



JFMIP Staff Interagency
Study for OMB

Analysis of Civilian Payroll Processing in the Federal Government

Executive Summary

OVERVIEW

The primary purpose of this analysis is to examine Federal civilian payroll service delivery from a Government-wide perspective in order to develop options and recommendations for the future investment in modernization and improvement of payroll systems and processes. The analysis and recommendations emerging from this report are intended to provide the comprehensive, focused path that will, if persistently implemented through strong leadership from the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM), enable a cost-effective solution for payroll delivery across Government. These actions will also set the stage for greater integration of human resources (HR) and payroll activities.

BACKGROUND

The current payroll service delivery environment evolved over many years, reflecting incremental changes that have been implemented in different ways across Government. The influences of agency-unique interpretation of legislation, regulation, labor-management agreements, and HR policies have all contributed to a complex set of requirements that, when taken together, provide a barrier to the modernization of payroll systems and processes.

Fourteen internal Government providers deliver Federal civilian payroll services. The four largest—Defense Finance and Accounting Service, Department of Veterans Affairs, Department of the Interior, and Department of Agriculture—service over 80 percent of the total civilian payroll, accommodating more than 190 different pay plans. Because of age and capacity limitations of the current processing environment, many of the fourteen payroll service providers are considering capital investments in payroll systems infrastructure. Others are nearing completion of such investments. Three of the four major providers report that new systems are urgently needed. Capital investments for new systems software and implementation are complex and time-consuming, and can cost up to \$200 million per integrated system.

Over the years, Federal agencies have attained cost savings through cross-servicing their payroll operations to Federal providers. The recommendations in this analysis are intended to support decision-making for capital investment, with the goal of achieving cost avoidance in both capital investment as well as operations.

SCOPE AND APPROACH

OMB, in response to the Administration's Management Agenda, directed the Joint Financial Management Improvement Program (JFMIP) to establish and lead a working group to analyze payroll processing and systems. The working group consisted of representatives from JFMIP, OMB (Office of Federal Financial Management, Office of Federal Procurement Policy, Office of Information and Regulatory Affairs, and Resource Management Offices, Personnel Branch), major providers (Defense Finance and Accounting Service, Department of Veterans Affairs, Department of the Interior, Department of Agriculture, and General Services Administration), other CFO offices, and small agencies.

The options and recommendations presented in this report are based on the efforts of the working group. Information supporting this effort was collected through a variety of methods, including the following:

- ◆ A review of recent studies and analyses in the payroll area
- ◆ A formal survey of payroll providers
- ◆ Workshops conducted with representative payroll stakeholders.

The working group prepared a comprehensive set of payroll investment and modernization options for consideration, assessed the benefits and considerations, analyzed and compared the options, and identified recommended actions.

FINDINGS AND RECOMMENDATIONS

Action to improve payroll service delivery must be comprehensive, focused, and persistent, and a new governance model for payroll policy and administration must be established through the leadership of the President's Management Council. The elements of modernizing payroll must include concurrent attention to issues of changing the marketplace within which payroll operates, simplifying and standardizing payroll policies and procedures, and strengthening the integration among payroll, HR, and finance functions. These opportunities cover the spectrum of three critical components for success:

- ◆ Establishing central governance over the payroll function
- ◆ Developing an integrated Government-wide payroll/HR enterprise architecture
- ◆ Strengthening payroll service delivery for government.

The working group evaluated several options within each of these key components. The working group's key recommendations can be summarized as follows.¹

Establishing Governance

- ◆ Establish a governance framework.
 - Designate OPM as the central agency with “ownership” of the payroll function.
 - Create a stakeholder Payroll Council as an advisory body to assess policy impact on payroll.
 - Create a payroll users network consisting of current providers and cross-serviced agencies.
 - Establish a joint capital investment and budgeting capability within OMB capital planning and budgetary procedures.
- ◆ Establish a governance structure to support cross-agency management of payroll investment and processing decisions.

Developing an Enterprise Architecture

- ◆ Develop an integrated architecture.
 - Develop an integrated Government-wide architecture for HR and payroll.
 - Establish ownership of the architecture with the Payroll Council.
 - Develop a process for including the payroll architecture in decision-making.
- ◆ Standardize Federal payroll policies and processes across Government.
 - Set clear goals and timelines for standardization.
 - Designate OPM and OMB as champions for implementing low cost, high impact recommendations and eliminating “silly” rules.
 - Direct the payroll users network to review agency payroll policies and procedures to eliminate unneeded rules and standardize where possible.

