SECTION I: INTRODUCTION

About this manual

This document is designed to help you carry out some important year-end procedures (including printing W-2s) in the LGC Zortec Payroll/Personnel system. In order to gain the most assistance from this material, please take some time to read through the entire booklet and familiarize yourself with the "look and feel" of the procedures. That way you will have a general idea of the order and content of the steps involved before actually working through them.

If you have contracted with Local Government for the printing of your W-2 forms, we will also submit your W2 electronic file to SSA, if you have marked the order form appropriately. You will need to create your electronic file and check the totals. Section VI explains the process to obtain your PIN from SSA, create the electronic file and check the totals in the electronic file. Once you have created your W2 print file and the electronic file stop and call LGC so we can get your files for processing.

About the timing and sequence of year-end processes:

Before beginning your year-end processing, it is vital that you perform a daily or weekly backup. Of course, you should be doing this on a regular basis anyway, but it is particularly important before carrying out procedures such as these.

It is also important to understand the sequencing of the tasks involved. Section II, "Preparing for 2010" must be completed before your first payroll of the new year. Section V may be done any time after Sections III and IV. There are processes in Section VII that must be completed on the last working day of the calendar year.

Be sure to start the W2 processes as early in January as feasible; if you wait until the last minute and run into problems, you might not get the proper forms, reports, etc. distributed by their required deadlines.

If you have questions concerning the software, call the customer support center. If you have questions concerning IRS/SSA regulations, refer to the appropriate agency's publications or contact your auditor or the IRS/SSA.

SECTION II: PREPARING FOR 2010

Certain items must be taken care of before your first payroll of 2010. These consist primarily of:

1. Clearing year-to-date leave (if necessary)
2. Rolling Excess Leave (if necessary)
3. Loading 2010 tax tables
4. Verifying FICA/Medicare rate tables
5. Verifying Federal tax tables
6. Verifying Earned Income Credit tables
7. Verifying State tax tables
8. Creating the Payroll Calendar for 2010 (if you use the Calendar module)

These steps must be completed before your first payroll of the new year. Each step is covered in the following pages.

Step 1: Clearing Year-to-Date Leave

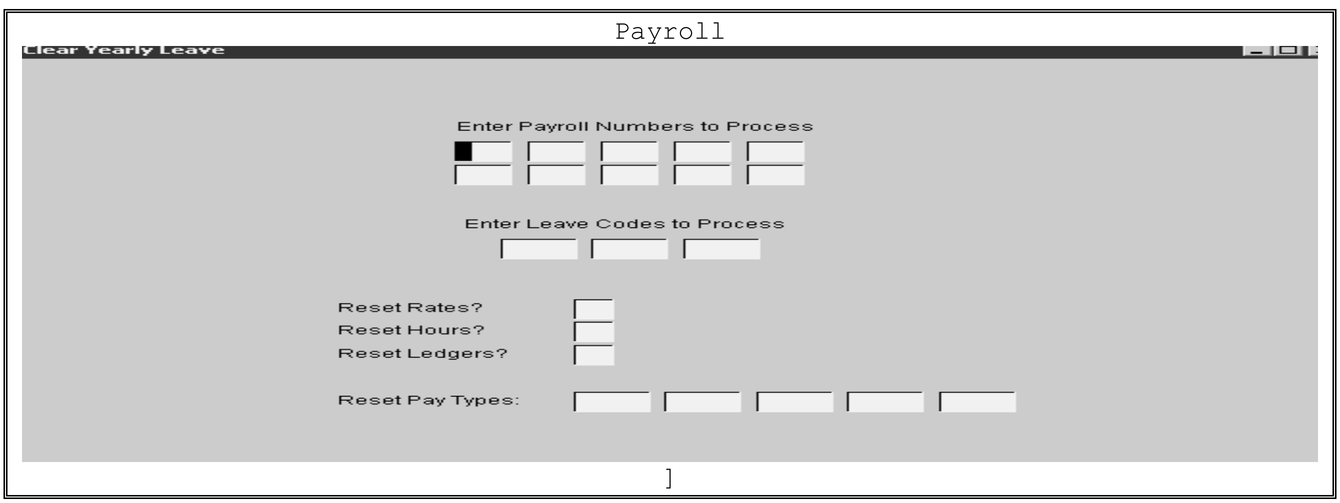
> **NOTE: If you do not base your annual leave accrual and clearance on the calendar year (January thru December), skip this step and go on to step 3.**

The clear year-to-date leave option resets the leave fields for year-to-date taken and year-to-date earned on the employee master leave record to zero.

This option will be processed on leave current in the employee master file. The leave report from the payroll information menu should be printed before this process is executed.

The execution time of this process is important in that all leave accrued and taken for the current year must be completed and no leave earned or taken is applied for the new year.

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 2, **Clear Y-T-D Leave**. The screen shown below will appear. Enter the numbers of the payroll(s) and leave codes for which you need to clear leave. Before clearing the leave from these payrolls, the system will ask you to confirm that you wish to continue.



Step 2: Rolling Excess Leave

The roll excess leave option allows you to move any leave above a certain amount to another leave code. Before this is run, all leave should be current and correct.

Rolling excess leave is a time critical operation and should be performed before any leave is accrued or taken for the new year.

The leave report from the Payroll Information Menu should be printed prior to and after the Roll Excess Leave Option is run to provide a hard copy of the status of leave for each employee.

