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Help! I Underpaid My Employees.....

We can't begin to tell you the number of times that we have heard this tale of woe.....employees were underpaid on a prevailing rate job and **"someone"** is breathing down your neck to correct this discrepancy or you won't be paid!

Underpaying your employees does happen from time to time – it's a fact of life on these types of jobs. There is nothing to panic over – ***just realize that there is a RIGHT WAY and a LOT OF WRONG ways to correct this!***

The following instructions will teach you the ***correct way*** using 4 fairly simple steps!

By carefully following these 4 steps your certified payroll reports will verify that you did indeed issue checks for the difference and you will have cancelled "make-up" checks that have been cashed by your employees to prove this in the event of an audit.

Example:

Throughout this document we will be working with the scenario shown below. While this might not be the ***exact*** situation that you find yourself in the steps will remain the same, as they can easily be modified to suit your own specific needs.

On 1/15/04 you receive an updated Prevailing Wage Determination that became effective on 1/1/04 – the new Prevailing Wage Determination indicates that all of your Equipment Operators should be paid a base rate of \$28.75 with a fringe rate of 6.25.

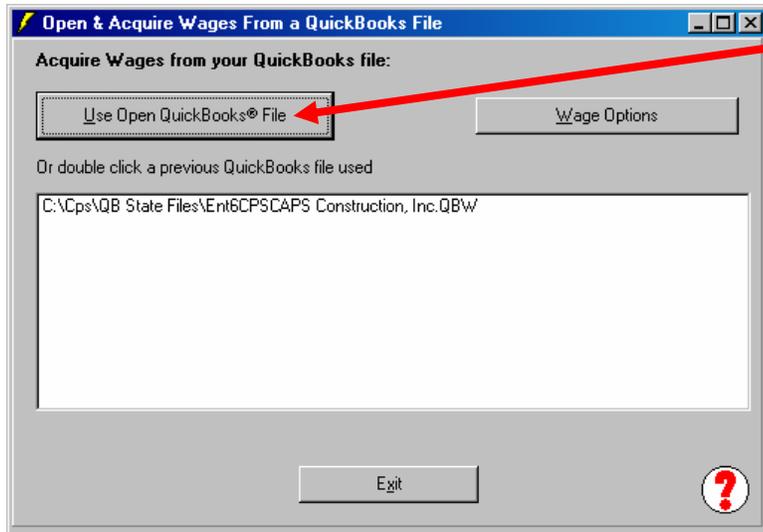
	Base Rate	Fringe Rate	Total
Old Wage Determination	\$24.75	\$5.25	\$30.00
New Wage Determination	\$28.75	\$6.25	\$35.00
Difference	\$ 4.00	\$1.00	\$ 5.00

In our example we will assume that you are paying the fringe rate in cash to your employees as part of gross wages. Your work week ends on a Saturday and your paychecks are always cut on the following Wednesday. You have issued paychecks on 1/7/04 for week ending 1/3/04 and on 1/14/04 for week ending 1/10/04 which now needs to be corrected.

Step 1:

Use Wage Manager to create a payroll item called **Adjustment**, and assign it to all employees who were affected by the underpayment. The Adjustment payroll item should have the dollar amount that is the difference between what **you should have paid** your employees and **what you actually paid** them.

With QuickBooks open and minimized, start CPS and from the **Run** Menu choose **Wage Manager**.



Click on the “Use Open QuickBooks File” button.

Note: If you have never used Wage Manager before you will be prompted to grant permission for the Wage Manager Solution program to access your QuickBooks data file.

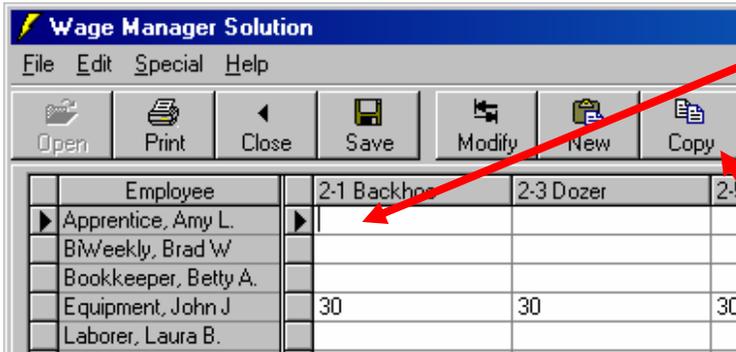
To grant permissions you will need to be logged into QuickBooks as the QuickBooks Administrator and in single-user mode.

