the STD 674 A/R and what needs to be completed before forwarding to SCO.

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**Why Does an Accounts Receivable Occur??**

- ✓ Certification of erroneous salary rates
- ✓ Incorrect effective dates and/or time worked
- ✓ Disapproval by control agencies of appointments or promotions (SCO, SPB, CalHR)
- ✓ Coding or key entry errors
- ✓ Release of various disability payments




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**STD 674 A/R – Payroll Adjustment Notice**  
**What Is The Form Used For?**

This form is used to:

- ✓ Establish and reverse accounts receivables
- ✓ Return a warrant, AND establish/reverse an accounts receivable for related payment types
- ✓ Request a transfer of funds, AND establish/reverse a accounts receivable for related payment types
- ✓ Change Method of Collection of an established A/R
- ✓ Report Over-Collection of a Payroll Deduction A/R

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**Bargaining Unit Contracts – Guidelines?**

Section I in the PPM and G.C 19838 state the authority of the department to collect on an accounts receivable item. However, the employee's Memorandum of Understanding (MOU's) supersedes any Law or Rule.



**Read the Bargaining Unit Contracts for specifics before creating documentation!!**

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**How Does a Deduction Arrears Occur?**

**Question:**

I didn't request an A/R for this employee, so why was it established by SCO?

**Possible Answer:**

- ✓ Payment Type 'K' A/R's are processed for mandatory and voluntary deduction arrears, such as:
  - ✓ Benefits (Health, Dental, et al)
  - ✓ Social Security, Medicare, SDI, Retirement
  - ✓ Other deductions except Garnishments



View the PAY HIST screen to identify the deduction and go from there.

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**View of A/R in Pay HIST – Payment Type “K”**

989-00-9999 HS COMSTOCK -PAYMENT DETAIL- PAGE 001 OF 001  
 987-654-5157-005 00 CBID-

PAY PERIOD	A/R OR WARRANT#	DATE	ORIGIS	CLEAR	LS/PP	TIME PAID	GROSS	NET	SUSP CODE
0-11-16	98989	021517	120116	61942			.00	178.73-	

C	R	P	A	S	G	WNG-	OT	R	S	SALARY	TIME	SALARY	BASE	TRANS	BATCH/PSR
T	L	S	C	D	T	P	FLSA	CD	G	T	TOTAL	BASE	FULL	PAY	FILE#
S	0	0	1							.00		.00	4241.00	999	88714

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**What are Deduction Offsets?**

When an A/R is established, there may be deductions included in the net amount. Here's a list:

- ✓ Social Security
- ✓ State Disability Insurance (SDI)
- ✓ Medicare
- ✓ Retirement
- ✓ Deductions to be credited back to the employee
- ✓ Garnishment payments
- ✓ Additional tax

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**Notice of Account Receivable (Half-Sheet)**

- ✓ The "Notice of Account Receivable" (an 8½ x 5½ sheet of paper) is computer generated for each A/R. The corresponding Account Receivable Warrant Register is available through ViewDirect under Report PD-A/R.
- ✓ The notice(s) are forwarded to the HR transaction units through the accounting department, and is given to the PS indicating the action taken. This notice should be placed in the A/R file that you create.
- ✓ In some cases you may see the item in the employee's Pay HIST, under Payment Type K before you receive the hard copy.

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**Notice of Account Receivable (ViewDirect)**

STATE OF CALIFORNIA, OFFICE OF THE CONTROLLER, DIVISION OF DISBURSEMENTS  
NOTICE OF PAYROLL ACCOUNTS RECEIVABLE

OVERPAYMENT FOR A/R # \*\*\*\*\* CLEARANCE # 54532 OF 04-18-\*\*\*\*

----- AGENCY APPROPRIATION -----

FUND	AGY	FY	REF/ITM	FEDCATLG	CA	PG	EL	COM	TRK	ACCT/CODE	SOURCE
0001000	8570	2019	001	-00000000	-99	-	-	-0000000000	0000000		

