

VOLUME 8, CHAPTER 1: “INTRODUCTION AND OVERALL REQUIREMENTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue and underlined font***](#).

The previous version dated July 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to comply with current formatting guidance and added hyperlinks.	Update
010203.I	Updated information on U.S. Savings Bonds	Update
010402.B	Corrected paragraph numbering	Update
010504.B.5.i	Replaced SF 1150A with OPM 630-C	Update
010504.H	Updated information to include Fathauer V. United States	Update

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CHAPTER 1

INTRODUCTION AND OVERALL REQUIREMENTS

0101 INTRODUCTION

010101. Purpose

This chapter prescribes the principles, objectives, and related requirements for Department of Defense (DoD) civilian employee pay operations and systems. The requirements in this chapter apply to any civilian pay system used for employees who are 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](#). Responsibilities, duties, and liabilities are established by [31 U.S.C. sections 3527, 3528, 3529, and 3541](#).

010103. Additional Guidance

Interim changes and final rulings pertaining to civilian pay operations and systems are published in the Federal Register by the Executive departments and further defined for use in the Code of Federal Regulations (CFR). The [CFR](#) is updated annually with information from the Federal Register and both publications must be used together to determine the latest version of any rule.

0102 OVERALL REQUIREMENTS

010201. Overview

A. As determined by the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Defense Civilian Pay System (DCPS) is the Department's only approved standard civilian payroll system for employees paid from appropriated, revolving, or trust funds.

1. Any approved unique payroll system shall be integrated or interfaced with other applicable systems, such as the DCPS, general ledger or 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. Timely 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, retention, and disposition of all payroll-related documents.

4. Timely preparation of adequate and reliable payroll records to support managerial responsibilities; planning, preparing, executing, and reviewing the budget; and required internal and external reporting.

5. Support 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, entitlements and allowances.

7. Interface of the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in the payroll system and these interrelated systems.

8. Provide 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.

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

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

12. Compliance with DoD direction to standardize data elements to promote cross-functionality and integration efforts.

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

010203. Requirements

The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions and system. 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 following requirements.

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 allowance 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 entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments;

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 formulation and execution; 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 systems.

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

F. Continuity of Operations Plans and associated procedures will be established and maintained to properly back-up data in the event of power failure, equipment malfunction, terrorist threat, natural disasters, 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 Volume 8, Chapter 3, 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. [Voluntary payroll savings plan procedures for the purchase of United States \(U.S.\) Savings Bonds and securities shall be in accordance with U.S. Treasury requirements as addressed in *Volume 5, Chapter 23, subparagraph 2301.*](#)

010204. Privacy Act Requirements

A. General

1. All forms used to collect personal information covered by the [Privacy Act of 1974](#), and [5 U.S.C.552a](#), should have a Privacy Act statement either incorporated in the body of the document, preferably at the top of the form, or in a separate statement accompanying each form. When separate, the accompanying Privacy Act statement carries the same number as the form.

2. Whenever agencies ask for employees’ personal information, including the Social Security Number (SSN) the employee must be provided a Privacy Act statement that includes the following notification:

- 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.

3. Information contained in the Privacy Act statement is obtained from the Privacy Act system notice and is published in the Federal Register. See the [Defense Privacy Office website \(DPO\)](#) for the Privacy Act systems of records information pertaining to the DCPS system.

B. Forms. Whenever personal information is requested from an employee on forms covered by the Privacy 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 Accountability. Employees shall be permitted access to their records in accordance with the Privacy Act, unless the employee’s status is included in one of the Privacy Act exemptions listed in the [DoD 5400.11-R](#), “Department of Defense Privacy Program.” DoD personnel who need to know the information to carry out their duties are also authorized access. Under specified conditions, certain other persons or agencies as identified in the Privacy Act system notice may receive information. Employees must be notified when their personal

information is released to outside agencies, unless the information has been requested for law enforcement purposes, and DFAS has been instructed not to inform the employee. Therefore, a record of the information released must be maintained and appropriate measures in place to ensure it is released only to authorized individuals or agencies. Agencies responsible for maintaining Privacy Act information must maintain records of information released and process requests for correction of records in accordance with the [DoD 5400.11-R](#).

0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. [Public Law \(P.L.\) 104-134, section 31001](#), the Debt Collection Improvement Act of 1996 (Act), amended 31 U.S.C. 3332 to require all Federal payments be made by EFT, with the exception of tax refunds, beginning January 2, 1999. Regulations implementing requirements for EFT payments were issued by the Department of Treasury, Financial Management Service (FMS) at [31 CFR Part 208](#).

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 payment 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. Provide quarterly reports that reflect the level of EFT participation to DoD and non-DoD-serviced agencies.

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

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. After the end of each fiscal year quarter, employing activities will be provided a report containing a list of employees that are not enrolled 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 010303).
 - e. Provide information for reporting purposes to DFAS Sites when so requested (see paragraph 010304).

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](#), 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 within a 1-year period, i.e., the payment is nonrecurring, and the cost of making the payment via EFT exceeds the cost of making the payment by check.

f. Where an individual does not have an account with a financial institution and is eligible to open an Electronic Benefit Transfer, when available.

010302. EFT Enrollment

A. The preferred method of enrollment in the EFT program is through the use of eCommerce solutions and applications such as myPay. Such tools empower the employee to establish, change or delete an EFT election without third party intervention. For additional information, visit the [myPay web site](#).

B. To enroll in the EFT program without using the self-service capability, an employee must complete one of the following Direct Deposit authorization forms and submit the form to the local Customer Service Representative (CSR).