Wage Manager will “reach into your QuickBooks file” and pull in all of your employees, your payroll items, and your rates of pay and put them into a convenient grid-like screen, such as the one below, allowing you to work with all of your employees, wages, and payroll items in one convenient location.

Employee	2-1 Backhoe	2-2 Backhoe OT	2-3 Dozer	2-4 Dozer OT	2-5 Crane
▶ Apprentice, Amy L.					
▶ BiWeekly, Brad W					
▶ Bookkeeper, Betty A.					
▶ Equipment, John J	30	45	30	45	30
▶ Laborer, Laura B.					
▶ Mason, Mark L.					
▶ Sheetrocker, Joe					
▶ Supervisor, Sam L.					
▶ Trucker, Tammi T					

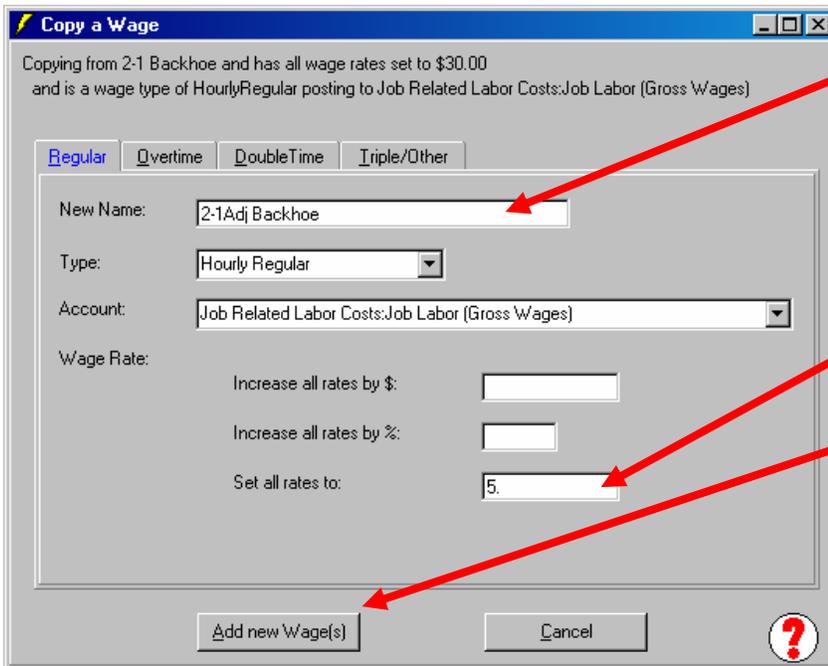
The first thing that you want to do is locate the payroll item that you would use for your equipment operators.

Following our example from above, I would need to create “Adjustments” for the following payroll items: 2-1 Backhoe, 2-3 Dozer, and 2-5 Crane as follows:



1. Begin by **clicking in the first blank cell** of the payroll item that you use to pay your equipment operators (in this case I want to click in the first blank cell that is below the heading – 2-1 Backhoe.