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 4, **Roll Excess Leave**. The screen shown below will appear. Enter the roll excess over amount and roll excess from/to leave codes. If you want the amount of leave that will be rolled to be added to the new year's Earned YTD leave field on screen 6, answer Y in the Add to YTD Earned field. If you do not want the hours/days added to the Earned YTD field on screen 6, answer N to the question Add to YTD Earned field. Enter the payroll number(s) and pay frequencies for the leave code you wish to process. Before rolling the leave, the system will ask you to confirm that you wish to continue.

```
***************************** Roll Excess Leave ******************************
*                                                                            *
*                       Roll Excess Over:  (     0.00)                       *
*                           [Leave zeros to use employees total limit]       *
*                           [Enter 999999.99 to roll entire balance]         *
*                                                                            *
*                       Roll Excess From:  (   )                             *
*                                     To:  (   )                             *
*                       Add to YTD Earned? (Y)                               *
*                                                                            *
*                       Enter Payroll Numbers To Process                     *
*                           (  ) (  ) (  ) (  ) (  )                         *
*                           (  ) (  ) (  ) (  ) (  )                         *
*                                                                            *
*                       Enter Pay Frequencies To Be Included                 *
*                           ( )( )( )( )( )( )( )( )( )( )                   *
*                       -----------Blank For All------------                 *
*                                                                            *
******************************************************************************
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Step 3: Loading 2010 Tax Tables

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From this menu, choose Option 58, **Update Tax Tables**. A message on the screen will explain that "This option will load the 2010 FICA, Medicare, Federal, and Earned Income Credit tax tables." The system will then ask if you are ready to continue with this process. When you instruct the system to continue, it will load the tax tables.

NOTE: The process just described loads the new tax tables for 2010. It DOES NOT GUARANTEE data that is perfectly appropriate for your system.

You <u>MUST</u> verify the data in these tables.

DO NOT OMIT THIS VERIFICATION

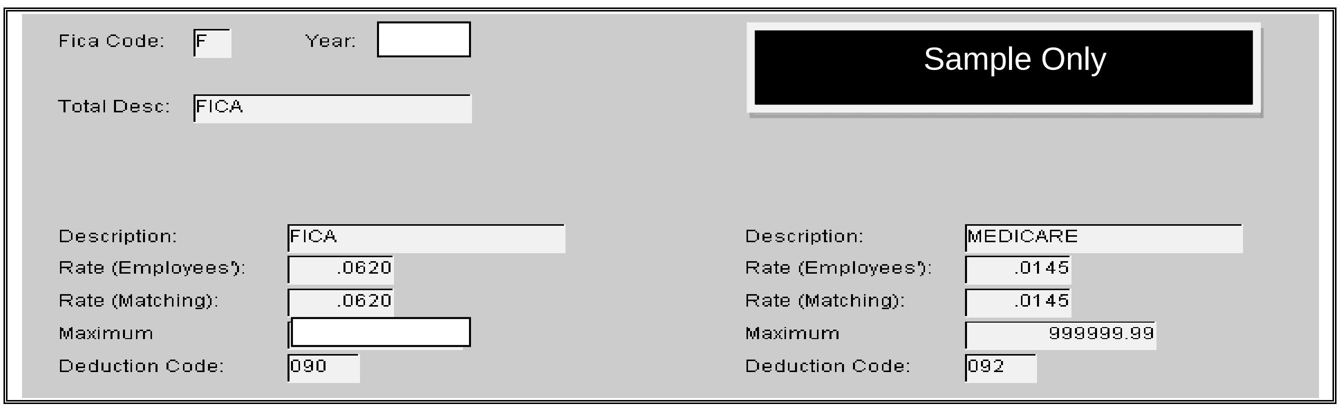
The process of verification is explained in the following steps.

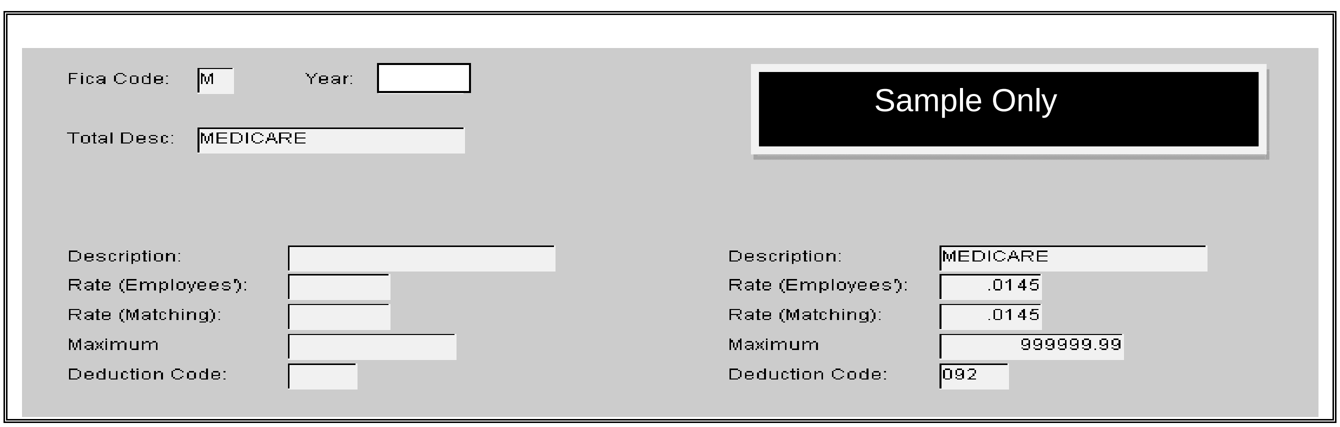
Step 4: Verifying FICA/Medicare Rate Tables

After performing step 3 above, you should find FICA/Medicare rate tables in place for 2010. However, it is vital that you verify these rates before continuing. If you do not have the necessary rate tables or if the existing tables are incorrect, you must create or correct them before running your first payroll of 2010.

From the Payroll/Personnel Master Menu, choose Option 9, **Office Manager**. From this menu, choose Option 5, **FICA/Medicare Rates**. To look at the existing tables, press "I" for Inquire mode; to change an existing table, press "U" for Update mode.

Please check Circular E for Social Security Maximum (Deduction Codes, which may be different at your site).





Step 5: Verifying Federal Tax Tables

You should also find a Federal Income Tax rate table in place for 2010, but as with the FICA/Medicare tables, be sure to verify these rates before continuing. If you do not have a table for 2010 or if the existing table is incorrect, you must create or correct it before running your first payroll of 2010. The federal tax tables can be found in the IRS Publication 15, Circular E – Income Tax Withholding Tables – Percentage Method (Table 7 Annual Payroll Period).

From the Payroll/Personnel Master Menu, choose Option 9, **Office Manager**. From this menu, choose Option 3, **Federal Tax Tables**. To look at the existing table, press "I" for Inquire mode; to change an existing table, press "U" for Update mode.

Note that the table consists of two screens, one for single persons and one for married persons. Both screens must be complete and correct. You should verify the tables against your 2010 Circular E (IRS Publication 15.)

Tax Year:

Personal Tax Exemption: 3650.00

Sample Only

Single Person

Not Over: 7180.00 0.00

Over		But Not Over				Of Excess Over
7180.00	--	10400.00	.100			7180.00
10400.00	--	36200.00	322.00	+	.150	10400.00
36200.00	--	66530.00	4192.00	+	.250	36200.00
66530.00	--	173600.00	11774.50	+	.280	66530.00
173600.00	--	375000.00	41754.10	+	.330	173600.00
375000.00	--	999999.99	108216.10	+	.350	375000.00
0.00	--	0.00	0.00	+	.000	0.00

*

****
************************** Federal Income Tax Tables ***************************

Tax Year:

Personal Tax Exemption: 3650.00

Sample Only

Married Person

Not Over: 15750.00 0.00

Over		But Not Over				Of Excess Over
15750.00	--	24450.00	.100			15750.00
24450.00	--	75650.00	870.00	+	.150	24450.00
75650.00	--	118130.00	8550.00	+	.250	75650.00
118130.00	--	216600.00	19170.00	+	.280	118130.00
216600.00	--	380700.00	46741.60	+	.330	216600.00
380700.00	--	999999.00	100894.60	+	.350	380700.00
0.00	--	0.00	0.00	+	.000	0.00

*

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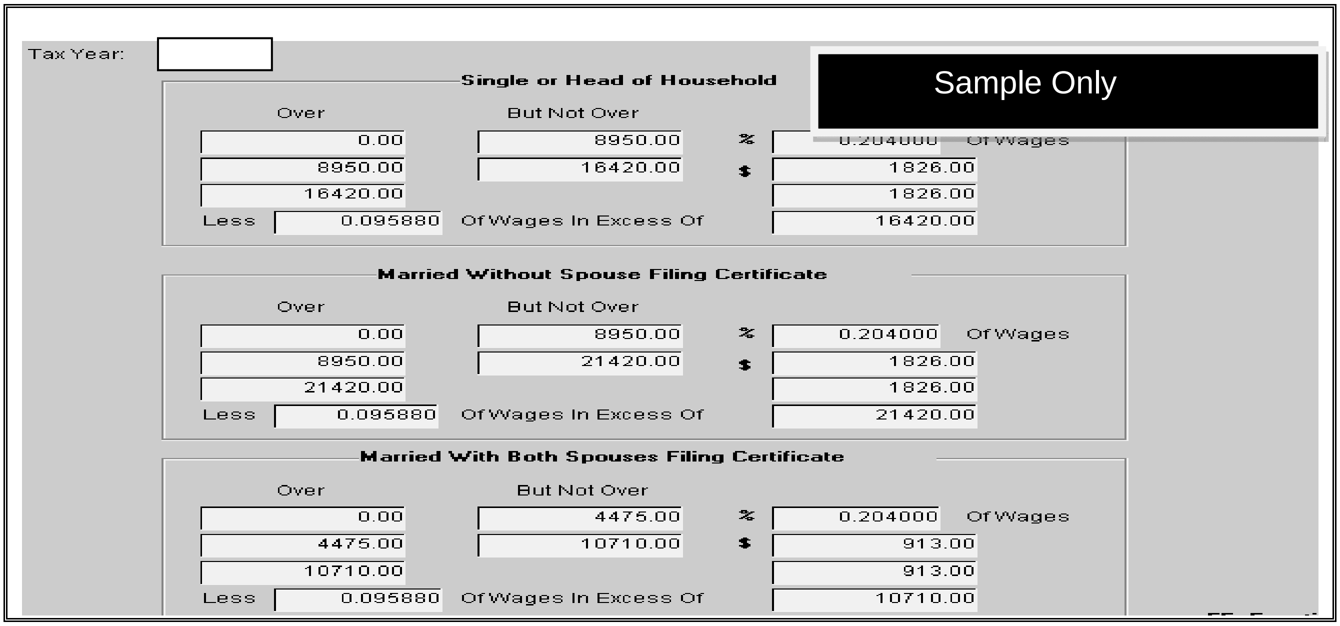
Step 6: Verifying Earned Income Credit Tables

You should find Earned Income Credit Tables in place for 2010. However, it is vital that you verify these rates before continuing. If you do not have the necessary rate tables or if the existing tables are incorrect, you must create them before running your first payroll of 2010. The figures for the EIC tables can be found in the IRS Publication 15 Circular E – Tables for Percentage method of Advance EIC Payments.

From the Payroll/Personnel Master Menu, choose Option 9, **Office Manager**. From this menu, choose Option 22, **EIC Tables**. To view the existing tables, press "I" for Inquire mode; to change an existing table, press "U" for Update mode.

You should verify the table with your 2010 Circular E (IRS Publication 15.)



Step 7: Verifying State Tax Tables

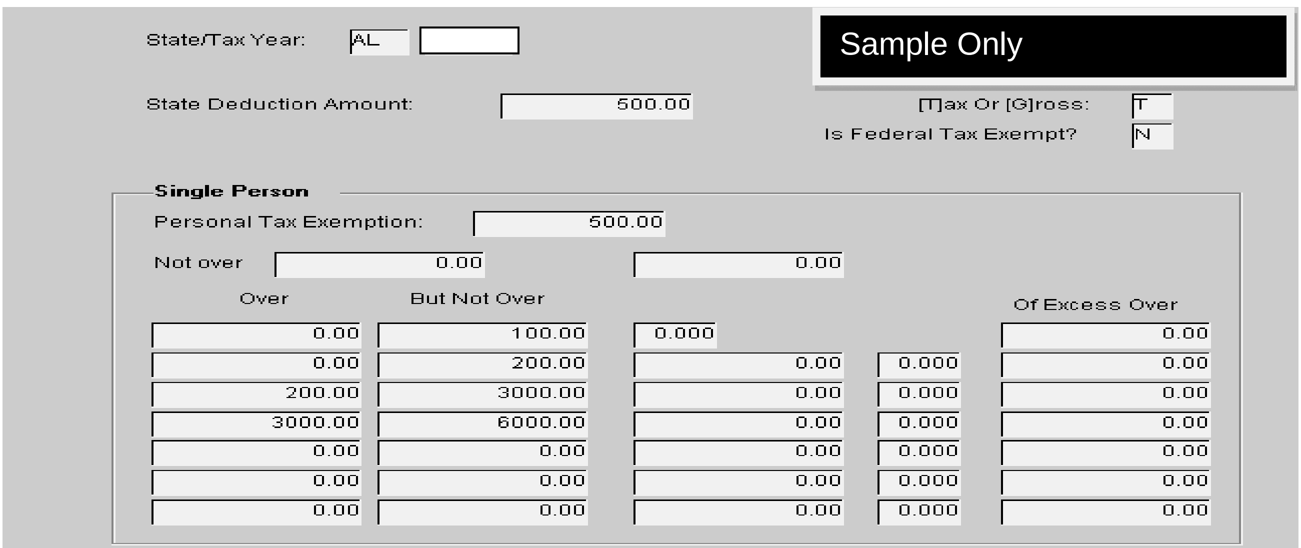
NOTE: If your site is not subject to a state income tax, you may skip this step and proceed to the next section.

As with the tables verified in the previous steps, you must also verify your State Income Tax Rate Table. If you do not have a table for 2010 or if the existing table is incorrect, you must create or correct it before running your first payroll of 2010.

From the Payroll/Personnel Master Menu, choose Option 9, **Office Manager**. From this menu, choose Option 4, **State Tax Tables**. To look at the existing table, press "I" for Inquire mode; to change an existing table, press "U" for Update mode.