1. [SF 1199A](#) (Standard Form 1199A or Direct Deposit Sign-Up Form); or

2. [FMS Form 2231](#) (FASTSTART Direct Deposit)

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 does not require approval by a financial institution.

010303. 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, the servicing payroll office, upon notification by the employee, shall contact the financial institution to explain the error and request that charges levied against the account holder be reversed.

1. If the financial institution declines to reverse the charges, **then** government reimbursement of the charges will be made. While DFAS generally absorbs such charges, the employing agency may be charged 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. The employee must provide the information and supporting documentation necessary to support this notification.

010304. Reporting Requirements

Disbursing offices shall publish EFT participation information on a monthly basis. Each quarter, payroll offices will provide EFT participation and non-participation reports to the serviced activities for managing EFT participation. For reporting guidance, refer to Chapter 9, subparagraph 090205.F.

010305. 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 may 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 to the employee or return to the disbursing or issuing officer.

C. If, under extraordinary circumstances, payments must be made in cash, **then** 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 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. The Social Security Administration does not issue SSNs containing alpha characters. Therefore, adding a prefix or suffix is not authorized for reporting purposes. Only the nine digits are used in internal computer processing; however, the hyphens may or may not be printed on output documents.
- C. If an employee is not required to have an SSN, then use a pseudo SSN.
- D. If an employee is working multiple, concurrent appointments, then a pseudo SSN may be used to identify other than the primary appointment until the automated pay system accommodates multiple appointments for the same SSN.

010402. Individual Employee Pay Records

A. Each employee shall have an individual pay record maintained as part of the master pay record. Except in the case of multiple appointments, only one pay record shall be active at any given time for each authorized position. If more than one pay record is maintained, then the rationale must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records shall be retained or be accessible at the civilian payroll office to facilitate manual input, payment, and/or performance of other required 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 individual pay record shall contain information on rates of pay pertaining to;

1. All earnings separately identified by type (e.g., overtime, night differential, danger pay);
2. All deductions separately identified by type (e.g., charity, union, health insurance, life insurance);
3. Subject-to amounts for computation of applicable deductions (e.g., subject-to Thrift Savings Plan (TSP),
4. Subject-to Old-Age, Survivors, and Disability Insurance, subject-to retirement);

5. All government contribution amounts separately identified by type (e.g., Federal Employees Health Benefits, basic Federal Employees' Group Life Insurance, TSP matching); and

6. [Gross and net pay amounts.](#)

C. The pay records shall be supported by time and attendance and leave records. Time and attendance records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used in the computation of pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record shall contain other information, such as year-to-date and quarter-to-date totals, as necessary, for computing pay and preparing reports.

D. The DCPS pay record history contains data from the current pay period, plus 26 previous pay periods for stateside employees and current plus 64 pay periods for teachers and employees overseas. DCPS pay record history is used for research and retroactive processing. Year-to-date information shall be maintained for the current and prior pay years. Disposition of pay records shall be in accordance with the National Archives and Records Administration (NARA), [General Records Schedule 2](#).

010403. Payroll Substantiating Document File

A. With a centralized civilian payroll function, separate document files are required and maintained for each employee. The civilian payroll office shall maintain those documents applicable to payroll office functions and responsibilities. The CSR/employing activity shall maintain those documents applicable to CSR responsibilities. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorize or support deductions, whether maintained in hardcopy or electronic format, shall be safeguarded from improper, unauthorized access or use. Disposition of payroll-related documents, whether maintained by the civilian payroll office or the CSR, shall be in accordance with the NARA [General Records Schedule 2](#). Note that each agency may establish specific document retention policy, but that policy must not impose a lesser retention requirement than the NARA requirements.

B. The documentation listed below is representative of the types of documents that are required to be maintained by the civilian payroll office either in hardcopy or electronic format:

1. [SF 1150](#) (Standard Form 1150 or Record of Leave Data) and [OPM 630](#) (Office of Personnel Management Form 630 or an Application to Become a Leave Recipient Under the Voluntary Leave Transfer Program) submitted in accordance with [5 CFR 630.904](#) as appropriate, for the Voluntary Leave Transfer Program action requested.

2. Voluntary/involuntary indebtedness to the U.S. Government.

3. Voluntary/involuntary tax levies.

4. Documentation supporting deductions for bankruptcies, court-ordered garnishments for alimony, child support, and commercial debts are maintained by DFAS-DGG-CL.

5. TSP documentation including breakage cost distribution records, loan transaction information, and hardship withdrawal information.

6. NAF 401k authorization.

7. NAF retroactive TSP election authorization.

8. [SF 1190](#) (Foreign Allowances Application, Grant, and Report).

9. Documentation supporting all manual pay, time, and leave adjustments.

10. Cash collection vouchers and supporting documents.

11. Physician's allowance authorizations.

12. Documentation to support collection of salary-related debts.

13. Tax documents such as copies of Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement) and state equivalents.

14. Individual retirement records, such as, [SF 2806](#) (Individual Retirement Record (Civil Service Retirement System (CSRS))), [SF 3100A](#) (Individual Retirement Record (Federal Employees Retirement System (FERS))), and [OPM Form 1514](#), (Military Deposit Worksheet). [For additional information, see subparagraph 040301.E.](#)

15. Documentation to support manual payments and/or collections.

C. The documentation listed below is representative of the types of documents that are required to be maintained by the employing activity/CSR either in hardcopy or electronic format.

1. Historical files (all personnel and payroll data of an existing civilian payroll system prior to conversion to the DCPS or other designated system);

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

3. Time and attendance and leave approvals.

D. All source documents shall be readily available for research. The disposition of active and inactive files shall be in accordance with the [NARA General Records Schedule 2](#).

