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Division of Accounts and Reports

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INFORMATIONAL CIRCULAR NO: 97-P-024

DATE: March 10, 1997

SUBJECT: Arrearage Balance Collections and Payback Schedules

EFFECTIVE DATE: March 17, 1997

A & R CONTACT: Payroll Services, (913)296-3146

APPROVAL:

SUMMARY: Procedures for agency collection of arrearage balances and entering payback schedules into SHARP.

The Division of Accounts and Reports, Payroll Services is currently analyzing certain business processes to determine means for efficiencies and improvements. One area identified for improvement is the collection of employee arrearages. Therefore, effective March 17, 1997, agencies will have the ability to enter arrearage payback schedules into SHARP.

Agency personnel who currently have 'display only' operator access to the Arrears Payback Schedule panel in SHARP will be given 'update/display' access effective March 17. In addition, 'display only' operator access will be given to those agency personnel who currently do not have access to the Arrears Payback Schedule panel. In the event that a change to a user's access is required, agency SHARP security personnel should contact Carol Baldry, Bureau of Department of Administration Systems, at (913)291-3019.

To assist agencies in the collection process, a new report, KPAY007, Deductions in Arrears will be generated after each off-cycle payroll and placed in agency directories (MVS, Rapid Filer). In addition, the existing KPAY008 report, Deductions Not Taken, has been modified to include arrearage deductions (i.e., 'ADJUST' deduction codes) not taken. Sample copies of each report, with definitions of the data fields, are included with this circular (Attachments A and B). Agencies should follow the general procedures for arrearage collection as described below in Section I. Section II describes the procedures for resolving delinquent arrearage balances. Additionally, step-by-step directions for entering a payback schedule into SHARP are found in Section III.

Section I. General Arrearage Collection Procedures

Agencies should monitor and review KPAY007, Deductions in Arrears report, following every off-cycle. The first KPAY007 will appear in agency directories on March 18, 1997 following the March 17th off-cycle for all employees, active and inactive, who have an arrearage balance. In the event that an arrearage balance for an active employee appears on the report, agency personnel should determine if the employee's next paycheck will be sufficient to deduct the arrearage balance in full. A payback schedule should be entered into SHARP for those employees whose next paycheck will be insufficient for the entire deduction and for whom a payback schedule does not already exist. As a guideline, the number of repayment periods for the arrearage payback schedule should not exceed the number of paychecks being adjusted. For example, an arrearage balance exists due to adjustments made to four paychecks for a deduction; the number of payback periods should not exceed four periods. Agencies should use discretion in approving payment plans requested by the employee.

Once an arrearage balance requiring a payback schedule has been identified, the payback schedule must be entered **before** final pay confirmation to avoid having the entire arrearage deducted from the employee's next paycheck. *In the event that a payback schedule is entered after the pay period end date, agency personnel must change the pay end dates on the payback schedule panel.* For example, if the payback schedule is entered any day during the week of March 10, 1997 (following the March 8th pay period end date), the agency must change the pay period end date to March 8, 1997 on the arrears payback schedule in SHARP to prevent the total arrearage from being deducted on the employee's March 21, 1997 paycheck. Refer to the step-by-step directions for changing collection dates under Section III, B on page 4 of this circular.

Agencies should monitor and review the KPAY008, Deductions Not Taken report generated after every on- and off-cycle to identify those employees whose total arrearage balance or scheduled payback deduction was not collected during the pay cycle. An uncollected arrearage balance may require entry of a payback schedule. Agencies should refer to the KPAY007 report to determine if a payback schedule exists in SHARP. In the event that a scheduled payback collection is missed during a pay cycle, re-entry of the payback schedule is required; refer to the step-by-step directions under Section III, C on page 5 of this circular.

In addition, the KPAY008, Deductions Not Taken report should also be monitored to determine which, if any, deductions were not taken from the employee's on-cycle paycheck. In the event that a deduction was not taken due to insufficient net pay, a Form DA-180, Paycheck Adjustment, must be submitted to Payroll Services for entry into SHARP. Once the arrearage has been created, the balance will appear on the KPAY007 and the agency should begin the collection process.

