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Overview – Processing Payroll Outside the Normal Payroll Process

Circumstances may arise which could require an agency to process payroll outside the normal payroll process. These circumstances will vary in nature by the:

- Number of days advance notice
- Location of employee
 - Olympia area
 - Outside Olympia area
- Number of the employees involved
 - Manual/system calculation of payroll
 - Adequacy of available petty cash funds
 - Tax deposit requirements
 - Remittance of voluntary deductions
- Cash type of agency operating account (treasury or local)

Because of these variables, there are several approaches to timely disburse payroll for the affected employees:

- **Preferred approach:** If an agency has sufficient notice of the need and is able to process and distribute payroll warrants to the affected employees, the agency should use the **AFRS Next Day Warrant** process.
- Other Options:
 - **Petty cash** can be used to make payroll payments to employees when there would be an undue delay processing the payments through the normal payroll process. If an agency does not have a petty cash account, one can be requested. Refer to SAAM Sub section 85.50.60 or 85.50.70, as applicable. If an agency would like to use petty cash, but does not have sufficient available balance, then an emergency advance can be requested:

If an agency operates in a treasury account, use the **Emergency Petty Cash Advance – Treasury Accounts** process to increase funds to desired level.

If agency operates in a local or treasury trust account, use the **Emergency Petty Cash Advance – Local and Treasury Trust Accounts** process to increase funds to desired level.

- The **WaTech Same Day Warrant** process is an option if same day payment is needed and employee(s) work in the Olympia vicinity. A WaTech same day warrant must be requested by first contacting the Office of State Treasurer (OST) as soon as you know the warrant is needed. The earlier, the better – **OST's deadline is 11:00am**. Because this is a labor intensive process, it is recommended that agencies use it only if other options are not available.
Note: If you find out about the need for an emergency payroll payment after the final cutoff for the WaTech same day warrant process, use the AFRS next day warrant or petty cash process.

I. Process Payment for Employee's Net Pay

AFRS Next Day Warrant:

1. Determine the net pay amount through the payroll system simulation process or manually. Be sure all rates used are appropriate for the time period that the emergency payroll payment covers. Using the payroll system simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
2. Prepare a Voucher Distribution Form A19-2A indicating the following:
 - Payee
 - Note: For employees that do not have a vendor number set up in AFRS, use Exception Code 02 to process.
 - Reason for the payment
 - Transaction Code is 951 (1324v/5111)
 - Account 035
 - Variable General Ledger Code 1324
 - Amount (net pay)
3. Process the A19-2A in AFRS.
4. Enter the transactions in AFRS and release the batch. If access to AFRS transaction input and batch release is not available, take the Form A19-2A to the agency accounts payable staff and ask them to batch the documents, input, and release the batch in AFRS.

Note: AFRS batches entered on Saturdays, Sundays, and holidays will not be processed until the evening of the next business day.
5. Notify OST of the need to pick up the emergency payroll warrant. Call the Warrant Division at (360) 902-8994 or email WarrantInquiry@tre.wa.gov. Inform OST that the agency has emergency payroll warrant(s) that need to be picked up as early as possible. OST will let the agency know approximately when the warrants(s) will be ready for pick up.
6. Pick up warrant from OST per internal agency procedures.

Note: The individual who is authorized to pick up AFRS warrants at OST must pick up the warrant. The agency accounts payable staff should know who this individual is. If not, ask OST who is the authorized person for the agency, so that he/she can be notified of the special pick up time.
7. Agency distributes emergency payroll warrants per internal agency procedures.
8. At the first available opportunity, process the payroll through the payroll system to properly record the employee expenditures/earnings/deductions in the system and reduce the receivable created when the AFRS warrant was processed. Refer to Section II, Option 1 of this document.

Note: If the emergency payroll payment will not be processed in payroll system, additional entries are needed to recognize the expenditures in the operating account, refund the revolving account, and pay applicable vendors. Refer to Section II, Option 2 of this document.

