

CHAPTER 01

INTRODUCTION AND OVERALL REQUIREMENTS0101 INTRODUCTION

010101. Purpose. This Chapter prescribes the principles, objectives, and related requirements for DoD civilian employee pay operations and systems. The requirements in this Chapter apply to civilian pay systems operated by the DoD for employees paid from appropriated, revolving, or trust funds. These requirements apply to the processes related to computing payments for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Statutory Authority. The authority of the DoD to establish payroll procedures consistent with the requirements of law and regulation is derived from 5 U.S.C., Chapters 53, 55, and 81 (reference (b)). Responsibilities, duties and liabilities are established by 31 U.S.C., Sections 3527, 3528, 3529, and 3541 (reference (d)).

010103. Additional Guidance. The instructions issued by the Office of Personnel Management (OPM) in the Federal Personnel Manual (FPM) are the guides to be used in the administration of civilian pay and leave. Abolished portions of the FPM should no longer be used.

0102 OVERALL REQUIREMENTS010201. Overview

A. The DoD Components, except as discussed in subparagraphs 010201.A.1. and 010201.A.2. will use the Defense Civilian Pay System (DCPS) or the Defense Business Management System (DBMS), as determined by the DoD Chief Financial Officer, and will eliminate their own payroll systems.

1. All Defense Business Operations Fund activities which do not have a formal cost accounting system will use the DBMS for pay processing.

2. It is acceptable to operate small, unique payroll systems, such as for for-

eign national employees, when the specialized nature of the employees serviced makes it economical and cost-effective or international agreements require such systems. However, these unique systems shall be integrated or interfaced with other applicable systems, such as the Defense Civilian Personnel Data System, general ledger, installation-level general accounting system, etc. Continued operation of any such unique payroll system shall be approved annually by the Director, Defense Finance and Accounting Service (DFAS).

B. DoD payroll operations and systems shall meet the following objectives:

1. Prompt and accurate payments to all those entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay.

2. Prompt accounting for, and disposition of, all authorized deductions from gross pay.

3. Proper control over, retention of, and disposition of, all payroll-related documents.

4. Timely preparation of adequate and reliable payroll records to support management purposes; planning, preparing, executing, and reviewing the budget; and internal and external reporting requirements.

5. Effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll-related inquiries from employees.

6. Adequate control over all phases of pay, leave, and allowances.

7. Interface of the payroll function with the general ledger, cost accounting, and

personnel functions, with provisions for reconciling common data elements in any separate system to one another.

8. Capability to query current, historical, and/or archived data.

9. Audit trails to permit the tracing of transactions through the payroll system as specified in Volume 1 of this Regulation.

10. Compliance with accounting system development criteria specified in Volume 1 of this Regulation.

11. Compliance with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1 of this Regulation.

12. Compliance with DoD direction to standardize data elements for cross functional shareability and integration.

010202. Fund Control. Monies used for paying DoD civilian employees are appropriated by Congress and apportioned to the DoD by the Office of Management and Budget (OMB). At least monthly, an estimate of obligations shall be made for the payroll. As the payments are made, estimates shall be adjusted to reflect actual payment data.

A. Subparagraphs 010202.A.1. and 2. illustrate the accounting entries that shall be made to record the obligation and payment for the payroll. The civilian payroll office shall provide the appropriate data for posting to the general ledger of the accounting system.

- 1. Dr 4611 Uncommitted/Unobligated Allotments - Direct Program - Current Period
- Dr 4614 Uncommitted/Unobligated Allotments - Reimbursable Program - Current Period
- Dr 1541 Inventory - Work in Process - In-House
- Dr 1721 Construction in Progress - In House
- Dr 6111 Personnel Com-

- pensation - Civilian
- Dr 6113 Personnel Benefits - Civilian
- Dr 6115 Benefits for Former Personnel
- Cr 2113 Accounts Payable - Public - Current
- Cr 2211 Accrued Payroll - Civilian
- Cr 2213 Accrued Payroll - Civilian - Employer Share of Fringe Benefits
- Cr 4910 Accrued Expenditures - Unpaid - Direct Program
- Cr 4920 Accrued Expenditures - Unpaid - Reimbursable Program

To record the obligation for the payroll for the current period. (Civilian personnel accrued expenditures that are to be recovered as part of goods and services sold to others or to be capitalized as an asset are recorded as work in process or construction in progress. Such accrued expenditures are not treated as a period operating expense.)

- 2. Dr 2113 Accounts Payable - Public - Current
- Dr 2211 Accrued Payroll - Civilian
- Dr 2213 Accrued Payroll - Civilian - Employer Share of Fringe Benefits
- Dr 4910 Accrued Expenditures - Unpaid - Direct Program
- Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
- Cr 1012 Funds Disbursed
- Cr 4931 Accrued Expenditures - Paid - Direct Program
- Cr 4941 Accrued Expenditures - Paid - Reimbursable Program

To record disbursement of payroll.

B. DoD civilian payroll systems shall be integrated or interfaced with, and fully support, the accounting system. These systems shall consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger

of the accounting system. The payroll systems shall produce required obligation and accrual data needed by the accounting system.

010203. Requirements. DFAS management is responsible for the overall planning and general direction of the pay, leave, and allowance functions and systems. This responsibility requires that adequate written procedures be established and implemented; all personnel be adequately trained in their functions; and sufficient controls are installed and management oversight is established and implemented to ensure compliance with payroll system objectives summarized in subparagraph 010201.B. Management shall also ensure that payroll systems meet legal criteria and the requirements below.

A. Payroll procedures shall be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;

2. Amended to reflect changes in applicable laws, regulations, and legal decisions;

3. As uniform as possible throughout the DoD;

4. Distributed to payroll staffs and be available to individual employees as needed to ensure efficient and effective operations; and

5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who authorize pay and entitlements, certify payments, compute the payroll, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowances activities shall:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;

2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;

3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;

4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. Payroll systems shall be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay, leave, and allowances. Additionally, accurate information is needed to help minimize the possibility of fraud, waste, and mismanagement;

2. The general ledger system to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments; to help in properly evaluating operations and management; and to support budget conception and development; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C. shall be used to assist in timely reconciliations of data elements and discrepancies noted between the systems.

E. Transactions recorded in the pay, leave, and allowance records shall be adequately supported by properly authorized documents.

F. Procedures will be in effect to properly back-up data in the event of power failure, equipment malfunction, or other hazards.

G. External audits and internal examinations of payroll operations shall be made by persons not engaged in those operations to determine whether such operations are efficient, effective, and economical and are in accordance with laws, regulations, and legal decisions.

H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations may be performed without incurring undue cost, employees shall be paid every two weeks, unless a different time frame is required by law. Special payments are prohibited except as addressed in paragraph 080102. Advances of pay are covered in section 0309. All employees will be informed of the designated payday. Pay must be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday shall not exceed 12 calendar days. When a payday falls on a holiday or an 'in lieu of' holiday, the payday will be on the first preceding business day.

I. Savings bonds shall be mailed to the address provided by the employee. All purchased bonds shall be issued biweekly and mailed as soon as possible after payday. Bonds returned by the U.S. Postal Service shall be turned over to the disbursing or issuing officer. All bonds shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

010204. Privacy Act Requirements

A. General

1. All Standard Forms (SF) and locally approved forms containing information subject to the Privacy Act of 1974 (reference (e)) should have a Privacy Act statement either incorporated in the body of the document or in a separate statement accompanying each form. When separate, the accompanying statement carries the same number as the form.

2. Whenever agencies ask for personal information, including the Social Security number (SSN) from an employee, that employee must be notified of the following:

a. The statutory authority for gathering the information;

b. The purpose for which the information will be used;

c. The "routine uses" of the information (persons or organizations who normally receive the information); and

d. The effect on the employee of not supplying the information.

This notification will be contained in the Privacy Act statement.

B. Forms. Whenever personal information is requested from an employee on forms covered by the Act, a copy of the form accompanied by the applicable statement will be given to the employee at the same time as the request for information.

C. Access and Accounting. Employees are generally entitled to have access to their own records under the Privacy Act, as are personnel who need to know the information to carry out their duties. Under specified conditions, certain other persons or agencies may receive information. Employees must be notified of release of information to outside agencies upon request. Agencies responsible for maintaining records must account for information released and requests for change by the employee concerned.