Like the Federal Tax Table, the State Income Tax Table consists of two screens, one for single persons and one for married persons. Both screens must be complete and correct. Following are sample tables of a state tax table. **The data shown in the following screen image is for purposes of example only -- be certain to use correct data provided by your state government.**

Since rates vary from state to state, you should consult your state's published tax tables to determine the correct values for 2010.



Sample Only

State/Tax Year: AL

State Deduction Amount: 500.00

[T]ax Or [G]ross: T

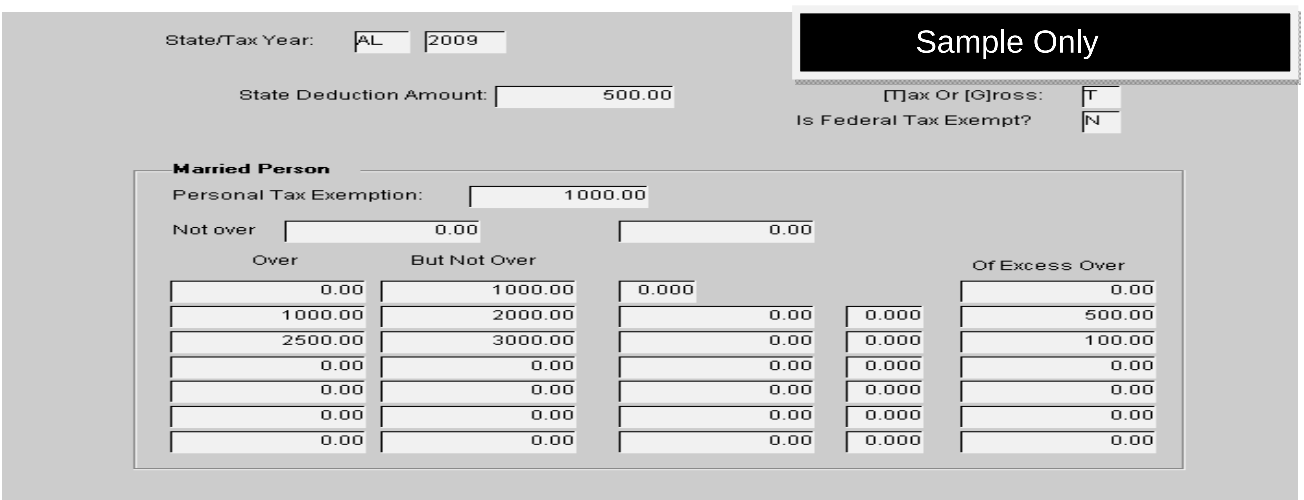
Is Federal Tax Exempt? N

Single Person

Personal Tax Exemption: 500.00

Not over 0.00 0.00

Over	But Not Over			Of Excess Over
0.00	100.00	0.000		0.00
0.00	200.00	0.00	0.000	0.00
200.00	3000.00	0.00	0.000	0.00
3000.00	6000.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00



Sample Only

State/Tax Year: AL 2009

State Deduction Amount: 500.00

[T]ax Or [G]ross: T

Is Federal Tax Exempt? N

Married Person

Personal Tax Exemption: 1000.00

Not over 0.00 0.00

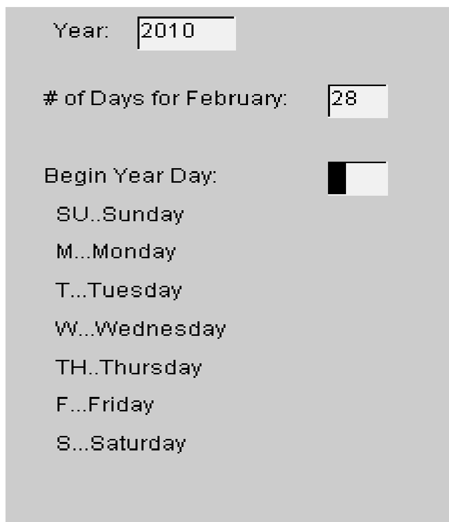
Over	But Not Over			Of Excess Over
0.00	1000.00	0.000		0.00
1000.00	2000.00	0.00	0.000	500.00
2500.00	3000.00	0.00	0.000	100.00
0.00	0.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00
0.00	0.00	0.00	0.000	0.00

Step 8: Creating the Payroll Calendar for 2010

NOTE: Proceed to Section III if your site does not use the payroll calendar.

If you utilize the Payroll Calendar, you must create the new calendar for 2010. To make the 2010 calendar, first create the year 2010 itself, then proceed to defining the calendar.

From the Payroll/Personnel Master Menu, choose Option 8, **Calendar**. From this menu, choose Option 1, **Calendar Year Information**, then press "C" to choose Create mode. Specify the # of Days for February (28) and the Begin Year Day (“F” - Friday.) The Payroll system will then create the calendar year 2010 and will display some information about it on your screen.



From the Payroll/Personnel Master Menu, choose Option 8, **Calendar**. From this menu, choose Option 3, **Create (System Calendar)**. The system will ask for a year; enter "2010" in the field. Then enter the appropriate Weekend Code (as defined in your System Calendar Codes). The field is a two-space field; be sure to enter the code exactly as it is defined in your system.

When you have completed the year and the weekend code, the system will build the calendar.

SECTION III: PARAMETERS

Since one of the main tasks of year-end processing is reporting information of various types to the government, the importance of accurately setting up the parameters upon which this information depends cannot be over emphasized. The basic steps involved are:

1. Verify deduction code parameters
2. Verify retirement department parameters
3. Verify FICA contract parameters

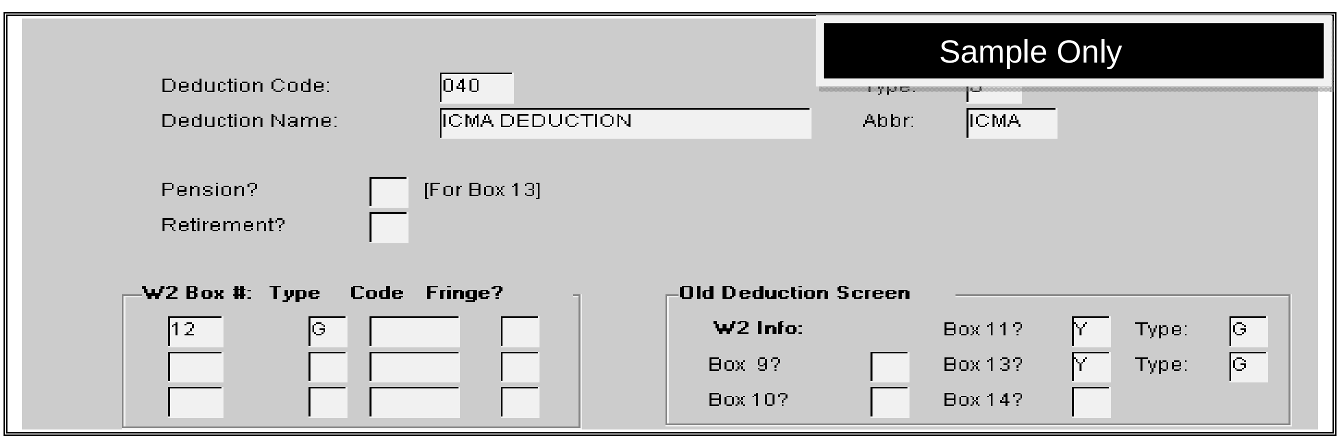
NOTE: It is vital that all steps be completed correctly. If any part of either is left undone or is done incorrectly, the results are likely to be incorrect.

THESE INSTRUCTIONS PROCEED ON THE ASSUMPTION THAT YOU OR SOMEONE AT YOUR SITE HAS SUFFICIENT KNOWLEDGE OF OR ACCESS TO IRS/SSA RULES GOVERNING SUCH TO BE ABLE TO PROPERLY DETERMINE THE CORRECT SETTINGS FOR DEDUCTIONS, FICA CONTRACT, ETC... The software can print correct forms only if given correct data.

Step 1: Verify Deduction Code Parameters

Because you probably have many deduction codes to review, a printed copy of your deduction codes might be useful for your reference as you examine the W2 parameters. To print your deduction code listing: from the Payroll/Personnel Master Menu, select Option 9, Office Manager, then Option 15, Deduction Codes. Enter P to print the deduction code listing. Specify the printer number. To print all deduction codes, enter through the Beg and End Number fields and specify the order in which you want the codes to print (A for alphabetical order or N for numerical order.)

Using this listing and the latest IRS W-2 instructions, you or the appropriate person at your site must determine which deduction code(s) are retirement codes and which ones should print in specific boxes on the W-2 forms. To setup deduction codes for printing in boxes 9, 10, 11, 12, or 14, from the Payroll/Personnel Main Menu select Option 6, **Period End Process**. From the Period End Process Menu, select Option 52, **W2/1099 Processing**. From the W2/1099 Processing Menu, select Option 1, **Deduction W2 Parameters**. To properly fill in Boxes 9, 10, 11, 12, and 14 on the W-2, you must indicate which deduction codes, if any, should be included in each box. Do this by specifying, on each Deduction Code definition, the W-2 boxes affected by that deduction code.



- To cause a deduction to mark an X in Box 13 for "Retirement plan": Enter a "Y" in the "Pension? [For Box 13]" field.
- To designate a deduction as a retirement deduction: Enter a "Y" in the "Retirement?" field. An "N" or a [blank] in this field indicates that the deduction is not a retirement deduction.
- To cause a deduction to be reported in a particular box (9, 10, 11, 12 or 14) on the W-2: Enter the W2 Box #, Type (if applicable), Code (if applicable) and indicate Y or N if it is a Fringe type deduction.

  For example, to cause a deduction to be reported in Box 14 on the W-2, enter "14" in the "W2 Box #" field. Specify up to a 4-character Code for the deduction and "Y" or "N" as to whether or not the deduction is a Fringe deduction.
- If you have specified a deduction to print in Box 12: Enter the correct code letter in the "Type" field to the right of the "W2 Box #" field. General codes are listed in the tables below. For additional information, view your IRS Publication. For example, to specify a 401(k) salary deferral in box 12, you would enter a "D" in the "Type" field.

"Type" Code Table for Box 12

A	Uncollected Soc Sec or RRTA tax on tips
B	Uncollected Medicare tax on tips
C	Cost of group term life insurance provided to employee in excess of $50,000
D	Elective deferrals to section 401(k) cash or deferred arrangement (plan)
E	Elective deferrals under a section 403(b) salary reduction agreement
F	Elective deferrals and employee contributions to 408(k)(6) salary reduction SEP
G	Elective deferrals and employer contributions to section 457(b) plan
H	Elective deferrals to section 501(c)(18)(D) tax-exempt organization plan
J	Nontaxable sick pay
K	20% excise tax on excess golden parachute payments
L	Substantiated employee business expense reimbursements
M	Uncollected Soc Sec or RRTA tax on taxable cost of group term life insurance over $50,000 (for former employees)
N	Uncollected Medicare tax on taxable cost of group term life insurance over $50,000 (for former employees)
P	Excludable moving expense reimbursements paid directly to employee
Q	Nontaxable combat pay.
R	Employer contributions to Archer (MSA)
S	Employee salary reduction contributions under a section 408(p) SIMPLE
T	Adoption benefits
V	Income from the exercise of non statutory stock option(s)

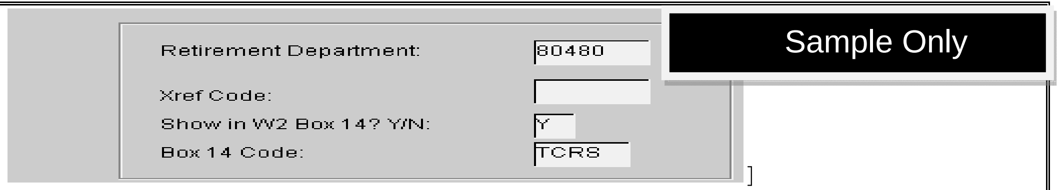
W	Employer contributions to a Health Savings Account (HSA)
Y	Deferrals under section 409A nonqualified deferred compensation plan.
Z	Income under section 409A on a nonqualified deferred compensation plan.
AA	Designated Roth contributions under a section 401(k) plan (In Zortec payroll, set up as Type code “a” in Deduction W2 parameters)
