



## DEPARTMENT OF FINANCIAL SERVICES

TOM GALLAGHER  
CHIEF FINANCIAL OFFICER

February 2, 2004

IN REPLY REFER TO:  
DFSBP 04-01

TO: Agencies Addressed

FROM: John Bennett, Chief  
Bureau of State Payrolls

SUBJECT: Payroll Settlement Agreements Guidance

This memorandum is being issued to provide agencies with processing guidance and requirements for submitting payroll related settlement agreements to the Bureau of State Payrolls (BOSP). The guidance identified below should be followed at **all** times and used in conjunction with the Payroll Preparation Manual, Volume IV, Section 13. Our goal is to avoid unnecessary delays in the processing of your settlement agreements. Please also note that we have attached an updated copy of the Backpay/Settlement Request Check-Off Sheet (DFS-BP-21 Form), which must be included with all Backpay Settlement agreements submitted to BOSP.

### I. General Guidance For Employee Settlement Agreements

- a. Volume IV, Section 13 of the Payroll Preparation Manual includes a listing of required documentation that must be submitted with a settlement packet.
- b. For all settlement agreements and retroactive payment requests submitted to BOSP, the agency representation letter requesting processing of the payment **must include at least one contact, with phone number and email address provided.**
- c. While most settlement agreements are processed within three days following their receipt in the BOSP, agencies are reminded that due to audit and investigative requirements, all settlement agreements must be provided to BOSP at least ten business days prior to any guaranteed date included in the settlement agreement. Agencies are liable for any subsequent damages that may occur as a result of not adhering to this requirement. **Excluding a required payment date from the settlement will assist in avoiding this potential liability.**
- d. All agreements must clearly state how Federal Withholding, Social Security and Medicare taxes are to be handled. For example, "...the employee is solely responsible for all taxes resulting from this agreement..." or "...subject to all applicable taxes and

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deductions...”. However, the agreement should **NOT** specifically state the amount of taxes to be taken from the agreement.

- e. Avoid providing employees with net pay amounts until after the settlement has been audited by BOSP and BOSP has advised of the actual net pay amount.
- f. Do not include miscellaneous deductions (e.g. deferred compensation deductions, insurance contributions, credit union deductions, etc.) in the settlement agreement.
- g. Do not sum settlement amounts together. Each amount owed the employee should be specifically and individually listed in the agreement. For example, if a result of the agreement is that the employee is to receive \$1,000 for medical reimbursement and \$10,000 for attorney fees, then the settlement agreement must specifically separate these amounts out.
- h. For settlement agreements, when applicable, the agency should ensure that appropriate language is included releasing both the State of Florida and the agency from future liability arising from the current claim.
- i. Each settlement agreement should contain this language: “This settlement is subject to the approval of the Chief Financial Officer of the State of Florida.”

## **II. Backpay Settlement Agreements**

- a. Backpay Settlement agreements are agreements to make the employee “Whole” for the time period stated in the agreement. As the intent of these agreements is to make the employee whole for any lost wages, the payment amount is offset by any interim earnings (including wages, unemployment compensation, etc.) the employee received during the period of suspension or termination. These agreements are intended to hold the employee harmless as if employment had not been terminated or suspended. Please use the attached new form (DFS-BP-23) for Interim earnings/unemployment compensation benefits certification.
- b. Use of Specific Language for Backpay Settlement Agreements:
  - i. These agreements must contain language stating that any unemployment compensation received during the backpay period will be deducted (offset) from the gross backpay amount and returned to the Unemployment Compensation office. The amount is offset from the gross amount so that withholding taxes will be calculated and remitted on the remaining portion of the award (please note this is a new requirement).
  - ii. These agreements must **not** contain any language referring to the payment of future wages unless specifically permitted by law. If specifically permitted by law, the settlement agreement must contain a reference to the applicable law.

- iii. The retroactive payment period must be clearly stated in the agreement. For example, "The employee is to receive \$10,123.45 in backpay for the period of January 1, 2003 through March 1, 2003."

### III. Lump-Sum Employee/Employer Settlement Agreements

#### a. Specific Definitions:

- i. **Lump-Sum Wages:** Results from a general release agreement between an employee and an employer, as a result of an employee/employer relationship. Classified as wages with deductions for Social Security, Medicare and Federal Withholding Tax. These agreements are submitted to BOSP with all appropriate documentation as listed in the Payroll Preparation Manual.
- ii. **Punitive Damages:** Lump-Sum payments for non-physical damages. Employee is responsible for taxes on these types of payments. Classified as reportable income and reported to the employee on Internal Revenue Service Form 1099-MISC. No deductions taken for taxes. The agency should create a voucher for these and submit it to the Department of Financial Services, Division of Accounting and Auditing, Bureau of Auditing (not Bureau of State Payrolls).

