

Payroll Procedures Manual

Section J  
Direct Deposit

Rev. 12/2021



# State Controller's Office

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## DIRECT DEPOSIT

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### Section J 001: INTRODUCTION (Rev. 01/00)

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G.C. 12480, 12481

The Direct Deposit system provides for the automatic deposit of all net earnings into the financial institution designated by the participant. ALL payments, including regular pay, shift differential, premium pay, overtime, awards and bonuses, etc., are transferred through Direct Deposit once an employee is enrolled. It is a voluntary program available to State employees who meet minimum eligibility requirements.

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

Participants do not receive payroll warrants but continue to receive Statement of Earnings and Deductions. In lieu of the payroll warrant, participants receive non-negotiable Direct Deposit Advices.

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

### Section J 002: ELIGIBILITY (Rev. 10/19)

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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 (Rev. 03/02)

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Employees who wish to enroll in the program must complete a form STD. 699, Direct Deposit Authorization Form (available on DGS/SCO web site). It is important that employees verify the routing and account numbers with their financial institution. Once completed, the form is submitted to employees' personnel/payroll office for eligibility review. The original completed form is then forwarded to the State Controller's Office, Personnel/Payroll Services Division (PPSD), Direct Deposit Unit for processing.

Critical information required on the STD.699 to establish, change, or cancel a Direct Deposit:

1. Type of Enrollment (new, change, cancel)
2. Social Security Number
3. Name
4. Type of Account (checking or savings)
5. Routing Number (9 digit bank transit number)
6. Depositor Account Number
7. Signature (employee and agency) (DO NOT ALTER FORM IN ANY WAY)

NOTE: For an administrative cancellation, complete Sections A and D.

## Section J 004: PRENOTIFICATIONS (Rev. 06/99)

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Whenever a new Direct Deposit is being established or an existing record is being changed, the State Controller's Office first sends a Prenotification to the designated financial institution. This Prenote 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 financial institution does nothing and the participant's Direct Deposit is activated within 15 to 20 days after the Prenote 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 a new form STD. 699 be submitted with the correct information.

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

Regular Payments

1. Regular monthly (including Statutory employees) or semimonthly employees paid on the last day of the pay period. Direct Deposit posting dates and pay dates can be found on SCO's web site at the following address:  
[http://www.sco.ca.gov/ppsd\\_direct\\_deposit\\_pay\\_dates.html](http://www.sco.ca.gov/ppsd_direct_deposit_pay_dates.html).

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.

2. Positive pay employees paid with 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 7 and 8 regular payments are being held (Roll 7 and 8 regular payments are held until 2 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 (Rev. 03/97)

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A participant with multi-positions need 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, providing the participant meets eligibility requirements.

#### Section J 007: CHANGES IN SALARY OR NET EARNINGS (DEDUCTIONS) (Rev. 03/97)

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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 or net amount as before.

#### Section J 008: SALARY ADVANCES (Rev. 03/97)

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Agencies/campuses should not issue a salary advance to an employee who has an active Direct Deposit. An agency/campus should first submit a STD. 699 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 (Rev. 03/97)

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

Forward copies of the participant's STD. 699 along with all other personnel/payroll information traditionally forwarded. Forward any Direct Deposit Advices which may precede the actual transfer.

## Section J 010: CRITERIA FOR AGENCIES/CAMPUSES REMOVING PARTICIPANTS FROM DIRECT DEPOSIT (Rev. 10/19)

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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:

1. 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.
2. The participant requests a disability benefit.
3. The participant requests a salary advance.
4. The participant's Direct Deposit payment is returned (e.g., due to a closed account or invalid routing number) and SCO will reissue a paper warrant.
5. The participant was/may be overpaid due, but not limited to:
  - Death/permanent separation/suspension/dismissal/layoff.
  - AWOL, absence, or participant tardiness, which results in a dock situation.
6. The participant was overpaid and the State is recovering the amount of the overpayment.
7. 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 (Rev. 06/99)

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When a STD. 699 change is submitted to SCO, the following occurs:

1. The current active enrollment is terminated.
2. 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).
3. The participant may receive a paper warrant from their agency/campus until the new (changed) enrollment is effective.