¹ Detailed descriptions of these options and opportunities, as well as a discussion of benefits and considerations for implementation, are provided in the full report.

- Establish a process for full impact assessment of all new policies affecting payroll processes and systems.
- Review current payroll data elements and functionality and HR standards for simplification.
- ◆ Remove barriers to increased reliance on e-commerce.

Improving Service Delivery

- ◆ Strengthen service delivery through consolidation of payroll service providers and systems.
 - Set a goal to have a single integrated HR and payroll system (software) for the Federal Government, leveraging a commercial off-the-shelf software product, that may be offered at multiple Government or commercial locations.
 - Direct agencies to two or three approved payroll service providers. Each provider would have its own systems software and operation.
- ◆ Evaluate the capabilities of the commercial marketplace to provide Government payroll services using a direct privatization strategy that consolidates all or a significant portion of current payroll operations and uses a single software system.
- ◆ Undertake a more detailed study of the capital investment framework to facilitate the timing of decisions.

These recommendations, if adopted, change status quo practices in a manner that supports all five dimensions of the President's Management Agenda: strategically manage human capital, competitively source commercial activities, improve financial management, expand e-Government, and integrate budget and performance information.

NEXT STEPS

This paper is a foundation for a comprehensive business case to support future decisions on capital investment, consolidation, and outsourcing of Federal payroll processing. Further research and verification of the costing information is needed. In order to evaluate the various payroll options presented in this paper, a business case is needed. This business case would allow the Administration to make a decision on the different payroll options presented in this paper by presenting the following information: (1) definition of the strategic business needs; (2) definition of the technical alternatives; (3) illustration of how the capital planning and investment control process would be used; (4) a benefit/cost analysis; and (5) definitions of the acquisition, management plan, and risks for each alternative.

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Chapter 1

Introduction

The primary purpose of this analysis is to examine Federal civilian payroll service delivery from a Government-wide perspective (as opposed to that of an individual agency) in order to develop options for the future investment in modernization and improvement of payroll systems and processes. Today, 14 internal Government providers deliver Federal civilian payroll services. The four largest—Defense Finance and Accounting Service (DFAS), Department of Veterans Affairs (VA), Department of the Interior (DOI), and Department of Agriculture (USDA)—handle over 80 percent of the total civilian payroll, accommodating more than 190 different pay plans. Implementations are expensive (ranging up to \$200 million per integrated system) and take years to complete.

The payroll function is not a mission-critical activity for Federal agencies. Only three aspects of payroll—certification of time, certification of payroll, and certification of disbursement—are inherently governmental. However, the sensitivity of timely and accurate payroll results makes it a high visibility function when problems occur, and the need to address problems immediately can be a major distraction to program and administrative managers. While much improvement is possible within the next 1 to 3 years, Federal leaders should not anticipate a simple, easy path to modernization of this function.

The current payroll service delivery environment evolved over many years, reflecting countless incremental changes that have been implemented in different ways across Government. The influences of agency-unique interpretation of legislation, regulation, labor-management agreements, and human resources (HR) policies have all contributed to a complex nest of requirements that, when taken together, unduly complicate payroll administration and modernization.

Action to improve payroll service delivery must be comprehensive, focused, and persistent. The elements of modernizing payroll must include concurrent attention to issues of changing the marketplace within which payroll operates, simplifying and standardizing payroll policies and procedures, managing change, and strengthening the intersects among payroll, human resources, and finance functions. A new governance model for payroll policy and administration must be established through the leadership of the President's Management Council.

The analysis and recommendations emerging from this report are intended to provide the comprehensive, focused path that will, if persistently implemented through strong leadership from the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM), enable a cost-effective solution for

payroll delivery across Government. These actions will also set the stage for greater integration of HR and payroll activities.

SCOPE

The scope of this analysis includes civilian payroll processing in the Federal Government. The analysis does not address payroll for military personnel, intelligence agencies, foreign nationals, and foreign service personnel. Further analysis is necessary to determine how these groups should be incorporated, if at all, into this initiative. This discussion will also need to examine security issues surrounding employees with SI clearance.

