

## **4 FAH-3 H-500 PAYROLL, TIME AND ATTENDANCE, AND LEAVE ACCOUNTING**

### **4 FAH-3 H-510 GENERAL POLICIES AND PROCEDURES**

*(TL:FMP-18, 05-14-2003)  
(Office of Origin: RM/GFS/FPRA/FPMC)*

#### **4 FAH-3 H-511 GENERAL**

*(TL:FMP-18; 05-14-2003)*

Information common to all topics covered in 4 FAH-3 H-500, such as scope and applicability, relevant authorities, applicable internal controls, and definitions of commonly used terms is found in 4 FAH-3 H-512 through 519. *The general policies and procedures covered in 4 FAH-3 H-500, Payroll, Time and Attendance, and Leave Accounting, apply to the Department and other agencies where uniform regulations apply.*

#### **4 FAH-3 H-512 GENERAL POLICY**

*(TL:FMP-18; 05-14-2003)*

a. *It is the policy of the Department to pay employees on a biweekly basis 12 days after the end of the pay period, in accordance with applicable law and regulations and generally accepted accounting procedures.*

b. The Department will *electronically issue* Form DS-1216, *Earnings and Leave Statement* to each employee, *domestically or abroad*, on a biweekly basis. The employee is responsible for verifying the accuracy and correctness of the Earnings and Leave Statement and reporting any errors *in a timely manner to the timekeeper and/or supervisor.*

c. Salaries and allowances of U.S. citizens paid through Consolidated American Payroll Processing System (CAPPS) are paid in U.S. dollars while Foreign Service Nationals (FSNs) and American citizens (AMCITs) paid through the FSN Payroll System are paid in the currency of the country in which employed except as otherwise authorized *by 4 FAH-3 H-556.2, Exceptions.*

d. The Department will use electronic funds transfer to make payroll and annuity disbursements to employees, personal services contractors, and annuitants *wherever feasible*.

e. The Department will report each U.S. citizen's or permanent resident alien's earnings and deductions to the *Internal Revenue Service, state tax authorities, and/or Social Security Administration* and will issue a W-2 Statement to the individual annually.

## **4 FAH-3 H-513 SCOPE**

### **4 FAH-3 H-513.1 Description and Purpose**

(TL:FMP-18; 05-14-2003)

Chapter 4 FAH-3 H-500 is issued pursuant to policy stated in 4 FAM 500, *Payroll, Time and Attendance, and Leave Accounting*, and contains the regulatory information and procedures applicable to the areas of payroll, tax reporting and the Foreign Service Retirement and Disability Fund. It includes information on maintaining daily attendance and leave records, computing, vouchering and paying salaries to *U.S. citizen employees, Foreign Service National employees, AMCITS, and personal services contractors, tax reporting, and the maintenance of the Foreign Service Retirement and Disability Fund.*

### **4 FAH-3 H-513.2 Organization and Layout**

(TL:FMP-18; 05-14-2003)

The organization of 4 FAH-3 H-500 reflects the various functions that comprise the areas of payroll, tax reporting, and the Foreign Service Retirement and Disability Fund. 4 FAH-3 H-500 is organized as follows:

(1) 4 FAH-3 H-510, *General Policies and Procedures*—provides information common to all topics covered in this chapter such as scope and applicability, the *authorities*, the automated payroll systems used, definitions of common terms, the standard forms used, and the internal controls applicable;

(2) 4 FAH-3 H-520, *Attendance and Leave*—provides information on timekeeping functions including the maintenance of time and attendance, and leave records, and responsibilities associated with such maintenance and reporting requirements of the time and attendance, and leave records;

(3) 4 FAH-3 H-530, *Pay and Allowances Computation*—provides information on the different types of compensation, rules related to the computation of gross pay and allowances, and accounting and reporting of the computed compensations;

(4) 4 FAH-3 H-540, *Payroll Deductions, Contributions, and Adjustments*—provides information on the mandatory and voluntary employee deductions and other adjustments to be computed and withheld from the employee's compensation and the rules related to such withholdings, any salary overpayments made, and waivers of *collection of* such overpayments; and

(5) 4 FAH-3 H-550, *Vouching and Payment of Salaries and Allowances*—describes the basis of vouchering, personnel to be vouchered, method of vouchering, and the time and method of paying salaries, benefits, and allowances.