BB	Designated Roth contributions under a section 403(b) plan (In Zortec payroll, set up as Type code “b” in Deduction W2 parameters)

For Box 12, each category will be totaled separately and will be printed next to its corresponding letter code. If an employee has more than four types as defined in the above table, the additional amount(s) will appear on one or more subsequent W-2s for that employee (with only the non-numeric data repeating). It is, therefore, possible to have more than one W-2 per employee.

NOTE: The type codes for Box 12 were summarized from recent IRS/SSA documentation. For more detailed information on these and other items, see IRS Publications 393, “2009 Federal Employment Tax Forms,” and IRS Publication 15, “Circular E”.

Step 2: Verify Retirement Department Parameters

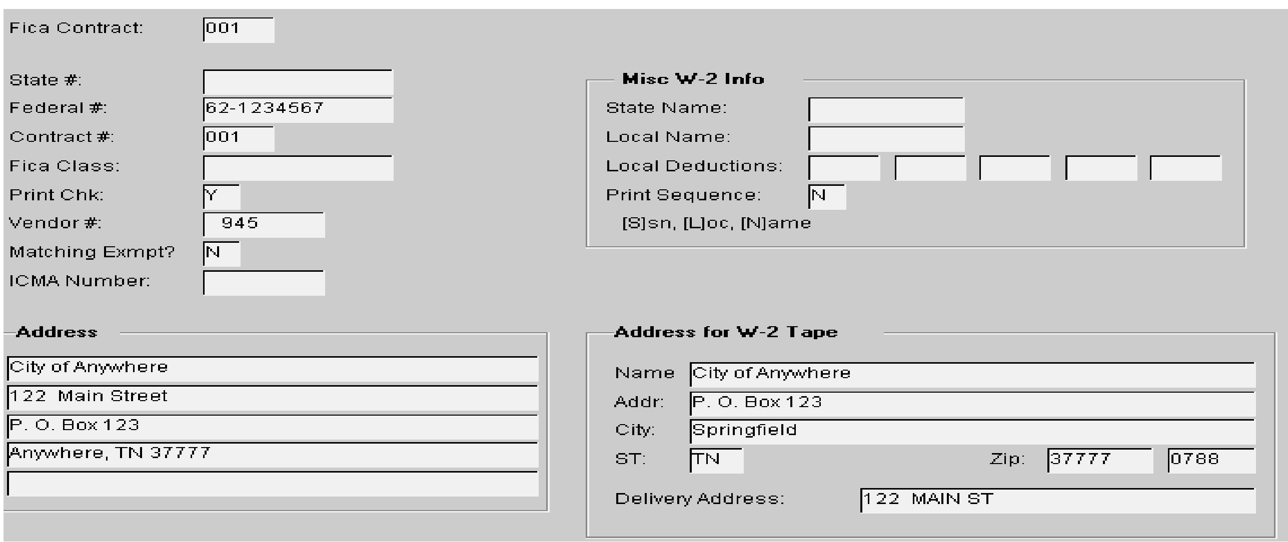
From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End Process Menu, select Option 52, **W2/1099 Processing**. From the W2/1099 Processing Menu, select Option 2, **Retirement W2 Parameters**. Enter “I” for Inquire mode to look at the retirement departments; to change a retirement department, press "U" for Update mode.



Enter “Y” in the show in W2 Box 14? Y/N field if you want the retirement amount to be shown in box 14 of the W2. In the Box 14 Code field, enter the 4-character code you wish to appear beside the retirement amount in box 14.

Step 3: Verify FICA Contract Parameters

From the Payroll/Personnel Master Menu, choose Option 9, **Office Manager**. From this menu, choose Option 6, **FICA Contracts**. To look at the FICA contracts, press "I" for Inquire mode; to change a contract, press "U" for Update mode. A sample of the FICA Contract screen appears below. Review the screen and complete or correct it as needed.



- On the left side, be sure that the State #, Federal #, Contract #, and Address (the address of your organization) are entered and are correct.
- On the right, the State and Local fields are needed only if state and/or local taxes will appear on your W-2s.
- The Print Sequence field determines the order in which the W-2 forms will be printed.
- If you will be reporting your W-2 data on diskette or electronically, complete the Address for W-2 Tape section at the bottom right of the screen.

SECTION IV: REPORTS AND BALANCING

In this section you will take the measures necessary to guarantee that your data and calculations are correct before proceeding to print your W-2s. There are two general steps to follow:

1. Rebuilding the alternate keys in the Payroll system
2. Balancing your data using the FICA/Withholding Report

Step 1: Rebuilding Alternate Keys

Before proceeding, you should rebuild the alternate keys in your payroll system. This process will help to insure that the reports to be run in the following steps will be accurate.

BE SURE THAT NO ONE IS WORKING IN THE PAYROLL / PERSONNEL SYSTEM.

All other users should stay out of the Payroll system until these processes are complete.

Please note that rebuilding the Payroll HISTORY alternate keys can be a lengthy process.

PAYROLL ALTERNATE KEYS: To rebuild the Payroll Alternate Keys, from the Payroll Master Menu, choose Option 50, **Utilities**. From the Utilities Menu, choose Option 1, **Rebuild Sub-indexes**. Answer "Y"es to the "Create Alt Key File?" prompt. The system will ask if you wish to continue. Answer "Y"es and the process will begin. The Utilities Menu will return when the program ends.

HISTORY ALTERNATE KEYS: The next step is to Rebuild History Alternate Keys. From the Payroll Master Menu, choose Option 50, **Utilities**. From this menu, select Option 19, **Rebuild HIST Alt Keys**. Answer "Y"es to the question at the bottom of the screen to begin the procedure. The Utilities Menu will return when the program ends.

Step 2: Balancing with the FICA/Withholding Report

Before attempting to print and distribute W-2s, reports, etc., you must balance your 2009 payroll(s) to ensure their accuracy. From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 20, **FICA/Withholding Report.** Run this report for all payrolls and all contracts (leave the "Payroll Range" and "Contract to Print" fields [blank]), using the date range

01/01/2009 through 12/31/2009. Since this will cause the program to read the entire year's check history for each employee, it may take some time to build and print.

Balance the totals on this report to your quarterly 941 reports, FICA reports, Federal withholding reports, etc. Use any records you deem necessary to verify the accuracy of the totals. If you find any errors, it may be necessary to refer to the actual payroll registers for the year to determine the cause(s) of the errors.

When you are certain that the payroll totals are correct, return to the Master Menu and choose Option 1, **Payroll Information**. From the Payroll Information menu, print any other year-end reports you may need, such as "Employee Earnings," "Pay Type Earnings," "Deduction Report," "Leave Register," etc.

> **NOTE: Do NOT proceed to Section V, Printing W-2 Forms, until you have balanced the FICA/Withholding Report with all other pertinent reports of your Payroll data. You must be certain that the payroll totals are correct before proceeding.**

SECTION V: PRINTING W-2 FORMS

The process of printing W-2 forms in the Payroll system makes use of a "work file" which contains the working data that will be used to generate the W-2s in their printed form (the "print file"). The work file makes it quicker and easier for you to manipulate the final data that will be printed on the W-2s. There are several steps to printing the W-2 forms; each will be discussed below.

1. Building the W-2 Work File
2. Checking for Exceptions in the W-2 Work File
3. Manipulating the W-2 Work File
4. Printing All or Part of the Work File
5. Creating the W-2 Print File
6. Printing and Verifying the W-2 Totals File
7. Printing and Verifying the W-2 Print File
8. Aligning and Printing the Actual W-2 Forms

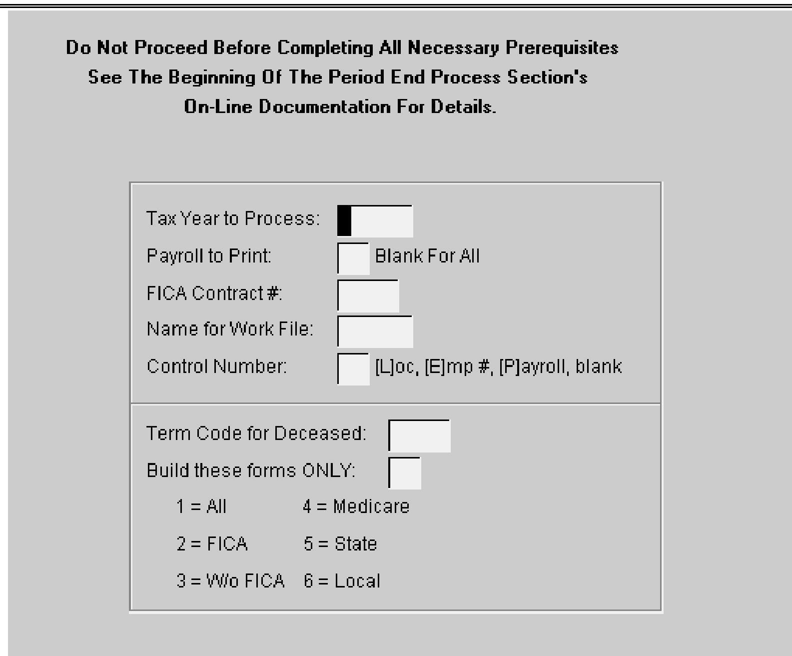
As mentioned earlier, it is imperative that the deduction code, retirement departments and FICA contract parameters be completed correctly before beginning these steps.

> **NOTE: If any of your deduction codes have already been changed in some way for your 2010 payroll(s), each must be temporarily returned to its 2009 format for printing year-end reports and W-2's; otherwise the software may not give the desired results. The code(s) must then be changed back to**

2010 formats after 2009 year-end processes are complete and before the next payroll.

Step 1: Building the W-2 Work File

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 52, **W2-1099 Processing**. From the W2 Processing menu, choose Option 3, **Build W-2 Work File**. You will see the following screen. Use the fields of this screen to specify how the W-2 work file is to be built.


Do Not Proceed Before Completing All Necessary Prerequisites
See The Beginning Of The Period End Process Section's
On-Line Documentation For Details.

Tax Year to Process:
Payroll to Print: Blank For All
FICA Contract #:
Name for Work File:
Control Number: [L]oc, [E]mp #, [P]ayroll, blank

Term Code for Deceased:
Build these forms ONLY:
1 = All 4 = Medicare
2 = FICA 5 = State
3 = W/o FICA 6 = Local