0103 DIRECT DEPOSIT OF PAY

010301. General

A. Authority. On April 22, 1992, the Under Secretary of Defense (Comptroller) approved Direct Deposit and/or Electronic Funds Transfer (DD/EFT) as the standard method of payment within the DoD for pay of personnel (reference (f)). The policy covers all categories of DoD personnel including civilians, military, military retirees, and annuitants.

B. Policy. The DoD requires participation in DD/EFT as a reasonable condition of employment for civilians, including those who

through a competitive selection are promoted or reassigned.

010302. Responsibilities

A. The Under Secretary of Defense (Comptroller) is responsible for DD/EFT payment policy, including waiver policy, for pay of all DoD personnel.

B. Civilian personnel directors must ensure:

1. New civilian employees are informed during inprocessing of the requirement to participate in the DD/EFT program; and

2. Vacancy announcements advise applicants that selectees will be required to participate in DD/EFT as a condition of employment.

C. The Director, DFAS must:

1. Comment on civilian personnel regulations and implementing procedures as requested;

2. Publish implementing procedures for civilians;

3. Notify financial institutions of the DoD DD/EFT program and aggressively point out the benefits to the financial institutions of the DoD policy; and

4. Encourage financial institutions to support this initiative.

D. Directors/Commanders of all DoD activities must:

1. Implement these procedures;

2. Monitor DD/EFT participation;

3. Monitor waiver actions;

4. Ensure reimbursements are made to civilian employees who incur charges due to the Government's failure to accurately

and timely deposit pay in their DD/EFT accounts (see paragraph 010308.); and

5. Provide information for reporting purposes to DFAS Centers when so requested (see paragraph 010310.).

010303. Applicability

A. General. All personnel enrolled in DD/EFT on or after August 1, 1992, are required to continue under the program. In addition, on and after August 1, 1992, enrollment is required for new civilian employees hired and employees competitively promoted or reassigned.

B. Exempt personnel are:

1. Civilian employees who are not required to participate in a DD/EFT program as specified in paragraph 010305. and who do not voluntarily enroll, and are not enrolled, on or after August 1, 1992;

2. Student workers and summer hires; and

3. Nonappropriated fund (NAF) personnel.

010304. Waivers

A. General. Waivers for up to 1 year may be granted to any individual when it is determined that it would be in the best interest of both the individual and the DoD. Waivers may be granted because of financial difficulty, financial irresponsibility, or other extenuating circumstances. Waivers may be requested by individuals through their designated authority or directed by that authority. Waivers may be renewed if the conditions for issuing the waiver still exist. Counseling or participation in a financial management course offered through the local command is required when approving waivers due to financial problems. Individuals who fail to establish a DD/EFT account or to secure a waiver from the appropriate authority, in the manner described below, will be subject to administrative action. Generally, waivers should be temporary in nature and allow individuals sufficient time to resolve short term problems

prior to reenrollment in DD/EFT. The approval of waivers is subject to the control of the Director of the servicing DFAS Center.

B. Approving Authority

1. For civilian employees (including National Guard Bureau civilian employees), the approving authority is the appointing authority or designee.

2. For National Guard technicians, the approving authority is the State personnel management office through command channels.

C. Requested Waiver Procedures

1. Individuals who are not exempt from DD/EFT participation may request a waiver from the designated authority. The request will normally be written, but designated authorities may accept oral requests under unusual circumstances. The designated authority may approve a waiver when the individual provides adequate documentation or rationale to substantiate the waiver request.

2. The designated authority will notify the civilian payroll office in writing when a waiver is granted and its expiration date.

3. Prior to expiration of the waiver, the designated authority will review the situation with the individual and determine whether to extend or terminate the waiver. The designated authority must notify the civilian payroll office in writing when a waiver is terminated or an extension is granted (including the new expiration date).

D. Directed Waiver Procedures

1. The designated authority may direct individuals not to enroll in, or to disenroll from, DD/EFT due to the reasons cited in subparagraph 010304.A. The designated authority will notify individuals of the requirement not to enroll or to disenroll from DD/EFT and the expiration date of the waiver by which time they are expected to resolve the financial problems. Counseling or participation in a financial man-

agement course offered through the local command is required when the designated authority has directed personnel not to enroll or to disenroll.

2. The designated authority will notify the civilian payroll office when individuals are directed not to enroll or to disenroll from DD/EFT and will provide the waiver expiration date.

3. Prior to the expiration date of a waiver, the designated authority will review the circumstances of the waiver and either direct the individual to enroll or extend the initial waiver.

4. Individuals must inform the designated authority if they desire to terminate a directed action not to enroll or to disenroll in DD/EFT.

E. Denial of Civilian Waiver Request. Denial of waiver requests from civilian employees is subject to agency or negotiated grievance procedures, as appropriate.

010305. Grandfather Clause. Civilian employees who were not enrolled, or required to be enrolled, in a DD/EFT program prior to August 1, 1992, and who do not subsequently enroll in the program, are encouraged, but not required, to participate in the program. They will be required to enroll if they are competitively promoted or reassigned, separated and reemployed, mobilized, or recalled to military active duty on or after August 1, 1992.

010306. Requirements for New DoD Employees. DD/EFT enrollment is required within the first 60 days of employment, including those previously employed, or competitively selected for promotion or reassignment. All vacancy announcements will advise applicants that DD/EFT is a condition of employment for competitively selected promotions and reassignments. Employees will be advised during in-processing that DD/EFT enrollment is required and that they will be subject to administrative action for failure to enroll or request a waiver. Supervisors will monitor participation and ensure compliance with guidelines.

010307. DD/EFT Enrollment Documentation

A. The SF 1199A, "Direct Deposit Sign-Up Form," is the preferred method of enrollment in DD/EFT. Individuals who previously established an account with a financial institution are encouraged to continue that association and may use Department of the Treasury, Financial Management Service Form 2231, "FASTSTART Direct Deposit." Refer to subparagraph 010307.B.

1. Section 1 of the SF 1199A is completed by the individual.

2. Section 2 is completed by the servicing finance office.

3. Section 3 must be completed by the financial institution.

4. Distribution of the SF 1199A is prescribed on the bottom of the form.

B. The following enrollment sources may be used to support the FMS 2231:

1. Canceled check or share draft (micro encoded data on the bottom).

2. Savings or checking account identification card.

3. Department of the Treasury 1099-INT, "Statement for Recipients of Interest Income."

4. Bank statement.

NOTE: A combination of sources may be necessary to obtain the required information to start or change DD/EFT enrollment.

010308. Reimbursement of Financial Institution Charges

A. General. Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office are not the liability of the Government and will not be reimbursed. Reimbursement is authorized and

limited to overdraft charges or minimum balance or average balance charges levied by the financial institution as a result of an administrative or mechanical error on the part of the Government which causes pay to be deposited late or in an incorrect manner or amount.

B. Procedures. When charges result from Government errors, servicing DFAS Centers will contact the financial institution to explain the error and request charges levied against the account holder be reversed.

1. If the financial institution declines to reverse the charges, Government reimbursement of the charges will be made. While the servicing DFAS Center normally absorbs such charges, the DFAS Center reserves the right to charge the applicable agency's operating appropriation for such amounts when the error was caused by information furnished by that agency.

2. Letters will be provided to dishonored check recipients explaining that the dishonored check was caused by Government error, not an error on the part of the individual.

010309. Allotments. DD/EFT is the preferred method for paying all allotments and should be used whenever possible. DD/EFT is required for allotments to a financial institution participating in the Federal Reserve System.

010310. Reporting Requirements. The DFAS Centers will provide periodic reports to DFAS-HQ/F which reflect DD/EFT participation. Refer to subparagraph 090206.C. for reporting guidance.

010311. Payments Other Than DD/EFT

A. Checks to individuals shall be mailed by the disbursing officer to the nonwork address provided by the employee. On an exception basis, checks shall be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these

paychecks shall not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance records; and leave records. Each employee shall be known by, or identified to, the person who delivers the employee's paycheck. Paychecks should be handled as few times and by as few people as possible. Checks not delivered within the time specified by the disbursing officer shall be returned to the disbursing or issuing officer. All checks shall be kept in a safe or locked fireproof cabinet, pending distribution or return to the disbursing or issuing officer.