The analysis presented in this paper incorporates recent studies and experiences of Federal agencies regarding time and attendance (T&A) and payroll processing systems. Time constraints on this initial strategic analysis precluded the development of comprehensive business cases to support the recommendations. In order to evaluate the various payroll options presented in this paper, a business case is needed. This business case would allow the Administration to make a decision on the different payroll options presented in this paper by presenting the following information: (1) definition of the strategic business needs; (2) definition of the technical alternatives; (3) illustration of how the capital planning and investment control process would be used; (4) a benefit/cost analysis; and (5) definitions of the acquisition, management plan, and risks for each alternative. This paper is a foundation for the business case, but further research and verification of the costing information is needed.

PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda recognizes that strategic investment in payroll systems could provide significant returns in cost avoidance and in better Federal management. Payroll processing lends itself to opportunities for public-private partnerships and strategic outsourcing options, which may provide a better value for the Government and allow resources to be better focused on mission delivery. This initiative recognizes strategic opportunities. The majority of the workforce that maintains current legacy payroll systems and supports payroll operations will be eligible for retirement in the next 5 years. Eighty percent of payroll transactions are supported by software systems that are 13 to 35 years old. Consolidation and standardization of payroll data across the Federal Government will also improve the link between performance and budgets, and improve financial management by providing both managers and finance officers with the information needed to make timely and well-informed decisions. The consolidated and standardized payroll process will also provide an infrastructure that can assist the Government in advancing its e-Government agenda.

OMB Memorandum 01-28 set in motion an interagency Task Force to focus on the transformation to e-Government, directed by the Associate Director for

Information Technology (IT). The Task Force identified high-payoff e-Government opportunities that could galvanize future e-Government work. The President's Management Agenda section on e-Government provided the general direction that the Task Force defined with an action plan. The President's Management Council selected 23 initiatives that constitute the heart of the e-Government strategy. These initiatives were divided into four groups. Enterprise HR Integration was one of the projects selected as part of the Internal Efficiency and Effectiveness group. Efforts of the Federal Civilian Payroll and Enterprise HR Integration initiatives will be closely coordinated.

ANALYTICAL APPROACH

OMB, in response to the Administration's Management Agenda, directed the Joint Financial Management Improvement Program (JFMIP) to establish and lead a working group to address these issues.² The working group for this analysis consisted of representatives from JFMIP, OMB (Office of Federal Financial Management, Office of Federal Procurement Policy, Office of Information and Regulatory Affairs, and Resource Management Offices, Personnel Branch), major providers of payroll (DFAS, VA, DOI, USDA, and General Services Administration, or GSA), other Chief Financial Officer (CFO) offices, and small agencies. The members of the working group and their roles are described in Appendix A.

The analysis presented in this report is a result of the efforts from the work group. Information supporting this effort was collected through a variety of methods:

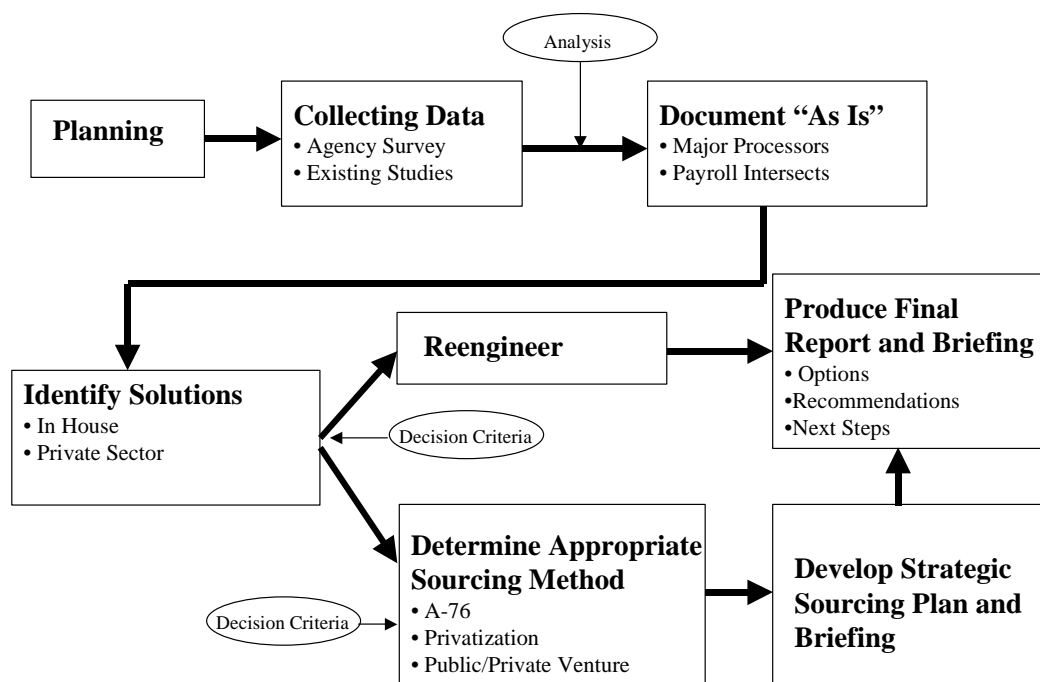
- ◆ A review of recent analyses in the payroll area.³ (Citations to previous studies are included in Appendix B.)
- ◆ Two workshops conducted with representative payroll stakeholders.
- ◆ A survey questionnaire identifying the current environment, capital investment framework, opportunities for improvement and reengineering, etc., for various agencies. (The survey questionnaire and the agency responses are included in Appendix C.)