E. All documents (manual and electronic) shall be protected in accordance with “For Official Use Only” and Privacy Act requirements.

010404. Document Control

In order to ensure timely processing of payroll documents and to facilitate audits and reconciliation of individual pay accounts, retention sites shall control source documents. Local document control procedures may be used as long as appropriate control and access is maintained.

010405. Personnel Actions

A. As indicated in subparagraph 010201.A.1, the DoD payroll system is integrated or interfaced with the DoD personnel system. The payroll system shall use the information authorized by the personnel system upon which to base pay and leave entitlements and some deduction calculations.

B. Source documentation for actions originating with the Human Resources Organization (HRO) shall be maintained by the HRO. For those instances where the systems do not permit interface of the actions, the HRO shall provide the payroll office a hardcopy or electronic copy of the document, which also must be maintained by the payroll office.

010406. Payroll Controls

Appropriate controls must be established over all payroll functions.

A. Controls that will ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents include, but are 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 to 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 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 may be made only on the basis of properly approved documents authorizing the changes.

2. In order to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the following list of payroll duties must be separated to ensure that no one person performs all phases of a transaction without the possibility of intervention or review by some other person or persons. In general, this separation of duties refers to payroll office and system development personnel.

- 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. In general, employees must not maintain or provide service for their own payroll and/or personnel records. This internal control shall be incorporated into security system software that governs access to civilian payroll system records. Employees may provide authorizing source documentation to the servicing CSR or input data through use of an employee self-service application. Types of transactions that may be maintained for an employee by the CSR or input by the employee through such an application are:

- a. Distribution of net pay election and voluntary allotments;

b. Routine deductions, such as withholding elections for federal, state, and local tax purposes; and

c. Time and attendance as provided for in paragraph 020404.

5. Transactions that should be input by the servicing CSR are:

a. Authorizations for charity contributions;

b. Authorizations for employee organization dues withholding;

c. Leave transferred-in for a new employee based on the employee's latest Leave and Earnings Statement;

d. Restored annual leave; and

e. All other transactions not requiring HRO input.

6. 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 at the time of entry. Data elements not susceptible to such edits must be edited at the earliest practical time. Inappropriate data detected must be investigated promptly, and appropriate action must be taken. 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, included are the use of, but are not limited to, the following techniques:

1. Employ generally accepted testing procedures for computer programs and changes to programs prior to placing them in the production/operation environment. Testing procedures must include testing the various data elements and computational procedures as needed to ensure that all are operating as intended;

2. Certify acceptance of software changes by the civilian payroll system acceptance team;

3. Perform periodic preventive maintenance on hardware, noting and promptly resolving problems; and

4. Include the following techniques in the tests performed:

a. Ensure that the most current personnel data is available for verification and pay computations;

- system users;
- b. Use proper security authorization protocol by all authorized
 - c. Accept data entry from authorized sources only;
 - d. Verify data entry using batch control procedures, when applicable; and
 - e. Provide system generated research tools useful in the resolution of any detected anomalies.

5. Provide audit trails for the detection and systematic correction of errors by enabling the system to trace or replicate transactions (including system-generated transactions) from the source to the resulting record or report, or from the record or report back to the source.

010407. Reconciliation with HRO

A. Reconciliation of common data between the human resources system and the civilian payroll system must be accomplished at least every 4 months. The appropriate HRO reviews the reconciliation and annotates any mismatches. HRO resolves mismatches where possible and provides supporting documentation to the civilian payroll office for resolution in the cases of payroll record errors. The civilian payroll office shall ensure thorough reviews and necessary corrections to the civilian payroll system database. The civilian payroll office must accomplish the payroll portion of the reconciliation within 10 workdays after receipt of the annotated reconciliation documentation from HRO. The civilian payroll office shall maintain historic records to ensure timely compliance with this reconciliation requirement.

B. Based on the predetermined schedule, the civilian payroll system will generate and transmit reconciliation files to the appropriate personnel system host. The schedule is established and published by the civilian payroll system manager in conjunction with the personnel system manager.

0105 CIVILIAN PAYROLL OFFICE DISESTABLISHMENT PROCEDURES

010501. Purpose

These procedures identify the actions and assign responsibilities for agency sponsored civilian payroll operations that are being disestablished in accordance with consolidation initiatives. Refer to Chapter 6, section 0603 for procedures concerning mass transfer of employee accounts between existing civilian payroll offices.

010502. Applicability and Scope

These instructions apply to all civilian payroll offices regardless of agency affiliation whose payroll accounts are being transferred to a DoD consolidated civilian payroll operation.

010503. Responsibilities

Responsibility for implementing these procedures lies primarily with the civilian payroll office whose accounts are being transferred. An undertaking of this magnitude requires coordination and cooperation among the losing civilian payroll office's transition team, major command/claimant representatives, the gaining payroll office that will assume responsibility for the transferred accounts, and the DFAS pay system consolidation team. All transfer procedures must be completed within 90 days after the date the payroll accounts are transferred to the gaining payroll office.

010504. Actions Required by the Losing Civilian Payroll Office

A. Notification. All parties who are currently receiving support from the losing civilian payroll office 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. 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 1-13. The list may not be all inclusive due to unique requirements/customers or functions of individual civilian payroll offices. If this situation should occur, the losing civilian payroll office must ensure notification of all customers and trading partners. The sample letters may be used as a basis for such notification.

1. The appropriate HRO providing support to the losing civilian payroll office. The employing agency will coordinate with the appropriate HRO and ensure proper, timely notification of labor organizations and professional associations. See Figure 1-1.