SOC. SEC. #	NAME OF EMPLOYEE	AGY.	UNIT CLASS	SER.	T.MO.YR.	DAYS	HOURS
xxx-xx-xxxx		xxx	xxx	9927 001	0-01-xxxx	0	1.00

SALARY TYPE RATE	GROSS & STATE SHARE	TOTAL	AMOUNTS TO BE TRANSFERRED PER FORM CD 62	GROSS
1 \$2,859.00		\$22.48		\$16.24

PAYMENT TYPE	RETIREMENT	CASDI	HB PREM	HB AIM
0	\$5.00	\$1.24	\$0.00	\$0.00

DIVISION OF DISBURSEMENTS WILL RECOVER EMPLOYEE DEDUCTIONS FOR

RETIREMENT	FEDERAL TAX	CA ST. TAX	CASDI	SDI	OTHER DED
\$1.30	\$0.00	\$0.00	\$1.23	\$0.16	\$0.00

\$13.55 TO BE RECOVERED FROM EMPLOYEE BY PAYROLL DEDUCTION

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- Employee Notification Process**
- Notifying the employee in writing:
- ✓ Amount due
  - ✓ Pay Period(s) affected
  - ✓ Reason for overpayment
  - ✓ Response time (15 calendar days from date letter is received, and includes weekends)
  - ✓ Proposed repayment plan (method of collection)
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- Employee Notification Process**
- ✓ Once you have notified the employee, a suggestion is to create a tickler file so you can remember to create the STD 674 A/R once the 15 day period ends.
  - ✓ Doing this procedure will help you stay on top of the A/R's that you receive so that you do not incur a backlog.
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### A/R Collection Methods



**Agency Collection:**

- ✓ The employee elects to write a check or pays cash

**Payroll Deduction:**

- ✓ The employee elects to have a deduction taken from a future Master Payroll Warrant (Code 035):
  - ✓ One-Time Payroll Deduction – Most common for smaller A/R's
  - ✓ Installment Method – Used for larger A/Rs for deductions up to 12 pay periods

**Accounts Receivable Offset – Leave Credit Use:**

- ✓ The employee elects to use existing leave credits to satisfy an A/R

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### A/R's and Taxes

- ✓ When an A/R is established, no federal or state taxes are credited back for an A/R.
- ✓ This can result in the employee owing more money to the department than the actual overpayment amount the employee received.



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### Agency Collection vs. Payroll Deduction Which Option is Better for Employee?

- ✓ A agency collection A/R is a repayment agreement between the agency/campus and is not reported to the State Controller's Office.
- ✓ A payroll deduction A/R benefits the employee by reducing the tax amounts from the payment to which the Payroll Deduction code 035 is applied.
- ✓ It is at the employee's advantage that the A/R be sent up as a Payroll Deduction because the taxable gross is not reduced. Therefore, the employee pays back a higher net amount at the time the A/R collected.
- ✓ Overpayments can be recouped against federal and/or state income tax return for that year.

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**Reminders: Payroll Deduction A/R**

When the employee chooses this option, keep in mind:

- ✓ If the employee requests a specific payroll deduction amount be taken in a specific pay period order, the agency must include a statement in the "Remarks" section on the STD. 674 A/R.
- ✓ Deduction amount cannot exceed 25% of the employee's monthly net (gross minus mandatory deductions) unless employee approves. If employee does approve, ensure you have the response in writing.
- ✓ When overpayments have continued for more than a year, the agency may require full payment, via Payroll Deduction, within a year.
- ✓ Employees paid more than once per month (semi-monthly, biweekly), will have their deduction taken from the 1<sup>st</sup> available pay period.

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**Sample: Completed STD 674 A/R  
(From Agency Collection to Payroll Collection)**

The form includes a header section with checkboxes for 'Agency Collection' and 'Payroll Collection'. Below this is a table with columns for 'GROSS', 'NET PAY', and 'DEDUCTIONS'. The 'DEDUCTIONS' column shows a value of 480.00 and a net pay of -139.81. The form also contains various checkboxes and text boxes for additional information.