² For more details see OMB decision memorandum for Sean O'Keefe dated September 24, 2001.

³ Representatives from approximately 25 Federal agencies met on July 20 and 21, 2000, to examine the opportunities for improvement in Federal payroll operations. The results of the meeting were documented in *Proceedings of the Payroll/Human Resources Retreat, July 2000*, Logistics Management Institute report CF002L1.

The approach taken by the working group is depicted in Figure 1-1.

Figure 1-1. Payroll Initiative—Project Phases



REPORT ORGANIZATION

This report presents the results of the working group's analysis. The report is organized as follows:

- ◆ Chapter 2 contains observations about the current payroll systems and processing environment.
- ◆ Chapters 3 through 5 describe the opportunities for improvement and re-engineering options available for establishing appropriate governance for the payroll function, developing an integrated enterprise architecture for payroll and human resources across the Government, and strengthening payroll service delivery to the Government, respectively.
- ◆ Chapter 6 contains a summary of options and opportunities arising from this analysis.

The appendixes provide background information and data in support of the analysis.

Chapter 2

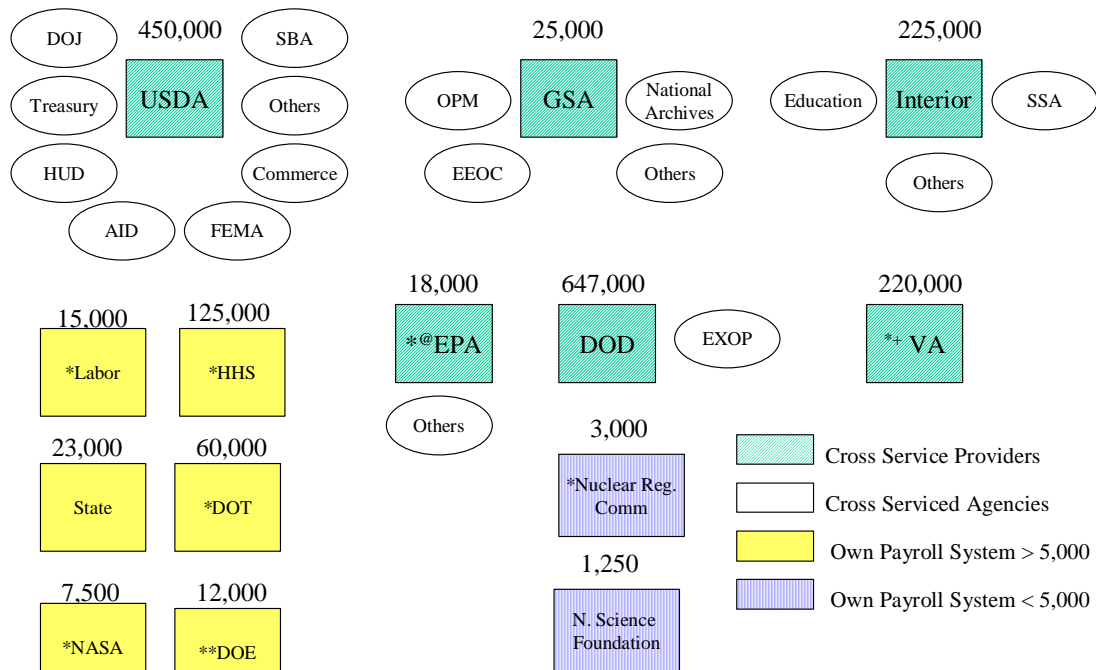
Current Environment

This chapter characterizes current payroll systems and processing environments. It includes a profile of the current payroll providers, a Government-wide view of the payroll process, and the costs associated with payroll processing.

