

How Do I? Reversals and Adjustments

Process a Paycheck Reversal

Timing: The reversal process is used when pay should not have been issued or before reissuing a new paycheck when the original was lost due to an incorrect mailing address. The following procedures describe how to reverse a **paper** check. Only the Payroll Services Section of Accounts and Reports will enter direct deposit (EFT) reversals and any reversal for paychecks for pay periods on or before June 12, 2010.

Step 1: Locate the number of the paycheck needing reversal on the PAY002, Payroll Register report, or online using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Produce Payroll > Review Paycheck.**

Step 2: Agency completes form DA-6P, Paycheck Stop Payment Request. The DA-6P can be found at <http://da.ks.gov/ar/forms/default.htm> in either .pdf format or as a PC fillable Excel file. Completed forms should be faxed to the Warrant Section of the State Treasurer's Office at (785) 296-2014.

Form DA-6P Instructions can be found at <http://da.ks.gov/ar/payroll/reversal.htm>.

Step 3: Request the paycheck reversal in SHARP. After processing and approving the Paycheck Stop Payment Request, the State Treasurer's Office will fax a copy of the approved form to the agency. Upon receipt of the approved form DA-6P, the agency can request the paycheck reversal in SHARP using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Reverse/Adjust Paychecks.**

On the Find an Existing Value page, if a first time user, click on the Add a New Value link, type 'ADJ-ALL' in the Run Control ID field, then click on Add. If a repeat user, type 'ADJ-ALL' in the Run Control ID field, then click on Search. Use Run Control ID 'ADJ-ALL' for all reversals and adjustments.

On the Paycheck Reversal/Adjustment page, **Company, Pay Group, and Pay Period End Date** refer to the next off-cycle in which the reversal/adjustment will be processed. The values for these fields will default when the Run Control ID 'ADJ-ALL' is used for the second time and thereafter.

Complete the following fields on this page:

- Company will be SOK.
- Pay Group will be KAA (Off-Cycle #1), KAB (Off-Cycle #2), or KAC (Off-Cycle #3).

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- Pay Period End Date for the next off-cycle run, which is the last **confirmed** on-cycle end date.
- **Paycheck Number** and **Paycheck Issue Date** are those of the paycheck to be reversed.

Upon completing the above fields, click on or tab to the EmplID field so that the paycheck information will be populated. Verify that the pay period end date, employee information, and net pay are correct.

Click on the Reversal radio button.

Click on Save.

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View the Reversal Process Results:

Timing: Agency personnel should establish a tracking procedure for entering and verifying payroll reversals. The reversal results should be verified immediately after the off-cycle is run.

Step 1: After the reversal is processed in the off-cycle, the reversal transactions can be viewed on the PAY002, Payroll Register, or on-line on the Review Paycheck page using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Produce Payroll > Review Paycheck**. On the Find an Existing Value page, type the original check number in the Paycheck Number field, then click on Search.

Step 2: Two lines of search results, one for the reversal and one for the reversed original paycheck/advice, should display. Both lines will have the same paycheck number. The reversal transaction will have 'Y' in the Off Cycle field and the original check will show 'N' in that field, unless the original check was generated in an off-cycle.

Click on either line to observe the following:

On the reversal check/Advice, the Paycheck Status will be “Confirmed”, the Paycheck Option will be “Reversal”, and the Off Cycle box will be checked. All amounts are displayed as negative numbers to reverse out the original charges.

On the (reversed) original check/advice, the Paycheck Option will be changed from “Confirmed” to "Reversed".

Step 3: If needed, salary expenditure data will also be available the day after the off-cycle on the KPAYWAGE report or on-line on the Detail Ledger page (Path: **Main Menu > Payroll for North America > Employee Pay Data USA > View Detail Ledger**).

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Other Electronic Fund Transfer (EFT) Reversal Processes

Scenarios:

1. When an employee receives both a check and direct deposit, and some or all of the EFT's are rejected and the check does not require reversal, no reversal will be processed. A check will be issued from STARS to pay the employee the rejected EFT portion. The Division of Accounts and Reports, Payroll Services Section will complete the payment voucher.
2. When an employee has only direct deposit and all EFT's are rejected by all banks, the Division of Accounts and Reports, Payroll Services Section will process EFT reversals. If the employee should be paid for that pay period, the agency must follow procedures for supplementals after correcting the Direct Deposit page.
3. If an employee receives multiple EFT's and some reject, no EFT reversal will be processed. A check will be issued from STARS to pay the employee the rejected EFT portion. The Division of Accounts and Reports, Payroll Services Section will complete the payment voucher.

