Direct Deposit of Employee Pay Operating Policy and Procedure

Objective:

To establish net pay distributions depositing all of an employee's net pay directly into one or more accounts in one or more financial institutions. (A financial institution may be a bank, credit union, savings and loan, trust company, or investment firm.)

Select the following:

Policy

Direct Deposit Requirement

Direct Deposit Designee

Direct Deposit Process

Reporting Incorrect Payments

Viewing Paystub Information

Employees Returning to State Service

Procedures

Establishing Direct Deposit of Employee Pay

Direct Deposit Returns

Forms:

FI-00381 Payroll Direct Deposit Authorization Form

FI-00611 Direct Deposit Exception

The Payroll Direct Deposit Authorization form is required for agency staff to process a Direct Deposit. Entry of direct deposit information in Self Service is the preferred method of changing direct deposit information.

References:

M.S. 16A.17, Subd. 10

All Minnesota Statutes are available from The Office of the Revisor of Statutes.

https://www.revisor.mn.gov/statutes/

PAY0033 – Correction of Overpayments

PAY0034 – Paycheck Reversal

Date: March 2023

Number PAY0001 - Direct Deposit of Employee Pay

Policy - Direct Deposit Requirement

Employees are required to sign up for direct deposit. As authorized under M.S. 16A.17, subd. 10, all employees must sign up for full (100%) direct deposit. Exceptions may be granted for the following reasons:

- Temporary and emergency employees who are employed for 30 days or less from the date of hire
- Deceased employees
- Short-term exceptions for one or two pay periods in cases of domestic abuse
- Other limited exceptions may be considered on a case-by-case basis. Request an exception on the Direct Deposit Exception form, available on the Minnesota Management & Budget and Self Service websites. Submit the form to Statewide Payroll Services, 658 Cedar St, Ste 400, Saint Paul, MN 55155 or fax to 651-296-8325. Reasonable exceptions will be approved. Requests that merely state a preference for receiving a warrant will not be approved.

Exceptions not allowed:

Employees who have no banking relationship

Resolution:

  - The State has established banking relationships with Hiway Federal Credit Union and Affinity Plus Federal Credit Union. These institutions will set up a savings and/or checking account with a cash card for state employees.
  - Pay cards (a prepaid debit or credit card option) are available from some financial institutions and organizations. Fees may apply. Once the account is set up, the financial institution sends the employee a card, and the employee either adds a direct deposit record in Self Service or submits a completed Payroll Direct Deposit Authorization form to the agency's direct deposit contact.

- Employees who have had:
  - A checkbook, purse or wallet has been lost or stolen; or
  - Fraud on an account

  Must work with the financial institution and agency payroll staff to change their direct deposit information in Self Service as soon as possible. Issuing a warrant would not be any more effective than working with the financial institution.

Policy - Direct Deposit Designee

Direct deposit designee:

Each state agency must assign an employee as its direct deposit designee. The designee will assist employees, inquire on direct deposit data, and be the contact for direct deposit questions or problems.

Designees with the ability to update direct deposit will receive completed payroll Direct Deposit Authorization forms and must verbally (e.g., in person, on the phone using the employee's agency-issued phone number, via a Microsoft Teams meeting with the employee's agency account, etc.) verify with the employee that the form was submitted by the employee prior to entering direct deposit data.

To maintain segregation of duties, Minnesota Management and Budget requires that the direct deposit designees who have the ability to update direct deposit data must be someone who is not authorized to add employees to the system or to enter payroll data to pay employees. Agencies should also designate a backup to the direct deposit designee so there is always someone available who can assist employees.

Policy - Direct Deposit Process

- Employees will enter direct deposit data in Self Service or agency direct deposit designees will enter direct deposit data from employees' authorization forms.

  Note: Statewide Payroll Services must enter direct deposit record(s) for employees who will be transferring any of their pay from a direct deposit account to a financial institution outside of the United States.
- If there is a direct deposit error the financial institution will notify Statewide Payroll Services. If the notification is a Notification of Change (NOC), Statewide Payroll Services will enter the change. If the notification is a Return, Statewide Payroll Services will notify the agency direct deposit designee. The direct deposit designee must request that the employee make the change in Self Service or have the employee provide a Direct Deposit Authorization form with a voided check or deposit slip attached and enter a new effective-dated record. Statewide Payroll Services will adjust the employee direct deposit record so returns can be redistributed to the employee in the next payroll cycle.
- An employee's direct deposit distribution will be applied to all paychecks the employee receives.
- Deposits will be in employees' accounts sometime on the paycheck's issue date.
    - On-cycle payments will be available on the biweekly payday (usually Friday).
    - Off-cycle payments will be available two business days after the off-cycle is run.

Holidays or other special situations may cause variations in this schedule.