## Section J 012: DIRECT DEPOSIT CANCELLATION (Rev. 06/99)

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A participant's Direct Deposit can be canceled by completing the appropriate portions of the STD. 699, Direct Deposit Enrollment Authorization form. Cancellations can be initiated by the:

1. Participant (can be processed with participant's signature only)
2. Employing agency/campus (can be processed with authorized signature only)
3. State Controller's Office (SCO)

Normally, cancellations are effective the day after SCO processes the STD. 699. Agencies/campuses can call SCO to request that SCO initiate a cancellation. A telephone request to cancel a Direct Deposit is only permitted when agencies/campuses become aware that a participant is deceased, on disability, has a salary advance, there is bank fraud, a closed account or separating, and will not continue employment with the State and will be overpaid.

If agencies/campuses follow the deadlines, the SCO will process the Direct Deposit cancellation to be effective prior to master payroll:

### Deadline for emergency cancellation telephone requests

- 11 AM on monthly or semimonthly master payroll cutoff.

## Section J 012.1: AUTOMATIC DIRECT DEPOSIT CANCELLATIONS (Rev. 07/03)

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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. However, the agencies/campuses have the discretion of administratively canceling Direct Deposit for participants on IDL. If the EH record reflects non-active, 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 the REVERSAL.

NOTE: Payments to which garnishments should be applied cannot be corrected by using the REVERSAL. The STOP PAYMENT (Strip) is the only method which can be used for the 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 can check its daily warrant registers for the redeposit to insure that the payment was actually "stripped" (deleted from the electronic transfer file).

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

The deadlines for the STOP PAYMENT (Strip) and REVERSAL requests are as follows:

STOP PAYMENT (Strip)

Master and semimonthly Payroll

- Telephone call to SCO between master or semimonthly cutoff and 11 AM two (2) working days prior to the posting date.

DAILY PAYROLL

- Telephone call to SCO by 11 AM on date of issue.

REVERSAL

- Telephone call to SCO by 11 AM up to seven (7) banking days after the original issue date of the payment.

REQUIREMENTS:

- Strip or reversal request has to include all information needed; however, cancel only need employee information, not warrant information.
- When request for more than three (3) employees, a list has to be sent via ConnectHR to State Controller's Office following a phone call.
- All the information below is needed in order to process a request:
  - Caller's 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)

IMPORTANT NOTE:

- Participants must be active on Direct Deposit to initiate REVERSALS. REVERSALS may be rejected by the receiving financial institution if the fund in the account is 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 has to be established to recover the overpayment.
- When requesting cancellation, any payment that is not issued yet will be stripped automatically. It is the agency/campus's responsibility to check and verify whether or not the outstanding payment/s may be stripped as a result of the Direct Deposit Cancellation, and at that point will need to be re-issued.

## Section J 014: RETURNED DIRECT DEPOSIT PAYMENTS (Rev. 06/99)

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Direct Deposit payments sent to financial institutions through the Automated Clearing House (ACH) system may be returned for a variety of 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. The payment will then be redeposited and reissued as a warrant. Payments keyed via PIP must be rekeyed by the agency/campus. This process will normally take approximately 9-15 working days from the original issue date. The steps involved in this process are:

1. The financial institution normally 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 a payment was actually 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 verify the redeposit of the Direct Deposit returned payment and then reissue the pay in the form of a payroll warrant. This will normally take 5-7 working days. Payments keyed via PIP must be rekeyed by the agency/campus after redeposit is verified on payment history screen.

## Section J 015: DIRECT DEPOSIT REDEPOSITED PAYMENTS (Rev. 06/99)

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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 warrant. If a notification is returned late and a Direct Deposit payment has been created, it will be redeposited and reissued as a warrant. In this situation, the participant will be removed from Direct Deposit 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) to be done (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) to be done (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 to be done (refer to REVERSAL debit procedures, PPM Section J 013).
5. Payroll Operations receives notification resulting from recently keyed PARs/PPTs and internal SCO processing that an overpayment has been issued but not yet sent to the financial institution. This would require a STOP PAYMENT (Strip) to be done (refer to STOP PAYMENT (Strip) procedures, PPM Section J 013).