2. Each IRS District to which payments for tax levies are submitted. See Figure 1-2. Inform the IRS offices that there will be no further annual civilian pay reporting for the losing civilian payroll office Employee Identification Number (EIN). The consolidated civilian payroll office may submit adjustments to prior tax reports. See Figure 1-3.

3. Each state and local taxing authority for which withholding is 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.

4. Adjustments for periods prior to the date of transfer will be made by the TSP Recordkeeping Service Provider using the old payroll office number. See Figure 1-5.

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

6. The supporting Federal Reserve Bank and other financial institutions to which remittances are being made. See Figure 1-7.

7. Adjustments for periods prior to the effective date of the transfer will be made by the OPM using the old payroll office number. See Figure 1-8.

8. Each NAF Employee Benefit System for whom retirement deductions are being remitted under the Portability of Benefits for NAF Employees Act of 1990, P.L. 101-508. See Figure 1-9.

9. Each Combined Federal Campaign office for which charitable contributions are being remitted. See Figure 1-10.

10. Employees making installment payments by check or money order for indebtedness to the U.S. Government. See Figure 1-11.

11. When applicable, the Defense Manpower Data Center (DMDC) and DFAS-Cleveland. See Figure 1-12.

12. Inform insurance carriers by preparing an SF 2811 (Transmittal and Summary Report to Carrier – Federal Employees Health Benefits Program). Attach a system-generated listing to the SF 2811 in lieu of multiple [SF 2810s](#) ([Notice of Change in Health Benefits Enrollment](#)).

13. Other Federal Agencies, on whose behalf, debts are being collected, e.g., Department of Education or Department of Veterans Affairs.

14. DFAS Cleveland Salary Offset Reporting Office regarding participation in the Treasury Offset Program for collection of debts owed other Federal Agencies.

B. Prepare Employee Substantiating Document Files. Although every effort should be made to transfer data using automated data transfer processes rather than hardcopy documents, it will still be necessary to send certain hard-copy documents to the gaining civilian payroll office. In some 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 automated data transfer process. In other cases, the documentation is required for legal support for action to be taken by the gaining civilian payroll office. The hardcopy documents will supplement the automated data transfer 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 hardcopy documents that must be transported to the gaining civilian payroll office. The files will consist of originals or copies, as appropriate. If the original is forwarded to the gaining civilian payroll office, then the losing civilian payroll office should retain a copy.

2. Substantiating document files may be provided 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 files maintained for a particular type of document, e.g., bankruptcies and leave buy backs in progress.

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, then 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 must contain the employee's name and SSN. The files will be assembled and sent as one package to arrive at the gaining civilian payroll office not later than the end of the first week following the effective date of the transfer.

4. If files are transmitted in employee sequence, **then** the first line of the file 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 straight SSN sequence and sent as one package to arrive at the gaining civilian payroll office not later than the end of the first week following the effective date of the transfer.

5. The following is documentation that must be included in the substantiating document file and transferred to the gaining civilian payroll office:

a. Indebtedness to the U.S. Government. Forward a copy of documentation to support current collections indicating the unpaid balance of the debt, the appropriation or fund cite, and the remittance address. Examples of indebtedness to the U.S. Government are advances of pay, government property lost or damaged/report of survey, travel debts, health benefits for periods of leave without pay, Office of Workers' Compensation Programs leave buy backs, or salary overpayments.

b. IRS Form 668-W(c)(DO) (Notice of Levy on Wages, Salary, and Other Income). Forward the original IRS paper tax levy (voluntary or involuntary) showing the unpaid balance. Any levies received after payroll accounts have been transferred, should be returned to the IRS providing the appropriate address to which they should be sent. Continuing tax levies (provided electronically through the Treasury Offset Program managed by the Salary Offset Office at DFAS-CL) will not be transferred to the gaining civilian payroll office. Treasury should be notified of the transfer of function to the gaining civilian payroll office. Treasury will determine if the levy should be initiated again and will provide the gaining civilian payroll office with the appropriate electronic transaction to establish deductions where necessary.

c. Court-Ordered Bankruptcy. Forward the original court orders and addendums with balance due on the current order to DFAS-DGG-CL. Any court order received after payroll accounts have been transferred should be returned to the appropriate court with instructions to forward them to DFAS DGG-CL.

d. Court-Ordered Garnishment. Forward a copy of the most current garnishment for alimony, child support, and/or commercial debt including addendum to DFAS-DGG-CL. If the garnishment was for a set amount, **then** furnish the unpaid balance. Any

court order received after payroll accounts have been transferred should be handled 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 NAF Employees Act of 1990 to the gaining civilian payroll office.

f. TSP Deductions, Make-up Contributions, and TSP Loan Payment Information. The losing civilian payroll office will coordinate the notification of the change in payroll office with the TSP Recordkeeping Service Provider and the servicing HRO. The HRO will provide automated transactions to the gaining civilian payroll system to establish TSP deductions, as well as the gaining payroll system to establish all forms of TSP deductions. The losing civilian payroll office will provide TSP loan payment information to the gaining civilian payroll office in hardcopy format if the data are not included in the automated data transfer process.

g. SF 1190 (Foreign Allowances Application, Grant and Report). Forward a copy of the latest SF 1190 if the data is not included in the automated data transfer process. The [SF 1190](#) will be used to support payment of allowances and differentials in foreign areas.

h. SF 1150 (Record of Leave Data). Forward a copy of the [SF 1150](#), or other appropriate form, to the gaining civilian payroll office if all leave data is not included in the automated data transfer process. Balances for credit hours, compensatory hours, compensatory time for travel hours, advance annual or sick leave hours, restored and/or reinstated leave hours, and compensatory time off for religious reasons must be provided if not included in the automated data transfer process. Ensure that any absence without pay, home leave, and military leave, including leave for law enforcement purposes, is provided.