If you wish to process one payroll at a time, enter the number of the payroll you want to process in the "Payroll to Print" field. To process all payrolls at once (that is, all payrolls belonging to the FICA contract being processed), leave this field blank. Most users will process all payrolls at once.

In the "FICA Contract #" field, enter the number of your FICA contract you wish to build this work file for. You must enter a value in this field. If you have more than one FICA contract, you will have to run this process more than once in order to generate a separate work file for each contract.

You must also assign a name to the work file that will be created by this program. The name must contain four characters; any combination of letters and numbers is acceptable. If you are creating more than one work file, be sure to assign a unique name to each; if you repeat the name of an existing work file, the new version will replace the older one. Examples of work file names could be 2009, W209, GA09, SE09.

If you wish to print a Control Number (optional) in “Box a” of the W-2, designate the control number to be used by entering the appropriate code in the "Control Number" field. The control number may be the employee's location number, employee number, or payroll number. To use no control number, leave this field blank.

Indicate which forms to build in the work file by entering the appropriate number in the "Build these forms ONLY" field. The valid options are listed on the screen. Normally you will choose Option 1, which generates all forms for the specified FICA contract.

NOTE: The system will begin to build the work file as soon as you press the number corresponding to your forms choice. As the system builds the work file, it will display work-in-process messages. Because this program reads the entire year’s check history for each employee, it may take a while to run.

Step 2: Checking for Exceptions in the W-2 Work File

NOTE: Do not fail to run the W-2 Exception Report.

This report tests certain data elements in your work file and indicates values that fall outside of valid ranges. You must use this report to help verify the data you report on W-2’s.

If you rebuild a work file, be sure to run the W-2 Exception Report again on the new file. If you use more than one work file, be sure to run the W-2 Exception Report on each work file.

As a part of giving you greater control over your reported data (through the work file system), we have made testing the data into a separate step in the process. You must execute this step to be certain that the data you will report falls within acceptable ranges.

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 52, **W2-1099 Processing**. From the W2 Processing menu, choose Option 4, **W-2 Exception Report**. Enter the name of the work file that you created in Step 1. The system will then execute a battery of tests and report any errors it finds.

Each exception listed on the report will include a Social Security number (if the exception pertains to an employee), the name of the employee or a general error name, a descriptive error message, and the current contents of the field where the error was found. Use the information on this report to locate and correct the errors.

The W-2 Exception Report may locate errors in control records (such as the FICA Contract) or in the payroll data. Correct errors in control records by updating the appropriate record. You may address data errors by correcting the basic payroll data or by altering the work file. The process of manipulating the work file itself is covered in the next step. If you alter the basic payroll data, it will be necessary to rebuild the work file (that is, repeat Step 1 of this section). If you alter the work file only, do not "Rebuild the Work File". In all cases, repeat the W-2 Exception Report (that is, all of step 2) after making any changes.

> **NOTE: Repeat the W-2 Exception Report and correction process as many times as necessary to arrive at a "clean" work file. Remember that you may need to rebuild the work file if you make changes to your basic payroll data.**

If you are uncertain of how to correct an error listed in the W-2 exception report or if you need other help with the report, contact the customer support center.

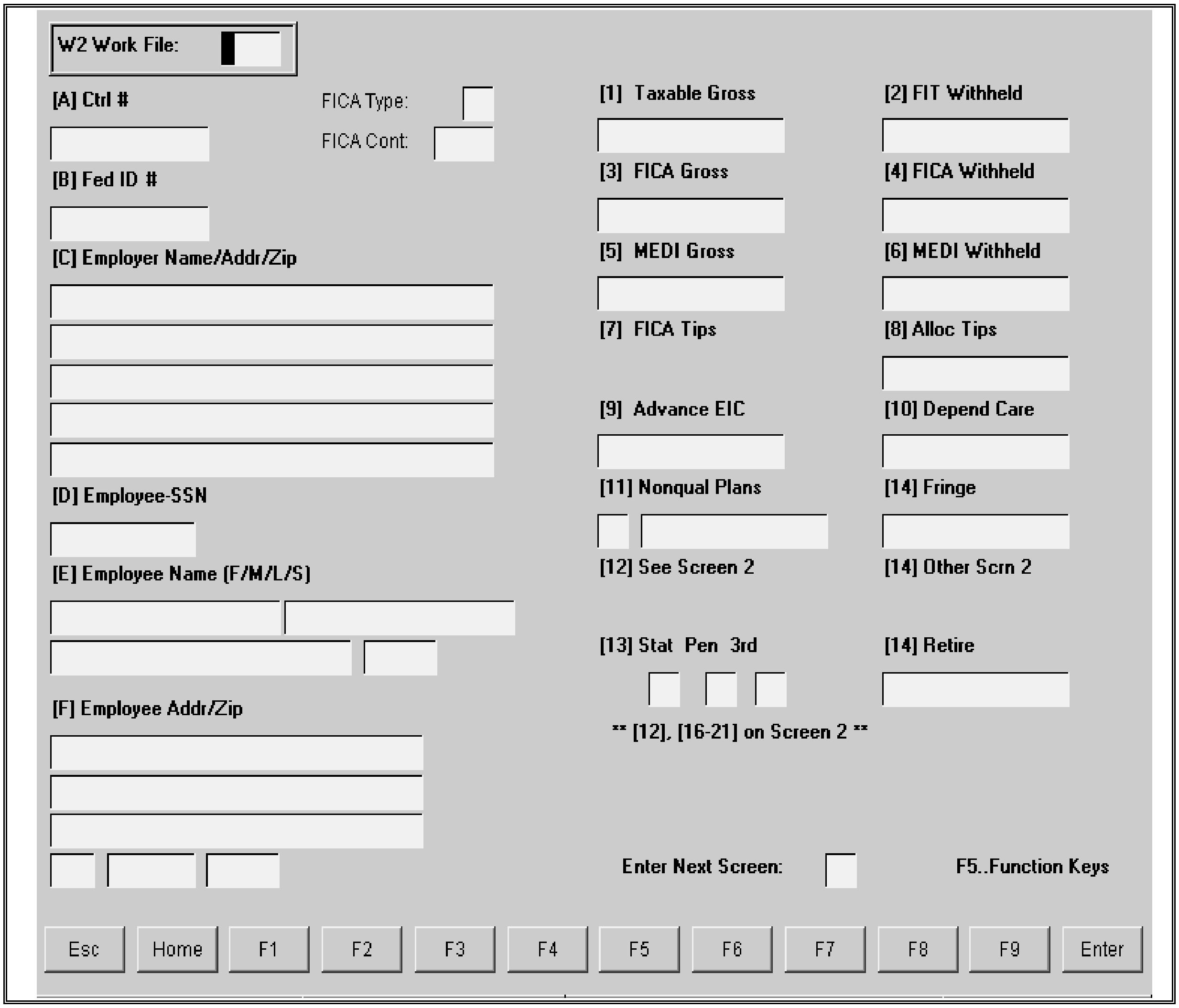
Step 3: Manipulating the W-2 Work File

The "work file" arrangement of the year-end process makes it possible for you to manipulate and correct some parts of the data you will report without having to alter your basic payroll data or to rebuild the work file. Many of the errors or problems that might be detected by the W-2 Exception Report can simply be addressed in the work file. The payroll system does the heavy work of calculating W-2 information from your payroll data. By editing the work file, you can put the finishing touches on the reports that you will file and distribute.

> **NOTE: The W-2 program rearranges each employee name into "First Middle Last" format, but suffixes and titles cause it some difficulty. If you have employees whose names include titles or suffixes (such as MD, JR, III, etc.), take this opportunity to see to it that they appear correctly (for example, PAT M PARKER III) in the field for W-2 box e in the work file.**

To access the work file, choose Option 6, **Period End Process**, from the Payroll/Personnel Master Menu. From the Period End menu, choose Option 52, **W2-1099 Processing**. From the W2 Processing menu, choose Option 5, **W-2 File Maintenance**. The system will ask you to supply the name of the work file you wish to open. Enter the unique four-character name of the file that you created in Step 1.

To view the work file, press "I" for Inquire mode; to make changes to the work file, press "U" for Update mode. Inquire and Update modes give you access to one W-2 record at a time. A W-2 record in the work file is made up of two screens. The first screen displays W-2 boxes a - f, 1 – 11, 13, and summary of 14. The second screen displays detail information for boxes 12 and 14, and boxes 15 - 20 (these appear in the right half of screen 2).



In Update mode you can change data in certain fields. The cursor will stop only in the fields containing data that can be changed; the cursor will not stop on any field that you are not permitted to change. To change the data in the work file, simply type the new data into the field you want to change, making sure that the resulting data is correct. To indicate that you are done changing one screen of a W-2 record, press <F9>. To indicate that you are done with an entire W-2 record, press <F8>. At the "Transaction Complete" message, press <ENTER> to continue your work.

NOTE: When you have corrected the work file as needed run the W-2 Exception Report again to test the modified "work file". Do NOT Rebuild the work file.

Step 4: Printing All or Part of the Work File

Before proceeding to printing the actual W-2 forms, you should confirm that the totals from your work file match the totals on your FICA/Withholding Report. To do this, print the "Totals Page" from your work file.

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 52, **W2-1099 Processing**. From the W2 Processing menu, choose Option 5, **W-2 File Maintenance**. The system will ask you to supply the name of the work file you wish to open; enter the unique four character name of the file. Press “P” to choose Print mode. Enter the name of the work file again, leave the "From SSN" field blank and leave the 999-99-9999 value in the "Thru SSN" field. Answer “Y”es to "Totals Only?". This will generate a total -only report of the work file.