The possibility exists that an arrearage could be collected from an off-cycle supplemental paycheck requested on-line by the agency in SHARP. In the event that the supplemental pay is sufficient, the arrearage balance will be collected from the paycheck. Therefore, agency personnel should review the most current KPAY007, Deductions in Arrears report when entering the supplemental paycheck request and notify the employee of the arrearage deduction from the paycheck.

In the event that a correction to an arrearage balance is required due to paycheck adjustment processing problems or errors, the agency should contact the Division of Accounts and Reports, Payroll Services, Payroll Processing Team.

Section II. Procedures for Resolving Delinquent Arrearage Balances

Upon receipt of the KPAY007 Deductions in Arrears report on March 18, 1997, agencies should begin the process of collecting all outstanding arrearages for active and inactive employees, either by personal reimbursement or paycheck deduction. The paycheck deduction method is available only to active employees. An active employee may also pay any arrearage by personal reimbursement. Employees who have left State employment or who are on leave of absence for an extended period of time must use the personal reimbursement method.

An arrearage which remains uncollected for more than 30 calendar days from the date the arrearage first appears on the KPAY007 Deductions in Arrears shall be considered delinquent. Once the agency has identified a delinquent arrearage, the policies and procedures set forth in PPM Filing No. 8,001 should be applied. Depending upon the result of the agency's collection effort and the amount of the delinquent arrearage, the procedures outlined below should be followed.

A. Delinquent Arrearage Recovered by Personal Reimbursement

Upon receipt of a personal reimbursement check or cash from the employee, the agency shall deposit the monies, via the State Treasurer using Form DA-3, Receipt Voucher, into the agency fund from which the employee's pay is funded. The Form DA-3 should contain the ID number, name and amount collected for every employee whose personal reimbursement is being deposited. After receiving the validated Receipt Voucher from the State Treasurer, the agency shall submit copies to the Division of Accounts and Reports, Payroll Services for processing. The number of Receipt Voucher copies submitted should equal the number of employees listed on the Form DA-3. For example, three employees appear on the Form DA-3; therefore, three copies of the validated form should be submitted. *Timing is critical on this process; the form must be **received** by Payroll Services **before** final pay confirmation to avoid having the arrearage deducted from the employee's paycheck.* Refer to the SHARP training material entitled 'Earnings and Deductions Adjustments' for further information regarding personal reimbursements.

B. Delinquent Arrearage is Greater Than or Equal to \$25 and Collection Efforts are Unsuccessful

Once a determination is made that the agency's collection efforts meet the minimum efforts required as set forth in PPM Filing No. 8,001 and are deemed unsuccessful and, if the total amount owed to the agency is at least \$25, the delinquent arrearage should be submitted for collection through the debt setoff program. Questions regarding the policies and procedures for certifying debts to the debt setoff program should be directed to the Division of Accounts and Reports, Accounts Receivable/Setoff Services. In the event that the arrearage has been collected through debt setoff, the agency shall contact Payroll Services to delete the arrearage balance in SHARP.

C. Debt Setoff Collection Efforts are Unsuccessful or Delinquent Arrearage is Less Than \$25

Once a determination is made that the agency's collection efforts meet the minimum efforts required as set forth in PPM Filing No. 8,001 and are deemed unsuccessful and if the total amount owed to the agency is less than \$25 or could not be successfully collected by the debt setoff program, the agency should apply to the Director of Accounts and Reports for authority to write off the arrearage. Refer to PPM Filing No. 8,001 for the write-off request policies and procedures.