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

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

* i. OPM 630-C (Transfer of Leave Records for Leave Recipient Covered by Voluntary Leave Transfer Program). Forward a copy of the [OPM 630-C](#) if all donated leave data are not included in the automated data transfer process. Information concerning individual donors and number of hours donated must be included in order to return unused leave.

j. Leave and Earnings Statement (LES). Forward a copy of any 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.

k. Authorization for Physician's Comparability Allowance (PCA). If the unpaid balance of PCA is not part of the automated data transfer process, **then** the losing civilian payroll office will forward supporting hardcopy documents to the gaining civilian payroll office.

l. Statement of Annual Annuity Amount for Reemployed Annuitants. Forward a copy of the most recent SF 50 (Notification of Personnel Action) or other documentation that supports the amount of biweekly salary offset for reemployed annuitants if this information is not contained in the automated data transfer process.

m. Military Deposits. If the military deposit information is not contained in the automated data transfer, **then** the losing civilian payroll office will provide a copy of each OPM Form 1514 with a current unpaid balance, a copy of the related SF 2806/3100 (Individual Retirement Record), and supporting SF 2803/3108 (Application to Make Deposit or Redeposit). Ensure that the copies of OPM Form 1514 forwarded to the gaining civilian payroll office include postings for the final pay period paid by the losing civilian payroll office.

n. IRS Form W-5 (Earned Income Credit Advance Payment Certificate). Forward a copy of the IRS Form W-5 to support payment of the advance earned income credit if not included in the automated data transfer process. If the transfer occurs during the last pay period of the year, **then** do not forward. Employees must submit a new IRS Form W-5 annually to the CSR.

o. 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 for those cases in progress.

p. Unpaid Compensation Due a Deceased Civilian Employee. If the losing civilian payroll office is supported by an enduring disbursing office, **then** any unpaid compensation due a deceased civilian employee generated from pay periods prior to the transfer of the payroll function, will be paid by the enduring disbursing office. If there is no enduring disbursing office, then the losing civilian payroll office will complete an SF 1154 (Public Voucher for Unpaid Compensation Due a Deceased Employee) for each deceased employee whose unpaid compensation has not been disbursed to the beneficiary(ies). 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. Forward the SF 1154 to the gaining civilian payroll office and remit the total unpaid compensation represented by the SF 1154 to the disbursing office supporting the gaining civilian payroll office. The gaining civilian payroll office will make 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. Forward all supporting documentation for claims in progress, but not yet completed, to the gaining civilian payroll office.

q. Unprocessed Documents. The CSR should process documents that have been received, but were not processed prior to the transfer of payroll accounts, to the gaining civilian payroll office. Processing should be in accordance with procedures established for that CSR.

r. Severance Pay Authorization. Forward a copy of the SF 50 for each employee authorized and receiving severance pay. Annotate the remaining severance pay to be paid and weekly severance amount, if this information is not included in the automated data transfer process.

C. Payroll Office Substantiating Document Files. While the majority of employee-related information will be transferred as part of the automated data transfer process, historical data to support summary or civilian payroll office level information may not be included. Therefore, it will be necessary to transfer certain hardcopy 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 and dispose of the original documents in accordance with the NARA, General Records Schedule 2 or guidance specific to the agency. This will enable the gaining 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 EIN; and the third line will contain the losing civilian payroll office name and number. One file for each calendar year will be assembled and sent as one package to the gaining civilian payroll office as soon as practical, but not later than the end of the first week following the transfer of function.

3. The following is documentation that must be included in the payroll office 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 each quarter of the current year plus 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). The losing civilian payroll office must ensure that copies of Forms W-3 and IRS Form 1099, for the year of transfer plus the three years prior to transfer, are provided to the gaining civilian payroll office.

c. State and Local Tax Returns. The losing civilian payroll office must ensure that copies of all state and local tax reporting files for the current year and the prior three years are provided to the gaining civilian payroll office.

d. SF 135 (Records Transmittal and Receipt). The losing civilian payroll office must ensure that 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 are provided to the gaining civilian payroll office.

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 data transfer process.

1. Compute and process final pay period transactions and reporting.

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 in coordination with the gaining 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 reside with the gaining civilian payroll office after the automated data transfer process is completed. It is crucial that employee records be updated to reflect any special payments made by the losing payroll office before the automated data transfer process is done. Payments made after the last pay cycle and after the automated data transfer process is accomplished are the responsibility of, and may only be made, by the gaining civilian payroll office.

2. The losing civilian payroll office will prepare, balance, and distribute final pay period pay, leave, and management reports in accordance with regular biweekly procedures. It is suggested that these reports be annotated "FINAL" and a short memorandum attached stating these are the last reports to be sent from the losing civilian payroll office and that future reports will originate from the gaining civilian payroll office. The losing civilian payroll office will furnish the gaining civilian payroll office copies of certified documents (e.g., Form 941, state and local tax reports) supporting the final pay period.

3. SF 2806/3100. Those civilian payroll offices whose automated system maintains and produces SF 2806/3100 must ensure that these records are produced for the final pay period paid. Fiscal history records must be closed out for the current year, and the service history should reflect the last SF 50 or other applicable documentation. The OPM will determine disposition of these records and should be involved in the transfer planning and execution.

