ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 14. PAYROLL, BENEFITS, AND ALLOWANCES

Section 1.0 General

This chapter prescribes the Departmental policy for the payroll, payroll records, leave, and allowances. Although the Department has entered into cross-servicing agreements for payroll services with the Department of Agriculture (for most Commerce employees), the Coast Guard (for NOAA Commissioned Corps), and the Department of State (for Foreign Service Nationals at ITA), the Department maintains responsibility for much of the processing and safeguarding of documents such as personnel actions and time and attendance reports. The Department's Office of Human Resources Management (OHRM) has been delegated authorities and responsibilities for payroll/personnel matters. The Office of Financial Management is responsible for accounting and financial management for payroll/retirement. (See Chapter 9, Liabilities, for more detail on payroll accounting.)

Section 2.0 Authority

The policies and procedures in this chapter are issued pursuant to:

a. JFMIP SR-99-5, April 1999, JFMIP Human Resource and Payroll System Requirements;

b. GAO-03-352G, January 2003, GAO Maintaining Effective Internal Control Over Employee Time and Attendance Reporting;

c. DAO 202-250, Delegation of Authority for Human Resource Management;

d. Treasury Financial Manual, Volume I, Chapter 2-4700, Agency Reporting Requirements for the Financial Report of the United States Government; and

e. OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, as Revised, Section 11

Section 3.0 Scope

The costs of payroll, leave, and allowances are a major component of the total cost of Departmental programs. The accounting system shall be capable of distributing the biweekly payrolls and related employee benefits – health and life insurance, etc., on a cost basis by project, organization, and other needed categories as required by Chapter 12, "Cost", of this Handbook.

Section 4.0 Objectives

Because of the complexity of payroll problems throughout the Department, and special legislative provisions governing the pay of certain Departmental employees, it is extremely difficult to provide complete uniformity of procedures on a Department-wide basis. However, the following criteria are established:

a. Prompt payment in the proper amount to all personnel entitled to be paid;

b. Prompt accounting for and disposition of all authorized deductions from gross pay;

c. Adequate control over, retention, and disposition of all payroll related documents; and

d. Prompt preparation of adequate and reliable payroll records to support (1) management purposes; (2) planning, preparation, execution, and review of the budget; and (3) internal and external requirements.

Section 5.0 Requirements

a. All payroll transactions shall be integrated with, and controlled by, the general ledger accounts of the bureau. The general ledger accounts and pro-forma entries shall be in agreement with the U.S Government Standard General Ledger as prescribed by the Treasury Financial Manual, Volume I, Chapter 2-4700, Agency Reporting Requirements for the Financial Report of the United States Government.

b. In the limited instances where the Department is still pay-rolling employees (i.e., Census decennial and part-time/intermittent payroll systems), the finance officer is responsible for systems development and maintenance. This includes the development of proper internal controls and meeting the requirement of the JFMIP Human Resource and Payroll System Requirements, the Treasury Financial Manual, and GAO guidance on Maintaining Effective Internal Control Over Employee Time and Attendance Reporting. The finance officer is responsible for ensuring prompt and accurate reporting of Internal Revenue Service From 941, Employer’s Quarterly Federal Tax Return; State tax returns; city and county tax returns; and W-2’s, Wage and Tax Statements.

c. All personnel must be adequately trained in their functions. Timekeepers, employees, and other personnel outside the accounting officers, shall be furnished comprehensive instructions for recording time worked or other relevant data for payment. Internal control of basic documentation at the operating level shall include a separation of functions between timekeeping and distribution of pay. Supervisors are required to review and certify time and attendance reports. In addition, no personnel will be responsible for certifying their own time. Time and attendance reports shall not be cut-off prior to the last regular work day of the pay period in order to meet payroll processing deadlines, unless specifically requested to do so by the Department’s payroll/personnel service provider or due to emergency situations. In this case, corrections to time reported will be required to accurately record an employee’s time in pay status and leave.

d. Each accounting office is responsible for reconciling the Abstract of Transactions, the National Finance Center report that shows total disbursements by appropriations and schedule number, to the general ledger and to the Government-wide Accounting (GWA) Account Statement for each appropriation. Any differences must be resolved in a timely manner.