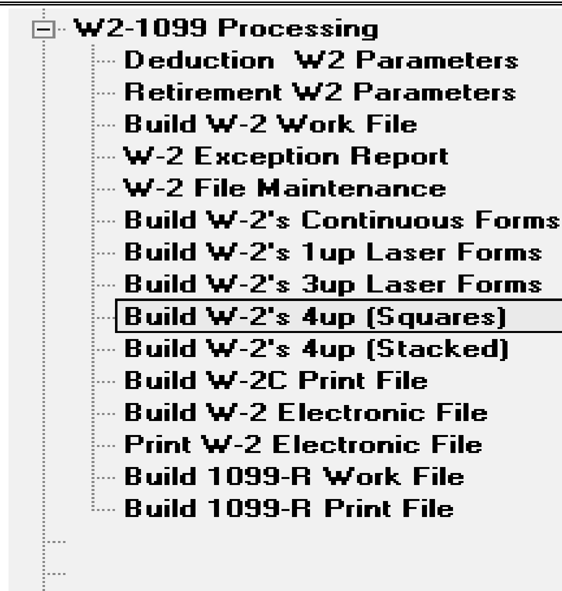
Compare the totals on this report to those on your FICA/Withholding report. If the totals match and are correct, proceed to the next step.

If the totals do not match or are otherwise incorrect, you will need to find and correct the error(s). If this is necessary, it may be useful to print the entire work file so that you can review each W-2. To do this, follow the print procedure described above but answer “N”o to "Totals Only?". If you alter basic payroll data and/or the work file in the process of correcting an error, be sure to repeat steps 1, 2, and 4 as necessary to arrive at a clean and accurate work file.

Step 5: Creating the W-2 Print File

When you have a clean and accurate W-2 work file, you are ready to generate the "print file" that will be used to produce the actual hard-copy W-2s.

From the Payroll/Personnel Master Menu, choose Option 6, **Period End Process**. From the Period End menu, choose Option 52, **W2-1099 Processing**. From the W2 Processing menu, choose the option for the W2 print file you wish to build.



Option 6 is used if you will be printing continuous feed W2 forms. Options 7, 8, 9 and 10 are for laser types of W2 forms. **If you have contracted with Local Government for the printing of your forms you will select either Option 7 or Option 9, depending on the type of forms you ordered.** If you are unsure of the option you need to run, contact the Support Center.

If LGC will be printing your W2 forms…

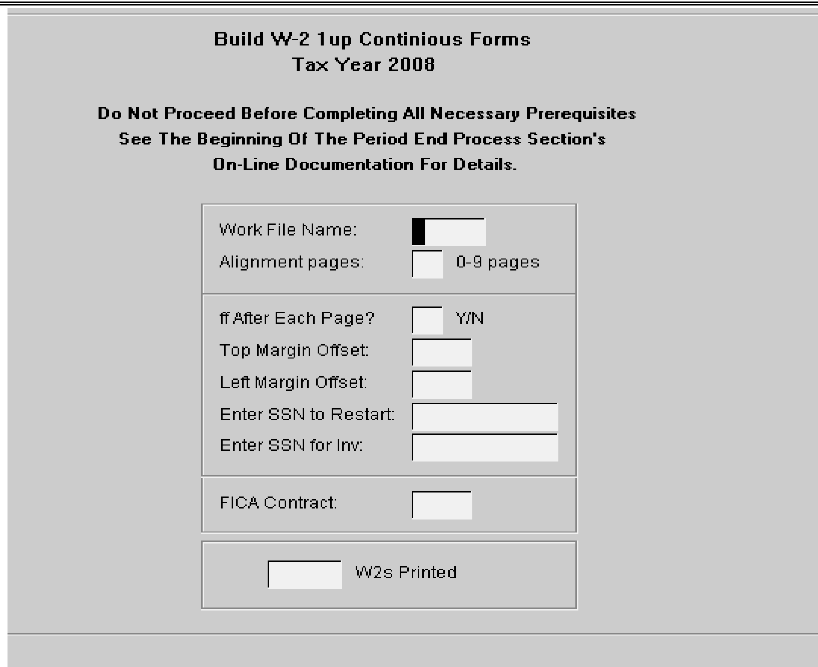
If you ordered 4-Square Laser W2 forms, select Option #9-Build W-2's 4up (Squares) to create the print file. Use "280" for the Top Margin Offset, "0" for the Left Margin Offset.

If you ordered 4 or 6-Part Laser W2 forms, select Option #7-Build W-2's 1up Laser Forms to create the print file. Use "50" for the Top Margin Offset, "2" for the Left Margin Offset.

Select the option for the print file you wish to build for your W2 forms. The system will ask you to supply the name of the work file you wish to print; enter the unique four-character name of the file. If you will be printing continuous feed forms enter the number of alignment pages to include at the beginning of the print file. We suggest 2 to 4 alignment pages. (An alignment page consists of two forms; the boxes of the W-2s will be filled with Xs and 9s. You may specify from 0 to 9 alignment pages. If you have contracted with LGC to print your W-2's, please specify 0 alignment pages.) The Enter SSN to Restart and Enter SSN for Inv prompts are used only if you need to restart printing or if you need to print a W2 for only one employee. The payroll system will then generate the print file for your W-2s.

If you print laser W2 forms you will select either option 7, 8, 9 or 10, depending on the type of forms you have ordered. The runtime screen for each of these is much the same as previously explained. The way you answer the prompts depends on the type of printer you will use. Specify the work file name for the W2's you wish to print. Enter the number of alignment pages to include at the beginning of the print file. We suggest 2 to 4 alignment pages. (An alignment page consists of two forms; the boxes of the W-2s will be filled with Xs and 9s. You may specify from 0 to 9 alignment pages.) The "ff After Each Page" prompt will probably be set to "Y" for most printers. The Top Margin Offset prompt is the amount of space the printing needs to be moved down from the top of the form. (140 is approximately equal to one line.) If you need to adjust the line printing by a little, make the changes in increments of 10 (i.e. 140, 150, 160, etc.) The Left Margin Offset prompt is the number of spaces the printing needs to be moved to the right. (This is the number of characters. I.E. If the printing on your form needs to be moved over 3 spaces to the right, enter 3 in this field.) In most instances, you will be able to use the default. If you feel you need to use something other than the default and you are not sure what to use, you may want to print just one form to see how things line up. You would want to print these on plain paper and make sure they line up correctly with your W2 form. (Use the Enter SSN for Inv prompt for printing just one W2.) The Enter SSN to Restart and Enter SSN for Inv prompts are used only if you need to restart printing or if you need to print a W2 for only one employee. The payroll system will then generate the print file for your W-2s.

If you will be printing laser W2 forms, it is advisable to use the Enter SSN for Inv field for printing only one employee in order to make sure the data prints on the forms correctly. You may have to do this several times in order to determine what needs to be in the Top Margin Offset and the Left Margin Offset fields. When building the print file for the first time, leave the defaults in the Offset fields. Only after printing the forms on plain paper and they do not line up correctly should you change those defaults. If you need assistance with this, contact customer support.



NOTE: While it may seen wasteful to print several alignment pages, bear in mind that the purpose of the alignment pages is to save the forms that would be wasted if they were not aligned when printed. The higher the number of alignment pages, the more opportunity you will have to bring the actual W-2 forms into proper alignment.

Step 6: Printing and Verifying the W-2 Totals File

When the system generates the W-2 print file, it actually generates an additional file containing a Totals Report of the W-2 print file itself. You should print this file and compare its totals to those from your FICA/Withholding Report and the W-2 work file. If the totals do not match or are otherwise incorrect, you will need to locate and correct the error(s) following the procedures previously discussed.

To print the Totals Report, choose Option 56, **Spooler** from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 2, **Print a File**. The system will display a list of the files available to print. The W-2 print file totals report will be named WTxxxxLS, where "xxxx" stands for the four characters of the work file name. For example, if your work file were named W209, the print file totals report would be named WTW209LS; if D109, then WTD109LS, and so on. Print this file and compare the totals to those on your other reports.

Step 7: Printing and Verifying the W-2 Print File

When you have verified all of your totals, you are ready to print hard-copy W-2s. Because W-2 forms are relatively expensive and in limited supply, we recommend that you print the W-2s to plain paper first in order to practice aligning the forms and to take a final opportunity to review and verify the W-2s. The procedure described below is meant to duplicate as closely as possible the printing of your actual W-2s.

NOTE: If you have contracted with LGC to print your W-2's, you may neglect the alignment process. Simply print the W-2's to plain paper and review them for accuracy.