C. If, under extraordinary circumstances, payments must be made in cash, DoD civilian employees shall properly identify themselves and shall acknowledge payment by signing a receipt form when payments are received. Requiring a pay receipt in advance of actual payment shall not be permitted. All payments shall be made only by persons who have been authorized to perform disbursing functions and were not part of the pay computation process.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES' PAY RECORDS

010401. Use of SSN for Identification

A. The SSN will be used to identify all employees paid by the DoD.

B. The SSN has 9 digits, with hyphens as separators before the fourth and sixth digits. Adding a prefix or suffix is not authorized. Only the 9 digits are used in internal computer processing; however, the hyphens may be printed on output documents.

C. If an employee is not required to have an SSN, a pseudo SSN shall be used.

010402. Pay Records

A. Each employee shall have an individual pay record maintained as part of the master pay record at the civilian payroll processing site. Normally, only one pay record shall be active at any given time for each authorized position. If more than one pay record is main-

tained, the rationale must be thoroughly documented and an audit trail maintained between the two pay records. Sufficient information on active pay records shall be retained or accessible at the civilian payroll office to facilitate local input, payment, and administrative functions.

B. The pay record shall contain all transaction information related to payments and deductions with an audit trail to the authorizing source document. The record shall contain information on hourly, daily, or piece pay rate; all earnings by type (overtime, night differential, danger pay, etc.), separately identified; all deductions by type (charity, union, health insurance, life insurance, etc.), separately identified; year-to-date wages earned; year-to-date deductions withheld; annual, sick, and any other leave earned; leave taken, lost, or forfeited; excess leave taken; and a settlement of lost or unused leave balances. The pay record shall contain other information, as necessary, for computing pay and preparing reports, as well as being the source for the Leave and Earnings Statement (LES).

C. The master pay record shall contain current month, and, as an integral part thereof or in a separate data file, at least the 5 preceding months' records readily available for processing and inquiry. Summary information shall be carried forward, longer than 6 months when required, until new summary records are established. Disposition of pay records shall be done in accordance with the General Records Schedule 2 (reference (g)).

010403. Payroll Substantiating Document File

A. With the centralization of the civilian payroll function, two separate document files will be established and maintained for each employee. One will be located at the civilian payroll office and one at the liaison office. All source documents which substantiate the employee's entitlement to compensation, leave, benefits, and authorize or support deductions will be kept in the file folders as indicated in subparagraph 010504.B. The file label will contain the employee's name and SSN and will be maintained in SSN sequence.

B. The civilian payroll office file will contain the following:

1. SF 1150, "Record of Leave Data," and SF 1150-A, "Transfer of Leave Records for Leave Recipient Covered by the Voluntary Leave Transfer Program";

2. Voluntary/involuntary DoD/non-DoD indebtedness to the U. S. Government;

3. Voluntary/involuntary tax levies;

4. Court-ordered garnishments (alimony, child support, bankruptcies, commercial debts);

5. Thrift Savings Plan (TSP) loan information;

6. NAF 401k authorization;

7. NAF retroactive TSP election authorization;

8. SF 1190, "Foreign Allowances Application, Grant, and Report";

9. Documentation for all manual pay and leave adjustments;

10. Cash collection vouchers;

11. Physician's allowance authorizations; and

12. Any other documentation to support payments.

C. The civilian payroll office will maintain and safeguard the retirement records (SF 2806, "Individual Retirement Record (CSRS)," SF 3100, "Individual Retirement Record (FERS)," and OPM Form 1514, "Military Deposit Worksheet") in a separate file per instructions in subparagraph 040301.E.

D. The liaison office files will contain the following documentation:

1. Preconversion historical files (all personnel and payroll data of an existing civilian payroll system prior to conversion to another civilian payroll system or a consolidated civilian payroll office);

2. Unemployment information, Department of Labor, ES Form 931, "Request for Wages and Separation Information";

3. Employment verification; and

4. Employee deduction information (allotments and net pay distribution; charities; unions; Federal, State and local taxes; bonds; and address changes).

E. All verified source documents will be placed in the document file not later than the end of the pay period in which the document applies. The folders will remain in an active status during the period the employee's pay account is maintained by the civilian payroll office. Upon the employee's separation or transfer, and after all final payroll transactions have been completed, the folder will be removed from the active file and placed in an inactive file.

F. All files (manual and electronic) will be protected in accordance with For Official Use Only and Privacy Act (reference (e)) requirements.

010404. Document Control. In order to ensure timely processing of payroll documents and to facilitate audits and reconciliation of individual pay accounts, source documents should be controlled at the retention site. The following procedures are recommended:

A. Assign a control number to all source documents. The numbering system should facilitate the use of one line entries on the log (e.g., two digits identifying the pay period number and the last digits identifying the document number, beginning with one (1) for each pay cycle);

B. Identify the type of document or form number;

C. Record the date received and the

clerk to whom routed for processing; and

D. Record the date processed and logged out for filing.

010405. Personnel Actions

A. The SF 50, "Notification of Personnel Action," is the primary source for payroll and personnel information systems. The content of the SF 50 will form the basis for personnel transactions flowing to payroll via automated personnel/payroll system interfaces.

B. The SF 2809, "Health Benefits Registration Form" and SF 2810, "Notice of Change in Health Benefits Enrollment," are used to start, change, and stop the coverage of health benefits for employees.

C. The Form TSP-1, "TSP Election Form," is used to start, change, and stop deductions for employees. The Form TSP-19, "Transfer of Thrift Savings Plan Information Between Agencies," is used to transfer TSP information between agencies. The Form TSP-22-R, "Loan Payment Allotment Form-Reamortization," is used by the civilian payroll office to begin deductions for a TSP loan.

010406. Payroll Controls. Appropriate controls must be established over payroll operations which will include, but are not limited to, the items below.

A. Controls which will help ensure that payroll documents processed are correct, complete, accurate, and properly authorized, including, but not limited to, the following items.

1. Corrections and other adjustments to data in official records must be approved in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) by an authorized official, as follows:

a. Records of all changes made after records have been approved or certified must be generated and maintained.

b. Manual corrections on documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be initialed and dated by the person making them and must be approved by a designated authorizing official.

c. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide reference to documents which show the original and new data and the authorization for the change. Such changes must be only on the basis of properly approved documents authorizing the changes.

2. There must be separation of duties among those in the following list. When the size of the organization does not permit separation of all of the duties, the most effective separation feasible under the circumstances must be provided. In order to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts, the separation of duties should ensure that no one person performs all phases of a transaction from beginning to end without the intervention of some other person or persons who provide a cross-check. However, in any case, item a, below, must always be separated from the other duties listed:

- a. Authorization of pay and entitlements,
- b. Certification of payments,
- c. Payroll computation,
- d. Recording of payroll account data,
- e. Distribution of pay,
- f. Review of payroll transactions,
- g. Automated system development,
- h. System testing,

and

- i. System implementation,
- j. System maintenance.

3. The following must be restricted to authorized personnel:

- a. Access to personnel, payroll, and disbursement records or data files;
- b. Access to forms used in authorizing special entitlements, allowances, and pay rates; and
- c. Payroll processing equipment and related software.

4. When feasible, employees engaged in civilian payroll functions must not maintain or provide service for their own payroll and personnel records. This internal control shall be incorporated into security system software which governs access to civilian payroll system records. When the size of an office is so small that this is not feasible, employees engaged in payroll activity may only maintain and provide service for their own:

- a. Routine deductions, such as withholding exemptions for Federal, State, and local tax purposes, and voluntary allotments; and
- b. Time and attendance documents under certain circumstances as provided for in paragraph 020404.

5. To detect inappropriate data at the earliest time and to the extent practical, data entered into automated payroll systems must be subjected to computerized edits when entered. Data elements not susceptible to such edits must be edited at the earliest practical time. Inappropriate data detected must be promptly investigated, corrected and, if appropriate, reprocessed. A record of such data, its originator, and its disposition must be generated and maintained.