#### b. Special Notes:

- i. Lump-Sum settlement agreements are **NOT** subject to retirement contributions and will not add to the employee's creditable service for retirement benefits under the Florida Retirement System.
- ii. If the desire is to make the employee whole, the agreement cannot be for a lump-sum amount, but rather must be a Back payment of Wages.

### IV. Interest Payments:

- a. For interest to be paid from the settlement agreement, the agreement must specifically state that the payment is subject to interest at the **lawful interest rate**. The lawful interest rate is a simple interest rate set by the Florida Chief Financial Officer each December, in accordance with F.S. 55.03(1).
- b. Interest is paid using the simple interest rate in effect at the time the settlement agreement is paid. For example, if a retroactive settlement agreement covering multiple years is submitted to BOSP for processing, the current year's lawful interest rate will be used for calculating interest.
- c. As the interest is calculated through the actual payment date of the settlement, the settlement agreement must not include a specific dollar amount of interest to be paid.

### V. ATTORNEY FEES:

- a. As mentioned above, all amounts payable under the settlement agreement should be expressly separated out in the agreement. This includes the payment of attorney fees.

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- b. The agency should create a voucher for attorney fee amounts and submit it to the Department of Financial Services, Bureau of Auditing (not Bureau of State Payrolls).

Should you have any questions concerning this matter, please contact Alissa Martz at 850-410-9421, SUNCOM 210-9421, or email: [amartz@dfs.state.fl.us](mailto:amartz@dfs.state.fl.us) or Cindy Langley at 850-410-9423, SUNCOM 210-9423, or email: [clangley@dfs.state.fl.us](mailto:clangley@dfs.state.fl.us).

JB/CL:sd

Attachments

DEPARTMENT OF FINANCIAL SERVICES  
BUREAU OF STATE PAYROLLS  
200 EAST GAINES ST.  
TALLAHASSEE, FL 32399-0356

**CERTIFICATION OF INTERIM EARNINGS /  
UNEMPLOYMENT COMPENSATION BENEFITS**

Employee Name: \_\_\_\_\_

SSN: \_\_\_\_\_

Referenced Period of Time: \_\_\_\_\_

**INTERIM EARNINGS**

\_\_\_\_\_ I have no interim wage earnings to report for the referenced period of time.

\_\_\_\_\_ I do have interim wage earnings to report for the referenced period of time as follows:

Source of Interim Earnings: \_\_\_\_\_

Amount of Interim Earnings: \_\_\_\_\_

Copy of Interim Earnings received during specified period of time is attached in the form of employee's W-2 or statement from employer with the amount of income included.

**UNEMPLOYMENT COMPENSATION**

\_\_\_\_\_ I did not receive unemployment compensation benefits for the referenced period of time.

\_\_\_\_\_ I did receive unemployment compensation benefits for the referenced period of time. Statement of Unemployment Compensation benefits earned from the Agency for Workforce Innovation, Bureau of Unemployment Compensation is attached.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

DEPARTMENT OF FINANCIAL SERVICES  
BUREAU OF STATE PAYROLLS  
200 EAST GAINES ST  
TALLAHASSEE, FL 32399-0356

**BACKPAY/SETTLEMENT REQUEST  
CHECK-OFF SHEET**

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DEPARTMENT/DIVISION \_\_\_\_\_

**PLACE AN "X" ON EACH LINE FOR DOCUMENTATION BEING SUBMITTED.**

\_\_\_\_\_ LETTER OF REQUEST

\_\_\_\_\_ ORIGINAL DOCUMENTATION INITIATING CLAIM

**BACKPAYMENT OF WAGES:**

\_\_\_\_\_ COURT ORDER

\_\_\_\_\_ SETTLEMENT AGREEMENT

\_\_\_\_\_ REINSTATEMENT ORDER

\_\_\_\_\_ ORDER TO PAY

\_\_\_\_\_ OTHER \_\_\_\_\_

**RETROACTIVE PAYMENT:**

\_\_\_\_\_ AUTHORITY TO PAY (personnel action forms and documentation)

\_\_\_\_\_ U.S. DEPARTMENT OF LABOR LETTER

\_\_\_\_\_ OTHER \_\_\_\_\_

**DUAL EMPLOYMENT SETTLEMENT:**

\_\_\_\_\_ DUAL EMPLOYMENT PAYMENT SCHEDULE (FORM DFS-BP-DUAL)

\_\_\_\_\_ OTHER \_\_\_\_\_

\_\_\_\_\_ PAYROLL CERTIFICATION (FORM DFS-BP-15)

\_\_\_\_\_ MANUAL PAYROLL REGISTER (FORM DFS-BP-25)

\_\_\_\_\_ RETROACTIVE PAYMENT SCHEDULE (FORM DFS-BP-22)

\_\_\_\_\_ INTERIM EARNINGS / UNEMPLOYMENT COMPENSATION CERTIFICATION  
(DFS-BP-23)