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 gaining 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 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 for the losing payroll office will remit all state and local taxes that have been withheld from employees to the applicable taxing authority regardless of the regular payment schedule. Annotate payments as “FINAL” and inform the taxing authority that future payments will be made by the disbursing office servicing the gaining 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. If the employee pays funds to purchase U.S. Savings Bonds, for which bonds are not bought nor was the money refunded to the employee at the time of the transfer, then the bond-issuing agent or disbursing officer for the losing civilian payroll office, will send the savings bond balances in the form of a Treasury check made payable to the disbursing officer (in his/her official capacity) servicing the gaining civilian payroll office. A list/report, which contains each employee identified by name, SSN, and the paid in balance, should accompany the check. If the detail information regarding U.S. Savings Bonds is not part of the automated data transfer process, then this report must be used to establish the bond information in the civilian payroll system. If balances paid toward the purchase of U.S. Savings Bonds are refunded to employees before the transfer, then employees must be advised to establish new bond authorizations. Effective August 29, 2010, savings bond allotments for federal civilian employees will end and employees who wish to purchase savings bonds through payroll deductions will be required to establish a new allotment using a TreasuryDirect account number.

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 gaining 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 gaining 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 servicing the gaining civilian payroll office. For additional information, see subparagraph 010504.B.5.p.

F. Prepare and Submit Quarterly and Annual Reports. Although the final pay period at 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(s).

1. Individual Leave Record (or Equivalent). Prepare Individual Leave Records (or equivalent) for the year of transfer, if not previously produced. These records shall be maintained at the losing payroll office for research and reference to support the gaining civilian payroll office. Disposal of these records will be in accordance with the [NARA General Record Schedule 2](#).

2. Individual Pay Record (or Equivalent). Prepare the Individual Pay Record (or equivalent) for the year of transfer, if not previously produced. These records shall be maintained at a site designated by the losing civilian payroll office to support research performed by the gaining civilian payroll office. Disposal of these records will be in accordance with the [NARA General Record Schedule 2](#).

3. IRS Form 1099-MISC (Miscellaneous Income). Prepare and distribute [IRS Form 1099-MISC](#) to beneficiaries of deceased employees for whom the [SF 1153, \(Claim For Compensation Of Deceased Employee\)](#), has been received and the disbursement accomplished prior to the transfer. Distribution of the [IRS Form 1099-MISC](#) to beneficiaries of deceased employees should be made as soon as payment has been made. [IRS Form 1099-MISC](#) will be prepared and submitted to the Social Security Administration with the [Form 1096](#) (Annual Summary and Transmittal of U.S. Information Returns). Transfer unpaid beneficiary compensation to the gaining civilian payroll office. For additional information, see [subparagraph 010504.E.5](#).

4. IRS Form W-2 (Wage and Tax Statement). The [IRS Form W-2](#) for the current year may not be available when payroll accounts are transferred to the gaining civilian payroll office. Therefore, it may not be possible to print and distribute these tax statements until a later date. The payroll office consolidation plans will identify methodology and assign responsibility for the production and distribution of [IRS Form W-2](#) covering the period of time in the current year prior to the transfer. The gaining civilian payroll office is responsible for the [IRS Form W-2](#) covering the period of the pay year serviced by the gaining civilian payroll office. The civilian payroll office assuming responsibility for the payroll accounts may agree to print and distribute [IRS Form W-2](#) at the end of the current tax year for the losing civilian payroll office 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 gaining civilian payroll office shall assume responsibility for undeliverable [IRS Form W-2](#). See subparagraph [090207.C.1](#) for additional information.

5. IRS 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 completed. [IRS Form 941/941c](#) must be filed within the time limits specified in [IRS Publication 15 \(Circular E\)](#), Employer's Tax Guide. Inform the IRS of the gaining civilian payroll office address and EIN.

6. Federal Tax Reporting. Reporting media specifications for the current tax year may not be available when payroll accounts are transferred to the gaining station. Therefore, it may not be possible to create the year-end information at the time payroll accounts

are transferred. Data conversion procedures will contain instructions for preparation and delivery of data files specific to each losing civilian pay office.

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. Provide copies of all final tax reports to the gaining civilian payroll office.

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 at 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, but not later than 30 days after the last pay date.

9. 0197-OPM-AN (Report of Work Years and Personnel Costs for DoD Civilian Employment). If the losing civilian payroll office serviced any Department of Defense (DoD) civilian employees, then 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. 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, but not later than the regularly scheduled submission date.

G. Balance, Close Out, and Transfer Retirement Records. All [SF 2806/3100s](#) or [Department of State \(DS\) 765s](#) (Foreign Service Retirement and Disability System Participant Record) must be balanced, closed out, and transferred from the losing civilian payroll office. Records shall be forwarded to the OPM or the State Department as appropriate, unless alternate disposition is authorized. Listed below are the tasks that must be accomplished in order to submit the retirement records.

1. Resolve Retirement Plan Discrepancies. The retirement records of employees who have been erroneously placed in an incorrect retirement plan must be corrected prior to submission to the State Department or OPM as appropriate. Associated reports such as the [SF 2812A](#) (Journal Voucher and Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement) and [IRS Form 941](#) (Employer's Quarterly Federal Tax Return) must be completed as necessary. Inform the gaining civilian payroll office of any changes to previously converted data such as year-to-date Social Security and Medicare wages. In addition, submit a request for the appropriate servicing HRO to perform a review of employee records to ensure that previously reported retirement plans are correct. Ensure that frozen Civil Service Retirement System (CSRS) accounts have been properly handled in accordance with instructions contained in the [CSRS, and Federal Employees Retirement System \(FERS\) Handbook for Personnel and Payroll Offices](#) (Operating Manual) published by OPM.