Petty Cash:

1. **Petty cash** can be used to make payroll payments to employees when there would be an undue delay processing the payments through the normal payroll process. Refer to SAAM Sub section 85.50.60 (for treasury accounts) and 85.50.70 (for local and treasury trust accounts).
2. Determine the net pay amount through the payroll system simulation process or manually. Be sure all rates used are appropriate for the time period that the emergency payroll payment covers. Using the payroll system simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
3. Disburse payroll through petty cash per internal agency procedures.
4. At the first available opportunity, process the payroll through the payroll system to properly record the employee expenditures/earnings/deductions in the system and create a payable to reimburse the agency for the amount disbursed through petty cash. Refer to Section II, Option 1 of this document.

Note: If the emergency payroll payment will not be processed in payroll system, additional entries are needed to recognize the expenditures in the operating account, refund the revolving account, and pay applicable vendors. Refer to Section II, Option 2 of this document.

Emergency Petty Cash Advance – Treasury Accounts

When an agency operates in a treasury account and needs to increase the balance of its petty cash fund to cover emergency payroll payments an **Emergency Petty Cash Advance – Treasury Accounts** can be requested.

1. Following SAAM 85.50.60, the agency is to submit the “Application and Authorization for Petty Cash Advances, Treasury Funds” form (A-37) to OFM. Given the emergency nature of the need, the agency should pdf/email the form to their Accounting Consultant. Forms can also be faxed to (360) 586-0053. OFM will expedite approval of the form and give notice to OST Cash Management Division, Banking Services (360-902-8914) that an emergency request is being processed.
2. To expedite the availability of funds, the agency should work with OST to have the approved petty cash advance electronically transferred into the agency’s petty cash account. A letter of authorization on agency letterhead signed by a responsible agency official should accompany an EFT JV that includes the agency’s petty cash account banking information. The agency should give OST as much notice as possible to minimize banking costs and ensure timely transfer of funds.
3. Once the funds are available in the petty cash account, the agency should follow the **Petty Cash** process outlined above to make emergency payroll payments.

Emergency Petty Cash Advance – Local and Treasury Trust Accounts

When an agency operates in a local or treasury trust account and needs to increase the balance of its petty cash fund to cover emergency payroll payments an **Emergency Petty Cash Advance – Local and Treasury Trust Accounts** can be requested.

1. Follow SAAM 85.50.70.a to request approval for petty cash advance.
2. Process the advance:
 - a. For **local accounts**, follow agency defined procedures.
 - b. For **treasury trust accounts**, the agency should work with OST Cash Management Division, Banking Services (360-902-8914) to have the approved petty cash advance electronically transferred into the agency's petty cash account. A letter of authorization on agency letterhead signed by a responsible agency official should accompany an EFT JV that includes the agency's petty cash account banking information. The agency should give OST as much notice as possible to minimize banking costs and ensure timely transfer of funds.
3. Once sufficient funds are available in the petty cash account, the agency should follow the **Petty Cash** process outlined above to make emergency payroll payments.

WaTech Same Day Warrant:

1. Determine the net pay amount through the payroll system simulation process or manually. Be sure all rates used are appropriate for the time period that the emergency payroll payment covers. Using the simulation process is preferred because it automates the calculation of net pay and prepares the transaction in the system for processing next payroll run.
2. Call OST for approval. Contact: Warrant Division, (360) 902-8994 **by 11:00am:**
 - Provide the following information:
 - Agency
 - Number of warrants needed
 - Amount for each warrant (net pay).
3. Prepare a Voucher Distribution Form A19-2A indicating the following (you will enter the A19-2A into AFRS in a later step):
 - Payee
 - Reason for the payment
 - Transaction Code is 932 (1324v/7120)
 - Account 035
 - Variable General Ledger 1324
 - Amount (net pay).

Note: Leave the current document number blank. The current document number, which is required on Form A19-2A, must match the current document number created by OST below.