Section III. Procedures to Enter the Payback Schedule into SHARP

Step-by-step directions for entering a payback schedule into SHARP for arrearage collection over more than one pay period are as follows:

A. Active Employee Has Large Arrearage Balance to be Collected Over More Than One Pay Period

After printing the KPAY007 Deductions in Arrears from the agency directory, an active employee is found to have a large arrearage balance and the employee wishes to pay the arrearage by paycheck deduction instead of by personal reimbursement. If the arrearage balance cannot be deducted from one paycheck, agency personnel should develop a payback schedule. Enter the payback schedule in SHARP as follows:

1. Open 'Employee Payroll Data' window.
2. Click on 'PayrollData' menu.
3. Click on 'Arrears Payback Schedules' item.
4. Enter employee ID number.
5. Enter the number of pay periods over which the arrearage is to be collected in the field labeled 'Number of Payback Periods'.
6. Click on 'Save'.

B. Payback Schedule is Entered During Week Following Pay Period End Date

To avoid having the arrearage balance collected in full from the current period paycheck, the collection dates must be changed on the payback schedule panel in SHARP prior to final pay confirmation. The following steps must be taken:

1. Follow Steps 1 through 5 in the first example above.
2. Highlight the 'Pay End Date' field and delete the date in the field.
3. Enter the pay end date for which pay is being calculated. For example, pay end date March 22, 1997 defaulted into the schedule after entering the number of payback periods; however, pay is being calculated for pay end date March 8. After deleting the March 22 date, enter the current pay end date, March 8, 1997 into the field.
4. Change the remaining pay end date fields on the panel by entering the next consecutive pay period end dates following the current period. Using the same example, the March 22, 1997 pay end date should be entered next, followed by April 5, 1997 and so on.
5. Click on 'Save'.

C. Payback Schedule is in Place, but Scheduled Payment Was Not Collected

The KPAY008, Deductions Not Taken report will indicate if an arrearage collection was not deducted from the employee's paycheck. After reviewing the KPAY007, Deductions in Arrears report, agency personnel determine that a payback schedule already exists in SHARP, but the scheduled payment was missed. As a result of the missed collection, re-entry of the payback schedule will be required. Agencies should analyze the reason for the missed scheduled payment and re-enter the payback schedule based upon the anticipated future gross wages.

1. Follow Steps 1 through 4 of the first example, 'A'.
2. Enter the number of pay periods over which the arrearage is to be collected in the field labeled 'Number of Payback Periods'. For example, four pay periods were originally entered; the gross pay was not sufficient to collect the first scheduled payback amount and the payment was missed. The agency anticipates that the employee will have sufficient pay for the next four pay periods to collect the payments. Re-enter '4' in the 'Number of Payback Periods' field to begin a new series of collection periods.
3. Click on 'Save'.

D. Payback Schedule is in Place, Collection Has Started, but Employee Wishes to Change Number of Payback Periods

If the employee wishes to shorten or lengthen the number of payback periods once collection has already started, and the agency agrees to the change, the steps are as follows:

1. Follow Steps 1 through 4 in the first example, 'A'.
2. Enter the new number of pay periods over which the remaining balance is to be collected in the 'Number of Payback Periods' field. For example, four payback periods were originally entered, two of which have already been collected. The employee wishes to extend the two remaining payback periods to three pay periods. Enter '3' in the 'Number of Payback Periods' field.
3. Click on 'Save'.

E. Payback Schedule is in Place, but Agency Needs to Delete

In the event that a payback schedule has been entered, but is no longer needed (i.e., due to a personal reimbursement by the employee or the schedule was entered erroneously), steps to delete the schedule are as follows:

1. Follow Steps 1 through 4 in the first example, 'A'.
2. Place the cursor in the 'Number of Payback Periods' field. Highlight the number and delete or backspace to empty the field.
3. Click on 'Save'.

The Division of Accounts and Reports, Customer Services team will be available for training sessions, on an as-needed basis, to assist with payback schedule entry into SHARP. Contact Cecil Stout, (913)296-2130 to schedule a training session. Questions regarding the general procedures for payback schedule entry into SHARP should be directed to Joyce Dickerson, Payroll Services at (913)296-3979. Questions regarding this Informational Circular should be directed to the Division of Accounts and Reports, Payroll Services at (913)296-3146.