B. Controls which help ensure that computerized payroll operations process transac-

tions and produce reports accurately, by use of the following and other techniques:

1. Testing computer programs and changes to programs prior to placing them in operation, and subsequently testing the various data elements and computational procedures as needed to ensure that they are operating as intended;
2. Certifying acceptance of software changes by the civilian payroll offices;
3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems; and
4. Including in the programmed instructions such techniques as:
 - a. Verification of SSNs or other identifying information for employees authorized to be paid against a master list or file of such information for valid current employees;
 - b. Use of proper authorization codes by authorized payroll employees;
 - c. Acceptance of data entry from authorized terminals only;
 - d. Verification of data entry using batch control totals, when applicable; and
 - e. Use of master control totals for data elements by computing such totals before payroll transactions are entered, adding totals computed from transactions, and computing a grand total at the completion of the processing cycle. The software in use must ensure that beginning totals plus transaction totals equal ending totals.

010407. Reconciliation with Personnel

A. For nonintegrated civilian payroll systems, reconciliation between the civilian personnel office and the civilian payroll office must be accomplished biweekly for critical data element values and every 4 months for non-critical data element values. The civilian personnel office reviews the process and annotates any

mismatches resolved by its office and passes it to the civilian payroll office for its action. The civilian payroll office will ensure that review and necessary corrections are made to the civilian pay database. The biweekly reconciliations will be accomplished within 5 workdays after receipt from the civilian personnel office. The reconciliations done every 4 months will be accomplished within 10 workdays after receipt from the civilian personnel office. Critical (*) and non-critical data element values to be reconciled are as follows:

1. Entered on duty date,
2. *Life insurance code,
3. *Health insurance enrollment code,
4. *Fair Labor Standards Act (FLSA) status code,
5. *Grade/level,
6. Name,
7. *Occupation series code,
8. *Pay plan,
9. *Premium pay code,
10. * R a t e o f p a y (annual/hourly/daily/school year),
11. *Retirement code,
12. *Leave service computation date,
13. *SSN,
14. Geographic location code,
15. *Step,
16. *Temporary assignment, promotion, appointment expiration date,
17. Date of birth,

18. Citizenship code,
19. Pay basis,
20. *Work schedule,
21. Part-Time Career Act indicator,
22. Pay rate determinant,
23. Annuitant indicator,
24. *Locality adjustment amount,
25. Appointment authority code, and
26. *TSP data.

B. Civilian payroll offices that do not have the capability of a mechanized reconciliation will accomplish a pay/personnel reconciliation of the critical data element values in subparagraph 010407.A. on a quarterly basis by locally determined procedures that are mutually agreeable to both the civilian payroll and civilian personnel offices involved.

0105 CIVILIAN PAYROLL OFFICE DISESTABLISHMENT PROCEDURES

010501. Purpose. These procedures prescribe the responsibilities and actions for DoD civilian payroll operations which are being disestablished in accordance with consolidation initiatives. Refer to section 0603 for procedures concerning mass transfer of employee accounts between existing civilian payroll offices.

010502. Applicability and Scope. These instructions apply to all DoD civilian payroll offices regardless of Component affiliation whose payroll accounts are being transferred to a consolidated civilian payroll operation.

010503. Responsibilities. Responsibility for implementing these procedures lies primarily with the civilian payroll office whose accounts are being transferred. However, there must be close coordination with the civilian payroll office's major command/claimant, the DFAS

Center which has responsibility for the closing civilian payroll office, and the consolidated civilian payroll office which will assume responsibility for the transferred accounts.

010504. Actions Required by the Losing Civilian Payroll Office

A. Notify Affected Parties. All parties who are currently receiving support from the civilian payroll office which is to be disestablished must be informed that the existing payroll servicing arrangement is being changed and when that change will occur. It is recommended that these parties be notified well in advance of the transfer, but not later than 30 days prior to the date of the actual transfer.

1. The following is a list of affected parties who should be notified of the impending change of the payroll servicing arrangement. Sample letters which may be used for that purpose are shown in Figures 1-1 through 1-10. While the list is intended to be all inclusive, individual civilian payroll offices may have unique customers who are not mentioned. If this situation should occur, the losing civilian payroll office must develop a letter for those customers using one of the sample letters as a basis.

a. Each civilian personnel office providing support to the civilian payroll office. Civilian personnel offices will be responsible for notifying labor organizations and professional associations. See Figure 1-1.

b. Each Internal Revenue Service (IRS) District to which payments for tax levies are submitted. See Figure 1-2. Inform IRS there will be no further annual civilian pay reporting for the losing civilian payroll office EIN. Adjustments to prior tax reports may be submitted by the consolidated civilian payroll office. See Figure 1-3.

c. Each State and local taxing authority for which withholding is being made (including those taxing authorities who do not have an agreement with the Department of Treasury but for whom employees are making tax payments via allotments). See Figure 1-4.

d. National Finance Center (NFC) as the TSP recordkeeper. See Figure 1-5.

e. Each court to which alimony, child support, bankruptcy, and commercial debt payments are being remitted. See Figure 1-6.

f. Federal Reserve Bank (FRB) and other financial institutions to which remittances are being made. See Figure 1-7.

g. OPM. See Figure 1-8.

h. Each NAF Employee Benefit System for whom retirement deductions are being remitted under the Portability of Benefits for Nonappropriated Fund Employees Act of 1990, P.L. 101-508, (reference (e)). See Figure 1-9.

i. Each Combined Federal Campaign (CFC) office for which charitable contributions are being remitted. See Figure 1-10.

j. Health Benefits Insurance Carriers. Inform insurance carriers by preparing an SF 2811, "Transmittal and Summary Report to Carrier - Federal Employees Health Benefits Program." Attach a listing to the SF 2810 as described by the Federal Employees Health Benefits Handbook for Personnel and Payroll Offices (reference (h)). See subparagraph 040802.B.9. when a group of 25 or more employees enrolled in the same plan are transferred on the same day.

k. Other Federal agencies for whom debts are being collected, e.g., Department of Education or Department of Veterans Affairs.

B. Prepare Employee Substantiating Document Files. Although every effort will be made to transfer data through the automated conversion process rather than by transferring hard-copy documents, it will still be necessary to send certain hard-copy documents from the losing civilian payroll office to the consolidated civilian payroll office. In many cases the information may not be contained in the automated

files of the losing civilian payroll office and, therefore, would not be a part of the conversion process. In other cases, the documentation is required for legal support for action to be taken by the consolidated civilian payroll office. These hard-copy documents will supplement the automated conversion process and will facilitate the movement of civilian payroll accounts without degradation of timely and accurate payroll service.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare substantiating document files containing hard-copy documents which must be transmitted to the consolidated civilian payroll office. The files will consist of originals or copies, as appropriate. If the original is forwarded to the consolidated civilian payroll office, a copy should be retained by the losing civilian payroll office.

2. Substantiating document files may be transmitted in either subject matter or employee sequence, depending on how files are maintained by the losing civilian payroll office. Subject matter files are defined for this purpose as a file maintained for a particular type of document, e.g., court-ordered garnishments.

3. The files will be letter size with the label in the upper left hand corner. Labels must be either typed or printed legibly. If files are transmitted in subject matter sequence, the subject matter title will be contained in the first line of the upper left corner of the label and the second line will show the losing civilian payroll office name and number. If files are transmitted in employee sequence, the first line of the label will contain the employee's SSN; the second line will contain the employee's last name, first name, and middle initial in that order; and the third line will show the losing payroll office name and number.

4. The files will be assembled alphabetically by subject matter if transmitted in subject matter sequence. If the files are transmitted in SSN sequence, they may be assembled either in straight SSN sequence or SSN sequence within payroll block. In either case, files must be sent as one package to arrive at the consolidated

civilian payroll office not later than the end of the first week following transfer.