4. Scan (pdf) and email Form A19-2A to WaTech at **WaTech DL Warrant Walk Thru Group** (note that this is a distribution list, not an email address). Forms can also be faxed to (360) 407-9179. Provide the name of the person who will pick up the warrant. This person's name will be noted on the faxed Form A19-2A. The agency will be contacted with the warrant is ready.
5. When notified, pick up the warrant and Form A19-2A from the Department of Enterprise Services at the following address:
 - 7510 New Market St. SW
Tumwater, WA 98501

(360) 664-4363
 - **Note:** Only authorized individuals are allowed to pick up warrants. The person identified on the Form A19-2A to pick up the warrant must show his/her current picture ID or driver's license before the warrant and Form A19-2A are released.
6. Requesting agency takes the warrant and Form A19-2A to OST for verification and logging.
7. Take the warrant and warrant register back to the agency. Agency distributes emergency pay warrants per internal agency procedures.
8. Process the A19-2A in AFRS to clear the in-process entry posted by OST.
 - The requesting agency will have a Transaction Code 750 (7120/4310) for the warrant on their Unbalanced In-Process Reconciliation Report.
 - Enter the current document number as indicated on the Unbalanced In-Process Reconciliation Report.
9. At the first available opportunity, process the payroll through the payroll system to properly record the employee expenditures/earnings/deductions in the system and reduce the receivable created when the AFRS warrant was processed. Refer to Section II, Option 1 of this document.

Note: If the emergency payroll payment will not be processed in payroll system, additional entries are needed to recognize the expenditures in the operating account, refund the revolving account, and pay applicable vendors. Refer to Section II, Option 2 of this document.

II. Recording Expenditures for Emergency Payroll Payments

In the first section, the employee's net pay was issued. The second section contains procedures for two different options to record the expenditures and FTEs in the operating account, pay the required vendors/deductions, and reimburse the agency for the emergency payroll payment.

- **Option 1:** The payroll system is used to calculate payroll and related expenditures and generate a warrant to reimburse the agency for the emergency payroll payment. Processing the pay action through the system is preferred.
- **Option 2:** Net pay and related payroll expenditures are calculated manually and payroll related payments are disbursed through the Payroll Revolving Account 035.

Option 1: Recording emergency payroll expenditures through the Payroll System:

Recording emergency payroll payments through the payroll system accomplishes all that is required in most instances.

1. Record the emergency payroll in the payroll system normally, but use a deduction to direct the net pay amount to the agency. In HRMS, wage types **3101/3111** reduces the receivable, **3100** creates a payable.
 - The deduction will reimburse the agency for the emergency net pay amount. Complete a simulation in the payroll system to ensure that the employee's pay is processed correctly.
 - Ensure the rates for federal income tax, social security, Medicare, retirement, medical aid, and employee health insurance premiums are correct.
2. If a payable was created to reimburse petty cash, create a JV to move the money out of Account 035 and reimburse petty cash:
 - Verify the amount is the same amount that the employee received.
 - Current document number is agency assigned.
 - Transaction Code is 025 (7140/5199V) in Account 035.
 - Contact Accounts Payable for the Transaction Code/Account for the Petty Cash side of the JV.
3. The employee's Year-To-Date (IRS Form W-2 data) file will be updated as part of the payroll process.
4. If the emergency payroll payment crosses calendar years,
 - Perform the appropriate Year-To-Date adjustments
 - File the appropriate forms with the IRS and SSA (W-2, W-2c, 941, 941-X, W-3, W-3c).
 - Remember, Forms 941, 941-X, W-2, and W-2c must balance for each calendar year.

Option 2: Recording Emergency Payroll Expenditures Manually:

1. Prepare a JV to record expenditures for gross wages and related employer costs in the applicable operating account and transfer the money to Account 035 to reimburse for the emergency payroll payment. Set up payables to disburse other costs. Do not send the JV to OST – the fund summary transaction will be automatically created by AFRS:
 - Charge the operating account and program structure for gross pay plus employer costs:
 - Current document number is agency assigned
 - Transaction Code 669 (6510/7140)
 - Gross Pay (object A series)
 - Employer portion of Social Security (Subobject BA)
 - Employer portion of Retirement (Subobject BB)
 - Employer portion of Medical Aid and Industrial Insurance (Subobject BC)
 - Employer portion of Health Insurance (Subobject BD)
 - Employer portion of Medicare (Subobject BH)
 - Transfer dollars into appropriate general ledger codes within Account 035:
 - Transaction Code 026 (7140/affected GL - variable)
 - GL 1324: Reduce receivable for net pay previously paid
 - GL 5124: Increase payable for:
 - Employee/employer amounts due to the IRS
 - Employee/employer amounts due to DRS
 - 3rd party payroll payments (miscellaneous deductions)
 - GL 5181: Increase payable for employee/employer amounts due to HCA
 - GL 5187: Increase payable for employee/employer amounts due to L&I
 - GL 5189: Increase payable if the employee has a writ of garnishment
 - Record FTEs to the operating account:
 - Transaction Code 894 (0120/0998)
2. Immediately pay all vendors from GL 5124:
 - The tax federal tax deposit is processed through OST to EFTPS. Go to the following website for instructions: <https://tre.wa.gov/partners/for-state-agencies/cash-management/forms-and-instructions/>
 - Retirement amounts are paid via JV directly to the Department of Retirement Systems (DRS). Use Transaction Code 965 for JV Disbursement (5199V/7140). Contact DRS directly for questions.
 - Other vendors may have specific requirements on how payment should be made. Contact them directly for instructions. In general, use Transaction Code 951 (5124V/5111)
3. Update Year-To-Date totals for applicable wage data:
 - Update the appropriate calendar year(s).
 - Send the appropriate form(s) to the IRS/SSA (W-2, W-2c, 941-X, W-3, W-3c). Include the payment on the IRS Form 941 for the appropriate quarter.
 - Remember, Forms 941, 941-X, W-2, and W-2c must balance for each calendar year.

Note: It is critical that Account 035 is reimbursed and reconciled on a timely basis. Doing so will ensure that the account will not incur a negative cash situation.

III. Abbreviations Legend

A-19	Voucher Distribution (state form A19-2A)
AFRS	Agency Financial Reporting System
DRS	Department of Retirement Systems
EE	Employee
EFTPS	Electronic Fund Transfer Payment System
ER	Employer
FTE	Full-Time Equivalent
GL	General Ledger
HCA	Health Care Authority
HRMS	Human Resources Management Systems
IRS	Internal Revenue Service
JV	Journal Voucher (state form A7-A)
L&I	Department of Labor and Industries
OFM	Office of Financial Management
OST	Office of the State Treasurer
SAAM	State Administrative and Accounting Manual
SSA	Social Security Administration
WaTech	Washington Technology Solutions

IV. Payroll Resources Website (location of this procedure and many other helpful links)

<http://www.ofm.wa.gov/resources/payroll.asp>

V. Federal Employment Tax Deposit Requirements and Considerations Internal Revenue Service Publication 15, Circular E

Emergency Payroll Payment Issues

When an emergency payroll payment is issued, a decision must immediately be made as to when the federal employment taxes must be deposited to the Internal Revenue Service (IRS) to avoid interest and penalty fees. These taxes include the federal income tax, social security, and Medicare deductions from the employee and the matching employer social security and Medicare taxes.

Considerations

The IRS deposit rules are discussed fully in Publication 15, Circular E: <http://www.irs.gov/pub/irs-pdf/p15.pdf>

Determine what type of depositor the agency this is, dependent on the total amount of taxes deposited during the appropriate lookback period that pertains to the specific situation.

Including the emergency payment in the next payroll cycle may not meet the IRS required deposit dates. Agencies should determine if manual steps need to be taken to ensure compliance regarding IRS deposit rules. Use the specific IRS criteria to select the appropriate tax deposit due date for emergency payroll payments.

Specific questions regarding deposits should be directed to the IRS.

How to Make Manual Tax Deposits to EFTPS

Contact OST to deposit taxes via EFTPS. Go to the following website for instructions: <http://www.tre.wa.gov/cashManagement/eftpsInstructions.shtml>. They will forward this payment to the IRS (via EFTPS) for you.

The agency should record this earlier payment as a receivable. Suggestions are:

- Account 035, GL 1324
- Account 035, GL 1351 (Due From Federal Government)
- Operating Account, GL 1351

How to Request Refunds from the IRS

Since the tax deposit will have been doubled for this situation, request a refund on that applicable quarter's Form 941, showing a tax overpayment status. When the IRS refund is received, deposit this refund to the Account/GL that recorded the deposit noted in the prior section.

- Use Transaction Code 090 (7110/appropriate GL – variable)
- Any interest received should be deposited using Revenue Source code 0401 (Investment Income). Use Transaction Code 090

OFM Assistance

Contact OFM Payroll Consulting at (360) 725-0226 if assistance is required.