## 4 FAH-3 H-514 APPLICABILITY

(TL:FMP-18; 05-14-2003)

a. 4 FAH-3 H-500 is the single, authoritative, and comprehensive source for the Department's *guidance* and should be referenced on all matters relating to payroll processing, tax reporting, and Foreign Service retirement. It is intended for use both at posts abroad and domestically by *Department* bureaus and offices, and by other agencies serviced by the Department.

b. Unless otherwise stated, references made to the Department refer to worldwide operations of the Department.

## 4 FAH-3 H-515 DEFINITIONS

### 4 FAH-3 H-515.1 Definitions of Documents, Processes, and Actions

(TL:FMP-18; 05-14-2003)

a. **Administrative Workweek**—A period of seven consecutive calendar days beginning on a day and hour established in advance under 3 FAM 2330, *Hours of Work*.

b. **Allowance**—An allowance refers to money or equivalent value, furnished or made available, in addition to prescribed rates of pay, to cover such items as *housing expenses, educational expenses, or travel*.

c. **AMCIT**—A U.S. citizen who is not a family member of a U.S. Government employee who is hired at post of residence into an FSN position and whose compensation and benefits are prescribed by a local compensation plan and paid through the FSN Payroll System (*Foreign Service Act section 311(c)(1)*).

d. **Base pay or basic pay**—As defined in 5 CFR 531.202 for purposes of computing premium pay limitations, severance pay, terminal leave, life insurance, retirement, and Thrift Savings Plan. Base pay means the employees' scheduled annual rate of pay increased by any applicable locality-based comparability or special law enforcement adjustment.

e. **Basic Workweek**—The basic workweek is established for an employee under 3 FAM 2330, Hours of Work, or as the FSN local compensation plan directs.

f. **Bonus**—An FSN benefit payment that occurs on a specified date or dates.

g. **Compensation to persons under FSN local compensation plan**—Established under section 408 of the Foreign Service Act consists of a basic salary rate and, in some instances, an adjusted basic rate. The adjusted basic rate is the basic rate adjusted for certain monetized benefits. If there is an adjusted basic rate, it is paid for work during the basic workweek but is not used for computation of premium pay, bonuses, payment to retirement systems, severance pay, etc. The basic rate is applicable for these purposes.

h. **Consolidated American Payroll Processing System (CAPPS)**—Refers to the automated payroll system that is used to process payroll data for U.S. citizen employees, U.S. citizen personal services contractors, and all consular agents.

i. **Country of employment**—The country where that employee was appointed, permanently assigned, or employed by the U.S. Government, whether in or outside the United States.

j. **Deductions/Withholdings**—Refer to both the mandatory deductions and voluntary deductions that are made from the gross pay of an employee, such as deductions towards retirement, Thrift Savings Plan, U.S. Social Security programs, U.S. Federal, state, and local income tax, and health and life insurance.

k. **Employee**—Refers to an individual appointed into the civilian service of a Government agency (including chiefs of mission and members of the Foreign Service of the United States).

l. **Foreign Area**—Any area (including the Trust Territory of the Pacific Islands) situated outside the United States, the Commonwealth of Puerto Rico, and the possessions of the United States.

*m. **Foreign Service National Employee (FSN)**—An employee appointed under section 303 of the Foreign Service Act of 1980. An FSN employee is a non-U.S. citizen directly hired by a U.S. Mission, including third-country nationals (TCNs) but excludes official residence staff as well as consular agents, or an AMCIT, unless otherwise indicated.*

*n. **Foreign Service National Payroll System**—Payroll systems operated by the Financial Service Centers (FSCs) to pay Foreign Service National employees, personal services contractors, and AMCITs.*

*o. **Locality annual rate of pay**—As defined in 5 CFR 531.602.*

*p. **Outpatient medical emergency assistance**—Advance of pay assistance to employees working outside their country of employment who must pay immediately in full for the costs of outpatient treatment.*