2. Click the **Copy** button.

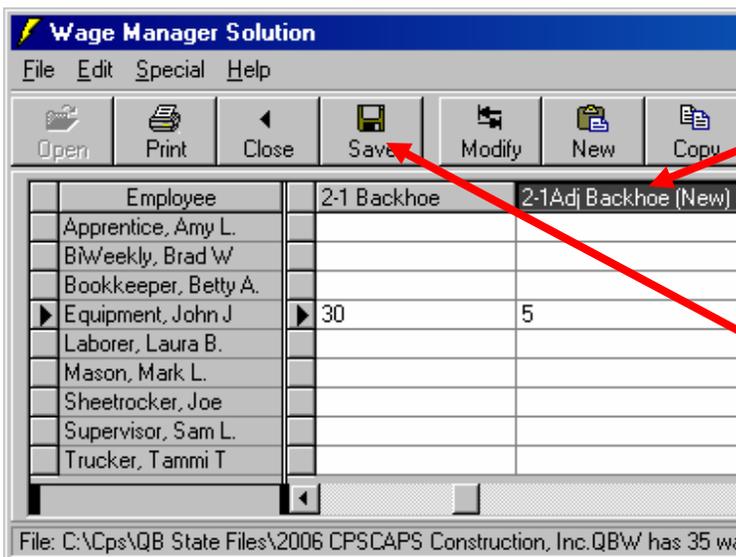


1. Enter a “name” for this new payroll item – in our example we’ll call it 2-1Adj Backhoe

Because you are “Copying” an existing payroll item, Wage Manager will copy the **Type** and **Account** of the new payroll item.

2. In the “**Set all rates to**” box, enter 5.

3. Click the “**Add new Wage(s)**” button.

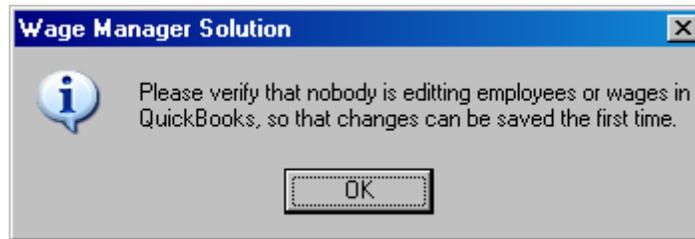


The new payroll item and rate has been successfully added to the grid; and to the correct employee(s).

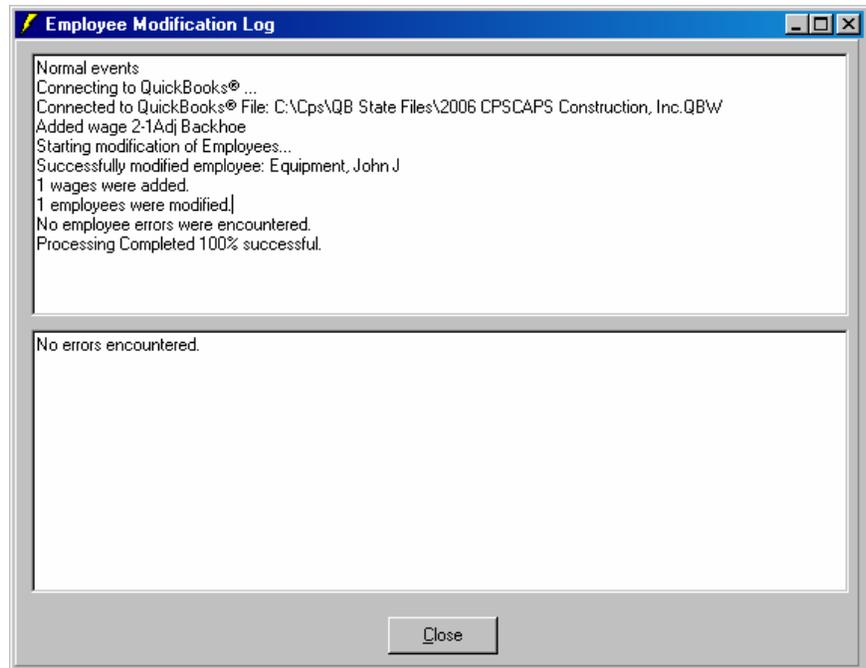
You would then complete the above steps for any additional adjustment payroll items that you would need to make.

When you have completed these tasks, simply click on the “**Save**” button to write this data back to your QuickBooks file.

Wage Manager Solution will display the following message box asking you to be sure that no one else is currently editing employees, payroll items, or displaying employee paychecks before you continue.



After you have verified that no one is working with these items within QuickBooks, and have clicked the **“Ok”** button, Wage Manager Solution will access your QuickBooks file and display a log file (similar to that shown at the right) which will keep you informed of what it is doing and if it encounters any errors.



Step 2:

In QuickBooks go back to the original timesheet for the oldest week (following our example you would go back to the timesheet which included 1/1/04).

