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MEMORANDUM

TO: SUSAN SCHOLLEY, SENIOR RESEARCH ANALYST
FROM: PAUL TOWNSEND, LEGISLATIVE AUDITOR
DATE: MARCH 17, 2003
SUBJECT: IFS PAYROLL

PT

You asked if the issue of employees having a liability to the state for one week of pay caused by the transition to the IFS payroll system has previously been addressed. We have not addressed this issue in our audits. However, I have attached documentation explaining the transition. Essentially, when implementing the new payroll system in March 1999 there was an overlap of one week that was covered under both the old and new systems. It appears an administrative decision was made to allow for the overlap so state employees would receive their paycheck on the regularly scheduled payday, and not have to wait an extra week to get paid in accordance with the new reporting period. However, employees did not receive an "extra" paycheck or additional cash as a result of this transition. It merely allowed for employees to continue to be paid bi-weekly. Since we have not specifically addressed this issue I am unable to provide more information on how this decision was reached.

We were able to access the State's accounting system and identify the amount initially recorded to track the receivable in March 1999, and the current amount owed as of March 13, 2003. The records indicate when the transition occurred in 1999 employees owed the state about \$9.2 million because of the one-week overlap. By March 13, 2003, the amount recorded had dropped to about \$6.2 million. Repayment is made by employees upon termination, retirement, or transfer to an agency on a separate payroll system.

ASSEMBLY GOVERNMENT AFFAIRS SUB
DATE: 3/18/03 ROOM: 313 EXHIBIT C
SUBMITTED BY: JEANNE GREENE
PAGE 1 of 14

IFS
RECEIVABLE CREATED BY PAYROLL SYSTEM CONVERSION

LEGACY SYSTEM

The Legacy payroll system (i.e. the system used prior to IFS) issued its final check for pay period 19 on Friday, March 19, 1999. This paycheck was for the 2-week pay period beginning Saturday, February 27, 1999 and ending Friday, March 12, 1999. The second week of this pay period (March 6 through March 12, 1999) was referred to as the anticipated week because the time sheet for this period had not yet been submitted. Under the Legacy system, it was "anticipated" that an employee had worked 40 hours during this week. Any deviation from this "anticipated" hours worked was reported on a subsequent time submission. Under the Legacy system, an employee received a paycheck on the first Friday after the close of the "anticipated" week.

IFS SYSTEM

Under the IFS system, the pay period convention was established to begin on a Monday and end on Sunday 14 days later. There is no anticipated week under IFS. The payroll is based on actual time worked. Payday under IFS was established as the 2nd Friday after the close of this 2-week period period.

TRANSITION

Based on these differing conventions, the transition from the Legacy system to the IFS system posed a problem. Had the first IFS payroll started on

IFS
RECEIVABLE CREATED BY PAYROLL SYSTEM CONVERSION

Saturday March 13, 1999—the first day after the last Legacy pay period—the pay period would have extended to Sunday March 28, 1999. This would have resulted in the first payday under IFS being April 9, 1999—three weeks after the last Legacy payroll paid on March 19, 1999.

To avoid this 3-week delay, the first pay period under IFS was established as March 6, 1999 through March 21, 1999. This resulted in the first IFS payday occurring April 2, 1999—or two weeks after the last Legacy system payday. Consequently, the normal bi-weekly paycheck cycle was continued. However, this was only accomplished by paying each state employee for 7 days they had already been paid for (i.e. March 6, 7, 8, 9, 10, 11, and 12) on their last Legacy system check received on March 19, 1999.

As a result, each employee incurred a liability to the State for this overpayment. The original liability was approximately \$9.2 million. At March 13, 2003, this liability had been reduced to approximately \$6.2 million.