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Determine Which Adjustment Process to Use

Adjustments can be categorized into:

- A. Centrally Entered Adjustments:** Some adjustments can only be entered centrally. These include:
1. Benefit program participation changes.
 2. Previously adjusted checks.
 3. Paychecks generated for pay periods on or before June 12, 2010.
 4. Refunds for savings bond account balances when an employee terminates participation.
 5. Adjustments to pay periods when a paycheck was not issued, i.e., FMLA.
 6. Adjustments to paychecks with inactivated earnings codes.
 7. Adjustments to paychecks containing ADV earnings or a garnishment deduction.
 8. Retroactive benefit/deduction adjustments involving multiple pay periods may be submitted for central processing.

Agencies must submit a completed form DA-180, SHARP Paycheck Reversal/Adjustment/Supplemental, and Attachment to DA-180 to the Division of Accounts and Reports, Payroll Services Section, or forms can be faxed to (785) 291-3399.

The DA-180 can be found at <http://da.ks.gov/ar/forms/default.htm> in either .pdf format (requires Adobe Acrobat Reader) or as a PC fillable Excel file (requires Excel).

Form DA-180 & Attachment Instructions can be found at <http://da.ks.gov/ar/payroll/adjust.htm>.

B. Agency Entered Adjustments:

1. **Time and leave related adjustments.** For non-pay affecting time and leave adjustments, refer to the Time and Leave or Time and Labor WBT's for procedures. A pay affecting time and leave adjustment is necessary when an employee's hours/earnings were misreported in a category that would affect gross pay.
2. **Benefit/Deduction Adjustments.** When an adjustment of net pay is necessary due to incorrect calculation of benefit/deductions.
3. **Retroactive earnings adjustments due to pay rate changes.** Any such earnings should be paid in the next on-cycle payroll through timesheet using earnings code 'PRA' to report the difference in gross pay.

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Request a Pay Affecting Time and Leave Adjustment

Timing: A pay affecting time and leave adjustment is necessary when an employee's hours/earnings were misreported in a category that would affect pay.

Step 1: **Locate the information for the paycheck needing adjustment** on the PAY002, Payroll Register report, or online using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Produce Payroll > Review Paycheck**. On the Find an Existing Value page, type the Company (SOK), Pay Period End Date, and Employee ID in their corresponding fields, then click on Search. Once in the Paycheck Earnings page, write down the **Check Number, Issue Date, and Net Amount**.

Step 2: **Request the paycheck adjustment in SHARP** using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Reverse/Adjust Paychecks**.

On the Find an Existing Value page, **if a first time user**, click on the Add a New Value link, type 'ADJ-ALL' (must be all caps) in the Run Control ID field, then click on Add. **For repeat users**, type 'ADJ-ALL' in the Run Control ID field, then click on Search. (Use Run Control ID 'ADJ-ALL' for all reversals and adjustments.)

Step 3: On the Paycheck Reversal/Adjustment page, **Company, Pay Group, and Pay Period End Date** refer to the next off-cycle in which the reversal/adjustment will be processed. **The values for these fields will default when the Run Control ID 'ADJ-ALL' is used for the second time and thereafter.**

Complete the following fields on this page:

- Company will be SOK.
- Pay Group will be KAA (Off-Cycle #1), KAB (Off-Cycle #2), or KAC (Off-Cycle #3).
- Pay Period End Date will be for the next off-cycle, which is the last **confirmed** on-cycle end date.
- **Paycheck Number** and **Paycheck Issue Date** are those of the paycheck to be adjusted (obtained in Step 1).

Tab to or click on the EmplID field, the paycheck information will populate. Verify that the employee information, pay period end date, net pay are correct; and the Reversal/Adjustment radio button is clicked 'On'.

Click on Save.