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**General Information**

**No Mutual Agreement or No Employee Response**

- ✓ Agencies can provide with collection of A/R to cover the same number of pay periods if there is no response from the employee, or there is no agreement from the department/employee on a collection method or when to repay.

**Separating Employees**

- ✓ Agencies/campuses can withhold, an amount sufficient for full repayment, from any money owed the employee upon separation. If the money owed the employee upon separation is insufficient for full repayment, agencies/campuses have the right to proceed with legal action to recoup the amount owed.

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**General Information**

**Agency Authority**

- ✓ Agencies **have the authority** to withhold an employee's pay warrant and issue a revolving fund check for the difference between the employee's pay and the amount owed if the overpayment was made in the **SAME** pay period.
- ✓ Agencies **do not have the authority** to withhold an employee's pay warrant and issue a revolving fund check for the difference between the employee's pay and the amount owed if the overpayment was made in a **DIFFERENT** pay period.

In this case, the employee **should be** notified via an A/R notification letter **and** given **15 calendar days** to respond.

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**General Information**

**Statute of Limitations**

- ✓ Agencies/campuses cannot take action to recoup an overpayment, pursuant to GC 19838, unless the action is initiated within 3 years from the date of the overpayment.

**Example:** An employee was overpaid for an overtime payment that issued on 8/7/15. To recoup this overpayment, the notification must be provided to the employee by August 6, 2018.

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**PPSD Discovers Overpayment**

The Personnel and Payroll Services Division (PPSD) may discover an overpayment, due to a PAR transaction, which becomes an A/R. Payroll Letter 05-021 explains the process:

- ✓ 21 days from the date of discovery, PPSD will process an Agency Collection A/R.
- ✓ PPSD will send the half-sheet (Notice of Accounts Receivable) to Human Resources, and the following should happen:
  - ✓ Fix the error via a corrected PAR transaction
  - ✓ Notify the employee of the overpayment, discuss options, and follow the same procedure as with any other A/R.

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### Using Form STD 674 A/R:

### Accounts Receivable Offset - Leave Credit Use

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### Accounts Receivable Offset – Leave Credit Use

Collection method that allows employees to cash out specific leave credits to clear an outstanding A/R:

- ✓ A/R must have been established **and** still have a remaining balance (viewable in Pay HIST)
- ✓ Earnings ID is GS (listed on Payroll Codes Job Aid)
- ✓ Separate STD. 674 A/R is required for each pay period
- ✓ Exception – Payment Types 6 and N are NOT eligible (IDL)

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### Accounts Receivable Offset – Leave Credit Use

Eligible Leave Types:

Annual Leave	Personal Day
CTO	Personal Leave Program (PLP)
Education Leave	Personal Leave Program 2003
Excess Hours	Personal Leave Time
Holiday Credit	Professional Leave
Holiday Comp Time Off	Vacation
Medical Officer of the Day	Vacation Bank
On Call Assignment	Voluntary Personal Leave
Personal Holiday	Voluntary Time (V-Time)

Note: Sick Leave may ONLY be used to satisfy A/R's caused by errors in sick leave balances.

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**Leave Offset Calculator**

This example:  
 ✓ Employee with Regular A/R (Payment Type "1")

✓ Use the calculator to identify the gross cash out.