The financial institution must post the deposit on the issue date but may do so anytime during the day. Even if the financial institution posts the deposit early in the day, a few automatic teller machines (ATMs) may not register the deposit until the next day. If an employee has a problem with a deposit on the paycheck's issue date (for example, the ATM does not reflect the deposit), the employee should speak to the direct deposit representative at the financial institution to see when it will post the deposit.

- Employees who receive business expenses in addition to regular pay will see the following impact resulting from their direct deposit distribution:
    - If a direct deposit record includes a row with a dollar amount, the paycheck combines regular pay and business expenses. There will be one direct deposit transmission and one paystub.
    - If a direct deposit record includes only percentages and/or balance, business expenses will be separated from regular pay and will be paid on a separate paycheck. There will be two direct deposit transmissions and two paystubs.

Deadlines

Direct deposit changes entered in Self Service or SEMA4 by 5:00 PM Friday of payroll processing week, with an effective date on or before the next biweekly paycheck, will be effective on that paycheck.

Effective-Dates

When entering direct deposit records in SEMA4, use the current date as the effective date unless you are setting up a record for the future. When setting up future records, direct deposit will start the first payday on or after the effective date. In Self Service the effective date of direct deposit records is always the date of entry.

Policy - Reporting Incorrect Payments

It is critical that payroll staff identify incorrect payments immediately. The FIHR2062, Payroll Register (DocumentDirect/InfoPac ID HP2062) report will be available Monday morning of payday week for identifying incorrect payments.

Contact Statewide Payroll Services immediately regarding overpayments where an employee has not authorized the correction on the next payroll. Overpayments must be identified and reported to Statewide Payroll Services by Tuesday of payday week. (Holidays may alter this deadline.) Statewide Payroll Services will process reversals to correct these incorrect payments **before** sending direct deposits to the bank for distribution to financial institutions.

If errors are not discovered and reported by the deadline, incorrect direct deposits will be sent to financial institutions. For large overpayments that are identified **after** direct deposits have been sent to the financial institution for distribution, the agency will be responsible for recovering the money from the employee. Reversals are possible in the current calendar year. The net pay must be collected to process a reversal.

Policy - Viewing Paystub Information

All employees view paystub information on the Self Service Website. It is secured and requires each employee to sign on with a user ID and password. A minimum of 24 months of paystub history is available, and employees may print the paystub information, if desired. Nothing is mailed to the employee's home.

Paystub information is available in Self Service the business day after the final pay calculation for the paycheck. Holidays or other special situations may cause variations in this schedule.

Employees who have direct deposits set up with percentages and/or balance will have business expenses paid on a separate paycheck from regular pay and will see two paystubs.

Employees should be encouraged to view paystub information each pay period to verify the direct deposit(s).

Policy - Employees Returning to State Service

Direct deposit records are not automatically deleted when an employee is in a leave or terminated status. If an employee who has direct deposit returns from leave or terminated status, direct deposit will resume on the first paycheck the employee receives. Agencies should make employees aware of this process.

If the employee wants the same direct deposit specifications, no action is necessary. If the employee wants to change the direct deposit specifications, the employee may enter the changes in Self Service or submit an authorization form to change direct deposit.

Procedure - Establishing Direct Deposit of Employee Pay

Employee

1. Enter the direct deposit information in Self Service or complete the Payroll Direct Deposit Authorization form. Attach a voided check or deposit slip to the form according to the instructions on the form. Submit the form and attachments to the agency direct deposit designee.

   When a change to direct deposit information has been saved, a notification email will be automatically generated and sent to the employee's email address(es) listed in SEMA4.

   If you will be transferring any of your pay from a direct deposit account to a financial institution outside of the United States, you must send a Direct Deposit Authorization form to your payroll office for processing. Employees cannot enter these transactions in Self Service.

Agency Direct Deposit Designee

2. Upon receipt of the completed Direct Deposit authorization form, verbally verify (e.g., in person, on the phone using the employee’s agency-issued phone number, via a Microsoft Teams meeting with the employee’s agency account, etc.) with the employee that the form was submitted by the employee prior to entering direct deposit data. Review the form to ensure the employee’s distributions make sense. (With all the options and combinations that can be used, employees may request a distribution that is not possible or does not make sense, such as percentages exceeding 100%.) If the employee is starting direct deposit or changing account types, bank ID, or account numbers, look for the following:

    - Verify that the employee attached a voided check and/or deposit slip to the form. If a direct deposit record is to a checking account, most often a check should be attached, not a deposit slip. However, for a few financial institutions the number on the check is incorrect for deposit to a checking account and the number on the deposit slip must be used.