2. Complete SF 2806/3100 and/or DS 765 Posting. Ensure that the name history, date of birth, SSN, payroll office information, service history, and fiscal history on the SF 2806/3100 and/or DS 765 are posted completely. The name history and service history must contain all SF 50 data received including any 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 DCPS (name of gaining civilian payroll office).”

3. Balance SF 2806/3100s and DS 765s. The monetary amount contained on the last posting on the fiscal history accumulative total salary deductions for each hardcopy SF 2806/3100 or DS 765 must agree with cumulative retirement deductions for each employee contained in the automated civilian payroll system. Ultimately, this amount must also agree with cumulative amounts agreed upon by the OPM and the departmental level. Discrepancies must be resolved and corrective action taken to adjust cumulative retirement deductions and/or hardcopy SF 2806/3100s or DS 765s.

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 from the SF 2806 or SF 3100 maintained for regular retirement. Ensure that all collections have been reported via the SF 2812-A (Report of Withholdings and Contributions for Health Benefits by Enrollment Code).

5. Balance TSP Accounts. Amounts reported to the NFC on Form TSP-2 (Thrift Savings Plan Certification 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 SF 2812-As. Amounts reported to the OPM on the SF 2812-A 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 any differences and making necessary adjustments. Ensure that all collections have been reported via the SF 2812-A.

7. Certify SF 2806/3100s. The accuracy of each SF 2806/3100 must be certified. 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 SF 2806/3100s and DS 765s. All [SF 2806/3100s](#) for CSRS and FERS shall be forwarded to the OPM. This includes those records being maintained for frozen CSRS accounts and military deposits. [SF 2807s](#) (Register of Separations and Transfers for CSRS) and [SF 3103s](#) (Register of Separations and Transfers for FERS) shall be used to forward records to the OPM. Copies of the registers shall be provided to the gaining 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 the previous pages; and accumulated totals to date should only be displayed on the final page of each register. OPM may determine that an alternate method of document transfer is to be used based on unique requirements. The Department of State will specify the method and procedures to be used for document transmission on a case by case basis.

a. Employees who separate or retire before their records are transferred to the OPM will have their [SF 2806/3100s](#) 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 gaining 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 for the same employee. This will allow the OPM to combine both submissions into one package.

b. [SF 2807s](#) received by a losing civilian payroll office after payroll accounts have been transferred to the gaining payroll office will be returned to the sender. Attach the [SF 2807](#) or [SF 3103](#) to a memorandum explaining that the payroll accounts have transferred and the [SF 2806/3100s](#) must be sent to the OPM. A sample memorandum is at Figure 1-13.

9. Resolve OPM Discrepancy Notifications. All outstanding OPM discrepancy notifications must be resolved and returned to OPM as soon as possible. The goal is to resolve all outstanding issues within two weeks after the last [SF 2806/3100](#) has been submitted.

10. Permanent record of SF 2806/3100s. Make a permanent record of the [SF 2806/3100s](#) in case the originals are lost or destroyed during submission. Image all [SF 2806/3100s](#) electronically prior to shipment from the losing civilian payroll office. Electronic images must be of an acceptable quality for the General Records Schedule 2. Image all retirement cards in the same order as they appear on the register to OPM. Review the electronic images to ensure that the records are legible. Produce two sets of the electronic image media. Retain one set as a part of the documents retained by the losing civilian payroll office and forward the other set to the gaining civilian payroll office. If using an electronic document imaging system, then the losing payroll office must coordinate with the gaining payroll office to ensure that the images can be accessed prior to shipping the hardcopy documents.

* 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 gaining payroll office. Examples of work in progress includes research and recalculation of retroactive adjustments to pay, leave, and deductions for court cases such as *Armitage, et al. v. United States*,

991 F.2d 746 (Fed. Cir. 1993), [*Butterbaugh vs. Department of Justice, 336 F.3d 1332 \(Fed. Cir. 2003\)*](#), [*Fathauer v. United States, 566 F.3d 1352 \(Fed. Cir. 2009\)*](#) , decisions and orders of the U.S. Merit System Protection Board and Federal Labor Relations Authority, and other arbitrations, grievances, unfair labor practice determinations, or settlement agreements. The gaining payroll office will not assume the responsibility for completion of the research for these actions but will be responsible for any payments required.

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

2. Inactive employee records will not be transferred to the gaining payroll office. The losing civilian payroll office must complete the in-process adjustment and take appropriate action to ensure that the records and reports applicable to that office include the adjusted amounts. Forward any report that is affected and was previously included in the payroll office substantiating document files to the gaining payroll office and other distribution as appropriate.

I. Maintenance and Disposition of Historical Files

1. The losing payroll office will be responsible for maintenance and disposition of those residual records that are not forwarded to the gaining civilian payroll office. Records disposition will be in accordance with the [*NARA General Records Schedule 2*](#).

2. If the losing payroll office is scheduled to be closed, **then** electronic or hardcopies of the residual employee pay records (or equivalent), leave records (or equivalent), and time and attendance records (as available) must be provided to the gaining payroll office. The quality of the historical records must be reviewed to ensure that records are legible. Records that are not of an archival quality will not be accepted by the gaining payroll office.

a. Forward only the residual, historical records that have not met disposition requirements in accordance with the NARA General Records Schedule 2. These records should be in chronological order of SSNs. For civilian payroll offices using other than the SSN for record sequencing (i.e. employee identification number or name), a listing should be provided (electronic image or hardcopy) to be used to convert the employee identification number or name to the SSN.

b. Forward either the electronic or hardcopy of the pay records to the NPRC. For civilian payroll offices using other than the SSN for record sequencing, also forward a list arranged in chronological order of SSN to the NPRC. Forward to the gaining payroll office a copy of the [*SF 135*](#) (Records Transmittal and Receipt) 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 gaining payroll office.