These actions were communicated to each agency and employee in a series of Department of Personnel memoranda. A key excerpt from one of these stated:

"As you may recall from the memorandum dated March 15, 1999, compensation for the week of March 6 through 12 was included in the last paycheck from the old system (March 19) as well as the first paycheck from the new system (April 2). This was done to avoid an interruption in your normal bi-weekly pay when the pay period was adjusted to correspond with the reporting period. The value of this week is noted in your payroll

IFS
RECEIVABLE CREATED BY PAYROLL SYSTEM CONVERSION

records and will be offset against final payment upon your termination, retirement, or transfer into a pay center other than central payroll of the Department of Transportation.



DEPARTMENT OF PERSONNEL

209 E. Musser Street
Carson City, Nevada 89701-4204
(775) 687-4050

MEMORANDUM

TO: All State Employees

FROM: Judy Holt, Administrative Services Officer
Department of Personnel *Judy Holt*

DATE: March 15, 1999

SUBJECT: ADDITIONAL INFORMATION
PERSONNEL/PAYROLL SYSTEM

As you know, implementation of the new personnel/payroll system is underway. You began using the new timesheet on March 6, 1999. The next paycheck you receive, on April 2, 1999, will be from the new system.

The purpose of this memorandum is to inform you of adjustments in time and attendance reporting as well as pay period scheduling associated with the transition into the new system.

Time and Attendance

A. Hours and Minutes

Accrued and used leave will now be reported and shown in hours and minutes rather than percent of hours. Your paycheck of April 2, 1999, will reflect this change. If your sick leave balance is 25 1/2 hours, it will now be shown on your paycheck as 25.30, or 25 hours and 30 minutes. (Not 25.50, as in the old system).

B. Leave Accruals

In the old system, leave accruals are advanced at the beginning of each pay period. This oftentimes results in employees mis-calculating their available leave balance and being unknowingly placed in a leave without pay status. Leave accruals in the new system will be calculated only at the conclusion of each pay period. Therefore, an

employee's available leave balance is that which is reflected on the current paycheck. If this leave amount is exceeded, a leave without pay situation will result.

* Pay Period Adjustment

The old payroll system uses two different sets of dates for reporting and for pay. The Report Period, which reflects leave taken and premium pay due, is recorded on the BTA. The Report Period ends two weeks prior to pay day. The Pay Period, which is the time for which the employee is receiving compensation, ends one week prior to payday. This has always been confusing to understand and difficult to administer. Consequently, the implementation of the new system provides the State with an opportunity to adjust the report and pay period schedules to run concurrently. In the new system, the report period and the pay period represent the same two-week period of time which ends on the Sunday twelve days prior to payday.

In order to make this adjustment without impacting an employee's bi-weekly salary or payday schedule, special handling of the week of March 6 through March 12 is necessary. As you will notice on the attached calendar, the last payday of the old system, March 19, 1999, covers the period from February 27, 1999, through March 12, 1999. The first payday in the new system, April 2, 1999, covers the period from March 6, 1999, through March 21, 1999. March 6 through March 12 are "overlap" days, accounted for in both the last pay period of the old system and the first pay period of the new system.

The dollar value of this week, normally forty hours, will be noted in each employee's payroll records and offset against final payment upon termination, retirement or transfer into a pay center other than Central Payroll or NDOT. This value will not change over time. Each employee will be notified of their amount in a subsequent memorandum from Personnel. There will be no impact to an employee's compensation or retirement contributions over the term of his/her employment due to this transition. Employees who are on the employee/employer paid retirement plan will see a slight increase in their paycheck of March 19, however, in that PERS contributions for March 6 through March 12 will be deducted only from the paycheck of April 2, 1999. Employees on the employer paid retirement plan will not be affected.

PLEASE NOTE: DURING THIS TRANSITION, EMPLOYEES WILL CONTINUE TO BE PAID BI-WEEKLY FOR A TWO-WEEK PERIOD. THERE WILL NOT BE AN "EXTRA" PAYCHECK FOR ANYONE.

Hourly or "positive" reporters and new employees hired after March 12, 1999, will not be impacted by the pay period adjustment.

Please consider the above information carefully and direct any questions to your agency payclerk or personnel representative. Thank you for your continued support.