But wait – how do I go back to an old timesheet?

If you are using **QuickBooks 2004 – 2006/Enterprise 4.0-6.0** go to the Weekly Timesheet and select an employee – then use the **“Set Date”** button and enter the date that you need to go back to.

If you are using **QuickBooks 2007/Enterprise 7.0** go to the Weekly Timesheet and select an employee – then use the **“Calendar”** to navigate back to the week you need.

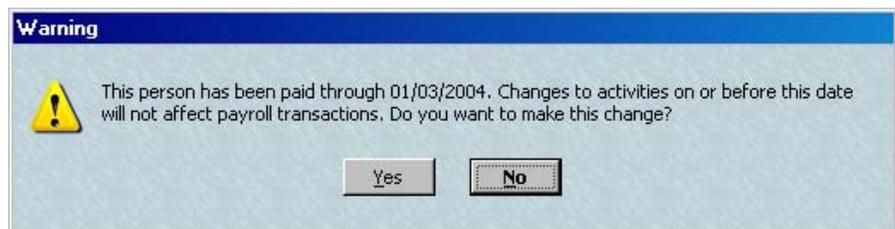
Leaving the original timesheet entries intact, skip a line and then pull in the same Customer:Job Name and Service item, in the Payroll Item column select your newly created “Adjustment” payroll item(s) and enter the applicable number of hours for the correct days.

Following our example on the timesheet below we have added 2-1Adj Backhoe for 8 hours on Thursday 1/1/04 and 2-3Adj Dozer for 8 hours on Friday 1/2/04.

Customer:Job	Service Item	Payroll Item	W..	N...	C..	Su 28	M 29	Tu 30	W 31	Th 1	F 2	Sa 3	T...
Customer One:Job Name for Cus...	03 Excavation	2-1 Backhoe								8.00			8.00
Customer One:Job Name for Cus...	03 Excavation	2-3 Dozer									8.00		8.00
Customer One:Job Name for Cus...	03 Excavation	2-1Adj Bac...								8.00			8.00
Customer One:Job Name for ...	03 Excavation	2-3Adj D...											0.00
Totals						0.00	0.00	0.00	0.00	16.00	8.00	0.00	24...

IMPORTANT

QuickBooks will display the following warning – telling you that the person has already been paid and that changes will not affect **existing** payroll transactions. Select **“Yes”** to continue.



You may also receive a message box stating that “One or more items have not been assigned a class. Save anyway or cancel and return to the form? Just click on the **“Save Anyway”** button.

Step 3:

By far this is the most important step and the following instructions must be carefully carried out!

First a brief recap:

1. On 1/15/04 you receive the new Prevailing Wage Determination that became effective on 1/1/04 and have calculated the **difference** between what you **should have** paid your Equipment Operators and what you **actually** paid them.
2. On Wednesday 1/7/04 you issued paychecks for week ending 1/3/04.
3. On Wednesday 1/14/04 you issued paychecks for week ending 1/10/04.
4. You have gone back to the timesheet which included the 1/1/04 effective date and added line items to the timesheet using the "Adjustment" payroll items (Steps 1 and 2)
5. We are now ready to create your first "make up" payroll.
6. **Each "make up" payroll should have its own specific check date which is different than your "normal" paycheck date.**

In QuickBooks go to the **"Pay Employees"** option and

1. Select employees to pay who were affected by this change.
2. Your **"Check Date"** should be the current day (1/15/04) and
3. The **"Pay Period Ends Date"** should be the last day of the work week for the first week that the discrepancy occurred (1/03/04).
4. Click the **"Create"** button.

A sample is shown below.

Select Employees To Pay

Bank Account: 1130 · Payroll Checking A...

Paycheck Options:

- To be printed
- To be handwritten or direct deposited

First Check Number: 2

Preferences: 2

Enter hours and preview check before creating: 4

Create check without preview using hours below and last quantities.