5. Listed below is documentation which must be included in the substantiating document file and transferred to the consolidated civilian payroll office:

a. Indebtedness to the U.S. Government. Forward a copy of documentation to support current collections with the unpaid balance of the debt, the appropriation or fund cite to be used, and the remittance address. Examples of indebtedness to the U.S. Government are advance pay, Government Property Lost or Damaged/report of survey, travel collection, health benefits for leave without pay, Office of Workers' Compensation Programs (OWCP) leave buy back, or salary overpayment.

b. Form 668-W, "Notice of Levy on Wages, Salary, and Other Income." Forward the original IRS tax levy (voluntary or involuntary) showing the unpaid balance. Any levies received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

c. Court Ordered Bankruptcy. Forward the original court order and addendums with balance due on the current order. Any court orders received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office.

d. Court Ordered Garnishment. Forward a copy of the most current garnishment for alimony, child support, and/or commercial debt including addendums. If the garnishment was for a set amount, furnish the unpaid balance. Any alimony and/or child support court orders received after payroll accounts have been transferred should be forwarded directly to the consolidated civilian payroll office. Any commercial debt court orders received after payroll accounts have been transferred should be forwarded in accordance with subparagraph 041202.C.

e. Authorizations of NAF 401k Contributions. Forward a copy of the

authorization which supports employee contributions to a NAF 401k plan allowable by the Portability of Benefits for Nonappropriated Fund Employees Act of 1990 (reference (e)).

f. TSP Retroactive Contribution Authorization. Forward a copy of the authorization made by an employee who is currently making retroactive TSP contributions allowable by the Thrift Investment Board under its error correction procedures.

g. SF 1190. Forward a copy of the latest SF 1190 if the data is not included in the automated conversion process. The SF 1190 will be used to support payment of allowances and differentials in foreign areas.

h. Form TSP-22, "TSP Loan Payment Allotment Form." Forward a copy of all Forms TSP-22 which support TSP loan information. Annotate the form with the unpaid balance.

i. SF 1150. Forward a copy of the SF 1150 if all leave data is not included in the automated conversion process. The SF 1150 will be produced and leave balances annotated in the remarks section if credit hours, compensatory hours, advance annual or sick leave, restored/reinstated leave, and compensatory time off for religious reasons are not included in the automated conversion process. Ensure all absence without pay, home leave, and military leave including leave for law enforcement purposes are annotated in blocks 16 through 23 of the SF 1150.

(1) Compensatory time balances must include the overtime rate of pay at which each occurrence of compensatory time was earned.

(2) Restored/reinstated leave information must include the effective date, the termination date, and the balance of each occurrence.

j. SF 1150A. Forward a copy of the SF 1150A if all donated leave data are not included in the automated conversion process. Information concerning individual

donors and balances must be included in order to return unused leave.

k. LES. Forward a copy of the LES used to establish temporary leave balances for recent employee accessions when an SF 1150 has not been received by the losing civilian payroll office.

l. Authorization for Physician's Comparability. Forward a copy of the physician's comparability allowance service agreement (or equivalent) annotated with the unpaid balance.

m. Statement of Annual Annuity Amount for Reemployed Annuitants. Forward a copy of the most recent SF 50 or other documentation which supports the amount of biweekly salary offset for reemployed annuitants.

n. OPM Form 1514. Forward a copy of each OPM Form 1514 with an unpaid balance, a copy of the related SF 2806/3100, and supporting SF 2803/3108, "Application to Make Deposit or Redeposit." Ensure that the copy of OPM Form 1514 forwarded to the consolidated civilian payroll office includes postings for the final pay period paid by the losing civilian payroll office. NOTE: One pay period prior to conversion, forward an advance copy of OPM Form 1514. Ensure that the final OPM Form 1514 is included in the substantiating document file.

o. Form W-5, "Earned Income Credit Advance Payment Certificate." Forward a copy of the Form W-5 to support payment of the advance earned income credit if data is not included in the automated conversion process. If the transfer occurs the last pay period of the year, do not forward. A new Form W-5 must be submitted by the employee.

p. Continuation of Pay, Workers' Compensation, and Buy Back of Leave. Forward a copy of the documentation which supports payment of continuation of pay and/or places an employee on workers' compensation if available. Forward a copy of the documentation to support buy back of leave.

q. SF 1154, "Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee." Complete and forward an SF 1154 for each deceased employee who has not been officially separated from the payroll system and whose unpaid compensation has not been paid to the beneficiaries. The face of the SF 1154 should be completed only for the block beginning "Amount of unpaid compensation due". The Summary of "Unpaid Compensation" on the reverse of the SF 1154 must be completed in its entirety. Ensure that any unpaid compensation placed in the deposit fund account is transferred to the consolidated civilian payroll office via hard copy check. The consolidated civilian payroll office will make the payment to the beneficiaries using the SF 1154 furnished by the losing civilian payroll office upon receipt of the SF 1153, "Claim for Unpaid Compensation of Deceased Civilian Employee," from the civilian personnel office.

r. Unprocessed Documents. Liaison offices should process documents that have been received, but were not processed prior to the transfer of payroll accounts to the consolidated civilian payroll office. Processing should be in accordance with procedures established for that liaison office.

s. Severance Pay Authorization. Forward a copy of an SF 50 for each employee authorized and receiving severance pay. Annotate the remaining severance pay to be paid and weekly severance amount, if not included in the automated conversion process.

C. Prepare Payroll Office Substantiating Document Files. While the majority of employee-related information will be a data transfer as part of the automated conversion process, historical data to support the summary or civilian payroll office level will not be included. Therefore, it will be necessary to transfer certain documents which support actions taken by the losing civilian payroll office in the past.

1. In order to facilitate the movement of hard-copy documents, the losing civilian payroll office must prepare a civilian payroll office substantiating document file that consists of copies of the original documents. The

losing civilian payroll office will retain the original documents in accordance with the General Records Schedule 2 (reference (g)). This will enable the consolidated civilian payroll office to make future corrections or adjustments as necessary.

2. The files will be letter size with the label in the upper left hand corner. The first line of the label will contain the applicable calendar year; the second line will show the losing civilian payroll office employer identification number (EIN); and the third line will contain the civilian payroll office name and number. One file for each calendar year will be assembled and sent as one package to the consolidated civilian payroll office as soon as practical, but not later than 30 days following the transfer of accounts.

3. Listed below is the documentation which must be included in the substantiating document file:

a. Form 941, "Employer's Quarterly Federal Tax Return," and Form 941c, "Statement to Correct Information Previously Reported on the Employer's Federal Tax Return." Forward copies of Forms 941 and 941c for the quarters of the current year plus the quarters for the 3 years prior to transfer to the gaining civilian payroll office;

b. State and Local Tax Returns. Forward copies of all State and local tax reporting files for the current year and the prior 3 years; and

c. SF 135, "Records Transmittal and Receipt." Furnish copies of the SF 135 with accession number and storage bin number after the files have been forwarded to the National Personnel Records Center (NPRC) for the current and previous 6 years.

D. Complete Final Pay Period Processing. The losing civilian payroll office must complete processing for the last pay period for which it has responsibility. Completion of these actions will allow employee records to contain the most current information to be included in the automated conversion process.

1. Compute and process final salary and other payments.

a. Prior to processing the final pay period, ensure that all time and attendance reports have been received from employing activities and that all documentation has been received from civilian personnel offices and employees. The losing civilian payroll office will establish and publish cutoff dates for receipt of all documents for this last pay period.

b. Responsibility for special payments will be determined based upon time frames within which the automated conversion process is completed. Payments made after the last payday and before the automated conversion process is accomplished are the responsibility of the losing civilian payroll office. It is crucial that employee records be updated with such payments prior to the automated conversion processing. Payments made after the last payday and after the automated conversion process is accomplished are the responsibility of the consolidated civilian payroll office.

2. Prepare, balance, and distribute final pay period pay, leave, and management reports. Complete pay period processing in accordance with regular biweekly procedures and make final distribution of management reports. It is suggested that these reports be annotated "FINAL" and a short memorandum attached stating these are the last reports to be sent from this civilian payroll office and that future reports will be sent from the consolidated civilian payroll office. Furnish the consolidated civilian payroll office copies of certified documents, e.g., Form 941, state and local tax reports.

3. Produce SFs 2806/3100. Those civilian payroll offices whose automated system maintains and produces SFs 2806/3100 should ensure that these records are produced for the final pay period paid. Fiscal history records should be closed out for the current year, and the service history should reflect the last SF 50 or other applicable documentation.