*q. **Overtime**—Authorized and performed work of full-time, part-time, and intermittent tours of duty performed by permanent or temporary employees in excess of 40 hours in an administrative workweek or eight hours in a day, whichever is greater and except as otherwise provided in 3 FAM 3133, Overtime. For FSNs, overtime is work performed in addition to the individual's basic workweek.*

*r. **Pay**—Current salary at time of request; that is, the basic pay of an employee exclusive of all allowances, differentials, or other additional compensation minus mandatory deductions (Federal, state, and local income taxes, U.S. Social Security taxes, retirement, basic life insurance, health insurance, salary offset for indebtedness, garnishments and court-ordered bankruptcy payments).*

*s. **Pay of U.S. citizen personal services contractors**—Governed by the terms of the contract. The contract may provide a stated annual rate adjusted for such monetized benefits as health insurance to create an adjusted annual rate to be used for hours worked during the basic workweek. The stated annual rate base for hours in excess of the basic workweek is the unadjusted rate.*

*t. **Pay Period**—Refers to a time period which covers two administrative workweeks for all employees except those hired on an other-than-annual basis, for whom a pay period is in accordance with the terms of the appointment.*

*u. **Permanent Resident Alien (PRA)**—A person who holds a U.S. green card. Note that an FSN employee or personal services contractor who holds a U.S. green card is subject to U.S. income and Social Security tax withholding unless a totalization agreement provides Social Security*

*Tax exemption. A PRA working in the United States such as an FSI language tutor is subject to applicable Federal, state and city tax withholding.*

*v. **Personal Services Contractor (PSC)**—An individual contracted personally to perform an identifiable task under the supervision and control usual to government employees rather than to furnish an end item of supply (Federal Acquisition Regulations 37.101 and 37.104). This employer/employee relationship may involve a U.S. citizen payrolled through CAPPs, or a Foreign Service National payrolled through the Foreign Service National Payroll System.*

*(1) Summer hires or other temporary employment of dependents of Foreign Service employees usually involve an employer/employee relationship requiring a part-time, intermittent or temporary (PIT) appointment or a personal services contract (PSC). For the test for employer/employee relationship used by the Internal Revenue Service (IRS) for taxation purposes, see Publication 15 or Publication 15A under the IRS website at [www.irs.gov](http://www.irs.gov);*

*(2) When an employer/employee relationship exists with a U.S. citizen employee or a U.S. permanent resident alien, appropriate U.S. income and Social Security tax withholding is generally required and payment should be effected through the CAPPs or FSN payroll systems. CAPPs also performs withholding of applicable state and city income taxes; and*

*(3) The compensation, benefits, and other entitlements of a personal services contractor are determined by the terms of the contract in accordance with Federal Procurement Regulations rather than by the entitlements of employees appointed to the Federal service.*

*w. **Post**—The place designated as the official duty station of the employee, regardless of whether the employee is detailed elsewhere or resides at another place with the authorization or approval of the head of the agency.*

*x. **Premium Pay**—Premium pay for U.S. citizen employees means additional pay authorized under Chapter 55 of 5 U.S.C., for, e.g., overtime, night, holiday, Sunday work, and standby duty. Any premium pay for a U.S. citizen PSC is set forth in the contract. Premium pay for Foreign Service National employees, personal services contractors, and AMCITs is as prescribed in the local compensation plan.*

*y. **Rate of Basic Pay**—As defined in 5 CFR 531.202 for purposes of computing premium pay limitations, severance pay, terminal leave, life insurance, retirement, and Thrift Savings Plan. Base pay means the employees' scheduled annual rate of pay increased by any applicable locality-based comparability or special law enforcement adjustment.*

**z. Scheduled annual rate of pay**—As defined in 5 CFR 531.301.

**aa. Special law enforcement adjustment annual rate of pay**—As defined in 5 CFR 531.301.

**bb. Third-Country National (TCN)**—An individual who is neither a citizen of the United States nor of the country in which employed, who is employed on a limited appointment or personal services contract, and who is eligible for return travel at U.S. Government expense to his/her home country or country from which recruited.

