

PAYROLL PROCEDURES MANUAL

SECTION J - DIRECT DEPOSIT - INDEX

(Revised 07/03)

Attendance Certification 016

BU18 and General Services Semimonthly Positive (Roll 8) Employees Payroll 018

Changes in Salary or Net Earnings 007

Changing Direct Deposits 011

Criteria for Agencies/Campuses Removing Participants from Direct Deposit... 010

Direct Deposit "Stop Payments" and "Reversals" Deadlines 013

Direct Deposit Advise and Statement of Earnings 019

Direct Deposit Cancellation..... 012

Automatic Direct Deposit Cancellations (Semiannual) 012.1 |

Direct Deposit Redeposited Payments 015

Eligibility 002 |

Enrollment 003

Garnishments..... 017

Introduction 001

Multiposition Participants 006

Prenotifications 004

Returned Direct Deposit Payments..... 014

Salary Advances..... 008

Timeframes of Direct Deposit Postings..... 005

Transfers 009

SUBJECT: DIRECT DEPOSIT

INTRODUCTION
(Revised 01/00)

J 001

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.

ELIGIBILITY

(Revised 07/03)

J 002

The State Controllers Office no longer imposes any mandated eligibility criteria that employees must meet before participating in the Direct Deposit program. However, each agency/campus has the authority/option of establishing their own eligibility requirements. For example, agencies/campuses may elect to establish minimum leave balance criteria to ensure that participant absences can be covered with compensable time.

CSU ONLY

Special note for CSU employees: Effective March 15, 1988, temporary faculty with year-long, semester or quarter appointments are eligible for Direct Deposit. In addition, Faculty Early Retirement Program (FERP) participants are eligible. CSU faculty employees do not need a minimum sick leave balance.

ENROLLMENT

(Revised 03/02)

J 003

Employees who wish to enroll in the program must complete a form STD. 699, Direct Deposit Authorization Form (available on DGS web site or from DGS Stores). 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 white copy of the completed form is then forwarded to the State Controller's Office, Personnel/Payroll Services Division (PPSD), Direct Deposit Unit for processing. (PPSD cannot accept a copy of the form 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.

PRENOTIFICATIONS
(Revised 06/99)

J 004

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.

TIMEFRAMES OF DIRECT DEPOSIT POSTINGS
(Revised 03/02)

J 005

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

Regular Payments

1. Regular monthly 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.

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.

3. Statutory Employees

Funds are available on the first banking day following the last calendar day of the month. If the last calendar day of the month is on Friday, a weekend, or a holiday, funds are available on the next available banking day.

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.

MULTIPOSITION PARTICIPANTS

J 006

(Revised 03/97)

A participant with multipositions 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.

CHANGES IN SALARY OR NET EARNINGS (DEDUCTIONS)

J 007

(Revised 03/97)

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.

SALARY ADVANCES

J 008

(Revised 03/97)

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.

TRANSFERS

J 009

(Revised 03/97)

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 proceed the actual transfer.

CRITERIA FOR AGENCIES/CAMPUSES REMOVING PARTICIPANTS FROM DIRECT DEPOSIT

J 010

(Revised 03/97)

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 no longer meets eligibility requirements for the Direct Deposit plan due to:
 - Inadequate leave balance for those who are required to maintain a minimum leave balance. (In situations where a participant's leave balance occasionally fluctuates below the required amount, agencies/campuses should not remove that participant from Direct Deposit. Removal should instead be initiated whenever the employee's attendance pattern could result in an overpayment condition [See No. 5 below]).
 - Transfer/demotion/promotion to an ineligible position(s) with no additional eligible position.
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.

CHANGING DIRECT DEPOSITS

J 011

(Revised 06/99)

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

1. The current active enrollment is immediately 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 will receive a paper warrant from their agency/campus until the new (changed) enrollment is effective.

DIRECT DEPOSIT CANCELLATION

J 012

(Revised 06/99)

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 two working days after SCO receives the STD. 699.

Agencies/campuses can call SCO after the 15th of each month and prior to monthly or semimonthly master payroll cutoff 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 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:

Monthly deadline for SCO receipt of STD. 699 cancellation

- Master payroll cutoff each month.

Deadline for emergency cancellation telephone requests

- 11 AM on monthly or semimonthly master payroll cutoff.

AUTOMATIC DIRECT DEPOSIT CANCELLATIONS

J 012.1

(Revised 07/03)

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.

DIRECT DEPOSIT STOP PAYMENT (STRIP) AND REVERSAL DEADLINES

J 013

(Revised 06/99)

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 and cancel the participant's Direct Deposit enrollment. The agency/campus can check its daily warrant registers for the redeposit to insure that the payment was actually "stripped".

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 five (5) 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 after 11 AM on the issue date and up to 7 days after the original issue date of the payment.

IMPORTANT NOTE:

Participants must be active on Direct Deposit to initiate REVERSALS. REVERSALS may at times be rejected by the receiving financial institution if the participant who was overpaid has had access to his/her funds and the funds remaining in the account are insufficient to cover the REVERSAL. In those instances, agencies/campuses will be notified by SCO when a REVERSAL rejects and must establish an accounts receivable to recover the overpayment. Under normal circumstances, agencies/campuses will be notified of any rejected REVERSALS within 15 working days.

RETURNED DIRECT DEPOSIT PAYMENTS (Revised 06/99)

J 014

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

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

When a payment is returned, SCO will first 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 returned or is being 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 (otherwise the rescheduled pay would again reject) 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.

DIRECT DEPOSIT REDEPOSITED PAYMENTS

J 015

(Revised 06/99)

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).

ATTENDANCE CERTIFICATION

J 016

(Revised 06/99)

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 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), enter Code "3" - Warrant redeposited by Controller - in column 8 on the STD. 666. In addition, enter "Direct Deposit" in column 9 - Remarks - on the STD. 666. Continue to enter the time paid and the amount of time certified for the pay period on Form 672/STD. 666 (refer to PPM Section D - Attendance).

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

GARNISHMENTS

J 017

(Revised 06/99)

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).

BU 18 AND GENERAL SERVICES SEMIMONTHLY POSITIVE (ROLL 8) EMPLOYEES PAYROLL

J 018

(Revised 06/99)

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. 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 payroll tape 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 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 Mental Health 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.

DIRECT DEPOSIT ADVICE AND STATEMENT OF EARNINGS

J 019

(Revised 06/99)

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. Notify the Direct Deposit Unit immediately if the Direct Deposit Advice appears to be incorrect.