\_\_\_\_\_  
SUBMITTED BY

\_\_\_\_\_  
TELEPHONE NUMBER

\_\_\_\_\_  
DATE



## DEPARTMENT OF FINANCIAL SERVICES

TOM GALLAGHER  
CHIEF FINANCIAL OFFICER

April 2, 2004

IN REPLY REFER TO:  
DFSBP 04-02

TO: Agencies Addressed

FROM: John Bennett, Chief  
Bureau of State Payrolls

SUBJECT: Year-End Bonus Payments Guidance

Section 110.1245(2), Florida Statutes, allows bonuses to be paid to employees from funds authorized by the Legislature in an appropriation specifically for bonuses.

Agencies may submit approved bonus payments through either the Cooperative Personnel Employment Subsystem (COPEs) or through the PC Payment System on any of the following payrolls:

<u>Processing Date</u>	<u>Payroll Type</u>	<u>Warrant Date</u>
6/01/2004	Awards Payroll*	6/04/2004
6/02/2004	Supplemental Payroll	6/08/2004
6/07/2004	Biweekly Payroll	6/11/2004
6/09/2004	Awards Payroll*	6/14/2004
6/15/2004	Awards Payroll*	6/18/2004
6/16/2004	Supplemental Payroll	6/22/2004
6/21/2004	Biweekly Payroll	6/25/2004
6/23/2004	Awards Payroll*	6/28/2004
6/24/2004	Monthly Payroll	6/30/2004

\*The Awards Payroll is a warrant only payroll and will not generate EFT payments.

All agencies are reminded of the following guidance regarding the processing of Fiscal Year-End Bonus Payments:

?? For actual payroll warrants to be generated, agencies **MUST** submit the bonus requisition actions on an **Awards** payroll. Submission on a supplemental, biweekly or monthly payroll will result in the payment of the bonus according to the employees' normal method (Direct Deposit for most employees).

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?? The amount approved by OPB is for the gross salary charge. **This equals the gross salary amount plus employer contributions. Bonus payments are subject to employer contributions for Social Security and Medicare Taxes.** This must be taken into account when calculating the amount of money that can be distributed for bonuses. Example: For a \$500.00 net bonus payment, the total cost for your agency for the warrant will be approximately \$799.18, calculated as follows:

Gross Salary Charge of	\$799.18
Minus <b>Employer</b> Contributions for Social Security and Medicare tax	<u>56.79**</u>
Employee Gross of	\$742.39
Minus <b>Employee</b> Withholding Tax of	185.60***
Minus <b>Employee</b> Contributions for Social Security and Medicare tax	<u>56.79**</u>
Net Payment to Employee	<b><u>\$500.00**</u></b>

\*\*Due to required calculation methods for Social Security and Medicare taxes, this amount may vary by as much as two cents.

\*\*\*Please note that bonus payments to employees with an exempt W-4 filing status are not subject to Federal withholding tax.

?? If your agency has decided to grant bonus payments as “net” amounts, you must use Earning Code 9187. This earning code will calculate withholding tax at the effective flat rate of 25%. If your agency has decided to grant bonus payments as “gross” amounts, you must use Earning Code 9188. This earning code will calculate withholding tax based on the alternative tax method utilizing the employees’ W-4 filing status. *For additional information related to the flat tax and alternative tax methods and for information related to Gross-Up procedures, refer to Volume IV, Section 3, page’s 4-6, in the Payroll Preparation Manual.*

**Special Note:** Agencies using the PC Payment System for submission of their bonus payments should NOT combine them with other nonrecurring payment submissions.

?? Agencies must use Appointment Status Code “YE” for fiscal year-end bonus payments approved by OPB. BOSP will be monitoring the Year-End Bonus payments (using Object Code 4987) at the beginning of each payroll to ensure that the amount approved by OPB is not exceeded. **If it is determined that the amount has been exceeded, your agency’s payments will be deleted from that payroll and will have to be resubmitted at a later time.**

?? Fiscal year-end bonus payments must be voucher and warrant dated in June.

?? Since these bonuses must be paid in June, certified forward payments will not be allowed. In addition, these bonus payments are not retirement contributory.

Should you have any questions concerning this matter, please contact Yvette McCullough at (850) 410-9449, SUNCOM 210-9449, or email: [ymccullough@dfs.state.fl.us](mailto:ymccullough@dfs.state.fl.us) or Cindy Langley at (850) 410-9423, SUNCOM 210-9423, or email: [clangley@dfs.state.fl.us](mailto:clangley@dfs.state.fl.us).



