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**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

June 25, 2018

**COMPTROLLER'S MEMORANDUM NO. 2018-15**

TO: Heads of Departments and Jurisdictions

FROM: Roderick K. Becker, Comptroller  
Department of Accounting and General Services

A handwritten signature in black ink, appearing to read "Roderick K. Becker".

SUBJECT: Employer Compliance Items Impacting State Payroll Processing

In order to assure accurate processing within the new Hawaii Information Portal (HIP) payroll system as part of the HawaiiPay Modernization Project, the Department of Accounting and General Services (DAGS) Accounting Division has identified several compliance issues pertaining to employee processing and employment transactions that require the immediate attention of all jurisdictions, departments and agencies issued pay by DAGS.

To this end, we are issuing guidance on the following subjects upon confirmation with the Department of Human Resources Development (DHRD):

1. Verification of employee Social Security Number information upon hire;
2. Federal Insurance Contributions Act (FICA) Tax Applicability; and
3. Employee Status for Payment of Wages in the HIP Payroll System.

1. Verification of Employee Social Security Number Information upon Hire

DAGS has discovered that depending upon the jurisdiction, department or agency, there are varying business processes to complete the verification of an employee's social security number (SSN) for hire processing, including situations where payroll, instead of HR personnel, is tasked with validating SSN information through federal and state tax withholding forms.

Since certain required documentation, including SSN information, must be completed and submitted by an employee as part of the new employee on-boarding process to establish a hire or rehire record for employment, Human Resources (HR) personnel of all jurisdictions, departments, and agencies must verify to the greatest extent possible the employee SSN at time of hire (or rehire) during the initial employee on-boarding process.

The new HIP payroll system will include additional required fields where the SSN must be inputted as a National ID to establish a hire record. HR personnel should continue to generate an employee personnel action report (EPAR) or equivalent (Form 5 or other) to confirm new hire data for completion of payroll processing.

As a final safeguard to ensure that the proper SSNs are setup, DAGS Accounting Division has now incorporated a new business process to send a monthly SSN file to the Social Security Administration (SSA) through a secure file transfer to verify all SSN and name matches to ensure that the State is not filing incorrect SSN and names. Should there be a mismatch, DAGS Accounting Division will notify the jurisdiction, department or agency for the appropriate corrections and notification to any impacted employee.

2. Federal Insurance Contributions Act (FICA) Tax Applicability

The new HIP payroll system will assign a single FICA status, independent of an individual who may have more than one appointment status with a jurisdiction or department.

Unless specifically excluded, part-time temporary or seasonal/casual employees are enrolled in the State's PTS Deferred Compensation Plan, which replaces the Social Security contribution. However, Medicare contributions are withheld.

University of Hawaii students with student employment will continue to fall under the FICA student exemption, provided that the student's educational relationship with the employer has been established and is considered predominant. Otherwise, they may become eligible for the PTS Plan. University of Hawaii employees remain subject to FICA.

Each human resource office/authority must verify that upon hire or rehire, an employee is assigned the correct FICA code status for DAGS to properly assess FICA contributions.

3. Employee Appointment Status for Payment of Wages in the HIP Payroll System

Individuals issued payment of wages as an employee (full-time, part-time or temporary/casual) from the HIP payroll system will be required to have the requisite human resources record and payroll record completed.

Appointments that are non-employee appointments will not be issued payment from the HIP payroll system. Program managers authorizing contractor or vendor payments must contact their respective fiscal or accounting offices for issuance of 1099 contractor payments and a year-end 1099 summary document.

Should there be any questions on the aforementioned from your department staff, please contact the HIP Service Center at 201-7378 or [hip@hawaii.gov](mailto:hip@hawaii.gov) and the inquiry will be coordinated with the appropriate operations unit.

- c: Department Human Resources Officers  
Department Administrative Services/Business Management Officers