

CHAPTER 1

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 Department 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 Department to establish payroll procedures consistent with the requirements of law and regulation is derived from Title 5, United States Code (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) were abolished. Several of the supplements were replaced with Operating Manuals that are to be used as guides in the administration of civilian pay and leave. Abolished portions of the FPM should no longer be used.

0102 OVERALL REQUIREMENTS010201. Overview

★ A. As determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the DoD Components will use the Defense Civilian Pay System (DCPS) and will eliminate their own payroll systems.

★ 1. Any approved unique payroll system shall be integrated or interfaced with other applicable systems, such as the Defense Civilian Personnel Data System, general ledger or an installation-level general accounting system.

★ 2. The Director, Defense Finance and Accounting Service (DFAS) shall approve continued operation of any such unique payroll system.

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 controls 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. Funds Control

★ A. Funds used to pay DoD civilian employees are appropriated by the Congress and apportioned to the Department 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.

B. Department 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. The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions and systems. This responsibility necessitates that adequate written procedures are established and implemented; all personnel are 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. The Director, DFAS 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 Department;
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 compute the payroll, certify payments, 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 reconciliation 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' pay shall be computed on a biweekly basis, unless law requires a different time frame. 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 should 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 returned 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 generally are 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 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. Public Law 104-134, the Debt Collection Improvement Act of 1996 (Act) (reference (e)), requires all Federal payments to be made by electronic funds transfer (EFT), with the exception of tax refunds, beginning January 2, 1999. On September 25, 1998, the Department of the Treasury and its Financial Management Service issued final rule 31 CFR Part 208 (reference (c)), which implements the EFT requirements of the Act.

B. Policy. The Department requires participation in EFT as a condition of employment. The policy covers all categories of DoD personnel including civilians, military, military retirees, and annuitants.

C. Responsibilities

1. Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer shall:

a. Publish EFT payment policy and implementing procedures for pay of all DoD civilian personnel.

b. Coordinate the presentation of issues and proposed exceptions in the Department's mandatory EFT policy to the Department of the Treasury for approval.

c. Prepare appropriate reports for submission to the Department of the Treasury.

d. Ensure that DFAS Centers provide periodic reports to DFAS-HQ which reflect EFT participation; and

e. Furnish, to employing organizations at the end of each fiscal year quarter, a listing of DoD employees paid by DFAS who do not participate in EFT.

2. DoD Component Personnel Directors shall:

a. Ensure all civilian employees are informed of the conditions under which participation in the EFT program is required.

b. Promote EFT enrollment. Employing activities will be furnished a report after the end of each fiscal year quarter of employees, by organization, who do not participate in EFT.

3. Directors or Commanders of all DoD Activities shall:

a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions.

b. Monitor EFT participation.

c. Ensure that waivers for all eligible employees are on file.

d. Ensure reimbursements are made to civilian employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts (see paragraph 010304.); and

e. Provide information for reporting purposes to DFAS Centers when so requested (see paragraph 010305.).

D. Applicability. The mandatory EFT provisions apply to all DoD personnel, including nonappropriated fund (NAF) personnel.

E. Waivers

1. General. Individuals who believe that EFT will cause them a hardship may elect a waiver.

2. Waiver Submission. Waivers will be submitted to the commanding officer or civilian director of the employing activity.

3. Authorized Waivers. In accordance with 31 CFR Part 208.4 (reference (c)), payment by EFT is not required in the following cases:

a. Where an individual determines that payment by EFT would impose a hardship due to a physical or mental disability or a geographic, language, or literacy barrier, or would impose a financial hardship.

b. Where the political, financial, or communications infrastructure in a foreign country does not support payment by EFT.

c. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after this disaster is declared.

d. Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised.

e. Where the agency does not expect to make more than one payment to the same recipient with a one-year period, i.e., the payment is non-recurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check.

010303. EFT Documentation for Enrollment

A. To enroll in the EFT program, an employee must complete one of the following Direct Deposit authorization forms and submit the form to his or her local Customer Service Representative.

1. SF 1199A (Direct Deposit Sign-Up Form);
2. FMS Form 2231 (FASTSTART Direct Deposit); or
3. DD Form 2762 (Direct Deposit Authorization).

