Government/Public Sector Payroll Certificate Program

The Fair Labor Standards Act and the Public Sector

Exempt Employees

- Elected Officials/Appointees Exclusion
- Legislative Branch Employees
- White Collar Exemptions
- Budget Furloughs

Nonexempt Employees

- Interns and the Minimum Wage
- Firefighters and Law Enforcement Work Period Exception
- Compensatory Time (Comp Time)

Compensable Time for Nonexempt Employees

- Meal and Rest Periods: Law Enforcement and Firefighters
- Sleep Time
- Travel Time
- Waiting Time and On-Call Time
- Volunteering
  - School Mentor Was FLSA-Exempt Volunteer
  - Civic, charitable, or humanitarian purpose
  - Promise, expectation, or receipt of compensation
  - Coercion
- Volunteer' Firefighters Were FLSA Employees
  - Employer-employee relationship
- Occasional/Sporadic Employment
- Substitution
- Early Relief
- Outside Employment
- Training Time
- Time Spent Changing Clothes
  - Time Spent Donning and Doffing Police Uniform Was Not Compensable
  - Ruling
- Using a Smartphone – Is It Time Worked?
- Off-Duty Officers Were Not Eligible for Overtime
  - Appeals court sides with Bureau
- DOL Issues Field Assistance Bulletin on Telework

Government/Public Sector Employee Fringe Benefit Taxation

- Employer-provided Benefits
  - Personal Use of Employer-Provided Vehicles
  - Employer-provided Clothing
  - On-Duty Casual Clothing Issued to Police and Fire Department Employees Is Not Wages
  - Working condition fringes
  - Procedural change: casual clothing may be excludable
- Equipment and Uniform Allowances
- Military Differential Pay
- Employer-provided Cell Phones
  - Reimbursement of Employee Personal Cell Phone Usage
  - IRS audit guidance
- Employer-provided Meals
- Employer-provided Lodging

Other Benefits

- Educational Assistance
  - Job-related education
  - Non-job-related education
  - Tuition reduction
  - Scholarships and fellowships
- Leave Sharing Plans
  - Leave Time Donated to Charity

Employee Taxation in the Public Sector

Social Security and Medicare Taxation

- Social Security and Medicare Tax Coverage
- Definition of Section 218 Terms
- Coverage of Employees Under a Retirement System
- Mandatory Social Security and Medicare Coverage
- IRS Answers to Frequently Asked Questions
  - Retirement System
  - Member of a Retirement System
  - Coordination with Medicare
- Mandatory Medicare Coverage
  - Continuous Employment Exception IRS FAQ

- Applying Section 218 to Teachers and Retired Teachers
- Social Security and Medicare Issues Facing School Districts
- IRS Answers to Frequently Asked Questions
  – Continuing Employment Exception Applied to Employees of Unified School District
- SSA Form for State and Local Government New Hires
  – Windfall Elimination Provision
- Student FICA Exception
  – Students in K-12 Schools
- Wages and Employment Exempt from Social Security/Medicare Tax
- Form W-2 Reporting of Qualified Government
- Employees
  – Medicare Qualified Government
  – Employees
  – Employees Covered by Full Social Security and Medicare and MQGE
  – Option: Prepare a single Form W-2
  – Form W-2
  – First Form W-2
  – Second Form W-2

Federal Income Tax Issues

- Jurors' Compensation
- Elected Officials
- State/Local Benefits for Volunteer Emergency Responders
- Withholding for Nonresident Aliens
  – Social security cards
  – Form W-4 requirements
  – TABLE 1 (Pre-2020 Form W-4)
  – TABLE 2 (2020 or later Form W-4)
  – Example: Nonresident Alien Employee With pre-2020 Form W-4
  – Pre-2020 Form W-4
  – Example: Nonresident Alien Employee With a 2024 Form W-4
  – 2024 Form W-4

Government Retirement Plans

Retirement Plans

- Defined Benefit Plans
- Defined Contribution Plans

- Section 401(a) Employer Pick-Ups
- Employer's Payments to Pension Plan
- IRS Clarifies Rules on Employer 'Pick-Up' Contributions

Section 457(b) Plans

- Eligible Plans
- Individuals Eligible to Participate
- Discrimination Testing
- Typical 457(b) Plans
- Annual Deferrals
  – Age 50 Catch-up Contributions
  – Final Three-Year Catch-Up
  – Coordinating 457(b) Catch-Ups
  – Roth Contributions to 457(b) Plans
- Timing of Social Security, Medicare, and FUTA Taxes on Annual Deferrals
  – Excess Deferrals
  – Distributions for Unforeseeable Emergencies
  – IRS Guidance on Emergency Distributions Under 457(b) Plans
  – Plan-to-Plan Transfers
- Rollovers to Eligible Plans
- Loans
- Sick and Vacation Pay Deferrals
- Reporting Requirements
  – Reporting Distributions From a 457(b)
  – Plan on Form 1099-R
  – Reporting Death Benefit Payments
  – Form W-2 Reporting of Deferrals
  – Elective/Nonelective Contributions Reporting Requirements Correction Program for 457(b) Eligible Deferred Compensation Plans