**cc. Timekeeping**—Refers to the task of recording or maintaining the hours worked by an employee or personal services contractor.

**dd. Tour of duty**—The hours of a day and the days of an administrative workweek that make up an employee's regularly scheduled basic workweek (5 CFR 610.102).

**ee. Up to three months**—Not more than six biweekly pay periods.

**ff. U.S. Citizen Employee**—A U.S. citizen appointed to the Foreign Service or Civil Service by the Department (and other agencies where uniform regulations apply). The term replaces the previously used "American employee". The term as used in 4 FAH-3 H-500, Payroll, Time and Attendance, and Leave Accounting, excludes AMCITs unless otherwise indicated.

## **4 FAH-3 H-515.2 Definitions of Positions and Titles**

(TL:FMP-18; 05-14-2003)

**a. Management Officer**—An officer of the Department who is responsible for the day-to-day operations in a domestic office or bureau or at a post abroad.

**b. Time and Attendance (T&A) Approving Official**—An officer of the Department who is responsible for reviewing, verifying and approving biweekly T&A records for employees in an office before the T&A data is transmitted to the appropriate payroll system. This should be the official most knowledgeable of the time worked and absence of the employees involved, normally the immediate supervisor.

**c. Certifying Officer**—An accountable officer who has been designated to certify vouchers for payment. The certifying officer shall make such examination of the facts underlying a voucher as is necessary, taking into consideration the underlying systems and controls, to provide reasonable assurance that payment is correct and proper. Since the officer

certifying the payroll voucher relies on confidence in the management controls of the payroll process and the absence of any information to the contrary, any event creating an insufficiency of funds requires immediate notification to the certifying officer.

d. **Timekeeper**—An employee who has been assigned the task of discharging the *time and attendance* as described in the *Timekeeper's Handbook*.

## **4 FAH-3 H-515.3 Employer–Employee Relationship**

(TL:FMP-18; 05-14-2003)

a. *For U.S. Federal Insurance Contributions Act (FICA) and income tax withholding purposes the term "employee" includes any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee. IRS rules are found in Publication 15, Circular E, Employer's Tax Guide, and Publication 15-A, Employer's Supplemental Tax Guide, which can be found at [www.irs.gov](http://www.irs.gov).*

b. *In addition to common law employees, the FICA includes statutory employees for purposes of withholding for social security and Medicare. These include:*

(1) *Agent drivers and commission drivers who deliver food, beverages (other than milk), laundry, or dry cleaning for someone else;*

(2) *Full-time life insurance salespersons;*

(3) *Home workers who work by guidelines of the person for whom the work is done, with materials furnished by and returned to that person or to someone that person designates; and*

(4) *Traveling or city salespersons who work full time for one firm or person getting orders (items for resale or use as supplies in the customer's (retailers, wholesalers, contractors, or operators of hotels, restaurants, or other businesses dealing with food or lodging) business) from customers.*

## **4 FAH-3 H-516 LEGAL AUTHORITIES**

(TL:FMP-18; 05-14-2003)

*The principal legal authorities are:*

(1) *United States Code (U.S.C.) Title 5—Government Organizations and Employees;*