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

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 gaining payroll office), effective with the pay period beginning _____. The Payroll Office Number assigned to the (gaining payroll office) 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

It is also requested that you initiate action to change the servicing Payroll Office Number associated with each affected employee's 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 gaining site.

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

Local Finance and Accounting Officer

Attachment

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

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 transfer serviced accounts to the (name of gaining site) 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 paper tax levy(s). The Forms 668-W (Notice of Levy on Wages, Salary, and Other Income) provided to this payroll office have been forwarded to the (gaining site) as part of the official records of that office. The (gaining 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 returned to the originator for proper disposition.

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

Sincerely,

Local Finance and Accounting Officer

Enclosure

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

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 civilian payroll office located at _____, effective _____.

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

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

Sincerely,

Local Finance and Accounting Officer

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

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 transfer serviced accounts to the (gaining payroll office) 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 will no longer make the withholding and remittance of taxes for your jurisdiction _____. The (gaining payroll office), 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 transfer 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. 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 (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Figure 1-5 (Sample Letter to TSP Recordkeeping Service Provider)

TSP Agency Technical Services
Fairfax Post Office
ATS - P.O. Box 4570
Fairfax, VA 22038-9998

Dear Sir:

The payroll office located at (local civilian payroll office name and address), Payroll Office Number _____, is scheduled to be transfer serviced accounts to the (name of gaining payroll office) effective with the pay date of _____. The Payroll Office Number assigned to the (gaining payroll office) 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 (gaining payroll office). 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. Information regarding these loans will be transferred to the (gaining payroll office) 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 (gaining payroll office) is _____. He/she may be reached 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 1-6 (Sample Letter to Courts)

Court of
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (losing civilian payroll office name and address) is scheduled to transfer serviced accounts to the (gaining payroll office) 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 (losing payroll office) after _____. The enclosed list reflects employees who are having deductions made by this payroll office on your behalf. The (gaining payroll office) 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 (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

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

Federal Reserve Bank/Financial Institution

Street Address

City, State ZIP Code

Dear Sir:

The payroll office located at (losing civilian payroll office name and address) is scheduled to transfer serviced accounts to the (gaining payroll office) 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 _____. Existing employee authorization for deposit to accounts will remain in effect until the employee initiates a change. You may expect to receive the first remittance on or about _____.

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

Sincerely,

Local Finance and Accounting Officer

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

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

Dear Sir:

The payroll office located at (losing payroll office name and address), Payroll Office Number _____, is scheduled to transfer serviced accounts to the (gaining payroll office) effective with the pay period beginning _____. The Payroll Office Number for the (gaining payroll office) 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 from this office. Submission of the last SF 2812 (Report of Withholdings and Contributions for Health Benefits, Life Insurance, and 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(e.g., the Director, DFAS, OPM ePayroll consolidation team). We will be working closely with 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 (gaining payroll office).

The point of contact for (losing payroll office) is _____. He/she may be reached at _____. The point of contact for the (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Figure 1-9 (Sample Letter to NAF Employee Benefit System)

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

Dear Sir:

The payroll office located at (losing civilian payroll office name and address) is scheduled to transfer serviced accounts to the (gaining payroll office) 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 (gaining payroll office). You may expect to receive the first remittance on or about _____.

The point of contact for (losing payroll office) is _____. He/she may be reached at _____. The point of contact for the (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

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

Combined Federal Campaign of
Street Address
City, State ZIP Code

Dear Sir:

The payroll office located at (losing payroll office name and address) is scheduled to transfer serviced accounts to the (gaining payroll office) 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 (gaining payroll office) 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 (losing payroll office) is _____. He/she may be reached at _____. The point of contact for the (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to (provide address).

Sincerely,

Local Finance and Accounting Officer

Figure 1-11 (Sample Letter to Employee)

Name of Employee
Street Address
City, State ZIP Code

Dear Sir:

The civilian payroll office located at (losing payroll office name and address) is scheduled to transfer serviced accounts to the (gaining payroll office) 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 this office after (date). The (gaining payroll office) 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 the U.S. Treasury, to the (DFAS-CL disbursing Office and address).

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

Sincerely,

Local Finance and Accounting Officer

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

DMDC Monterey/DFAS - Cleveland Site

Street Address

City, State ZIP Code

Dear Sir:

The civilian payroll office located at (losing payroll office and address), is scheduled to transfer serviced accounts to the (gaining payroll office) 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 (gaining payroll office) for salary offset. Requests for salary offset that are misrouted to this office and received after _____ will be returned for proper distribution.

The point of contact for (losing payroll office) is _____. He/she may be reached at _____. The point of contact for the (gaining payroll office) is _____. He/she may be reached at _____, or by addressing mail to the (gaining payroll office name and address).

Sincerely,

Local Finance and Accounting Officer

Enclosure

Figure 1-13 (Sample Memorandum to Finance & Accounting Office)

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICE

SUBJECT: Return of Individual Retirement Records

The civilian payroll office located at (losing payroll office and address), Payroll Office Number _____, has transferred servicing of pay accounts to (gaining payroll office) effective with the pay period beginning _____.

To accommodate the transfer of payroll accounts to (gaining payroll office), 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, it is not possible for this office to accept the retirement records attached to SF 2807 (CSRS)/SF 3103 (FERS) (Register of Separations and Transfers). The attached SF 2807/SF 3103 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/SF 3103 in the OPM series and forward these records as soon as possible after receipt.

Local Finance and Accounting Officer

Attachment