<u>Section 6.0 Time and Attendance</u>

Time and attendance is to be recorded accurately to ensure that the presence and absence of employees are accurately recorded and reported for purposes of computing payroll, leave, and allowances.

Time and attendance records must be safeguarded together with any Office of Personnel Management (OPM) Form 71s, Request for Leave or Approved Absence, and overtime approvals to preclude unauthorized changes to approved documents. These functions are primarily recorded and stored in webTA, therefore no paperwork may be present.

The time and attendance report shall show that each employee is entitled to his or her normal pay or to greater or lesser amount by showing the number of hours the employee worked and the nature and lengths of absences.

The time and attendance report must be validated by the employee or the timekeeper and certified as correct by their supervisor.

For more information on policy and procedures, refer to the Time and Attendance Manual issued by OHRM (this document is not available on-line).

Section 7.0 Retirement, Health, and Life Insurance

The Departmental Retirement Officer, i.e, the Director of Human Resources Management, is responsible for the retirement programs and other benefit programs. However, all bureaus have entered into cross-service payroll processing agreement with the Department of Agriculture, the Coast Guard Service, or the Department of State. The cross-servicing agencies accumulate and report retirement and other benefits program information directly to the Office of Personnel Management (OPM) on behalf of the bureaus.

The only exception involves a limited number of Census employees. In addition to their normal payroll function which is cross-serviced by the Department of Agriculture, the Census Bureau maintains a subsidiary payroll processing system to handle part-time/intermittent interviewers. These temporary employees do not earn benefits (i.e. paid time off, insurance, or retirement).

Intra-departmental transfers will not be considered a transfer from one agency to another within the purview of Federal Personnel Manual 8301-1. Records of employees involved will be transferred to the accounting organization providing payroll service for the receiving bureau. Intra-departmental transfers in transit at the end of the calendar year must be eliminated in consolidated Department-wide reports. For record purposes, receiving and dropping bureaus must record transfers of personnel in the same year.

Finance officers should refer to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements, as Revised, Section 11, to consult on procedures for assessing the reasonableness of retirement, health, and life insurance withholdings/contributions and employee headcount data provided by Commerce Bureaus and offices. NOTE: OMB typically issues a new bulletin each year titled “Audit Requirements for Federal Financial Statements.”

Section 8.0: Bureau Evaluations of Material or Significant Possible or Actual Unusual Accounting Transactions

Bureaus are required to evaluate material or significant possible or actual unusual accounting transactions (e.g. a possible or actual accrued receivable/revenue or accrued payable/expense or asset, a possible, anticipated, or actual transfer, a possible, anticipated, or actual budgetary resource or reduction of budgetary resources, a possible or actual contingency), regardless of whether the item has been apportioned or not apportioned on the SF 132, *Apportionment and Reapportionment Schedule*, and research if a) a proprietary accounting transaction(s) should be recorded; b) a budgetary accounting transaction should be recorded; and c) if yes to either a) or b), the appropriate accounting transactions that should be recorded and when (month/year) the accounting transactions should be recorded.

For these material or significant possible or actual unusual accounting transactions, the bureau's evaluation is required to include consultation with a) the bureau's CFO or equivalent, of both the underlying bureau and that bureau's accounting service provider, if applicable, or his or her designee(s); and b) the Department's Office of Financial Management. As appropriate, consultations should also include c) other bureau or Departmental offices; d) the U.S. Department of the Treasury, the Office of Management and Budget, and/or the Federal Accounting Standards Advisory Board; e) any other federal agencies; and f) any other relevant or applicable sources.