E. Reconcile and Clear/Remit Deposit Fund Account Balances. Monies which have been placed in deposit fund accounts pending

remittance to the applicable payee must be remitted immediately after the final pay period. These accounts must not contain a balance after payroll accounts have been transferred to the consolidated civilian payroll office. Any monies remaining in these accounts after final remittances have been made must be reconciled and the account cleared. Listed below are types of accounts which may contain balances after completion of final pay period processing along with instructions for the disposition of those balances.

1. State and Local Tax. The disbursing office will remit all State and local taxes which have been withheld from employees, but not paid to the applicable taxing authority regardless of the regular payment schedule. Annotate the payment as "FINAL" and inform the taxing authority that future payments will be forthcoming from the consolidated civilian payroll office. An exception is the civilian payroll office which reports non-payroll type taxes under the same employer identification number as the civilian payroll office. For those, do not mark the remittance as "FINAL."

2. Savings Bonds. The bond issuing agent or disbursing officer shall remit all savings bond balances in the form of a Treasury check made payable to the disbursing officer (in his/her official capacity) at the consolidated civilian payroll office. Accompanying the check should be a listing or report which contains each employee identified by name, SSN, and the unpaid balance.

3. Indebtedness. Remit all collections which have been made for indebtedness that have other than a biweekly remittance schedule. Annotate the payment as the last one from the losing civilian payroll office and inform the creditor agency that future payments will be forthcoming from the consolidated civilian payroll office.

4. Other Items Not Remitted on a Biweekly Basis. Remit all collections which have been made for items that have other than a biweekly remittance schedule, e.g., monthly allotments. Annotate the payment as "FINAL" and inform the payee that future payments will

be forthcoming from the consolidated civilian payroll office.

5. **Beneficiary Compensation.** Remit unpaid compensation due beneficiaries of deceased employees in the form of a Treasury check made payable to the disbursing officer (in his/her official capacity) at the consolidated civilian payroll office. Accompanying the check should be a listing or report containing the deceased employee's name, SSN, and the amount of unpaid compensation due. This information should support the SF 1154 contained in the employee substantiating document file transferred to the consolidated civilian payroll office and should be only for those deceased employees who have not been officially separated from the payroll system.

F. **Prepare and Remit Quarterly and Annual Reports.** Although the final pay period paid by the losing civilian payroll office may not coincide with the last pay period of the quarter or of the pay or leave year, the losing civilian payroll office will prepare reports or submit documentation to the applicable office.

1. **Individual Leave Record (or equivalent).** Prepare Individual Leave Records (or equivalent) for the year of transfer, if not previously produced. These records will be maintained at the losing payroll office site for research and reference by the consolidated civilian payroll office.

2. **Individual Pay Record (or equivalent).** Prepare the Individual Pay Record (or equivalent) for the year of transfer, if not previously produced. These records will be maintained at the losing payroll office site for research and reference by the consolidated civilian payroll office.

3. **Form 1099-MISC, "Miscellaneous Income."** Prepare and distribute unissued Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees for whom the SF 1153 has been received. Distribution of the Form 1099-MISC (or Form W-2) to beneficiaries of deceased employees should be made as soon as payment has been made. The Form 1099-MISC will be prepared and submitted to the Social Security

Administration (SSA) with the Form 1096, "Annual Summary and Transmittal of U.S. Information Returns." Transfer unpaid beneficiary compensation to the consolidated civilian payroll office in accordance with subparagraph 010504.E.5.

4. **Form W-2, "Wage and Tax Statement."** The Form W-2 for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it will not be possible to print and distribute these tax statements. The civilian payroll office assuming responsibility for the payroll accounts shall print and distribute Forms W-2 at the end of the current tax year using the EIN and address of the losing civilian payroll office. The losing civilian payroll office shall be responsible for undeliverable tax statements except in the case of a complete base closure. In the case of a base closure, the consolidated civilian payroll office shall assume responsibility for undeliverable Forms W-2. See subparagraph 090207.C.1. for additional information.

5. **Form 941/941c.** Prepare and balance the Form 941 for all wages, deductions, and contributions for the quarter of conversion and prepare Form 941c for prior quarters as necessary. Mail these tax reports as soon as all necessary balancing has been done. Form 941/941c must be filed within the time limits specified in Circular E (reference (i)). Inform the IRS of the gaining civilian payroll office's address and EIN.

6. **Federal Tax Reporting.** Magnetic tape specifications for the current year may not be available when payroll accounts are transferred to the consolidated civilian payroll office. Therefore, it may not be possible to create the year-end tape at the time payroll accounts are transferred. Conversion procedures will contain instructions for preparation and delivery of data files which will be used in creating the magnetic tape.

7. **State and Local Annual Tax Reports.** Prepare all State and local tax reports for the year of transfer. Taxable wages and year-to-date tax deductions must be balanced for all affected employees and any necessary corrections

or adjustments made. Submit all State and local annual tax reports to the applicable taxing authority as soon as they are balanced and reconciled. State and local tax reports must be filed within the time limits specified by the state or local authority.

8. Department of Labor Quarterly Continuation of Pay Report. Prepare the Department of Labor Quarterly Continuation of Pay Report as of the last pay period paid by the losing civilian payroll office. Submit the Department of Labor Quarterly Continuation of Pay Report in accordance with normal distribution instructions as soon as possible after the end of the last pay period paid, but not later than 30 days after the date of the last payday.

9. Report of Work Years and Personnel Costs for DoD Civilian Employment (0197-OPM-AN). Prepare Part C (Leave Earned and Used) of the Report of Work Years and Personnel Costs for DoD Civilian Employment as of the last pay period paid by the losing civilian payroll office. Part C was formerly Part D and has been redesignated for fiscal year 1992. The report should contain leave information for all pay periods paid during the current leave year by the losing civilian payroll office. Submit the Report of Work Years and Personnel Costs for DoD Civilian Employment in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

10. Report of Personnel and Payroll Outlays by Operating Location (RCS: DD-COMP(A) 1600). Prepare the Report of Personnel and Payroll Outlays by Operating Location as of the last pay period paid by the losing civilian payroll office. The report should contain information from the fourth quarter of the prior calendar year and all pay periods paid prior to the transfer of payroll accounts to the consolidated civilian payroll office. Submit the Report of Personnel and Payroll Outlays by Operating Location in accordance with instructions as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

11. Report of Collections for Federal Salary Offset (RCS: DD-COMP(M) 1659). Prepare the Report of Collections for Federal Salary Offset as of the last pay period paid by the losing civilian payroll office. The report should contain all collections made during the month in which the losing civilian payroll office accounts are transferred to the consolidated civilian payroll office. Submit the Report of Collections for Federal Salary Offset to the departmental level as soon as possible after the end of the last pay period paid, but not later than the regularly scheduled submission date.

G. Balance, Close Out, and Transfer Retirement Records. All SFs 2806/3100 must be balanced, closed out, and transferred from the losing civilian payroll office. The OPM has agreed to accept all SFs 2806/3100 for the CSRS/FERS as a part of the consolidation initiative. This includes those records being maintained for frozen CSRS accounts and military deposits. Records will only be forwarded to the OPM when the civilian payroll office, the departmental reporter, and the OPM are in balance. Listed below are the tasks which must be accomplished in order to submit the SFs 2806/3100.

1. Resolve Retirement Plan Discrepancies. Employees who have been erroneously placed in an incorrect retirement plan, and whose records have not been adjusted, must have such adjustments completed prior to submitting the records to the OPM. Complete adjustment actions underway to correct the SFs 2806/3100 and correct associated reports such as the SF 2812, "Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement," and Form 941 as necessary. Inform the consolidated civilian payroll office of any changes to previously converted data such as year-to-date Social Security and Medicare wages. In addition, request the servicing civilian personnel offices to perform a review of employee records to ensure that previously reported retirement plans are correct. Ensure that frozen CSRS accounts have been properly handled in accordance with instructions contained in OPM Payroll Office Letter 88-13, dated November 8, 1988 (reference (j)).