If necessary, activate Forms Control on the printer you will be using to assure that no other print job accidentally prints on top of your test paper or your actual W-2 forms. To set forms control ON, choose Option 56, **Spooler** from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 4, **Set Printer Forms**. Enter the number of the printer you will be using; in the "Enter Forms" field, type "FORMS" (without quotation marks). Press <ENTER>.

Using ordinary (white or barred) printer paper with 11-inch pages (the length of the W-2 pages), replicate the basic layout of the W-2 form on several consecutive pages. It is not necessary to sketch the whole form; you might mark just the pre-printed alignment guide and a couple of key boxes on each form. Place your marks in the same relationship to the top and left-hand perforations as they appear on the W-2 forms. When you load this paper to test-print the W-2s, use these marks to practice aligning the forms.

Set the printer you will use to produce the W-2s Off-Line. (Do not turn the printer off; simply place it off-line.) Standard configuration for printing W2 forms is 6 lines per inch, 10 characters per inch and a form length equivalent to 11 inches. Configure the printer to these settings. Leave the printer off-line.

Using your experience with this printer as a guide, load the test paper so that the print head or print bar is at the level of the alignment guide and so that (by your estimate) the first character on a line would fall just within the left-hand side of the W-2 form area. When you have the paper aligned, you are ready to test-print the W-2s from the spooler.

To test-print the W-2s, choose Option 56, **Spooler**, from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 2, **Print a File**. The system will display a list of the files available to print. The W-2 print file will be named W2xxxxLS, where "xxxx" stands for the four characters of the work file name (note that this file begins with W2 as distinct from WT). For example, if your work file is named W209, the print file will be named W2W209LS; if D109, then W2D109LS, and so on. Print this file.

When you have sent this print file to the printer, go to the printer and set it on-line, but keep your hand on the on-line/off-line button. When the W-2s begin to print, inspect the alignment. If the alignment is good, simply monitor the rest of the printing. If the alignment is not good, set the printer off-line and wait for printing to stop. Adjust the paper as necessary, set the printer on-line again. Repeat as necessary until the alignment is satisfactory, then monitor the rest of the printing.

NOTE: To move the printed data farther to the RIGHT on the paper or form, shift the paper or form to the LEFT in the printer (and vice-versa). Similarly, to move the printed data farther DOWN on the paper or form, shift the paper or form UPWARD in the printer (and vice-versa).

When the W-2s have finished printing, set the printer off-line and remove the printed W-2s. Inspect them and review the data carefully.

Step 8: Aligning and Printing the Actual W-2 Forms

NOTE: If you have contracted with LGC to print your W-2 forms, it is not necessary to do the following step. Proceed to Section VI: W-2 Electronic Filing to create your electronic file and check the totals.

When you have inspected and approved the test-printed W-2s, you are ready to print the data onto the actual W-2 forms. This process is almost exactly the same as that used to test-print the W-2s.

If your printer is not already off-line, set it off-line.

If Forms Control is still set ON from test-printing the W-2s, proceed to the next paragraph. If you have set forms control OFF since test-printing the W-2s, you must set forms control back ON. To set forms control ON, choose Option 56, **Spooler** from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 4, **Set Printer Forms**. Enter the number of the printer you will be using; in the "Enter Forms" field, type "FORMS" (without quotation marks). Press <Enter>.

If you have changed your printer configuration since test-printing the W-2s, reconfigure it to print at 6 lines-per-inch, 10 characters-per-inch, and with a form length equivalent to 11 inches. Leave the printer off-line.

Load the actual W-2 form stock into your printer. If you have moved the tractor devices or other aligning equipment since test-printing the W-2s, return these devices to the positions that you found to work best for the test printing. Align the W-2 form stock as carefully and as accurately as possible.

Adjust the print-head gap (if any) on your printer to accommodate the multi-part W-2 form stock. Use the narrowest gap you can without marring or snagging the W-2 stock; the narrower the gap, the clearer the impression will be on the last copy of the multi-part form.

Print the W-2s. Choose Option 56, **Spooler** from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 2, **Print a File**. The system will display a list of the files available to print. The W-2 print file will be named W2xxxxLS, where "xxxx" stands for the four characters of the work file name (note that this file begins with W2 as distinct from WT). For example, if your work file is named W209, the print file will be named W2W209LS; if D109, then W2D109LS, and so on. Print this file.

NOTE: While you are printing the W-2's, watch the printer closely so you can respond quickly if the forms tear, jam, or otherwise run amok. If something like that happens, set the printer off-line immediately and call the customer support center.

When you have sent this print file to the printer, go to the printer and set it on-line, but keep your hand on the on-line/off-line button. When the W-2s begin to print, inspect the alignment. If the alignment is good, allow one or two alignment forms to print, then set the printer off-line and wait for printing to stop. Look at the bottom copy of the multi-part form to check the print quality. If necessary (and if possible) narrow the print-head gap to get a darker impression on the bottom copy. Set the printer back on-line and carefully monitor the rest of the printing.

NOTE: Be careful. If the print-head gap is TOO SMALL, your forms will SMEAR, TEAR, or JAM.

If the print alignment is no good, set the printer off-line and wait for printing to stop. Adjust the paper as necessary. At this time, also inspect the print quality of the bottom sheet of the multi-part form as indicated in the paragraph above. Set the printer on-line again. Repeat as necessary until the alignment is satisfactory, then carefully monitor the rest of the printing.

NOTE: To move the printed data farther to the RIGHT on the paper of form, shift the paper or form to the LEFT in the printer (and vice-versa). Similarly, to move the printed data farther DOWN on the paper or form, shift the paper or form UPWARD in the printer (and vice-versa).

When the W-2s have finished printing, set the printer off-line and remove the printed W-2s. Inspect them carefully.

Remove the unused W-2 stock and re-load your regular paper in its regular alignment. Restore your printer to its regular configuration. Set forms control OFF by choosing Option 56, **Spooler** from the Payroll/Personnel Master Menu. From the Spooler menu, choose Option 4, **Set Printer Forms**. Enter the number of your printer; leave the "Enter Forms" field [blank] and press <Enter>. Finally, set your printer on-line.

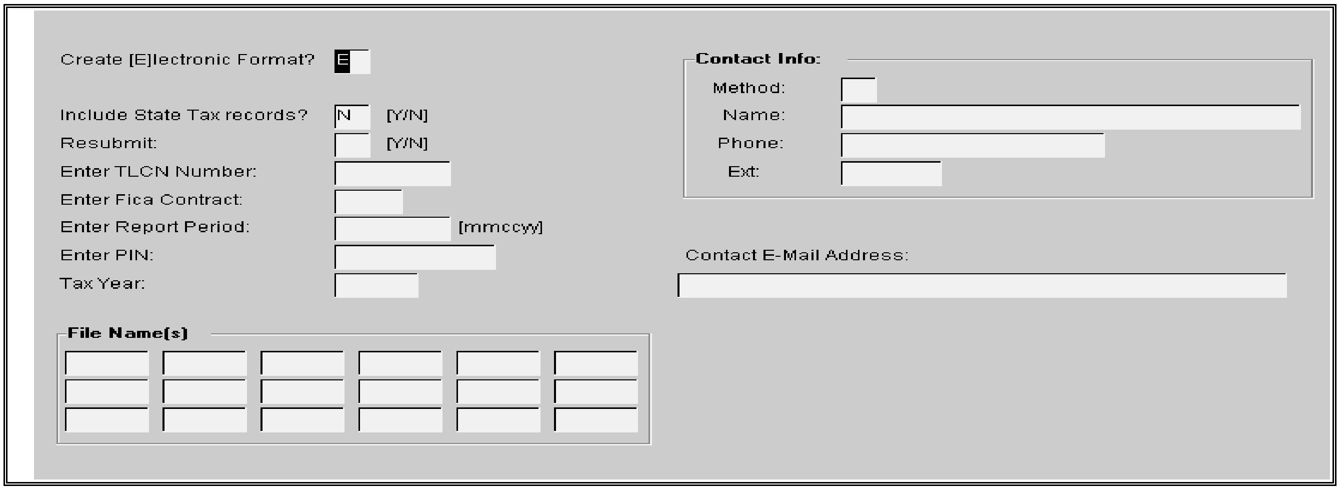
SECTION VI: W-2 ELECTRONIC/MAGNETIC MEDIA FILING