JH:cp

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5*	6 New Timesheets Begin (CPER) Pay Period #20 **Overlap Day**
7 **Overlap Day**	8 **Overlap Day**	9 **Overlap Day**	10 **Overlap Day**	11 **Overlap Day**	12 **Overlap Day**	13
14	15	16	17	18	19*	20
21 End of Pay Period #20 in New System (03/06/99 - 03/21/99)	22 Start Pay Period #21 In New System (03/22/99 - 04/04/99)	23	24	25	26 Last Payday in Old System (02/27/99 - 03/12/99)	27
28	29	30	31			

1999

April

1999

Sun

Mon

Tue

Wed

Thu

Fri

Sat

4

End Pay Period #21
In New System
(03/22/99 - 04/04/99)

11

18

25

5

12

19

26

6

13

20

27

7

14

21

28

1

8

15

22

29

2*

First Payday in New
System
(03/06/99 - 03/21/99)

9

16

23

30

10

17

24

KENNY GUINN
GOVERNOR

JEANNE GREENE
ACTING DIRECTOR

STATE OF NEVADA
DEPARTMENT OF PERSONNEL

MEMORANDUM

TO:

[REDACTED] employee name
[REDACTED] employee division
[REDACTED] employee department

FROM:

JUDY HOLT, ADMINISTRATIVE SERVICES OFFICER
DEPARTMENT OF PERSONNEL

DATE:

APRIL 16, 1999

SUBJECT:

PAYROLL OVERLAP WEEK

CONVERSION FROM THE OLD PERSONNEL/PAYROLL SYSTEM IS NOW COMPLETE AND YOU ARE RECEIVING YOUR SECOND PAYCHECK FROM THE NEW SYSTEM TODAY. YOUR PATIENCE DURING THIS TIME IS GREATLY APPRECIATED. HOPEFULLY THERE HAS BEEN NO INCONVENIENCE TO YOU AS A RESULT OF THIS TRANSITION.

AS YOU MAY RECALL FROM THE MEMORANDUM DATED MARCH 15, 1999, COMPENSATION FOR THE WEEK OF MARCH 6 THROUGH MARCH 12 WAS INCLUDED IN THE LAST PAYCHECK FROM THE OLD SYSTEM (MARCH 19) AS WELL AS THE FIRST PAYCHECK FROM THE NEW SYSTEM (APRIL 2). THIS WAS DONE TO AVOID AN INTERRUPTION IN YOUR NORMAL BI-WEEKLY PAY WHEN THE PAY PERIOD WAS ADJUSTED TO CORRESPOND WITH THE REPORTING PERIOD. THE VALUE OF THIS WEEK IS NOTED IN YOUR PAYROLL RECORDS AND WILL BE OFFSET AGAINST FINAL PAYMENT UPON YOUR TERMINATION, RETIREMENT OR TRANSFER INTO A PAYCENTER OTHER THAN CENTRAL PAYROLL OR THE DEPARTMENT OF TRANSPORTATION.

THE AMOUNT BELOW REPRESENTS THE VALUE OF YOUR WEEK OF MARCH 6 THROUGH MARCH 12, 1999. AS WAS STATED IN THE MEMORANDUM OF MARCH 15, NEITHER YOUR RETIREMENT CONTRIBUTIONS NOR YOUR COMPENSATION OVER THE TERM OF YOUR STATE SERVICE WILL BE AFFECTED BY THIS ADJUSTMENT. AGAIN, THIS VALUE WILL NOT CHANGE OVER TIME.

VALUE OF MARCH 6, 1999 THROUGH MARCH 12, 1999 FOR

[REDACTED] employee name

\$ [REDACTED] anticipated week value
owed upon termination

IF YOU HAVE ANY QUESTIONS ON THIS ISSUE, PLEASE CONTACT YOUR AGENCY PAYCLERK.

THANKS FOR YOUR SUPPORT.