2. Complete SF 2806/3100 Posting. Ensure that the Name History, date of birth, SSN, payroll office information, Service History, and Fiscal History on the SF 2806/3100 are completely posted. The Name History and Service History must contain all SF 50 data received during the last pay period. The Fiscal History calendar year salary deductions for the current pay year must include deductions for the last pay period paid by the losing civilian payroll office. Annotate the last entry of the Service History with the following: "Transfer of payroll function to the Defense Civilian Pay System -- (name of consolidated civilian payroll office)." For example, the records for those payroll accounts transferred to the Denver Center would read: "Transfer of payroll function to Defense Civilian Pay System - DFAS - Denver Center."

3. Balance SFs 2806/3100. The monetary amount contained on the last posting on the Fiscal History Accumulative Total Salary Deductions for each hard copy SF 2806/3100 must be in agreement with cumulative retirement deductions for each employee contained in the automated civilian payroll system. Ultimately, this amount must also be in agreement with cumulative amounts agreed upon by the OPM and the departmental level. Discrepancies must be resolved and corrective action taken to adjust either cumulative retirement deductions and/or hard copy SFs 2806/3100.

4. Balance Military Deposit Worksheets. Ensure that all repayments (cash collections or payroll deductions) made for military service credit deposits have been posted to the OPM Form 1514 and the remaining balance reflects accrued interest through the date of the last payment. Also ensure that each OPM Form 1514 is supported by, and is in agreement with, the SF 2806/3100 maintained for that purpose. This SF 2806/3100 is separate and apart from the SF 2806/3100 maintained for regular retirement. Ensure that all collections have been reported via the SF 2812.

5. Balance TSP Accounts. Amounts reported to NFC on Form TSP-2, "Thrift Savings Plan Certifications of Transfer of Funds and Journal Voucher," must be in agreement with amounts reported by the disbursing

officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information provided by the disbursing officer and the NFC. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments.

6. Balance SFs 2812. Amounts reported to the OPM on the SF 2812 must be in agreement with amounts reported by the disbursing officer to the departmental level. The departmental level will have performed an analysis of the two amounts based on information provided by the disbursing officer and the OPM. The losing civilian payroll office will be responsible for reconciling the difference and making necessary adjustments. Ensure that all collections have been reported via the SF 2812.

7. Certify SFs 2806/3100. Each SF 2806/3100 must be certified for its accuracy. The certification will begin on the line below the last fiscal entry and will carry the annotation "Deductions and service certified correct." The payroll certifying officer will be responsible for signing the certification.

8. Transmit SFs 2806/3100. All SFs 2806/3100 for CSRS and FERS shall be forwarded to the OPM. This includes those records being maintained for frozen CSRS accounts and military deposits. SF 2807, "Register of Separations and Transfers," for CSRS and SF 3103, "Register of Separations and Transfers," for FERS shall be prepared to forward records to the OPM. A copy of the register shall be provided to the consolidated civilian payroll office. In order to minimize the number of registers submitted to OPM, each register except for the last should contain 100 records. The records will be arranged in alphabetical order within the register. Only the last page of the register should contain page totals, totals brought forward from page..., and accumulated totals to date; therefore, except for the final page of each register, cut off each page just above the "Page Totals" block.

a. Employees who separate or retire before their records are transferred to the OPM will have their SFs 2806/3100 submitted immediately in accordance with standard

procedures. They will not be batched with other records submitted to the OPM as part of the transfer of the payroll function. The consolidated civilian payroll office must be informed of the register number that submits this type of record so the number may be annotated on the retirement transmittal submitted to the OPM from the consolidated civilian payroll office for the same employee. This will allow the OPM to combine both submissions into one package.

b. SFs 2807 received by a losing civilian payroll office after payroll accounts have been transferred to the consolidated civilian payroll office will be returned to the sender. Attach the SF 2807 to a memorandum explaining that the payroll accounts have transferred to the consolidated civilian payroll office and the SFs 2806/3100 must be sent to the OPM. A sample memorandum is at Figure 1-11.

9. **Make Final Adjustments.** The OPM and the departmental level will reconcile the civilian payroll office retirement balances for each year to determine a mutually agreeable cumulative retirement balance. That will represent the balance with which the civilian payroll office must reconcile the SFs 2806/3100. In some instances, it may be impossible to reconcile this cumulative balance to the total number of SFs 2806/3100 on hand. Therefore, certain final adjustments may be necessary either on the part of the civilian payroll office or the OPM. As adjustments may vary from civilian payroll office to civilian payroll office, each departmental level will instruct civilian payroll offices as to what actions must be taken for their particular case. The gaining civilian payroll office has the responsibility for making all adjustments and informing the losing civilian payroll office departmental reporter of any adjustments made.

10. **Clear OPM Discrepancy Notifications.** All outstanding OPM discrepancy notifications must be resolved and returned as soon as possible, but not later than 2 weeks after the last SF 2806/3100 has been submitted.

11. **Microfilm/Microfiche SFs 2806/3100.** A permanent record of SFs 2806/3100 must be made in case they are lost or destroyed during submission. Microfilm or

microfiche all SFs 2806/3100 prior to shipment from the losing civilian payroll office. If microfiche is used, it must be of a quality acceptable for the General Records Schedule (reference (g)). Retirement cards are to be filmed in the same order as they appear on the register to OPM. The quality of the product should be reviewed after records are microfiched to ensure the records are legible. Two sets of microfilm/microfiche must be produced. One set must be retained as a part of the documents retained by the losing civilian payroll office and one set must be forwarded to the consolidated civilian payroll office.

H. **Complete In-Process Adjustments.** Losing civilian payroll offices may have work in progress that will not be completed prior to the transfer of payroll accounts to the consolidated civilian payroll office. Examples of these types of adjustments would include research and recalculation of retroactive adjustments to pay, leave, and deductions.

1. Adjustments for active employees that have not been updated in the losing civilian payroll office's current payroll system will not be included in data converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the action and inform the consolidated civilian payroll office of the results so that office may take the appropriate action.

2. Inactive employee records will not be converted for the consolidated civilian payroll office. The losing civilian payroll office must complete the in-process adjustment and take appropriate action to ensure the records and reports applicable to that office include the adjusted amounts. Forward any report which has changed and which was previously included in the payroll office substantiating document files to the consolidated civilian payroll office.

I. **Prepare Hard Copy Historical Files.** The losing civilian payroll office will be responsible for maintenance and disposition of those residual records which are not forwarded to the consolidated civilian payroll office. These records fall into two categories: those having a permanent retention and are forwarded to the NPRC, St. Louis, Missouri, after a prescribed

time limit; and those having a temporary retention and are destroyed after being held for a prescribed time limit. Records disposition will be in accordance with Component instructions previously followed by the losing civilian payroll office.

1. Permanent Retention

a. Individual Pay Records (or equivalent) will be retained and submitted to the NPRC in accordance with Component retention requirements. Transfer records which have been retained longer than the last date prescribed by Component regulation to the NPRC within 90 days after transfer of payroll accounts to the consolidated civilian payroll office. Forward one copy of the SF 135 that accompanied these records to NPRC to the consolidated civilian payroll office.

b. The losing civilian payroll office must continue to submit records of this type to the NPRC on an annual basis, as prescribed by Component directive, until there are no records having permanent retention remaining. By January 31st transmit each year's submission and forward a copy of the SF 135 to the consolidated civilian payroll office.

2. Temporary Retention. Payroll substantiating files which support biweekly computations and provide an audit trail must be retained in accordance with Component retention requirements. Examples of these files include residual employee substantiating document files, Quarterly Individual Leave Record (or equivalent), and time and attendance reports.

MEMORANDUM FOR CIVILIAN PERSONNEL OFFICERS

SUBJECT: Change in Payroll Servicing Arrangement

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The Defense Civilian Pay System has been selected as the standard system, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located at Denver, Colorado. The payroll office located at (payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the Denver Center effective with the pay period beginning _____. The Payroll Office Number assigned to the Denver Center is 97-380100.

This memorandum is to officially notify you of the impending change in the payroll servicing arrangement, and to request that you disseminate this information to all affected parties including State unemployment offices. We are particularly interested in ensuring that all labor organizations and other like employee associations be notified well in advance of the change in servicing arrangement and the effective date so they may inform their members. The Denver Center will be forwarding a "welcome" package to you under separate cover. This package will explain in greater detail the payroll services which will be provided and will also outline changes which you may expect.