Leave Offset A/R Calculator	
Field Name	Entry
Salary Full Rate	\$3876.00
Salary Rate	173.33
Calc. Hourly Rate	\$22.36
AR Net	\$1361.57
AR Gross	\$1597.73
Retirement	\$99.56
Codes 003/005/006	
Tax Exempt?	No
State	California
Social Security	Yes
Medicare	Yes
SDI	Yes
Leave Offset	67.25
Gross Cash Out	\$1503.71

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**View of Leave Offset Calculator (Excel)**

Leave Offset AR Calculator			
Salary Full Rate *	\$ 3,876.00	(enter full monthly pay amount or hourly rate)	
Salary Rate	173.33	(select from dropdown)	
Calc. Hourly Rate	\$ 22.36 /hr		
AR Net	\$ 1,361.57	AR Retirement Deductions	
AR Gross	\$ 1,597.73	Deduction	Amount
Tax Exempt?	No	Retirement	\$ 99.56
State	California	003/005/006	
Social Security	Yes		
Medicare	Yes		
SDI	Yes		
Leave Offset:		67.25	
Gross Cash Out: \$		1,503.71	
Reset			

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**View of Salary Rates - Bargaining Unit**

Leave Offset AR Calculator			
Salary Full Rate *	\$ 3,876.00	(enter full monthly pay amount or hourly rate)	
Salary Rate	173.33	(select from dropdown)	
Calc. Hourly Rate	\$ 22.36 /hr		
AR Net	\$ 1,361.57	AR Retirement Deductions	
AR Gross	\$ 1,597.73	Deduction	Amount
Tax Exempt?	No	Retirement	\$ 99.56
State	California	003/005/006	
Social Security	Yes		
Medicare	Yes		
SDI	Yes		
Leave Offset:		67.25	
Gross Cash Out: \$		1,503.71	
Reset			

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**Leave Offset and Taxes**

**Benefit A/Rs:**

- ✓ When using leave credits to offset a benefit deduction A/R, the employee would use MORE leave credits to pay for this type of A/R since taxes (Federal & State), retirement, and SDI (if applicable) are now required to be paid based on cashing out the leave credits.

**Regular A/Rs (Overpayments):**

- ✓ These are pre-taxed, therefore LESS leave credits are required to offset these A/Rs.

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**Leave Offset and Taxes**

- ✓ Payments with any remaining balance issued to the employee are taxable at the flat tax rate for federal and state taxes.
- ✓ These payments are not subject to retirement contributions.
- ✓ The A/R collection deduction code "035" has a higher priority than ALL garnishment deduction codes. Therefore, garnishments do not need to be considered when calculating the number of leave credits to cash out for an employee to satisfy their A/R.

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**Deduction of Accruals: CLAS**

Deduct the accruals from CLAS (California Leave Accrual System) before sending the STD 674 A/R to SCO. Why?

- ✓ Suppose the employee becomes eligible for an MSA, SISA, or a GEN increase. The increase may occur between the timeframe when the STD 674 is sent to SCO and when SCO processes it (60-90 days).
- ✓ Sending the 674 A/R to SCO before the hours are deducted can change the full salary, thus identifying the figures on the 674 A/R as incorrect. However, as of Jan 2020, SCO will no longer return the 674 A/R, and will process as usual.

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**Deduction of Accruals: CLAS**

- ✓ Once the STD 674 A/R has been created and the hours deducted from CLAS, forward a screen shot copy to the employee that will show the deduction and hours remaining in the accrual bank.
- ✓ This step will remind the employee what he/she has so they do not use hours that are not available.
- ✓ When SCO does receive the STD 674 A/R, the SCO representative will check the system, ensure that the form was filled out correctly by the personnel specialist, and complete the processing.

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**Deduction of Accruals: CLAS**

- ✓ Once SCO processes the 674 A/R, there may be additional funds due the employee from the transfer of the leave accruals.
- ✓ A warrant will be sent to the employee, but make your notes clear on the A/R file, so when the warrant does become visible in Pay HIST, you'll see it, and will be able to explain to the employee. Look for Payment/Suffix Code "GS".

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**Checking the Form for Accuracy**



Review the STD 674 A/R form closely:

- ✓ Form completed in ink or typed? Original Authorized Signature?
- ✓ Dock Time + Time Worked = Total Time Possible?
- ✓ Are the Earnings IDs completed for all payment types when needed?
- ✓ Overpayment To Be Recovered By completed?
- ✓ Is the SSN correct? Is the form legible?
- ✓ Did you include all similar payment types in the pay period in Item 6A and 6B?

