



# Payroll Service Bureau Internal Service Fund Proposal

A Briefing for the  
JLARC Internal Service Fund  
Subcommittee

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June 1, 2009

Scope of Services  
Business Case  
History  
ISF Proposal  
Contacts



Virginia Department of Accounts

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# PSB Scope of Services

## Source to Gross – Payroll Service Bureau

- Collect pay, benefits, deduction and leave information
- Add, delete, modify pay, benefits, deduction and leave data in system to prepare payroll

## Gross to Net – State Payroll Operations (CIPPS)

- Compute net pay, generate payment files

## Net to Report – State Payroll Operations

- Tax filing and reporting, GL posting, Benefits Accounting



# PSB Business Case

## Economies of Scale

- Specialization and high processing volume allows 1 PSB FTE to serve 700 employees

## Quality Control

- Specialization ensures consistent application of federal/state regulations

## Trained Back-up Staff Reduces Risk

- Higher processing volume provides deeper bench in case of staff emergencies, retirements, resignations

## Lower Statewide Training Costs

- Fewer overall FTE requiring specialized payroll administration/CIPPS training

# PSB History

## 26 Mandated Agencies – FY 1996-1998

- DOA GF Appropriation and MEL
- Agency GF reductions and NGF Part 3 transfers

## 34 Volunteer Agencies – FY 1999-2002

- Incremental costs absorbed by DOA

## Budget Cuts – FY 2003

- Processing fee authorized in budget
  - Basic fee has ranged from \$100 - \$110 per W-2 (FY09 \$103)
  - Fee eliminated for agencies whose GF budgets were reduced
  - Fee reduced for agencies charged NGFs through Part 3 transfers



# PSB ISF Proposal

## Salaries and Fringes – 24 FTE

- \$1,642,910

## Administrative Costs – Rent, PCs, Courier, Phones, Copiers and 1% indirect cost

- \$140,399

## Measurable Units – Prior CY W-2 Count

- CY 2008 W-2 Count – 16,205

## Proposed FY 2010 Rate

- \$110 per W-2

## Billing Method – Pre-bill at fiscal year inception

- Except quarterly billings for agencies with limited cash flow



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**Department of Accounts**  
**Payroll Service Bureau**  
**Scope of Services**

**Payroll Administration**

- New hires – data entry of employee information for new hires and transfers, pay levels, tax elections, banking elections.
- Salaried employees – data entry and verification for partial periods worked for new hires, terminations or insufficient leave balances to cover absences, salaried overtime, leave balance payouts, Virginia Sickness and Disability Program and Workers Compensation payments.
- Wage employees – data entry of hours worked.
- Payroll Deductions – Employee Associations, CVC, Parking fees, court-ordered withholdings, such as garnishments and support orders.

**Benefits Administration**

- Retirement, group life insurance, optional group life insurance, employee retirement purchases, deferred compensation, pre-tax annuities, cash match benefits, supplemental insurances, healthcare and flexible spending accounts

**Leave Administration**

- Absence tracking, accounting and reporting

**Key Controls**

- Ensure all personnel actions, such as new hires, transfers, salary changes, terminations, etc., have been recorded in the State's personnel system (PMIS) prior to pay action.
- Ensure changes to benefits or other deductions are supported by the appropriate authorizing documentation.
- Ensure all non-routine pay entitlements (including absences under the VSDP program and Workers Compensation) are authorized.
- Provide customer agencies with a package identifying the key components of the payroll:
  - Salaried employees not receiving their authorized salary in regular pay
  - Overtime hours worked by salaried employees
  - Wage hours worked, both regular and overtime
  - Employees receiving non-salary payments
  - Employees' deduction changes
  - Employees' salary or hourly rate changes
  - Employees' tax changes
- Review CIPPS Leave Audit reports to ensure accuracy and to identify employees who have exhausted all leave balances and may be in a docking status.

**Reconciliations and Reports**

- Quarterly and annual certification of wages
- Healthcare reconciliation of healthcare authorizations versus expenditures
- VRS reconciliation of retirement and group life benefits
- VEC Reporting
- 1500 Hour wage reporting
- Leave liability financial report