REPORT AND PAY PERIOD DEMONSTRATION
CONVERSION OF PAYROLL SYSTEM FROM LEGACY TO IFS ADVANTAGE

WEEKS					
ends 02/28/99 1	ends 03/07/99 2	ends 03/14/99 3	ends 03/21/99 4	ends 03/28/99 5	ends 04/04/99 6

Legacy Report Period # 19
02/20/99 - 03/05/99

Legacy Pay Period # 19
02/27/99 - 03/12/99

Payday # 19
03/19/99

Anticipated
Pay Week # 1
Week of 03/06/99 - 03/12/99
paid in both systems.

LEGACY PAYROLL SYSTEM TERMINATED - IFS ADVANTAGE SYSTEM INITIATED AS OF 03/06/99

IFS Pay Period # 20
03/06/99 - 03/21/99

Payday # 20
04/02/99

NEVADA LEGISLATURE

STATE OF NEVADA
STATE PAYROLL SYSTEM
AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 1986



LEGISLATIVE AUDITOR
CARSON CITY, NEVADA

STATE OF NEVADA
STATE WIDE RECEIPTS AND DISBURSEMENTS
PAYROLL SYSTEM

ACCOUNTING

ANTICIPATED PAY AS A CAUSE FOR OVERPAYMENT

The Payroll System provides for forty hours of anticipated pay in each pay period. The actual time worked during the anticipated week is reported the following pay period, and the forty hours of anticipated pay is reversed.

When an employee fails to work the full forty hours in the anticipated week, there is a possibility of overpayment and negative pay is generated when the anticipated pay is reversed. For employees who terminate during the anticipated week, the amount of negative pay represents an overpayment.

A computer listing of all negative pay for the fiscal year ending June 30, 1980, was examined as part of our audit procedures. Our examination revealed that overpayments, which had not been recovered exceeded \$7,800 plus the State's portion of the retirement contributions. Causes of these overpayments are as follows:

1. Sick or annual leave was reported for the anticipated pay week after the terminated employee's annual leave balance had been paid.
2. An employee self-terminated in the anticipated pay week.
3. Reported exception time was converted to annual leave in a subsequent pay period, after the annual leave balance had been paid.

STATE OF NEVADA
STATE WIDE RECEIPTS AND DISBURSEMENTS
PAYROLL SYSTEM

ACCOUNTING
(continued)

ANTICIPATED PAY AS A CAUSE FOR OVERPAYMENT (continued)

4. An employee was dismissed during the anticipated pay week.
5. An employee failed to work the anticipated pay week, and negative pay was generated. The agency entered the negative pay in the next pay period, but it dropped out of the system as there was no positive time for an offset. During the next pay period, the employee was paid the erroneous annual leave balance.
6. An employee went on leave without pay during the anticipated pay week and then terminated.
7. An employee who was not eligible for sick leave reported sick leave in the anticipated pay week and then resigned in the anticipated pay week.
8. An employee went on NIC disability during the anticipated pay week and then terminated.
9. Employees terminated during the anticipated pay week. Negative pay was not deducted in the subsequent period when compensatory time or annual leave balances were paid.

STATE OF NEVADA
STATE WIDE RECEIPTS AND DISBURSEMENTS
PAYROLL SYSTEM

ACCOUNTING
(continued)

ANTICIPATED PAY AS A CAUSE FOR OVERPAYMENT (continued)

10. An employee failed to work during the anticipated pay week and reported sick leave in excess of sick leave available for the anticipated week. This overpayment was not deducted the next pay period after the employee returned to work.
11. An employee failed to work the anticipated pay week and negative pay was generated. This was not collected in the subsequent pay period.
12. The State's portion of retirement contributions on overpayments has not been recovered.

RECOMMENDATIONS

The Personnel Division:

1. Eliminate the anticipated pay from the Payroll System, or;
2. Require terminating employees to account for the anticipated week prior to release of the final warrant until anticipated pay is eliminated from the system.
3. Continue intensive training of agency payroll personnel to acquaint them with problems related to the anticipated week until anticipated pay is eliminated from the system.