It is also requested that you initiate action to change the servicing Payroll Office Number associated with each employee record contained in your automated civilian personnel system. This change is necessary to ensure that automated submissions of entitlement and deduction data are directed to the proper payroll office. The change in servicing Payroll Office Number should be made after completing all transactions for the pay period ending _____, and before initiating the first transaction for the pay period beginning _____. We have established a cut off date of _____ which will be the last date transactions may be received and processed by this payroll office. You are requested to make every effort to honor this date as we must be in a position to complete final pay period processing and prepare for the transfer of payroll files to the consolidated site.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Local Finance and Accounting Officer

Attachment

Internal Revenue Service
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address) is scheduled to be consolidated into the Denver Center effective with the pay period beginning ____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that remittances for tax levies and voluntary repayment of delinquent taxes will no longer be made by this payroll office after _____. Enclosed is a list of employees within your jurisdiction for which this office is making payroll deduction for tax levy(s). The Form 668-W (Notice of Levy on Wages, Salary, and Other Income) provided to this payroll office has been forwarded to the Denver Center as part of the official records of that office. The Denver Center will honor the Notice of Levy, and you may expect to receive the first remittance from the Denver Center on or about _____. Levies which have been misrouted to this office and received after _____ will be forwarded directly to the Denver Center.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Enclosure

Figure 1-2, Sample Letter to Internal Revenue Service

Date _____

Internal Revenue Service
(Enter address of Regional Service Center)

Dear Sir:

The purpose of this letter is to advise you that all civilian payroll accounts located at _____, Employer Identification Number (EIN) _____ will be moved to a consolidated civilian payroll office located at _____, effective _____.

The _____ uses Employer Identification Number _____. Its address is:

Civilian employees affected by the consolidation will receive two Wage and Tax Statements (Forms W-2) for tax year _____. _____ will issue Forms W-2 to employees and submit Federal tax reports to the IRS through _____. The _____ will also issue Forms W-2 to employees for wages paid beginning _____ through the end of the current tax year. Although _____ will perform no further annual civilian payroll reporting after tax year ____, we may have occasion to report certain adjustments for civilian employees against it in the future. Therefore, it must continue to be available for this purpose. Any questions which pertain to the planned consolidation should be directed to _____.

Sincerely,

Local Finance and Accounting Officer

Figure 1-3, Sample Letter to Internal Revenue Service for Closure

State/Local Taxing Authority
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address), Employer Identification Number (EIN) _____, is scheduled to be consolidated into the Denver Center effective with the pay period beginning _____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that the withholding and remittance of taxes for your jurisdiction will no longer be made by this payroll office after _____. The Denver Center, EIN _____, will be withholding taxes according to your published formulas, and remittance will be in accordance with your agreement with the Department of the Treasury.

We will be providing you tax reports as a part of our normal disestablishment procedures. These reports will include those normally furnished to you after the end of the tax year other than Form W-2 and automated reporting media. The Form W-2 to individual employees will be produced and distributed after the end of the tax year by the consolidated payroll office. You will also receive year-end automated reporting at that time.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Figure 1-4, Sample Letter to State/Local Taxing Authority

National Finance Center
Thrift Savings Plan Operations Office
P.O. Box 61150
New Orleans, Louisiana 70161-1500

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the Denver Center effective with the pay date of _____. The Payroll Office Number assigned to the Denver Center is 97-38-0100.

This letter is to officially notify you of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Employee data records for the final submission from this payroll office will contain the TSP Separation Code "T" for those records which are being transferred to the Denver Center. All other records will carry the TSP Separation Code applicable to the particular employee being reported. Enclosed is a list of employees currently having deductions made for TSP loans. Documentation to support these loans will be transferred to the Denver Center, and you may expect to receive loan payment data along with regular biweekly employee data and payment record submissions.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Enclosure

cc:
Thrift Investment Board

NOTE: Address correspondence to the Thrift Investment Board as follows:

Federal Retirement Thrift Investment Board
805 Fifteenth Street, NW
Washington, DC 20005

Court of _____
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address) is scheduled to be consolidated into the Denver Center effective with the pay period beginning ____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for (alimony, child support, bankruptcy, commercial debt) will no longer be made by this payroll office after _____. The enclosed list reflects employees who are having deductions made by this payroll office on your behalf. The Denver Center has been provided the official court documentation and will continue to honor the collection. You may expect to receive remittances from them on a biweekly basis beginning on or about _____.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Enclosure

Figure 1-6, Sample Letter to Courts

Federal Reserve Bank/Financial Institution
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address) is scheduled to be consolidated into the Denver Center effective with the pay period beginning ____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that remittances for net salary payments and allotments will no longer be furnished by this payroll office after _____. Previously completed employee authorization for deposit to accounts will be transferred to the Denver Center, and the Denver Center will continue to honor these authorizations. You may expect to receive the first remittance from the Denver Center on or about _____.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Figure 1-7, Sample Letter to Federal Reserve Bank/Financial Institution

Fiscal Management Division
Retirement and Insurance Division
Office of Personnel Management
Washington, DC 20415-0001

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the Denver Center effective with the pay period beginning _____. The Payroll Office Number for the Denver Center is 97-38-0100.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that you will no longer receive biweekly reports for withholdings and contributions or annual retirement summaries from this office. Submission of the last SF 2812, "Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance, and Civil Service Retirement," will be on _____. Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System will be forwarded in accordance with agreements you have reached with the Director, Defense Finance and Accounting Service. We will be working closely with our departmental personnel and your staff to ensure that our records are in balance before they are remitted. Any questions concerning our records once they are balanced and forwarded should be directed to the Denver Center.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Nonappropriated Fund Employee Benefit System
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address) is scheduled to be consolidated into the Denver Center effective with the pay period beginning ____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that remittances for Nonappropriated Fund retirement will no longer be furnished by this payroll office after _____. Responsibility for deduction and remittance of retirement contributions will be assumed by the Denver Center. You may expect to receive the first remittance from the Denver Center on or about _____.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Figure 1-9, Sample Letter to NAF Employee Benefit System

Combined Federal Campaign of _____
Street Address
City, State ZIP Code

Dear Sir:

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address) is scheduled to be consolidated into the Denver Center effective with the pay period beginning ____.

This letter is to officially notify you of the impending change in the payroll servicing arrangement, and to inform you that withholding and remittance of payments for charitable contributions will no longer be made by this payroll office after _____. The Denver Center will continue to honor previously executed employee authorizations for charitable contributions. You may expect to receive remittances from the Denver Center on a biweekly basis beginning on or about _____.

The point of contact for (local payroll office) is _____. He/she may be reached at _____. The point of contact for the Denver Center is _____. He/she may be reached telephonically at _____, or by addressing mail to the Defense Finance and Accounting Service - Denver Center, Attn: DFAS-DE/FNA, 6760 E. Irvington Place, Denver, Colorado 80279-4000.

Sincerely,

Local Finance and Accounting Officer

Figure 1-10, Sample Letter to Combined Federal Campaign

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICE

SUBJECT: Return of Individual Retirement Records

The Department of Defense has an initiative underway to consolidate its payroll operations and to use a standard automated civilian payroll system. The standard system has been selected, and the first of the consolidated sites has been designated at the Defense Finance and Accounting Service Center located in Denver, Colorado. The payroll office located at (payroll office name and address), Payroll Office Number _____, has been consolidated into the Denver Center effective with the pay period beginning _____.

In addition to the transfer of payroll accounts to the consolidated site, the Office of Personnel Management (OPM) has agreed to accept all Individual Retirement Records for the Civil Service Retirement System and the Federal Employees Retirement System. Therefore, as a result of the consolidation effort and the OPM agreement, it is not possible for this office to accept the retirement records attached to SF 2807 IA XX-XX. The attached SF 2807 is being returned to you without action, and the Individual Retirement Records erroneously forwarded to this office must now be forwarded to the OPM. You should prepare an SF 2807 in the OPM series and forward these records as soon as possible after receipt.

Local Finance and Accounting Officer

Attachment

Figure 1-11, Sample Memorandum to Finance & Accounting Office

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