FEDERAL PAYROLL PROCESSING PROFILE

Figure 2-1 illustrates the payroll systems owned and operated by 14 of the 24 agencies defined by the CFO Act of 1990. In processing payroll, these agencies must accommodate 192 different pay plans and meet the legislative requirements outlined in Appendix D of this document. Currently, 8 Federal agencies maintain their own civilian payroll systems, and 6 agencies provide payroll for other CFO Act agencies. These cross-service providers include the USDA, GSA, DOI, VA, Department of Defense (DoD), and Environmental Protection Agency (EPA). These providers serve over 85 percent of the Federal civilian workforce.

Figure 2-1. CFO-wide General Schedule Payroll Systems



* Agencies planning/working on replacement systems.
 **DOE is considering outsourcing options.
 + VA has been established as a franchise fund, and currently processes payroll for one other agency.
 © EPA provides payroll processing to the National Surface Transportation Board.

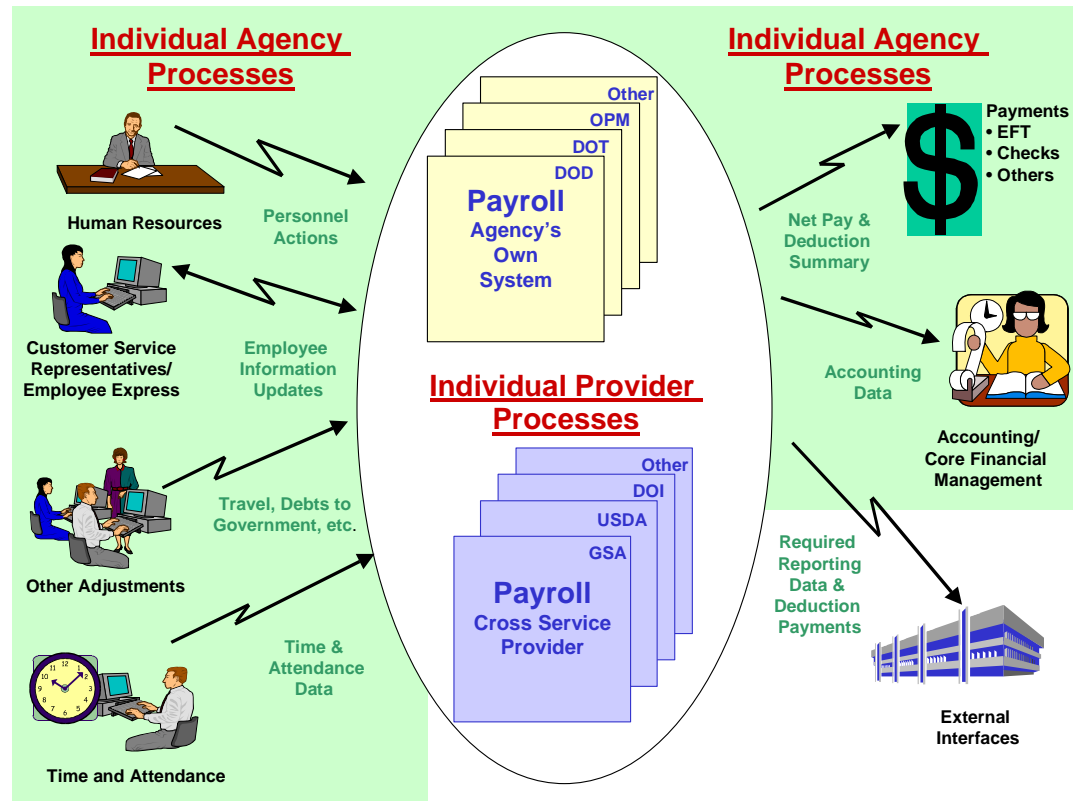
Each of the six providers has its own payroll system and offers a range of services, including pay, benefits administration, T&A, leave administration, debt management, tax administration, payroll accounting, and internal and external reporting.