#### Section J 016: ATTENDANCE CERTIFICATION (Rev. 06/99)

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When Payroll Operations redeposits a returned Direct Deposit payment, Payroll Operations will process the necessary documentation to reissue the same pay as a paper warrant, if applicable.

If there have been subsequent changes to Employment History that result in a different position, time base, or time to be paid, or if the time to be paid is different due to changes in dock time, etc., the agency/campus must submit attendance certification via form STD. 674. Please state in STD. 674 "Remarks" section that the payment redeposited was a Direct Deposit payment.

Negative attendance reporting (Form 672/STD. 666) for participants on Direct Deposit is the same as for those participants who receive payroll warrants, with the following exception:

For those participants whose pay has been held due to a STOP PAYMENT (Strip) or REVERSAL request (Refer to STOP PAYMENT [Strip] and REVERSAL procedures, PPM Section J 013), Key via PIP or submit Std. 674, if needed.

NOTE: Since a Direct Deposit overpayment cannot be returned, submit form STD. 674AR to request an accounts receivable to recover the overpayment. Do not return the Direct Deposit Advice in case of an overpayment.

## Section J 017: GARNISHMENTS (Rev. 06/99)

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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 master payroll cutoff, call the Direct Deposit Unit 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 master payroll cutoff. For example: A Garnishment is received two days after Master Payroll Cutoff and is effective for that month. Since the Garnishment must be deducted from that month's master payment, call the Direct Deposit Unit immediately, but no later than 11 AM on the day before payday to request a STOP PAYMENT (Strip).

## Section J 018: BU 18 AND GENERAL SERVICES SEMIMONTHLY POSITIVE (ROLL 8) EMPLOYEES PAYROLL (Rev. 06/99)

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The State payroll system sends Direct Deposit payments to designated financial institutions based on issue dates and roll codes. This selection allows posting of payments on the appropriate day for semimonthly positive employees with date certain pay days.

Under the current USPS, there are two categories of Roll Code 8 employees with certain 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 semimonthly positive basis and their date certain pay dates are mandated by collective bargaining agreements.

General Services employees' payroll is submitted to SCO on one electronically on the first working day following the close of each semimonthly 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 semimonthly pay period. Payroll warrants will be processed in the normal manner.

Developmental Services and Mental Health State Hospitals Roll 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 semimonthly pay period. All warrants thus printed are held by the hospitals and released to employees on the 15th and the monthly pay day. However, processing these payments during the first few days following the close of each pay period, creates a problem for Direct Deposit participants. Whenever Unit 18 Roll 8 employees' payroll is processed in the same cycle as the General Services Roll 8 employees' payroll, it is released and posted to accounts ahead of the normal pay date.

Accordingly, the General Services payroll should be submitted in the first working day following the close of the semimonthly 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 8 employees (Psychiatric Technician) until the fourth working day following the close of each semimonthly pay period. Specific dates for submitting Unit 18 Roll 8 payroll can be found in the Civil Service Decentralized Calendar. Once Unit 18, Roll 8 Direct Deposit payments are created, they will be held by SCO and released into the ACH system in time for posting on the appropriate date certain pay date. All warrants that are generated will continue to be forwarded to the facilities as before for release at the appropriate time.

#### Section J 019: DIRECT DEPOSIT ADVICE AND STATEMENT OF EARNINGS (Rev. 06/99)

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Whenever Payroll Operations redeposits a Direct Deposit payment, agencies/campuses should not return the Direct Deposit Advice/Earnings Statement to the State Controller's Office. These statements should be destroyed or may be retained by the employee's agency/campus.

You should treat the Direct Deposit Advice as if it were a regular Statement of Earnings and Deductions when verifying participant's payments and attendance.