(2) *U.S.C. Title 22—Foreign Relations and Intercourse;*

- (3) U.S.C. Title 26—*Internal Revenue Code*;
- (4) *The Foreign Service Act of 1980* as amended (22 U.S.C. 3900 *et. seq.*);
- (5) *48 CFR 37.101 and 37.104 (Federal Acquisition Regulation (FAR))*;
- (6) *The Fair Labor Standards Act of 1938*, as amended (29 U.S.C. 200);
- (7) *Federal Claims Collection Act of 1966*, as amended (31 U.S.C. 3701-3719);
- (8) *31 U.S.C. 3512*;
- (9) *The Privacy Act of 1974*;
- (10) *26 CFR—Internal Revenue*;
- (11) *Statements of Federal Financial Accounting Concepts and Standards*;
- (12) *GAO/AIMD-00-21.3.1—Standards for Internal Control in the Federal Government* (1999);
- (13) *Joint Financial Management Improvement Program (JFMIP), Financial Systems Requirements Documents*;
- (14) *GAO-03-352G—Maintaining Effective Control over Employee Time and Attendance Reporting* (2003);
- (15) *SR-99-5—Human Resources and Payroll Systems Requirements* (1999), issued by the JFMIP;
- (16) *Treasury Financial Manual (TFM), Volume I (ITFM)*, including:
  - (a) *Part 3—Payrolls, Deductions, and Withholdings* (1 TFM 3);
  - (b) *Part 4—Disbursing* (1 TFM 4);
- (17) *OPM Directives*;
- (18) *5 CFR—Administrative Personnel*; and
- (19) *22 CFR—Foreign Relations*

## **4 FAH-3 H-517 PAYROLL SYSTEMS**

*(TL:FMP-18; 05-14-2003)*

a. It is the policy of the Department to maintain automated payroll processing systems *that* conform to the standards and requirements prescribed by GAO. The automated payroll system will be fully documented in systems manuals, which conform *to* and supplement the requirements prescribed in this chapter.

b. A serviced agency must provide its regulations to support any deviation from the application of Department policy and procedures in 4 FAM 500, *Payroll, Time and Attendance, and Leave Accounting* and 4 FAH-3 H-500.

### **4 FAH-3 H-517.1 Standardized Systems**

*(TL:FMP-18; 05-14-2003)*

A minimum number of automated payroll systems must be used. The payroll systems should interact with the personnel, accounting, general ledger, and financial management systems. Any new system proposed or major revision to a current system must be reviewed by *RM/GFS/FMS* for compliance with 4 FAM and 4 FAH-3 before it can be implemented.

### **4 FAH-3 H-517.2 Types of Payroll Systems**

#### **4 FAH-3 H-517.2-1 Consolidated American Payroll Processing System (CAPPS)**

*(TL:FMP-18; 05-14-2003)*

a. *CAPPS* pays *U.S. citizen employees, U.S. citizen personal services contractors (PSCs), permanent resident aliens employed in Washington in teaching and translation, and consular agents.*

b. It is the policy of the Department that compensation for personal services be paid through a payroll system rather than through a voucher system. Personal services include all summer hires and temporary employment of dependents *that constitute an employee/employer relationship.*

c. *Master file data on employees is derived through an interface with the personnel system except for part-time, intermittent, and temporary employees abroad who are entered by the FSCs from the post created Form SF-50, Notification of Personnel Action, serviced agency personnel abroad entered by the FSCs from Authority to Pay cables, and PSCs manually entered at the FSCs abroad and by allottees under direction of CAPPS staff, domestically, from Form JF-62, Personal Services Contracting Action, created by the allottee.*

d. The period of work and leave *for each employee* is derived from a biweekly T&A submission. *Payment will not be made absent a submission except:*

(1) In the event Washington telecommunications problems prevent receipt of the file, scheduled hours will be paid with any necessary adjustment in the following pay period;

(2) In the absence of a T&A record for a specific employee with a domestic organization code, scheduled hours may be paid for one pay period upon the timekeeper's verbal confirmation followed by a manual T&A report; and

(3) In the absence of a T&A record for a specific full time permanent employee with an abroad organization code, scheduled hours may be paid for up to three pay periods *upon timekeeper's verbal confirmation followed by a manual T&A report* due to the extended intransit nature of worldwide transfers.

e. Payments are charged to the appropriation/allotment as indicated by the personnel or contracting action.

#### **4 FAH-3 H-517.2-2 Foreign Service National Payroll System (FSN Payroll System)**

*(TL:FMP-18; 05-14-2003)*

a. The FSN Payroll System compensates personnel in accordance with the local compensation plan authorized in section 408 of the Foreign Service Act.

b. The payment is processed by the Financial Service Centers (FSCs) from post-created Forms SF-50, *Notification of Personnel Action*, or JF-62, *Foreign National Personal Services Contracting Action*, through the FSN payroll system pursuant to time and attendance reporting. Absence of a T&A report for a specific individual prevents any biweekly payment to that individual. However, a FSC may pay scheduled hours for one pay period when a post's T&A file is not received or is not readable. Corrections should be effected in the following pay period. Any payment to FSN or AMCIT staff of an evacuated post must be authorized by the regional bureau's executive director biweekly.