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Note: Time and Labor agencies should refer to Time and Labor WBT for procedures. The following procedures (Steps 4 and 5) apply to Time and Leave agencies only:

Step 4: Enter time sheet adjustment on the Adjustment Daily page using the following path: **Main Menu > Time and Leave > Adjust Employee Timesheet**. On the Find an Existing Value page, type the pay period end date and employee ID of the paycheck needing adjustment in their corresponding fields, then click on Search.

Step 5: On the Adjustment Daily page, ensure the **Pay Affecting** check box is checked on. If not, you have NOT requested the adjustment on the Paycheck Reversal/Adjustment page. Cancel out of the Adjustment Daily page and request the adjustment as described in Steps 2 and 3 above.

If the Pay Affecting check box is turned on as expected, click on the **Add Row** button to add a row. Enter a negative amount/hours on that row to back out the erroneous earns code and amount/hours, then, if necessary, add a second row to enter the correct earns code and amount/hours.

Click on Save.

You will get a message that it is a pay-affecting adjustment and a check will be generated. This is true even if you are creating an arrearage by taking away earnings. This creates a zero net paycheck. Click on OK to the message.

NOTE: On the Adjustment Daily page, the rows with 'N' on the left side of the row will be grayed out. Rows that are added by the '+' (Add Row button) cannot be deleted. If a row is added in error, you can cancel out of the page prior to saving and re-enter the page. If an incorrect earnings code is added, the earnings code can be changed prior to saving. If a row is erroneous and the page has been saved, you can re-enter the page and add additional rows to negate the erroneous row as long as the adjustment has not already processed through payroll.

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Request a Benefit/Deduction Adjustment

Timing: When a paycheck is confirmed with incorrect benefit deductions, agencies are responsible for processing adjustments to correct the errors.

- Step 1: Update the benefits page needing correction with correct effective date and plan coverage/election.** Refer to the [SHARP Entry Guide](#) for the responsible party and path for data entry. The agency should make the corrections, or on the benefits/deductions that are not entered by the agency, the responsible party should be contacted to make the corrections.
- Step 2: Verify the correction entered in Step 1 has taken effect.** Refer to the [SHARP Entry Guide](#) for the appropriate path for each type of benefit/deduction.
- Step 3: Locate the information for the paycheck needing adjustment** on the PAY002, Payroll Register report, or online using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Produce Payroll > Review Paycheck.** On the Find an Existing Value page, type the Company (SOK), Pay Period End Date, and Employee ID in their corresponding fields, then click on Search. Once in the Paycheck Earnings page, write down the **Check Number, Issue Date, and Net Pay**
- Step 4: Request the paycheck adjustment in SHARP** using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Reverse/Adjust Paychecks.**

On the Find an Existing Value page, **if a first time user**, click on the Add a New Value link, type 'ADJ-ALL' in the Run Control ID field, then click on Add. **For repeat users**, type 'ADJ-ALL' in the Run Control ID field, then click on Search. (Use Run Control ID 'ADJ-ALL' for all reversals and adjustments.)

On the Paycheck Reversal/Adjustment page, **Company, Pay Group, and Pay Period End Date** refer to the next off-cycle in which the reversal/adjustment will be processed. **The values for these fields will default when the Run Control ID 'ADJ-ALL' is used after the first time.**

Complete the following fields on this page:

- Company will be SOK.
- Pay Group will be KAA (Off-Cycle #1), KAB (Off-Cycle #2), or KAC (Off-Cycle #3).
- Pay Period End Date will be for the next off-cycle run which is the last **confirmed** on-cycle end date.
- **Paycheck Number** and **Paycheck Issue Date** are those of the paycheck needing adjustment (obtained in Step 3).

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Tab to the EmplID field, the paycheck information will populate.

Verify that the employee name, pay period end date, and net pay are correct, and the Reversal/Adjustment radio button is clicked on, then click on Save.

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Request an Earnings Adjustment Due to a Pay Rate Change

Timing: When a paycheck is confirmed with incorrect pay due to retroactive pay rate change, agencies must calculate the difference in gross wages that is owed to the employee.

