

May 22, 2007

CHIEF FINANCIAL OFFICER MEMORANDUM NO. 03 (2006-07)

**SUBJECT: WARRANT CANCELLATIONS AND SALARY OVERPAYMENTS
INVOLVING TERMINATED EMPLOYEES WITH DEFERRED
COMPENSATION DEDUCTIONS**

Warrant cancellations and net salary overpayments for terminated employees having deferred compensation deductions (DED 0041) require immediate agency actions in order to ensure the recovery of the salary deferral from the provider company.

Employees terminating from state employment can request a full distribution of their deferred compensation accounts as early as 31 days after his/her employment ends. Once the provider company distributes the monies, the Bureau of Deferred Compensation will be unable to recover any amounts deferred on cancelled warrants.

Agency Actions Required

- 1) Employing agencies must notify the Bureau of Deferred Compensation (Department of Financial Services, Division of Treasury) immediately of a need to cancel a warrant or create a net salary refund for a terminated employee having deferred compensation.
- 2) If the warrant is cancelled (or the net salary refund created) after the deferred compensation contribution is remitted to the provider and the employee's account has not been distributed to the employee, the Bureau of Deferred Compensation will obtain the agency refund from the provider.
- 3) If the warrant is cancelled (or the net salary refund created) after a terminated employee has taken a full distribution of his/her deferred compensation account from the provider, the Bureau of Deferred Compensation will be unable to recover the contribution for the agency. The following actions are required when this occurs:
 - a) The Bureau of Deferred Compensation will notify the employing agency and Bureau of State Payrolls (BOSP) of its inability to recover the payroll deduction.
 - b) The employing agency is responsible for collecting the deferred compensation amount owed from the terminated employee. The agency will first determine whether the employee is due a leave payout. If so, the agency will deduct the deferred compensation amount owed as a salary overpayment (code 200) from the leave payout. Refer to BOSP Payroll Preparation Manual Volume V, Section 6 (Refund for Overpayment of Salary) for correct procedures.
 - c) If the terminated employee is NOT due a leave payout at least as large as the amount of the deferred compensation to be recovered, the agency must still collect the remainder of the deferred compensation amount owed from the terminated employee as a salary overpayment. Refer to BOSP Payroll Preparation Manual Volume V, Section 6 (Refund for Overpayment of Salary) for correct procedures.

- d) The agency will need to transfer the money owed to the specified Bureau of Deferred Compensation account within thirty (30) business days of the notification from the Bureau of Deferred Compensation. The agency will also need to inform BOSP that the monies have been remitted.
- e) If the agency has not transferred the entire deferred compensation amount owed by the terminated employee within thirty (30) business days, BOSP will ask the agency for an account number. BOSP will then create a voucher to transfer the money from the agency's account to the specified Bureau of Deferred Compensation account. If an agency does not provide BOSP with a valid account code for this transaction within ten (10) business days, BOSP will select one of your agency's 29-digit FLAIR accounts that have sufficient budget and cash to cover the payment.
- f) The agency should continue to follow the standard collection procedures as noted in BOSP Payroll Preparation Manual Volume V, Section 6.

These new procedures for processing warrant cancellations and salary refunds involving terminated employees with deferred compensation deductions have been updated in the BOSP Payroll Preparation Manual, Volume V, Section 5 & 6. The website address is: http://www.fldfs.com/aadir/bsp/BOSP_MANUAL.pdf.

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