#### **4 FAH-3 H-517.3 Payroll Data to be Maintained on System**

*(TL:FMP-18; 05-14-2003)*

The automated payroll systems *must maintain* the following kinds of data:

(1) Permanent data or fixed data for each employee such as salary, allowance rates, differential rates, deduction and contribution information, etc., as detailed in 4 FAH-3 H-530, *Computation of Pay and Allowances*, and 4 FAH-3 H-540, *Payroll Deductions and Contributions*;

(2) T&A data submitted on a biweekly basis for each employee which can be used to compute biweekly earnings, leave taken, and compensatory time balances;

(3) Information on the cumulative gross earnings, deductions, allotments of pay, net pay advances, and leave balances on a pay period basis for each employee. This accumulation is maintained on either a tax year or a leave year basis; and

(4) *Care should be taken to ensure that supplemental compensation payments, made outside the normal processing of payroll, be retroactively reflected in the payroll systems.*

#### **4 FAH-3 H-518 FORMS**

*(TL:FMP-18; 05-14-2003)*

a. The U.S. Code (31 U.S.C. 3511) authorizes the Comptroller General of the United States, after consulting with the Secretary of the Treasury and the Director of the Office of Management and Budget, to prescribe for each executive agency, the principles, standards, and related requirements for accounting, including the use of standard forms.

b. The use of standard forms is mandatory unless exempted by law or by the Directives Management *Staff (A/RPS/DIR)*. Advance approval is required for adoption of agency forms in place of standard forms.

## **4 FAH-3 H-519 MANAGEMENT CONTROLS**

### **4 FAH-3 H-519.1 Scope**

(TL:FMP-4; 6-15-95)

a. Management controls are operational checks and balances that ensure that a task will be carried out as planned in the most efficient and effective way possible. The Department's *Management Control Handbook* provides details on management control objectives and procedures.

b. This section does not include the specific management controls related to the Foreign Service Retirement and Disability Fund.

c. In the payroll processing area, management controls refer to those checks and balances that ensure that:

(1) The entire process, of the recording and maintenance of T&A records, the computation of pay, and the reporting of amounts paid and amounts withheld, is carried out effectively and efficiently;

(2) All applicable laws, regulations, and policies are being complied with;

(3) Resources are being safeguarded; and

(4) Accurate and reliable accounting information is being generated.

### **4 FAH-3 H-519.2 Authority**

(TL:FMP-18; 05-14-2003)

Management controls are required to comply with existing statutes, regulatory agencies' directives and departmental Directives. The major authorities for management controls are:

(1) *The Accounting and Auditing Act of 1950, as amended*, which requires the Comptroller General to prescribe principles, standards, and related requirements for accounting to be observed by each Federal agency. The head of each agency is responsible for establishing and maintaining systems of accounting and management controls;

(2) 31 U.S.C. 3512(b);

(3) OMB Circulars A-123 (1995) and OMB Circular A-127 (1993);

(4) *GAO/AIMD-00-21.3.1 — Standards for Internal Control in the Federal Government (1999)*; and

(5) Department of State's *Management Control Directive (See 2 FAM 020, Systems of Management Control)*.

#### **4 FAH-3 H-519.3 Requirements**

*(TL:FMP-4; 6-15-95)*

GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government (1999)*, discusses management control standards of reasonable assurance, supportive attitude, competent personnel, control objectives, control techniques, documentation, recording of transactions, execution of transactions, separation of duties, supervision, access to and accountability for resources, and prompt resolution of audit findings. Some aspects are discussed further as they relate specifically to payroll.