NOTE: If you have contracted with LGC to print your W-2 forms AND to submit your electronic file to SSA, you need to create the electronic file and check your totals. After performing the following steps to create your electronic file, contact LGC so we can get your W2 print file(s) and your W2Report electronic file.

In order to create the file used for electronic or magnetic media filing, you must first be registered with the Social Security Administration (SSA) and have your UserID (PIN) and Password for creating the W2REPORT file. The registration information can be obtained by calling 1-800-772-6270 or by visiting the SSA's web site at http://www.socialsecurity.gov/bso/bsowelcome.htm

Once you have received your user ID and password from the SSA you are ready to build your electronic file. This section will take you thru the steps to create an electronic file for the SSA.

From Payroll Master Menu select option 6, **Period End Process**. From the Period End Menu select option 52, **W2-1099 Processing**. From the W2/1099 Processing Menu select option 12, **Build Electronic File**. The following screen will then appear:



Create [E]lectronic Format? (E)	Is a default. Do not change.
Include State Tax records? [Y/N]: (N)	Answer No if you have no State Tax. Answer Yes if you will be sending the electronic file to your State Tax department.
Resubmit: ( ) [Y/N]	Answer yes if you are resubmitting the file to SSA. This is only if SSA notified you that you needed to re-submit.
Enter TLCN Number: ( )	This number is only used if SSA notified you that you had to resubmit your file. They would tell you the TLCN number.
Enter Fica Contract: ( )	Enter the FICA contract for this file. Only one Fica contract can be entered at a time. The FICA contract information can be found in the office manager section of your payroll system.
Enter Report Period: ( ) [mmccyy]	Enter the date in this format 122009. This is the month and year for the period you are submitting.
Enter User ID: ( )	This is the PIN number given to you by the SSA.
Tax Year: ( )	This will be 2009 for this year.
Method: ( ) 1 = email 2 = postal service	This is the method you wish to be contacted by SSA if there is a problem with your file. Enter 1 if you wish to be contacted by e-mail. Enter 2 if you wish to be notified by mail.
Name: ( )	This is the contact person’s name.
Phone: ( )	Contact person’s phone number.
Ext: ( )	Contact person’s extension, if applicable.
Contact E-Mail Address: ( )	Contact person’s e-mail address. E-mail address must be entered if your method of contact is 1 (e-mail.)
---------File Name(s)--------- (- - - - -) (- - - - -)	This is the file name you used to build the information for the FICA contract you are working on.

This program creates a file named W2REPORT under your payroll data directory. If you are uncertain about how to transfer the file from your server to your workstation, contact customer support for assistance.

Once this file has been created, follow the instructions given by the SSA in Publication 42-007 (EFW2 Tax Year 2009) for file submission. (If LGC will be submitting your electronic file to SSA you will need to create the file and we will get the electronic file at the same time we get your W2 print files.)

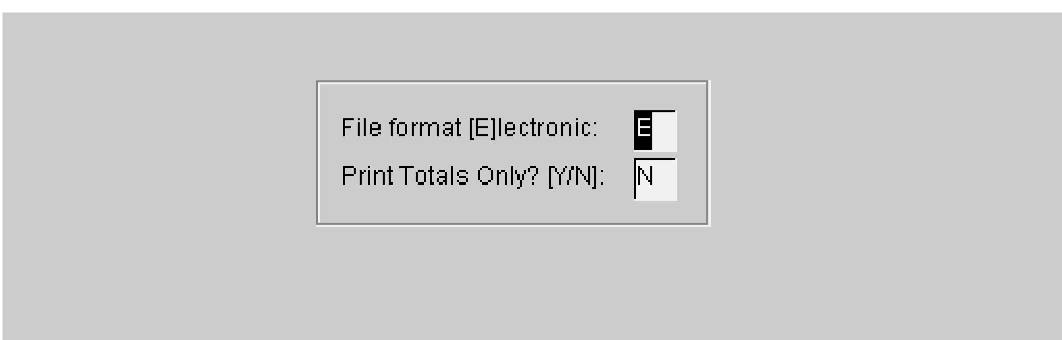
WARNING!!! When the W2REPORT file is created, it will overwrite the existing W2REPORT file.

It is advisable that you test the file before submission to SSA. AccuWage is software that can be downloaded from SSA's website and installed on your workstation for testing the W2REPORT file. AccuWage has the capability of catching most errors before you submit the file to SSA. Information on downloading the AccuWage software can be obtained from SSA's website:

http://www.socialsecurity.gov/employer/accuwage.index.html

From this screen select the link "AccuWage Software – 2009 Tax Year" from the Quick Links Download Options. Be sure to download the appropriate version of AccuWage for your needs (EFW2 for filing 2009 W2's.) If you need assistance with downloading the software and installing it on your workstation, contact your system administrator.

After building the electronic work file you may wish to print the file. This section will take you thru that process. From the Payroll Master Menu select option 6**, Period End Process**. From the Period End Process Menu select option 52, **W2-1099 Processing**. From the W2-1099 Processing Menu select option 13, **Print W-2 Electronic File**. The File format is E for Electronic. Specify N to Print Totals Only if you want to get detail employee information; specify Y to Print Totals Only if you want to only print the totals from the file.



SECTION VII: PROCESSES FOR OTHER APPLICATIONS

If you have any of the following applications, execute the steps explained to create necessary files and/or print reports.

Utility Billing

1. The A/R Detail Report should be printed on the last working day of the calendar year after all work for the day has been processed. To run this from the Utility Billing main menu, select option **#6-Delinquent Accounts**, **5–AR Detail Report**. Complete the options of this screen as you normally would and send the print job to the spooler then to the printer. Depending on the number of accounts this report could be several hundred pages long.
2. The Deposit Report should be printed on the last working date of the calendar year after all the work for the day has been processed. To run this from the Utility Billing main menu, select option **7-Misc Reports, 1-Deposit Report.** Accept the defaults on the screen except **Summary/Detailed** should be answered **D** to receive a detailed listing of the deposits and **Sort Sequence** should be answered **N** to print in account number order. Send the print job to the spooler then to the printer.

PREREQUISITE AND W-2 CHECKLIST

Prerequisite Checklist	Completed Date
1. Clear Year-to-Date Leave: If your site does not base its annual leave accrual and clearance on the calendar year, SKIP this item.	
2. Roll excel leave: If your site does not base its annual leave accrual and clearance on the calendar year, SKIP this item.	
3. Load 2010 Tax Tables.	
4. Verify FICA/Medicare Rate Tables.	
5. Verify Federal Tax Tables.	
6. Verify Earned Income Credit Tax Tables: If your site is NOT using Earned Income Credit, you may SKIP this item.	
7. Verify State Tax Tables: If your site is NOT subject to a state income tax, you may SKIP this item.	
8. Create the Payroll Calendar for 2010: If your site is NOT using the Payroll Calendar, you may SKIP this item.	
9. Set up the Proper Deduction Code Parameters.	
10. Set up the Proper FICA Contract Parameters.	
11. Rebuild the Payroll alternate Keys.	
12. Balance with the FICA/Withholding Report.	
W-2 Process Checklist	**Completed Date**
1. Build the W-2 Work File; Name of the File: ___________________	
2. Check for Exceptions in the W-2 Work File.	
3. Manipulate the W-2 Work File, if necessary.	
4. Print the W-2 Work File.	
5. Create the W-2 Print File.	
6. Print and Verify the W-2 Total File.	
7. Print and Verify the W-2 File on plain paper.	
8. Align and Print the Actual W-2 forms.	
9. Create and Submit electronic File to submit to SSA, if applicable.	
10. Contact LGC at 800-439-4504 for the printing of your forms, if applicable.	
Processes for Other Applications	**Completed Date**
1. Record A/R History, if applicable	
2. Deposit Report	