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**Checking the Form for Accuracy**



- ✓ Is Item 4 – Position Number showing the correct position of the payment?
- ✓ For Redeposits: did you complete the NET and Warrant # in Item 6A?

**When to send form by FAX:**

- ✓ Separating employees ONLY. **Must call Payroll Liaison first to verify and obtain contact information.**
- ✓ Do not follow up with a hard copy.

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**Inquiry: When Will 674 A/R Be Processed?**

The process to inquire about an 674 A/R already sent is below:

- ✓ Resign the copy (has to be a wet signature)
- ✓ Write "INQUIRY" in caps at the top of the form in red ink, make another copy for your files, then forward to SCO.
- ✓ This process forwards the document to a different team at SCO so they can investigate.
- ✓ If not done in this manner, the 674 will be routed to the normal department and processing in order received.

For inquiries – verify what SCO is currently working on before sending (weekly updates located on sco.ca.gov).

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**Other Reminders...**

- ✓ Organize your files to ensure all necessary documentation is in the folder: A/R half sheet, notification letter, copy of A/R from Pay HIST, form to identify payments, and any other documentation as identified by your department.
- ✓ Pay very close to the statute of limitations. Always try to stay on time of your A/R processing so you do not have a backlog, causing you to fall outside of the 3-year timeframe to recoup the funds. Ensure all documentation has dates.

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**Other Reminders...**

- ✓ Instead of waiting until you hear from the employee on their option of payment, create the STD 674 A/R and have it ready. Once you have a response, then you can get approvals and send on to SCO.
- ✓ Processing time can vary from 30-90 days, depending on the backlog at SCO. Always check the weekly processing dates.
- ✓ Inquiries: you have to wait at least 21 days from sending the original before inquiring about status.

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**Let's Review What You Have Learned....  
Choose the Correct Answer!**

- 1) The 674 A/R form can be used to:
  - a) Reverse an A/R
  - b) Change method of collection to payroll
  - c) Return a warrant
  - d) All of the above
- 2) What is the payment type that identifies an A/R in Pay HIST?
  - a) Payment Type R
  - b) Payment Type F
  - c) Payment Type L
  - d) Payment Type K
- 3) The payroll deduction for a leave offset is Code 035.
  - a) True
  - b) False

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**Let's Review What You Have Learned....  
Choose the Correct Answer!**

- 4) What is the response time for an A/R notification letter?
  - a) 10 days
  - b) 20 days
  - c) 5 days
  - d) 15 days
- 5) Which accrual cannot be used to offset an accounts receivable?
  - a) Personal Holiday
  - b) Personal Leave Program (PLP)
  - c) Holiday Informal Time Off
  - d) Sick Leave
- 6) When forwarding the 674 A/R to SCO, it **must not** include:
  - a) The employee's SSN
  - b) Position Number
  - c) AR Number
  - d) Home Address

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**Resources**

- [STD 674 A/R Form](#)
- [Leave Credit Offset Calculator](#)
- [How to Calculate Gross for the STD 674 A/R \(Job Aid\)](#)
- [Payroll Codes \(Job Aid\)](#)
- [Payroll Procedures Manual \(PPM\): Section I \(Sections 8580.4, 8776.6 – Separating Employees\) \(State Administrative Manual\)](#)
- [Payroll Procedures Manual \(PPM\): Section J 013 \(Direct Deposit\)](#)
- [SCO Weekly Processing Dates](#)
- [Government Code 19838 \(Overpayments, Statute of Limitations\)](#)
- [Payroll Letter 05-21 \(PPSD Overpayment\)](#)
- [Universal Salary Schedule \(CalHR\)](#)

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**Contact Information**

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*Thank you for your participation!!*

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