Each form contains detailed instructions for completing the authorization. The SF 1199A has a section that must be completed by the employee's financial institution. FMS Form 2231 and DD Form 2762 do not require approval by a financial institution.

B. The following enrollment sources may be used to support the FMS Form 2231 or DD Form 2762:

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 EFT enrollment.

010304. 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.

010305. Reporting Requirements. The DFAS Centers will periodically report to DFAS-HQ/F on EFT participation. Refer to subparagraph 090205.F. for reporting guidance.

010306. Payments other than EFT

A. The disbursing officer shall mail checks to the non-work 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 Department.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. Adding a prefix or suffix is not authorized. Only the nine 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. Normally, only one pay record shall be active at any given time for each authorized position. If more than one pay record is maintained, 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 be 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 work 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 five preceding months' records readily available for processing and inquiry. Summary information shall be carried forward, longer than six 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 with the CSR. All source documents that 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. Bankruptcies, court-ordered garnishments of alimony, child support, and commercial debts are maintained by DFAS-CL/L;

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 employing activity/CSR 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. Employment/loan verification requests;

3. Employee deduction information (allotments and net pay distribution; charities; unions; federal, state and local taxes; bonds; and address changes); and

★ 4. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

★ 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. The disposition of active and inactive files shall be in accordance with the General Records Schedule 2 (reference (g)).

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 civilian payroll office uses the Form TSP-22-R (Loan Payment Allotment Form-Reamortization) to begin deductions for a TSP loan.

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

A. Controls that will help ensure the correct, complete, accurate, and properly authorized processing of payroll documents include, but not limited to, the following items.

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

- a. Certification of payments,
- b. Payroll computation,
- c. Recording of payroll account data,
- d. Distribution of pay,
- e. Review of payroll transactions,
- f. Automated system development,
- g. System testing,
- h. System implementation, and
- i. 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 that 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 that help ensure that computerized payroll operations process transactions 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. The software in use must ensure that beginning totals plus transaction totals equal ending totals.

010407. Reconciliation with Human Resources Organization

★ A. Reconciliation of common data between the appropriate human resources organization (HRO) and the civilian payroll office must be accomplished every four months. The appropriate HRO reviews the reconciliation and annotates any mismatches it resolves and passes them 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 civilian payroll office will accomplish the reconciliation within 10 workdays after receipt from the appropriate HRO.

★ B. Based on the predetermined schedule, DCPS will generate and transmit the reconciliation files to the appropriate personnel system host.

0105 CIVILIAN PAYROLL OFFICE DISESTABLISHMENT PROCEDURES

010501. Purpose. These procedures prescribe the responsibilities and actions for DoD civilian payroll operations that 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. These procedures must be completed within 90 days after the date the payroll accounts are transferred to the consolidated civilian payroll office.

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 that 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. For consolidations occurring overseas, it is recommended that notification be made not later than 45 days prior to the date of 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 that may be used for that purpose are shown in Figures 1-1 through 1-12. 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. The appropriate HRO providing support to the civilian payroll office. The appropriate HRO 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 is submitted. See Figure 1-2. Inform the IRS office that there will be no further annual civilian pay reporting for the losing civilian payroll office EIN. The consolidated civilian payroll office may submit adjustments to prior tax reports. 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 the Treasury but for whom employees are making tax payments via allotments). See Figure 1-4.

★ d. The National Finance Center (NFC), as the TSP Recordkeeper. Adjustments prior to conversion will be made using the old payroll office number. 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. The supporting Federal Reserve Bank (FRB) and other financial institutions to which remittances are being made. See Figure 1-7.

★ g. The OPM. Adjustments prior to conversion will be made using the old payroll office number. 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. Employees making installment payments by check or money order for indebtedness to the U.S. Government. See Figure 1-11.

★ k. The Defense Manpower Data Center (DMDC) and DFAS-Cleveland Center for salary offsets which will be processed at the consolidated civilian payroll office. See Figure 1-12.

★ l. 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 system-generated listing, initiated by the civilian payroll office, to the SF 2811 in lieu of individual SFs 2810.

m. 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 that 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, the losing civilian payroll office should retain a copy.

★ 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., bankruptcies.

★ 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. All documents contained in the subject matter file should contain the employee's name and SSN.

★ 4. 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. The files will be assembled in either SSN sequence within payroll block or straight SSN sequence and sent as one package to arrive at the consolidated civilian payroll office not later than the end of the first week following conversion.