As shown in Appendix E, most of the 24 CFO Act agencies are relying on home-grown, custom applications that are hosted on mainframes. Four agencies (DOI, DOL, NRC, and GSA) have recently made significant investment to replace legacy systems. The lack of a modernized system still impacts many agencies, including four of the five largest providers. The systems for these agencies (DoD, USDA, HHS, and VA), which process payroll for more than 1.5 million Federal civilian employees, average over 20 years old. In developing replacement plans, agencies are examining alternative methods of service delivery, including the introduction of commercial off-the-shelf (COTS) products (which provide an integrated HR/payroll package), government off-the-shelf (GOTS) software, or application service providers (ASPs), in addition to continued use of cross-service providers.

OVERVIEW OF THE PAYROLL PROCESS

The payroll system is a component of an enterprise financial management system. Payroll system operations use outputs provided by HR and T&A systems. Downstream processes, including core accounting, depend upon outputs of the payroll system. Figure 2-2 depicts the different intersects that must occur in order to pay Federal civilian employees accurately and on time. The left side of the figure shows major agency inputs to payroll; the right side portrays its major outputs.

Figure 2-2. Overview of Agency Interfaces for Payroll Processing

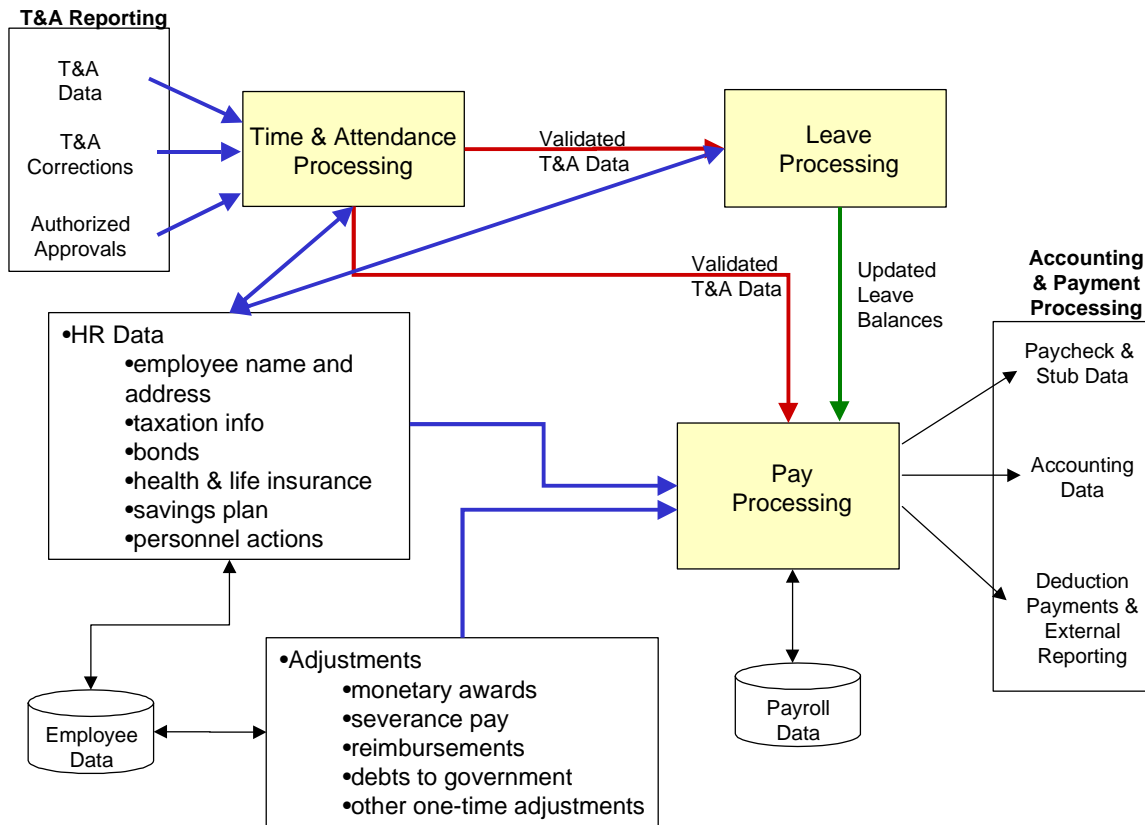


Inputs from HR include personnel actions—employees provide information on their choices for payroll deductions such as withholding for taxes, health insurance, savings bonds, and union dues. HR information, such as address changes, can be updated throughout a pay period. Employees may also change information, such as deductions, throughout the pay period. These changes may be submitted through HR or directly by the employee through a portal system such as Employee Express. For this reason, agencies in the process of implementing a new payroll system are selecting a software package that integrates HR and payroll.