Section 403(b) Plans

- Section 403(b) Plan Requirements
- ERISA Versus Non-ERISA
  – Written Plan Requirement
  – Model 403(b) Plan Language for Public School Employers
- Contributions to §403(b) Plans
  – Limitations on Contributions
  – Catch-Up Contributions
  – Roth Contributions to 403(b) Plans
  – Plan-to-Plan Transfers

- Distributions From §403(B) Plans
  - Timing of Distributions and Benefits
  - Severance From Employment
  - Nondiscrimination
  - Universal Availability for Elective Deferrals
- Funding §403(b) Plans
  - Effect of a Failure to Satisfy IRC §403(b)
  - Requirement of Certain Separate Accounts Under IRC §403(b)
- Automatic Elections
- Reporting Requirements
  - Form W-2 Reporting of Elective Deferrals
  - Form 941 and 945 Reporting
- Comparison Chart for 403(b) and 457 Plans
  - Nonqualified Deferred Compensation Plans
- Nonqualified Deferred Compensation Plans
- Definition of Nonqualified Deferred Compensation Plan
- Requirements of §409A
- Teacher Contracts for 12-Month Pay Covering Shorter Terms
  - Notice 2008-62
  - Typical Situation: School District
  - Employee
  - Why Would Teacher Pay Be Covered by §409A?

Deductions From Pay

Employer-required Deductions

- Child Support
- Creditor Garnishments
- Wage Assignments

Election Workers

Election Workers as New Employees

- No Form I-9 Requirement
- New Hire Reporting for Election Workers

Election Worker Payments and Deductions

- Withholding and Reporting Requirements for Election Workers
- Social Security and Medicare Taxation for Election Workers

State Unemployment Taxes in the Public Sector

State Unemployment Taxes and Reporting

- Federal Unemployment Tax
- State Unemployment Tax
- State Unemployment Reporting Requirements

Unemployment Benefits

- Eligibility for Benefits
- Benefit Amounts
- Benefit Charges to Employers

Government Payroll Accounting and Auditing

Fund and Grant Accounting

- Fund/Grant Accounting
- Accounting Basis and Financial Reporting
- State and Local Government Funds
  - Fixed assets and long-term debts
  - Accounting Basis
  - Financial Reporting
- Example: Fund Accounting Fiscal Cycle
  - Opening entries
  - Recording revenues
  - Payroll expenditures
  - Other expenditures
  - Closing entries

Controls and Auditing

- Internal Controls
- Auditing the Payroll Process and Records
  - Purpose of audit sampling
  - When not to sample
  - Defining a test sample
  - Selection of the sample
  - Perform the test
  - Compliance tests
  - Procedural questions
  - Self-audits
  - Payroll records
  - Withholding certificates
  - Local income tax withholding
  - Direct deposit and payroll card authorization
  - Other items to verify in the payroll system

– Separation of payroll and HR records (not legally required but advised)
- IRS Federal, State and Local Governments Compliance Self-Assessment Reconciliation

Payroll Management in the Public Sector

Collective Bargaining Issues

- Collective Bargaining Agreements
  – Background
  – Complications of union contracts
  – Impact of contract changes and
  – negotiations
  – Best practices for a government/public sector payroll department

Process Mapping and Improvements

- Process Mapping
  – Redesigning a Process Map
  – Key Benefits of a Process Map
  – Developing a Process Map
  – Step 1: Determine the
  – boundaries/parameters
  – Step 2: Identify and list the steps taken in
  – the process
  – Step 3: Sequence the steps
  – Step 4: Draw appropriate symbols
  – Step 5: Use the system model approach
  – Step 6: Check for completeness
  – Step 7: Finalize/validate the process map
  – Analyzing Process Flows

Benchmarking and Metrics

- Types of Benchmarking
- Quantitative Versus Qualitative Benchmarking
- Finding Comparable Organizations
  – Importance of Complexity Rankings

What to Measure

- Common Metrics
- Quantitative metrics
  – Cost metrics
  – Efficiency metrics
  – Processing metrics
  – Error/Rework Rates
  – People
- Qualitative Metrics
- Problems, Issues, and Poor Benchmarking Scores
- Approach to Benchmarking – Examples of Measurement
  – Quantitative
  – Qualitative
- Benchmarking Common Errors to Avoid
- Start Benchmarking with Manageable Pieces
  – Benchmarking is a two-way street
  – Standardizing Definitions for Benchmarking