



Santa Clara County Office of Education

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County Superintendent of Schools

Informational Bulletin

District Business & Advisory Services

Nimrat Johal: Director- DBAS: 408-453-6599

Cathy McKim, Manager-DBAS: 408-453-6588

Bulletin: 11-003

Date: February 21, 2011

To: District Fiscal Directors

From: Cathy McKim

Re: Process Changes for Net Pay Adjustments,

I have attached the process changes for *Net Pay Adjustments*, pursuant to the discussion and subsequent agreement during the Fiscal Directors Roundtable on January 20th.

Please distribute this memo within your District as deemed appropriate..



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Net Pay Adjustments

Background:

Historically districts have completed a *Net Pay Adjustment Form* when an employee's net pay was over or understated due to an erroneous payroll deduction. The district would correct the net pay and if there was a change needed to adjust the taxable wages, this would be changed manually during the year end W2 processing. This process created a variance between payroll history contained in the payroll system (QSS) and the W2 totals.

Relevance

A "Net Pay Adjustment" may represent either an overpayment or an underpayment to an employee. An overpayment represents a "Gift of Public funds" and is strictly prohibited under law. It is important to recover such payment and correct all records as soon after identification of the error as possible.

On the flip, an underpayment:

- Represents a liability of the districts and the COE
- Means that an employee did not receive a paycheck in the amount to which he/she was entitled

It is also a violation of EC 45048 and 45049. Therefore, it is imperative that a replacement check be issued to relieve the liability and reimburse the employee without further delay.

SCCOE Policy

- *Net Pay Adjustment Forms* will no longer be processed.
- All district remitted deductions that need to be adjusted due to errors must be corrected through the payroll system. (ie. medical/vision/dental)
- Employees should contact their Third Party Administrator (TPA), Garnishment Vendor or Credit Union for refunds of contributions to their accounts.
- For Tax Sheltered Annuities, the TPA must submit **all** refunds directly to the employee and process tax forms as required by the IRS.
- By eliminating the need for manual adjustments during calendar year end processing, employees should receive their W2 forms earlier in January.