In addition to HR information, payroll processing requires information about an employee's time. T&A data include hours worked by date, charge number or project, and shift or overtime information. Other adjustments must also be sent to a payroll system, including travel payments, debt management deductions for tax levies or other outstanding debts due to the Government and other third parties.

While many steps are required before an employee can be paid, the main processes involved in payroll include T&A processing, leave processing, and pay processing. Figure 2-3 represents a high-level information flow for these common core processes.

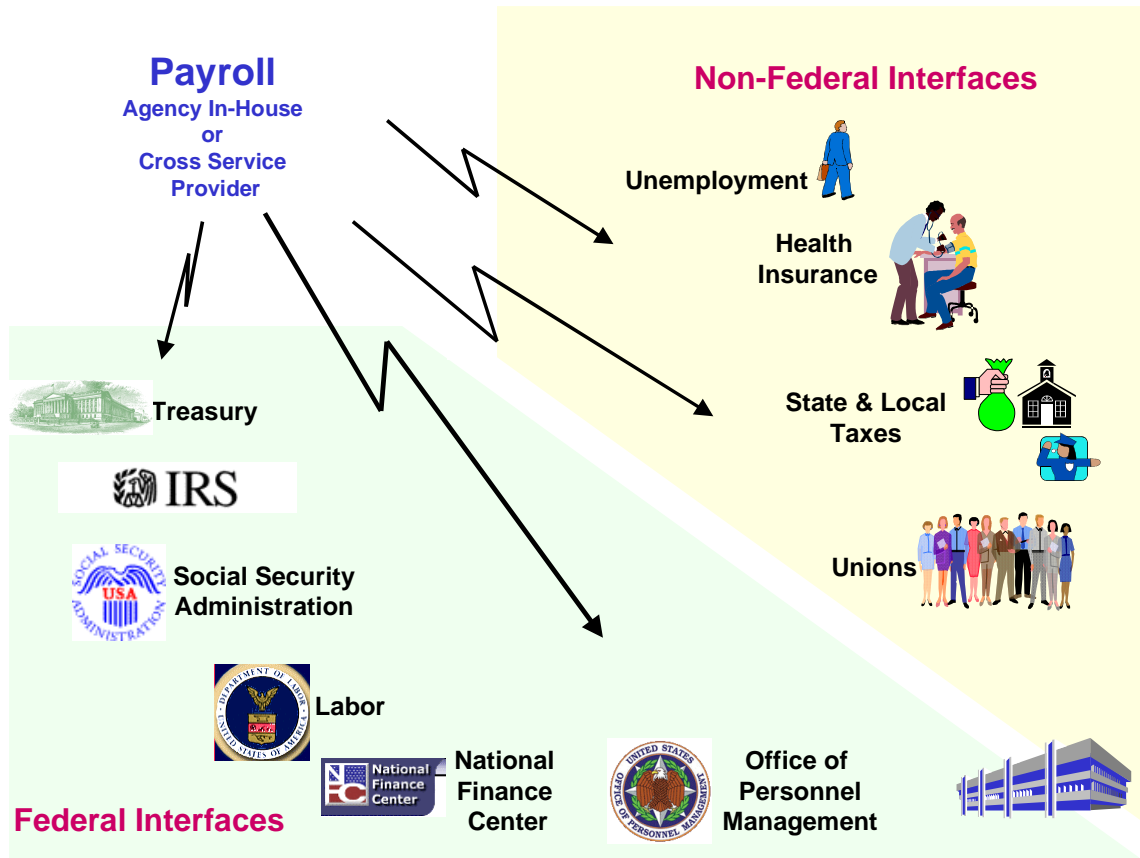
Figure 2-3. High-Level Payroll Process Flow



Time and attendance processing includes collecting all the T&A data from agency sources by pay period, editing and correcting the data as necessary, and, on approval from authorized approving officials, releasing the complete and accurate T&A data to other payroll processing functions. Labor distribution is a subset of T&A and is given to payroll so labor cost can be distributed to the core accounting system. Leave processing includes calculating leave accrued per pay period and updating leave balances appropriately, taking adjustments into account as necessary. Pay processing includes calculating gross pay and deductions, making adjustments and calculating net pay, maintaining payroll-related data (such as information on employees' discretionary deductions), and generating output in the form of electronic payments, paychecks, earning and leave information, accounting data, and external reporting.

