MEMORANDUM

DATE: September 12, 2017

TO: State Agency Chief Financial Officers

FROM: Ron Spilman, State Controller

SUBJECT: MANUAL PAYROLL WARRANTS FOR UNDERPAID PAYROLL

Production of employee payroll warrants outside of the normal bi-weekly process is a manual and labor intensive activity. Manual processes are inherently more susceptible to errors and reporting issues that could be efficiently and accurately handled systematically during a normal on-cycle process. The greatest driver behind the need for off-cycle warrants has been employee non-compliance with the state's time reporting requirements.

Research conducted by the Department of Finance and Administration (DFA) suggests that the withholding, delaying or the non-expeditious correcting of employee net pay as an action against workers who do not submit their timesheet, accurately, completely or punctually may not be compliant with the Fair Labor Standards Act (FLSA). Under the FLSA, employers should pay errant time reporting employees the amount the employer believes, in good faith, covers actual time worked. Under our current process, which is influenced by the state's anti-donation clause, this has necessitated the issuance of a fact-based primary or supplemental manual payroll warrant post completion of the normal on-cycle process.

Reflective of the current interpretation of the FLSA requirements, manual warrant issuance shall continue, however, this regulatory driven accommodation does not suggest the state condones errant employee and supervisor behavior with respect to incomplete time reporting. On the contrary, to facilitate the production of accurate payroll it is appropriate for the state to establish a policy regarding complete, accurate and punctual time reporting and to include a provision that includes disciplinary action for failure to comply. Employees and supervisors should be notified of the policy and after that, if an employee fails to fulfill their time reporting responsibilities, they should be disciplined for violating policy. While the Central Payroll Bureau (CPB) within DFA shall continue to produce manual checks, warrant production frequency shall be reduced to a single batch per day over a five business day period.
As shown in the insert, there has been a continuing drop in the number of off-cycle warrants since the implementation of positive time reporting in late April. To address FLSA requirements, but to reduce the administrative burden of production, DFA shall revise its practice as it relates to the production of off-cycle payroll warrants.

To improve operational efficiency the following revised procedures shall be implemented immediately.

1. Manual payroll requests should only be submitted and shall only be processed if the employee did not get paid for actual hours worked up to 80 hours. All other corrections should be held and processed during the next bi-weekly payroll cycle.

2. As a prerequisite to be considered for processing, agencies will be required to identify and document the cause of the error, how it could have been avoided, and steps to be taken to prevent future occurrences.

3. Requests for manual warrants must be submitted to the CPB by 11:00 am each work day the process is active to be included in the single afternoon warrant run. These checks will be available late that same day. This process shall commence on the Thursday preceding pay-day Friday and will continue daily until the following Wednesday.

This change reduces check production frequency, but meets the basic service level requirements. The revised schedule also streamlines the existing process and reduces the impact of manual warrant activity on the organization. We encourage agencies to stress the importance of complete, accurate and punctual submission of reported time to avoid the production of manual payroll warrants.