5. Listed below is documentation that 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 of 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 orders 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 addendum. If the garnishment was for a set amount, furnish the unpaid balance. Any 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.

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 and/or 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 on the SF 1150 in blocks 16 through 23.

(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 that 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. The employee must submit a new Form W-5.

p. Continuation of Pay, Workers' Compensation, and Buy Back of Leave. Forward a copy of the documentation that supports payment of continuation of pay and/or places an employee on workers' compensation if available. Forward copies 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 appropriate HRO.

★ r. Unprocessed Documents. The CSR 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 CSR.

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 that 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 the end of the first week following conversion.

3. Listed below is the documentation that 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 three years prior to transfer to the gaining civilian payroll office;

★ b. Form W-3 (Transmittal of Wage and Tax Statements) and Form W-3c (Transmittal of Corrected Income and Tax Statements). Forward copies of Forms W-3 and W-3c for the current year of conversion plus the three years prior to conversion for the losing civilian payroll office.

★ c. State and Local Tax Returns. Forward copies of all state and local tax reporting files for the current year and the prior three years; and

★ d. 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 six 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 the appropriate HROs 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. Moneys that 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 moneys remaining in these accounts after final remittances have been made must be reconciled and the account cleared. Listed below are types of accounts that 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 that 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 that 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 that 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 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 on the part of the consolidated civilian payroll office until the accounting activity is consolidated to a DFAS Operating Location (OPLOC).

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 on the part of the consolidated civilian payroll office until the accounting activity is consolidated to an OPLOC.

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 (h)). 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 that 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 OPLOC 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 that 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 appropriate servicing HRO 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 Operating Manual, the CSRS and FERS Handbook for Personnel and Payroll Offices (reference (i)).

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 DFAS-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. Ensure that each OPM Form 1514 is supported by, and is in agreement with, the SF 2806 or SF 3100 maintained for that purpose. This SF 2806/3100 is separate and apart from the SF 2806 or SF 3100 maintained for regular retirement. Ensure that all collections have been reported via the SF 2812.

5. Balance TSP Accounts. Amounts reported to the 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 1-13.

★ 9. Clear OPM Discrepancy Notifications. All outstanding OPM discrepancy notifications must be resolved and returned as soon as possible. The goal is two weeks after the last SF 2806/3100 has been submitted.

★ 10. Microfiche SFs 2806/3100. A permanent record of SFs 2806/3100 must be made in case they are lost or destroyed during submission. Microfiche all SFs 2806/3100 prior to shipment from the losing civilian payroll office. Microfiche must be of a quality acceptable for the General Records Schedule 2 (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 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 for court cases such as Armitage, et al. v. United States, MSPB and FLRA judgments, arbitrations, grievances, unfair labor practice determinations, and settlement agreements. The consolidated civilian payroll offices will not assume the responsibility for completion of these actions.

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 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 includes 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. Maintenance and Disposition of Historical Files

1. The losing civilian payroll office/accounting activity will be responsible for maintenance and disposition of those residual records that are not forwarded to the consolidated

civilian payroll office. Records disposition will be in accordance with the General Records Schedule 2 (reference (g)).

2. Upon consolidation of the accounting activity to an OPLOC, provide microfiched copies of the residual employee pay records (or equivalent), leave records (or equivalent), and time and attendance records (as available) to the consolidated civilian payroll office. The quality of the product should be reviewed after records are microfiched to ensure that records are legible. Microfiched records which are not of an archival quality will not be accepted by the consolidated civilian payroll office.

a. Forward only the residual microfiched records that have not met disposition requirements in accordance with the General Records Schedule 2 (reference (g)). These records should be in chronological order, by pay block (if applicable) and SSN. For civilian payroll offices using other than the SSN for record sequencing (i.e. employee identification number or name), a listing should be provided, either on microfiche or hard copy, for converting the employee identification number or name to the SSN.

b. Forward either the hard copy or microfiched pay records to the NPRC. For civilian payroll offices using other than the SSN for record sequencing, also forward a copy of the above mentioned listing to the NPRC. Forward to the consolidated civilian payroll office a copy of the SF 135 that accompanied these records to the NPRC.

c. Dispose of remaining records in accordance with local disposition procedures.

d. Employee and payroll substantiating files as specified in subparagraphs 010504.B. and C. may be disposed of in accordance with local disposition procedures since copies or originals of these documents have already been forwarded to the consolidated civilian payroll office.