Enter hours using Rapid Time Entry: 3

Check Date: 01/15/2004

Pay Period Ends: 01/03/2004

Sort By: Employee

✓	Employee	Class	Pay Period	Rate	Hours	Last Pay Period End
	Apprentice, Amy L.		Weekly	7.75	20.00	10/07/2006
	BiWeekly, Brad W		Biweekly	28.50	80.00	01/03/2004
	Bookkeeper, Bett...		Weekly	15.00	0.00	02/07/2004
1	✓ Equipment, John J		Weekly	30.00	32.00	01/03/2004

When you get to the **"Preview Paycheck"** you will see **ALL** of the time line entries from the timesheet, as shown to the right.

Equipment, John J

Pay Period: 12/28

Use Direct Deposit

Earnings	Item Name	Rate	Hours	WC Code	Customer:Job	Class	Service Item
	2-1 Backhoe	30.00	8.00		Customer One:...		03 Excav...
	2-1Adj Backhoe	5.00	8.00		Customer One:Jo...		03 Excavation
	2-3 Dozer	30.00	8.00		Customer One:Jo...		03 Excavation
	2-3Adj Dozer	5.00	8.00		Customer One:Jo...		03 Excavation

You will need to **delete** the original line entries – by clicking on the **Item Name** and pressing the **CTRL and the Delete keys at the same time**, leaving just the line item entries for using the “**Adjustment**” payroll items. This method will generate a paycheck for just the difference between what you did pay him and what you should have paid him, minus applicable taxes.

Sample of adjusted paycheck detail with JUST the “adjustment items”.

Preview Paycheck Type a help question **Ask** **How Do I?**

Equipment, John J Pay Period 12/26/2003 - 01/03/2004

Use Direct Deposit

Item Name	Rate	Hours	WC Code	Customer:Job	Class	Service Item
2-1Adj Backhoe	5.00	8.00		Customer One:Jo...		03 Excavation
2-3Adj Dozer	5.00	8.00		Customer One:Jo...		03 Excavation

Total Hours: 16.00

Item Name	Rate	Quantity
WC Equip	7.0%	80.00

Item Name	Amount	YTD
2-1Adj Backhoe	40.00	40.00
2-3Adj Dozer	40.00	40.00
Federal Withholding	0.00	-9.00
Social Security Employee	-4.96	-34.72
Medicare Employee	-1.16	-8.12
CA - Withholding	0.00	0.00
CA - Disability Employee	-0.95	-6.61

Item Name	Amount	YTD
WC Equip	5.60	39.20
CA - Employment Training Tax	0.08	0.56
Social Security Company	4.96	34.72
Medicare Company	1.16	8.12
Federal Unemployment	0.64	4.48

Check Amount: 72.93

Enter net/Calculate gross

Create **Cancel** **Help**

Select the “**Create**” button and then print the check.

Repeat this step for each “makeup” check that you need to issue, keeping in mind that **each makeup paycheck needs to have its own unique check date that is not the date of a normal payroll run.**

Step 4:

Now we are ready to run Certified Payroll Solution and generate corrected reports.

1. Start Certified Payroll Solution.
2. Choose **Run, Certified Payroll Report**.
3. Your **Work Week/Pay Period Ending Date** should be **01/03/04**
4. Your **Date of Paychecks** should be **01/07/04 to 01/07/04** (the date of your original paychecks)
5. Click on the **More Dates** button and enter **01/15/04** (the date of your first makeup paycheck)
6. Click the **OK** button at the bottom of the More Dates window
7. Click **Next**

Sample shown as follows:

Reconcile Payroll for Reporting Step 1 -- Enter Data

Work Week/Pay Period Ending Date 3

This date determines the hours that show on the Certified Payroll Reports. Based on System Preferences, this should be a Saturday.

