

MAPP SYSTEM 80
MANAGEMENT ADVISORY COMPUTER SYSTEMS

PAYROLL CORRECTIONS

Q. I received a refund check for an employee's insurance premium that was withheld through a payroll deduction (after-tax). How do I do get the money back to the employee?

A. Since the premium was withheld as a deduction, receipt the refund into miscellaneous revenue or a reimbursement account; then write a vendor check to the employee through the Voucher cycle. The SACCT will be the revenue/reimbursement account to which the money was receipted.

Q. I received a refund check for an employee's insurance premium that was withheld through a payroll reduction (before-tax). How do I do get the money back to the employee?

A. A refund of this type can be done by one of two ways.

1. Receipt the refund into miscellaneous revenue or a reimbursement account; enter the amount of the refund in the second screen of the Automatic Payroll file, Menu [1,2,3]. Make the amount subject to taxes, except KPERS; then journal entry from the revenue account to the salary expense line to which the refund was made. NOTE: wages "subject to" will be okay but gross will be off. Gross doesn't go anywhere; nevertheless, it will be overstated.

2. Receipt the refund into miscellaneous revenue or reimbursement account and refund through the Refund Deduction cycle, Menu [2,5,3]. You then need to journal entry the amount from the revenue account to the payroll liability account because that is where the deduction amount will be posted. Both gross and wages "subject to" will be correct.

TIPS to the Refund Deduction cycle...

a. The refund check must match the original check in every way, except for the deduction(s) being refunded. The system can recreate the original deductions and extra pay, and remembers most of the data set in the Payroll Master File and Automatic Payroll Maintenance File on the original check. Fields the system cannot remember that might have changed since the original check was written are Marital Status, number of Exemptions, number of Pay Periods, Fringe Insurance (Value) or Extra Withholding. The FICA code 'tied to' the salary distribution SACCT must be the same and the 'Affects Each' switches on the Extra Pay amount must also match.

b. If the refund is being made after the calendar year-end rollover, the system will remember to use the correct tax table; however, the new check will be posted to the New Year. This works fine if the employee will receive another check in the

New Year. If the employee has left employment, contact M.A.C.S. before a refund check is written.

- c. IRS Regulation...wages are subject to tax when it's paid, not when it's earned!
- d. If a health insurance premium is being refunded and the district as a benefit provided a portion of the health insurance, delete both the Benefit and Insurance code. The net check will be the insurance amount, less applicable taxes if it was a "Reduction" amount. The system will also automatically reverse the benefit amount in the respective Liability account (negative credit) and Expense SACCT (negative debit) the benefit was charged to.
- e. If a health insurance premium is being refunded and the district provided a portion of the premium as a cash benefit (setup as extra pay in the Automatic Payroll Maintenance File), refund the employee paid portion only. Journal entry the amount of cash benefit from the liability account (debit) to the expense account (credit).

CAUTION!! If a refund is being issued to an employee who has terminated employment, and the deduction being refunded is associated with a prior Budget Year payroll check and a current Calendar Year check, do not refund the amount through the Refund Deduction process. An additional payroll check should be written. Call M.A.C.S. for assistance.

- Q. I missed withholding State Retirement from an employee's check.
- A. Enter the gross wage amount as positive in the Automatic Payroll Maintenance File (APRMF), Menu [1,2,3]. Make the amount subject to State Retirement only...say No to all other 'Affects Each' switches...and say Yes to CAP. This calculates the state retirement percentage. Then key the gross wage amount as a negative, say No to all 'Affects Each' switches, and say Yes to CAP. By doing this, KPERS gross is correct, as is Federal. This works fine if corrected in the current calendar year. If you missed withholding state retirement on a prior calendar year check and if it is "significant", add the deduction amount as a negative and make subject to federal only. Then add the deduction amount as a positive and do not make subject to anything.
- Q. I withheld State Retirement from an employee's check in error and payroll has already been issued.
- A. If you withheld State Retirement from a current calendar year check, refund the amount through the Refund Deduction, Menu [2,5,3] cycle so that the employee's QTD, YTD, and W2 information is correct. This way no manual adjustments or journal entries are needed.

If it was withheld in a prior calendar year and the dollar amount is "insignificant", add the amount as Extra Pay in the APRMF, Menu [1,2,3] and make it subject to federal tax only. Gross will be overstated but gross doesn't go anywhere. Make an audit note to

'tie out' payroll.

If it was withheld in a prior calendar year and the dollar amount is "significant", add the amount as a positive in the Extra Pay of the APRMF, Menu [1,2,3] and make it subject to federal tax only. Then enter the amount as a negative and do not make it subject to any tax. This way federal tax is computed and withheld appropriately. Then just pay the amount owed as a Vendor check through the Voucher cycle using the retirement liability SACCT. By refunding this way, the employee's gross salary is not overstated and you do not need to journal entry to the expense account. This process works fine if the employee is still employed and will receive another paycheck.

If the employee is no longer employed, you will have to write an additional payroll check. Add the amount as Extra Pay in the APRMF, Menu [1,2,3] and make it subject to federal tax only. This process does overstate gross. You will then need to journal entry from the retirement liability SACCT (Debit) to the expense account (Credit) so your budget is not affected.

- Q. An employee's W4 indicated an exempt status and I inadvertently withheld taxes.
- A. Refund the tax through the Refund Deduction cycle, Menu [2,5,3] and change the withholding status to Exempt. This works even if there was extra withholding. By refunding this way, the employee's QTD and YTD information is adjusted correctly.
- Q. I issued a direct deposit in December without federal tax withheld and the employee has no other check for the calendar year.
- A. Have the employee write a personal check for the net, payable to the District. Deposit the check in the bank but DO NOT record a cash receipt into the system. Change the direct deposit to outstanding and then cancel the direct deposit. Make the appropriate corrections to the employee's payroll file and then write a new "check" (not direct deposit).
- Q. I posted Non-Lump sum direct deposits as Reconciled and an employee's bank changed (routing and account number).
- A. If you have not sent the magnetic media, make the correction by changing the Check Type from "D" direct deposit to "C" check. By changing check type the system automatically changes the status from "R" reconciled to "O" outstanding. Recover the check and print it.