##### **4 FAH-3 H-519.3-1 Documentation**

*(TL:FMP-4; 6-15-95)*

There should be complete, accurate, and easily accessible documentation for the use of all persons involved in payroll processing. The documentation should include policy as well as procedures manuals, workflow descriptions, and systems manuals. The documentation must reflect current laws and regulations and must be revised and updated for changes in the regulations, tax rates, and so on.

##### **4 FAH-3 H-519.3-2 Training**

*(TL:FMP-4; 6-15-95)*

Personnel engaged in pay, leave, and allowance activities must be adequately trained in the documented policies and procedures applicable to the area to enable them to perform operations efficiently, effectively, and economically and to identify and resolve inconsistencies in payroll related information that is submitted, processed, and reported.

##### **4 FAH-3 H-519.3-3 Audit Trail Maintenance**

*(TL:FMP-18; 05-14-2003)*

a. *To maintain an audit trail, any corrections or adjustments to data in official records must be approved, in writing or through electronic signature, by an authorized official.*

b. A record of all changes made after documents have been approved and certified must be maintained in accordance with Departmental records retention policy.

c. Changes made to data must be made in such a way that an audit trail is maintained to provide reference to documents which show the original and the new data and the authorization for the change.

#### **4 FAH-3 H-519.3-4 Separation of Duties**

*(TL:FMP-4; 6-15-95)*

a. In accordance with prudent management control practices, the following operations should be segregated from one another:

- (1) Authorization of pay and entitlements;
- (2) Recording of T&A data;
- (3) Payroll computations;
- (4) Certification of payments;
- (5) Recording of payroll data in the accounts;
- (6) Distribution of pay;
- (7) Review of payroll transactions;
- (8) Automated system development;
- (9) System testing;
- (10) System implementation; and
- (11) System maintenance.

b. At bureaus/offices and posts with limited staff, duties might overlap. In such instances, there should be a system of checks and balances and active supervision to ensure that responsibilities are being properly carried out.

c. Posts abroad with limited staff might require, in situations other than those referred to above, the same individual to perform conflicting functions. In such instances, if these practices cannot be met, an alternate system must be approved by the current next higher level of management and documentation retained in post files for audit purposes.

#### **4 FAH-3 H-519.3-5 Recording and Maintaining Time and Attendance Records**

(TL:FMP-4; 6-15-95)

There should be procedures to ensure that the timekeeping function is carried out effectively and accurately. All recorded T&A data should be promptly reported to the payrolling office to enable the prompt computation and payment to the employees and personal service contractors. The intent is to facilitate processing and to maintain updated information on attendance and leave records for computation, review and audit purposes.

#### **4 FAH-3 H-519.3-6 Management Controls for Computerized Payroll Operations**

(TL:FMP-18; 05-14-2003)

Periodic preventive maintenance steps must be taken on hardware and software to ensure the efficient working of the automated payroll system. *Systems requirements documents, issued by the Joint Financial Improvement Program, provide more detailed guidance.*

#### **4 FAH-3 H-519.3-7 Pay Controls**

(TL:FMP-4; 6-15-95)

Overall control procedures should be incorporated and performed regularly to provide reassurance that payroll data is correctly processed; for example, use of master control totals for data elements by computing such totals on certain fields before payroll transactions are entered, adding totals computed from transactions entered during the cycle, and comparing to the grand total at the completion of the processing cycle.

#### **4 FAH-3 H-519.3-8 Restricted Access**

(TL:FMP-4; 6-15-95)

Access to the following must be restricted to authorized personnel:

- (1) Payroll data and records (contains information protected by the Privacy Act of 1974); and
- (2) Payroll processing equipment and operations and related software.

#### **4 FAH-3 H-519.3-9 Management Compliance Audits**

*(TL:FMP-18; 05-14-2003)*

a. *Periodic risk assessment of payroll operations will be conducted in accordance with the Department's Management Control Program.* Assessment findings may indicate the need for more in-depth review of existing controls.

b. Management will ensure on a continuing basis, through internal review of payroll operations, that established policies and procedures are adhered to. Management will ensure that reviews are timely and are staffed by individuals possessing adequate payroll knowledge and review skills.

c. At all supervisory levels diligence is required to ensure that management controls are functioning.