    If the employee selected savings for account type on a direct deposit record, there may not be a deposit slip attached to the form. This may be because the employee's deposit slip has no numbers printed on it. The instructions on the form tell employees not to attach the deposit slip if it has no pre-printed numbers on it.

    - Compare the bank ID and the account number on the form with the numbers on the voided check or deposit slip. The numbers are printed along the bottom edge of the check and/or deposit slip.

    The second number is usually the account number. It may have up to 17 characters (numbers, letters, or spaces). Spaces should appear on the form. Colons, quotation marks, or "odd" characters should not appear on the form, nor should there be spaces on the form where the odd characters were omitted.

    For credit unions: The numbers on credit union checks or deposit slips are likely to be incorrect for direct deposit purposes. If the employee attached a voided check and/or deposit slip, do not compare the numbers. The form instructs employees to obtain these numbers from the credit union.

    The numbers on Affinity Plus Federal Credit Union and Hiway Federal Credit Union checks are correct.

3. If the form is incomplete, contact the employee to complete the information. If there are discrepancies in the numbers, have the employee contact the bank to determine the correct numbers. If you determine that there is an error on the form, have the employee initial the change on the form or fill out a new form.

Direct deposit designees should not make changes on employees' forms without written employee authorization.

4. Update the direct deposit record with the data from the employee's Payroll Direct Deposit Authorization form.

Changes to an employee's direct deposit specifications must be done with a new effective-dated record. This will allow a history of all the direct deposit specifications to be accessed. Correct History mode should only be used when a data entry error is made and you don't need to preserve the history of that error. For example, an employee gives the direct deposit designee a Payroll Direct Deposit Authorization form. The direct deposit designee enters the information from the form and an hour later the employee contacts you and states that the wrong account number was used. The employee should initial and correct the Payroll Direct Deposit Authorization form. The direct deposit designee can then correct the account number using Correct History mode.

If agency staff receive a Direct Deposit Authorization form with the "Transferring Funds?" check box selected, the form must be forwarded to Statewide Payroll Services for processing. Agencies cannot enter these transactions in SEMA4.

5. If an agency does not direct deposit designees with security to update direct deposit data, Statewide Payroll Services will enter its direct deposit transactions. Edit the forms according to Steps 2 and 3, keep copies for your files, and send the originals to Statewide Payroll Services, Ste. 400, 658 Cedar St., Saint Paul, MN 55155 or fax to 651-296-8325.
6. File authorization forms where you can refer to them easily. (Do not send copies to Statewide Payroll Services.) Forms should be readily available for your reference, for answering employee or Statewide Payroll Services inquiries, and for audit purposes. The agency must keep current authorization forms on file for active employees and the most recent form on file for four years after employees terminate employment.

SEMA4 and Banking System

7. Process the direct deposit transactions. (Details on how the direct deposit is processed can be found in the policy section.)

Agency Payroll Unit

8. Access and review FIHR2062, Payroll Register (DocumentDirect/InfoPac ID HP2062) report on Monday morning of payday week. Contact Statewide Payroll Services by Tuesday of payday week to report overpayments or erroneous payments that need to be stopped.

Statewide Payroll Services

9. Process check reversals for overpayments reported by the agency before sending direct deposits to the bank for distribution to financial institutions.
10. Enter direct deposit record(s) for employees that submitted Direct Deposit Authorization forms with the "Transferring Funds?" check box selected.
11. Enter direct deposit record(s) for employees that submitted Direct Deposit Authorization forms and agency direct deposit designees do not have security to update direct deposit data.

Financial Institutions

12.Post deposits to employee accounts sometime on the paycheck issue date.

Procedure - Direct Deposit Returns

Financial Institutions

1. Direct deposit funds that cannot be distributed are returned to the Payroll Clearing Account. Reasons for return may include a closed account or error in account information.

MMB - Statewide Payroll Services

2. Agencies are notified if a direct deposit for one of their employees has been returned, requesting them to have the employee correct their direct deposit information and notify the employee that the funds will be refunded.

Agency Payroll Unit

3. Contact individual employees and inform them of returned direct deposit and request that they update their direct deposit information. The employee should also be notified of when to expect the returned funds.

Employee

4. Update direct deposit information in Self Service, or complete Direct Deposit Authorization form to be entered in SEMA4.

MMB - Statewide Payroll Services

5. If the employee has not updated the affected direct deposit records, Statewide Payroll Services staff will make updates; or, alternatively, if no other valid accounts exist, will set the employee's direct deposit distribution to "Issue Check."
6. Issue a deduction refund in SEMA4 for the amount of the employee's returned direct deposit.

- For amounts exceeding $100, the refund would be processed off-cycle.
- For amounts of $100 or less, the refund would be processed on-cycle.
- An employee may request a refund to be issued off-cycle if the funds represent their net pay.