

Guidelines for Overtime Adjustment Resulting From Lump Sum Payment for Exceeding Expectations FY03

These guidelines are provided to calculate any additional overtime payment that might result from granting employees an "exceeds" performance rating. These guidelines are most applicable to agencies that routinely **pay** employees for overtime worked (as opposed to granting FLSA compensatory time).

Agencies will be required to adjust the Fair Labor Standards Act (FLSA) overtime compensation of non-exempt employees who receive the one-time lump sum cash award for exceeding expectations. The adjustment will apply to any overtime worked during Fiscal Year 2002, i.e., the performance period upon which the "exceeds" rating is granted. The agency that awards the "exceeds" rating to the employee, effective October 1, will be responsible for computing and paying the adjustment, even if the overtime was paid by a different agency, as might have occurred for transferred employees. The adjustment should be paid as soon as possible after October 1. The adjustment affects only paid overtime. There is no requirement to adjust compensatory time hours or the payout for employees who cashed out compensatory time as a result of a transfer or termination.

The FLSA considers the lump-sum payment to be an addition to earnings during FY 2002. Consequently, the overtime rate for any non-exempt employee who receives the lump-sum payment will need to be recomputed to take into account the amount of the lump sum payment.

The amount of additional overtime owed an employee can be calculated as follows:

Add the total number of regular and overtime hours worked during Fiscal Year 2002.

Divide the number of overtime hours worked for which the employee will receive or has received overtime pay by the number calculated in step 1.

Divide the number calculated in step 2 by 2.

Multiply the amount of the lump-sum payment by the number calculated in step 3. This is the amount of additional overtime pay that is due the employee.

The formula is:

$$\text{(Hours worked for paid overtime)} / \text{(All hours worked)} \times \text{(Half of the lump sum payment amount)}$$

The payment of the amount specified by the formula should satisfy the FLSA requirements.

Attachment C Continued

The preferred source for the hour figures used in this calculation is the agency's original time and attendance records. In some cases, these records may not be available to the agency that is paying the lump sum payment because the employee transferred from another agency during the fiscal year. Some agencies may also store records required for the calculation only in the Phoenix payroll system. The Phoenix System's staff has created a series of queries that can be used by agencies to research an employee's regular and overtime hours in these circumstances.

Phoenix Queries

- 0PY101 Employees with Bonus & Overtime
- 0PY051 Fiscal Year Earnings for Overtime Adjustments
- 0PY052 Fiscal Year Other Earnings for Overtime Adjustments
- 0BN010 Leave Taken

Please contact John Roach of the Merit System at (404) 657-0368 regarding FLSA requirements and the Phoenix Agency Support Help Desk (HRMS Option 1) for questions regarding the payroll processing of the overtime adjustment.