

ACCOUNTING PRINCIPLES AND STANDARDS HANDBOOK

CHAPTER 14. PAYROLL, BENEFITS, AND ALLOWANCES

Section 1.0 Purpose

This chapter prescribes the Departmental policy for the payroll, payroll records, leave, and allowances. Although the Department has entered into cross-servicing agreements with the Department of Agriculture and the Coast Guard for payroll services, the Department maintains responsibility for much of the processing and safeguarding of documents such as personnel actions and time and attendance reports. The Department's Office of Human Resources Management (OHRM) has been delegated authorities and responsibilities for payroll/personnel matters. The Office of Financial Management is responsible for accounting and financial management for payroll/retirement.

Section 2.0 Authority

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

- a. [GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, "Accounting", Appendix I, Section P10;](#)
- b. [GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 6, "Pay, Leave, and Allowances", Section 2-1;](#)
- c. [Treasury Financial Manual, Volume I, Chapter 2-4000;](#) and
- d. [Office of Personnel Management's Federal Personnel Manual.](#)

Section 3.0 Scope

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

Section 4.0 Objectives

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

- a. Prompt payment in the proper amount to all personnel entitled to be paid;
- b. Prompt accounting for and disposition of all authorized deductions from gross pay;

- Adequate control over, retention, and disposition of all payroll-related documents; and
- Prompt preparation of adequate and reliable payroll records to support (1) management purposes; (2) planning, preparation, execution, and review of the budget; and (3) internal and external requirements.

Section 5.0 Requirements

- a. All payroll transactions shall be integrated with, and controlled by, the general ledger accounts of the bureau. The general ledger accounts and pro-forma entries shall be in agreement with the U.S. Government Standard General Ledger as prescribed by the [Treasury Financial Manual, I TFM 2-4000](#).
- b. In the limited instances where the Department is still payrolling employees (i.e., Census decennial and part-time/intermittent payroll systems), the finance officer is responsible for systems development and maintenance. This includes the development of proper internal controls and meeting the requirements of the GAO Policy and Procedures Manual for Guidance of Federal Agencies, the Treasury Financial Manual, and the Federal Personnel Manual. The finance officer is responsible for ensuring prompt and accurate reporting of Internal Revenue Service Form 941, Employer's Quarterly Federal Tax Return; State tax returns; city and county tax returns; and W-2s, Wage and Tax Statements.
- c. All personnel must be adequately trained in their functions. Timekeepers, personnel distributing pay checks, and other personnel outside the accounting offices, shall be furnished comprehensive instructions for recording and processing source documents relative to time worked or other basis for payment. Internal control of basic documentation at the operating level shall include a separation of functions between timekeeping and distribution of pay. Time and attendance reports shall be reviewed by supervisors who are in a position to know the activities of an employee. In addition, no personnel will be responsible for certifying their own time. Time and attendance reports shall not be cut-off prior to the last regular workday of the pay period in order to meet payroll processing deadlines.
- d. Each accounting office is responsible for reconciling the Abstract of Transactions, the National Finance Center report that shows total disbursements by appropriations and schedule number, to the general ledger and to the Treasury Fiscal Service (TFS) Form 6653, Undisbursed Appropriations Account Ledger. Any differences must be resolved in a timely manner.

Section 6.0 Time and Attendance

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

Time and attendance records must be safeguarded together with SF 71s, Request for Leave or Approved Absence, and overtime approvals to preclude unauthorized changes to approved

documents.

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

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

For more information on policy and procedures, refer to the Time and Attendance Manual issued by OHRM.

Section 7.0 Retirement, Health and Life Insurance

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

The only exception involves Census. In addition to their normal payroll, the Bureau of the Census maintains a subsidiary payroll processing system to handle part-time/intermittent interviewers.

Therefore, the Census finance officer is the responsible certifying officer for individual retirement records and related documents, and is responsible for the accuracy of such data. However, this authority may be redelegated by Census to its Personnel Division if deemed appropriate. The Census finance officer is also responsible (unless otherwise redelegated to Census' Personnel Division) for consolidating bureau reports into the Annual Summary of Retirement Fund Transactions, OPM Form 1525 for CSRS employees and OPM Form 1564 for FERS employees. Individual Retirement Records, SF 2806 for CSRS employees, and SF 3100 for FERS employees shall be maintained and forwarded to OPM on a timely basis. These responsibilities may be redelegated as noted in the above paragraph.

Intra-departmental transfers will not be considered a transfer from one agency to another within the purview of Federal Personnel Manual 830-1. Records of employees involved will be transferred to the accounting organization providing payroll service for the receiving bureau. Intra-departmental transfers in transit at the end of the calendar year must be eliminated in consolidated Department-wide reports. For record purposes, receiving and dropping bureaus must record transfers of personnel in the same year.

Finance officers should refer to [OMB Bulletin 98-08, "Audit Requirements for Federal Financial Statements"](#), [Appendix I-1](#) to consult on procedures for assessing the reasonableness of retirement, health, and life insurance withholdings/contributions and employee headcount data provided by Commerce's bureaus and offices.