Date of Paychecks To 4

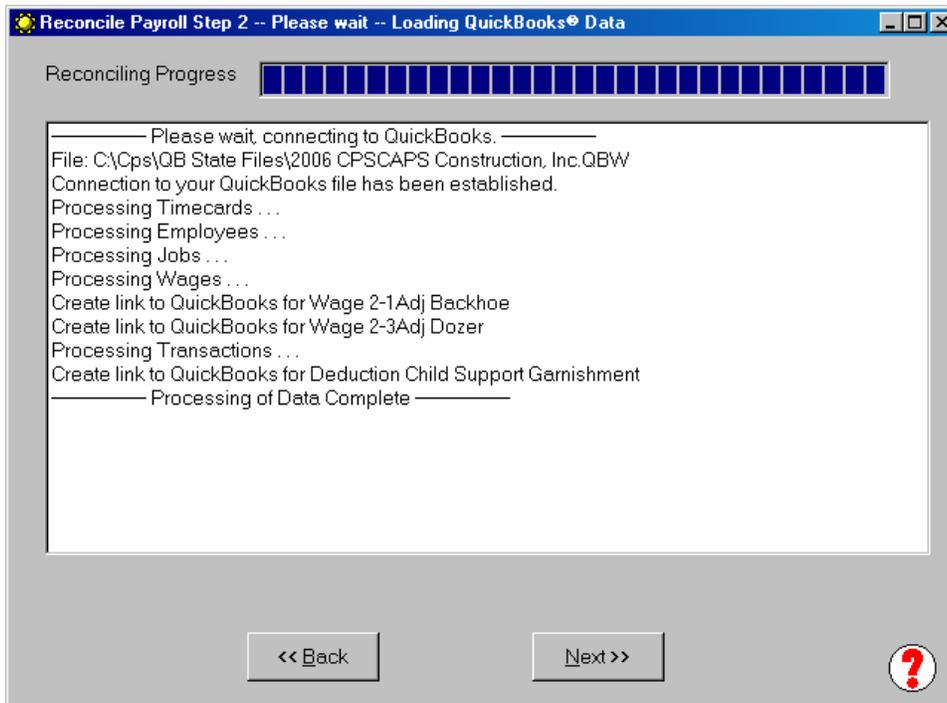
This date range determines the date range (and entered into the payroll system) for the period.

5

Any pay checks found in this date range. This is the actual date.

Paycheck Date
01/15/04

CPS will now access your QuickBooks file like it normally does, and will prompt you to create **Linked Records** for the Adjustment items that you have created. See below.



Just like any other time that CPS finds something new, it will prompt you to create the **“Linked Record back to QuickBooks”** for that item.

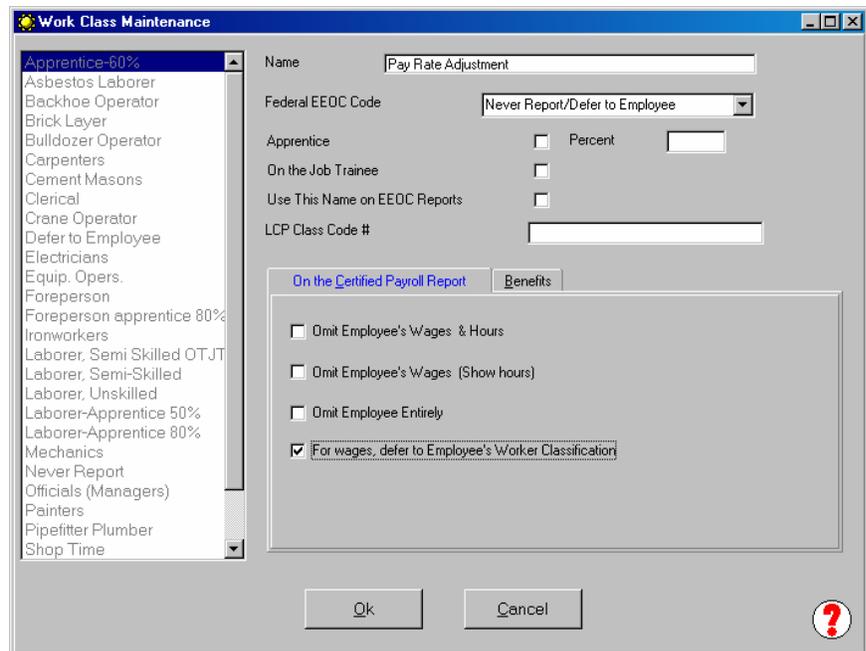
In this instance, it is asking you to create links for:
2-1Adj Backhoe
2-3Adj Dozer

Click Next to continue.