MEMORANDUM FOR HUMAN RESOURCES OFFICERS

SUBJECT: Change in Payroll Servicing Arrangement

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This memorandum is to notify you officially 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 (name of consolidated site) will be forwarding a “welcome” package to you under separate cover. This package will explain in greater detail the payroll services that will be provided and will also outline changes that 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 civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Local Finance and Accounting Officer

Attachment

★Figure 1-1 (Sample Memorandum to Human Resources Officers)

Internal Revenue Service
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially 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 (name of consolidated site) as part of the official records of that office. The (name of consolidated site) will honor the Notice of Levy, and you may expect to receive the first remittance on or about _____. Levies, which have been misrouted to this office and received after, _____ will be forwarded directly to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-2 (Sample Letter to Internal Revenue Service for Levies)

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 payroll office located at (local civilian payroll office name and address), Employer Identification Number (EIN) _____, is scheduled to be consolidated into the (name of consolidated site -- Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that this payroll office after will no longer make the withholding and remittance of taxes for your jurisdiction _____. The (name of consolidated site), 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 civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

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 payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay date of _____. The Payroll Office Number assigned to the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially 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 that are being transferred to the (name of consolidated site). 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 (name of consolidated site) 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 civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

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
1250 H Street, NW
Washington, DC 20005

★Figure 1-5 (Sample Letter to National Finance Center)

Court of _____
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially 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 payroll office after _____. The enclosed list reflects employees who are having deductions made by this payroll office on your behalf. The (name of consolidated site) 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 civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

Federal Reserve Bank/Financial Institution

Street Address

City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially 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 (name of consolidated site) and will continue to honor these authorizations. You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-7 (Sample Letter to Federal Reserve Bank/Financial Institution)

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

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____. The Payroll Office Number for the (name of consolidated site) is 97-38-(number).

This letter is to notify you officially 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. 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 (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-8 (Sample Letter to Office of Personnel Management)

Nonappropriated Fund Employee Benefit System

Street Address

City, State ZIP Code

Dear Sir:

The payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially 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 (name of consolidated site). You may expect to receive the first remittance on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

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 payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially 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 (name of consolidated site) will continue to honor previously executed employee authorizations for charitable contributions. You may expect to receive remittances on a biweekly basis beginning on or about _____.

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-10 (Sample Letter to Combined Federal Campaign)

Name of Employee
Street Address
City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office name and address) is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement, and to inform you that collection and processing of your payments for an indebtedness to the U.S. Government will no longer be made by the civilian payroll office after (date). The (name of consolidated site) has been provided the official documentation and will continue to honor your remittances. After the date mentioned above, send your remittances, paid to the order of _____ to the (name of consolidated site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of consolidated site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of consolidated site).

Sincerely,

Local Finance and Accounting Officer

★Figure 1-11 (Sample Letter to Employee)

DMDC Monterey/DFAS - Cleveland Center

Street Address

City, State ZIP Code

Dear Sir:

The civilian payroll office located at (local civilian payroll office and address), is scheduled to be consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) effective with the pay period beginning _____.

This letter is to notify you officially of the impending change in the payroll servicing arrangement so that you may make the necessary changes to your records. Salary offsets will no longer be made by this civilian payroll office after _____. Enclosed is a list of employees having salary offsets and whose documentation will be forwarded to the (name of site) for salary offset. Requests for salary offset that are misrouted to this office and received after _____ will be forwarded directly to the (name of site).

The point of contact for (local civilian payroll office) is _____. He/she may be reached at _____. The point of contact for the (name of site) is _____. He/she may be reached telephonically at _____, or by addressing mail to the (name of site).

Sincerely,

Local Finance and Accounting Officer

Enclosure

★Figure 1-12 (Sample Letter to DMDC Monterey/DFAS Center)

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICE

SUBJECT: Return of Individual Retirement Records

The civilian payroll office located at (local civilian payroll office and address), Payroll Office Number _____, has been consolidated into the (name of consolidated site - Charleston, Denver, or Pensacola) 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 1-13 (Sample Memorandum to Finance & Accounting Office)