**TOM GALLAGHER**  
CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

August 20, 2004

IN REPLY REFER TO:  
DFSBP 04-03

**TO:** Agencies Addressed

**FROM:** John Bennett, Chief  
Bureau of State Payrolls

**SUBJECT:** Payroll Certifications Guidance (People First System)

As agencies begin the rollout to the People First System, we want to inform them that Payroll Certifications (DFS-A3-15 Form) will still be required to certify the validity of wage payment requests being submitted to the Bureau of State Payrolls for processing. This form, which must include each disbursement account, authorizes us to prepare salary warrants and disburse wage payments to your agency's employees. The form also certifies that all payroll requisition documents, forms and accounting documents are being submitted to us prior to the cut-off time for a particular payroll. Please note that it will not be possible for us to disburse salary monies nor release warrants to any agency without having received properly executed and signed forms.

**Special Reminder:** Only authorized signatures of State officials or employees will be allowed and accepted by this office as authentication of the Payroll Certification.

Please address questions to Alice Angulo at (850) 410-9565, S/C 210-9565, [aangulo@dfs.state.fl.us](mailto:aangulo@dfs.state.fl.us) or Alissa Martz at (850) 410-9449, S/C 210-9449, [amartz@dfs.state.fl.us](mailto:amartz@dfs.state.fl.us).

Sincerely,

John Bennett

JB/aa:sd



**TOM GALLAGHER**  
CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

August 25, 2004

IN REPLY REFER TO:  
DFSBP 04-04

**TO:** Agencies Addressed

**FROM:** John Bennett, Chief  
Bureau of State Payrolls

**SUBJECT:** Beneficiary Payments Information

This memorandum is being issued to remind agencies of pertinent information regarding the submission of beneficiary payment packets to the Bureau of State Payrolls (BOSP). Our goal is to avoid any unnecessary processing delays. The information follows:

- ?? The procedures for preparing beneficiary payments are located in our Payroll Preparation Manual, Volume IV, Section 14 ([http://www.dbf.state.fl.us/bosp/BOSP\\_MANUAL.pdf](http://www.dbf.state.fl.us/bosp/BOSP_MANUAL.pdf)).
- ?? Wages to deceased employees are subject to specific conditions/limitations such as IRS rules and Florida Statutes. For these reasons, it is imperative that all payments to deceased employees be thoroughly reviewed and audited by BOSP.
- ?? Due to tax implications, no payroll related payment(s) should be made to a deceased employee with a warrant date after the date of death.

Please contact Valda Henderson at (850) 410-9451, SUNCOM 210-9451, [vhenders@dfs.state.fl.us](mailto:vhenders@dfs.state.fl.us) or Alissa Martz at (850) 410-9449, SUNCOM 210-9449, [amartz@dfs.state.fl.us](mailto:amartz@dfs.state.fl.us) if you have any questions.

Sincerely,

John Bennett

JB/aa:sd



**TOM GALLAGHER**  
CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

October 29, 2004

IN REPLY REFER TO:  
DFSBP 04-05

**TO:** Agencies Addressed

**FROM:** John Bennett, Chief  
Bureau of State Payrolls

**SUBJECT:** Payroll Guidance for One-Time Lump Sum Bonus Payments in December

The payroll guidance for processing the December 1, 2004 non-recurring one-time lump-sum bonus payments, as provided for in the 2004-2005 General Appropriations Act, follows:

- ?? For eligibility requirements, agencies must refer to the December 1, 2004 Non-Recurring One-Time Lump-Sum bonus payment instructions sent by the Department of Management Services via email to all personnel officers on October 13, 2004.
- ?? The People First System (PFS) will submit the One-Time Lump Sum Bonus Payments for those agencies on the PFS to us for processing. Agencies not on the PFS may submit bonus payments through either the PC Payment System or an FTP file previously tested in the Payroll System.
- ?? A Special Supplemental Payroll has been scheduled to process these bonuses on December 2, 2004. The warrant date for this payroll is December 8, 2004. Every effort should be made to pay all of the December 1, 2004 bonuses using this Special Supplemental Payroll.
- ?? The PFS must use Earnings Code 9187 to process these bonus payments. This means that all eligible state employees will receive a net pay of approximately \$673.00.
- ?? This Special Supplemental Payroll is for the December 1, 2004 bonus payments only.
- ?? Deferred Compensation **cannot** be taken out of these bonus payments. However, brochures have been distributed containing instructions for Deferred Compensation options. Please have employees contact the Deferred Compensation office at toll-free (877) 299-8002 or (850) 413-3162.
- ?? Additionally, those employees with Court Ordered Support Arrearages may have all or a portion of their net bonus taken out to pay the arrearage.

Please contact Cindy Langley (850) 410-9423, SUNCOM 210-9423, [clangley@dfs.state.fl.us](mailto:clangley@dfs.state.fl.us) or Alice Angulo (850) 410-9565, SUNCOM 210-9565, [aangulo@dfs.state.fl.us](mailto:aangulo@dfs.state.fl.us) if you have any questions.

JB/AA:sd