When CPS prompts you to set up the adjustment payroll item, you should create a new Work Classification that specifies that this is a “pay rate adjustment”. There are several ways in which you can do this – each way will begin at the Wage Reconciliation screen where you will click on the **Edit Work Class** button and choose **Add**:

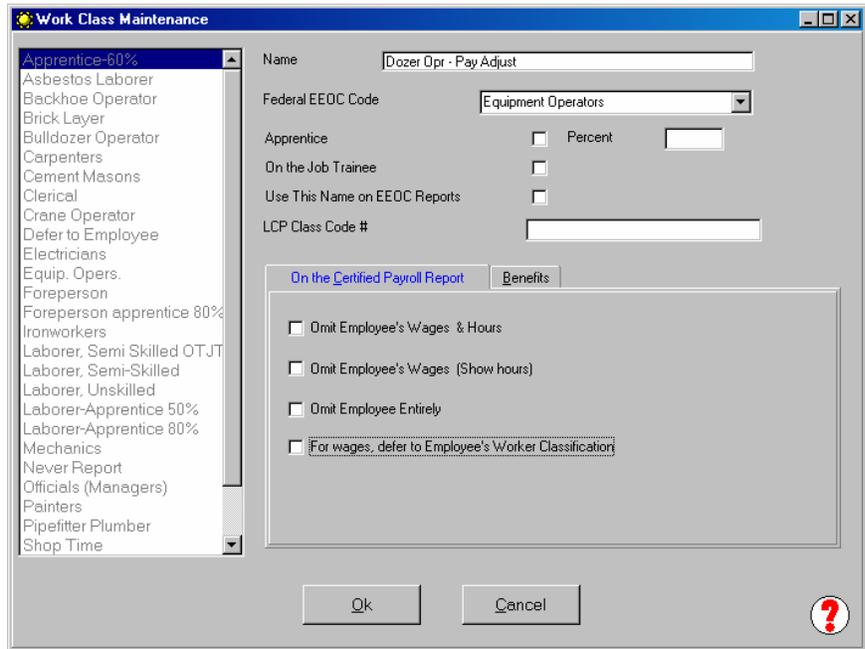
1. If you are lucky enough to only have to add one “Adjustment” payroll item to QuickBooks, in the Work Class Maintenance window:

- a. In the **Name** field – enter **Pay Rate Adjustment**
- b. From the **Federal EEOC Code** menu choose **Never Report/Defer to Employee**
- c. In the **On the Certified Payroll Report** section choose **For Wages, defer to Employee’s Worker Classification** (sample shown at right)



2. If you have to add more than one “Adjustment” payroll item to QuickBooks (as we have done in this example), in the Work Class Maintenance window:

- a. In the **Name** field – enter **Dozer Opr - Pay Adjust**
- b. From the **Federal EEOC Code** menu choose **Equipment Operators** (sample shown at right)



Remember to enter the applicable Cash Benefit Rate that has been included in the Adjustment (if applicable) and to select the appropriate Type of Wage that the Adjustment is for – whether it's a payroll item adjustment used for Straight time or Overtime.

Your completed Certified Payroll Report will look similar to the following partial sample:

Equipment, John J PO Box 111 Newport, CA 02345 005-66-9967	HS-4	Bulldozer Operator	ST	0	0	0	0	0	8	0	8	\$24.75/\$5.25	\$ 240.00	
			DT											
			OT											\$560.00
Equipment, John J PO Box 111 Newport, CA 02345 005-66-9967	HS-4	Dozer Opr - Pay Adjust	ST	0	0	0	0	0	8	0	8	\$4.00/\$1.00	\$ 40.00	
			DT											
			OT										\$560.00	

This sample taken from a completed certified payroll report clearly shows:

1. That Equipment, John J was originally paid \$24.75 as a Rate of Pay with \$5.25 in Cash Fringes
2. That Equipment, John J was issued a check for a Pay Adjustment consisting of \$4.00 as a Rate of Pay with \$1.00 in Cash Fringes.

You now have hard copy proof of the original amount paid and the amount of your “make up” check for the week in question clearly indicated on the certified payroll report AND more importantly – you will also have check stubs to back it up in the event of an audit.