Step 1: Manually calculate the gross dollar amount of the retroactive pay due using the following formulas:

For hourly rate of pay other than overtime:

$$\text{Retroactive Pay Due} = (\text{Hours X New Rate}) - (\text{Hours X Old Rate})$$

For overtime without premium pay (shift, stand by, etc.):

$$\text{Retroactive Pay Due} = (\text{Hours X New Rate X 1.5}) - (\text{Hours X Old Rate X 1.5})$$

For overtime pay due with premium pay (shift, stand by, etc.):

$$\text{FLSA (Fair Labor Standards Act) Rate} = \frac{[(\text{Regular Hrs X Hourly Rate}) + (\text{Overtime Hrs X Hourly Rate}) + \text{Premium Pay}]}{(\text{Total Hours Worked in Work Week})}$$

Overtime Earnings =

$$(\text{Overtime Hours X Hourly Rate}) + (\text{Overtime Hours X FLSA Rate X .5})$$

Any questions regarding FLSA rate calculation, contact Ken Otte in DPS at (785) 296-4383 or ken.otte@state.ks.us.

Multiple pay periods may be combined into one lump sum amount added to one time sheet.

Note: Steps 2 and 3 apply to Time and Leave agencies only. Time and Labor agencies should refer to Time and Labor WBT's for procedures.

Step 2: Enter the retroactive pay due on the employee's next ON-CYCLE time sheet using the following path: **Main Menu > Time and Leave > Maintain Employee Timesheet**. On the Find an Existing Value page, type the Pay Period End Date (for the next on-cycle payroll) and Employee ID in the corresponding fields, then click on Search.

Step 3: On the Time Entry Daily page, click on the Add Row button to add a new row. Enter the pay due using earnings code '**PRA**' (Pay Rate Adjustment) for regular earnings or '**ODP**' for overtime differential pay. Enter the dollar amount in the appropriate box.

Make sure the OK to Process box is checked on, then click on Save.

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View the Adjustment Process Results:

Timing: Agency personnel should establish a tracking procedure for entering and verifying payroll adjustments. After the off-cycle is run, the hours, earnings, taxes, and deductions of the adjustment check should be carefully reviewed to verify that the intended changes and only those changes have taken effect.

Step 1: After the adjustment is processed in the following off-cycle, the adjustment transactions can be viewed on the PAY002, Paycheck Register, or on-line on the Paycheck Data page using the following path: **Main Menu > Payroll for North America > Payroll Processing USA > Produce Payroll > Review Paycheck**. On the Find an Existing Value page, type SOK in the Company field, the last confirmed pay period end date in the Pay Period End Date field, and the Employee ID in the EmplID field, then click on Search.

Step 2: The search results list should contain three transactions related to the adjustment: the on-cycle paycheck for the pay period entered, the reversed copy of the paycheck (reversal check), and the adjustment check/zernet check. During the paycheck adjustment process, SHARP makes a copy of the original paycheck record (the reversal check) on which it reverses the signs (plus/minus) on the amount fields. The system then produces a paycheck or a "zernet" check showing the amount owed to or due from the employee as a result of the adjustment. A zernet check record is created when no money is owed to the employee. No actual check or advice will be created for a zernet check record.

The original check should show 'N' in the Off Cycle column unless the original check was generated in an off-cycle process. The reversal check is the reversed copy of the original check and will have the same check number as the original check. The adjustment check will have the same Pay Period End Date, Pay Group ID, and page number as the reversal check. The reversal check will be Line 1 and the adjustment check will be Line 2 on the Search Results list.

Step 3: Click on the appropriate link to observe the following:

On the reversal check/Advice, the reversal paycheck will display "Confirmed Check Reversal" above the Check #, and have the Off Cycle and Adjustment boxes checked. All of the amounts are displayed as negative numbers to reverse the original charges.

On the adjustment check/zernet check: The adjustment/zernet check will display the "Confirmed Check" message above the Check #, and have the Off Cycle and Adjustment boxes checked. If the adjustment resulted in an amount owed to the employee, the amount will show in the Net Pay field. If the adjustment resulted in an arrearage due from the employee, it will be

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displayed as ADJ earnings in Other Earnings and collected through the arrearage process. The zernet check will show a zero net pay. The original net pay amount will show on the employee's Paycheck Deductions page as 'Net Pay Adjustment'.

The hours, earnings, taxes, and deductions of the adjustment check should be carefully compared to those of the original check to verify that the intended changes and only those changes have taken effect. Do not assume that the adjustment is correct - entry and system errors do occur.

On the (reversed) original check/advice, above Check # will display "Adjusted Check" or "Adjusted Advice".

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