Once an employee's pay has been calculated, many outputs are created. As shown on the right side of Figure 2-2, these outputs include net salary payments to the employees, general ledger and other accounting data to the agency core financial management systems, and required reporting and deduction payments to external Federal agencies and non-Federal organizations. The various outputs produced from payroll are sent to a variety of external organizations. Figure 2-4 illustrates these interfaces, which can be divided into six Federal agencies and five non-Federal organizations.

Figure 2-4. Government-wide Payroll External Interfaces



The external Federal reporting requirements are similar across payroll processes, but the requirements of the non-Federal organizations differ by geographical location of the employee and by employing agency. Each of the interfaces with Federal agencies is complex and represents several sets of data exchanges. For example, specific data that need to be reported to Treasury include Federal employment tax information, salary information, savings bond information, state and local tax information, and IRS form 941. Each data exchange may require a different business cycle (e.g., quarterly versus by pay period). (More details of these data exchanges are illustrated in Appendix F.)

These high-level views of the interactions between payroll and related processes may oversimplify the true payroll environment since the core processes of payroll and related areas of HR and finance are not standardized at a Government-wide level. The development and implementation of these processes differ from agency to agency, as well as within an agency. For example, more than 100 different T&A applications must be maintained and updated as payroll requirements change, even though there are only 14 Federal payroll processors.

CAPITAL INVESTMENT FRAMEWORK AND COST OF PAYROLL PROCESSING

The cost of payroll processing under the current environment varies by service provider. Table 2-1 illustrates annual operating costs of providing payroll service, as reported by the service providers in response to the surveys.

Table 2-1. Example Operating Costs of Payroll Services

Service provider	Payees served	Annual operating cost (\$000) ^a	Average annual cost per payee ^b
Department of Defense	680,000	\$30,661	\$45
Department of Energy	12,000	\$3,878	\$323
Department of the Interior	225,000	\$33,000	\$147
Department of Labor	15,000	\$2,676	\$178
Department of State	23,000		
Department of Transportation	60,000	\$8,713	\$145
Environmental Protection Agency	18,000	\$921	\$51
Federal Energy Regulatory Commission	1,150	\$762	\$663
General Services Administration	25,000	\$2,941	\$118
Health and Human Services	125,000	\$12,056	\$96
National Air and Space Administration	7,500	\$1,946	\$260
Nuclear Regulatory Commission	3,200		
National Science Foundation	1,250	\$237	\$190
Department of Agriculture	565,000	\$27,422	\$49
Department of Veterans Affairs	220,000	\$7,000	\$32

^a Annual operating costs reported by representatives of individual agencies are for FY01 and include pay and compensation, hardware and software maintenance, telecommunications, depreciation, supplies and materials, non-capital equipment, and miscellaneous expenses. The costs do not include HR, functional, accounting, or finance functions.

^b Calculated based on FY01 operating costs divided by number of payees served.

It should be noted that the data shown in Table 2-1 may not represent homogeneous services provided across each agency, which may explain some of the variations in unit cost. Agencies provided cost information within a very short turnaround and with limited guidance in preparing information useful for accurate comparison. The payroll operations cost information presented is at a rough order of magnitude, suggesting annual expenditures of about \$100 million.

Because of age and capacity limitations of the current processing environment, many of the principal payroll service providers are considering investments in payroll systems infrastructure. Others are nearing completion of such investments.

Table 2-2 summarizes ongoing and planned payroll system projects for the principal payroll service providers.

Table 2-2. Current and Planned Investments in Payroll Processing Systems

Agency	Future plans	Planned investment ^a
Department of Defense	New functionality for Defense Civilian Pay System	\$29.5 million
Department of Energy	Possible outsourcing with GSA	\$0
Department of the Interior	Upgrade planned	
Department of Labor	Replacing with PP2K in 2002—PeopleSoft	\$9 million
Department of State	Will replace three systems by 2005	
Department of Transportation	Replacement or upgrade is expected, but plans are not developed	\$0
Environmental Protection Agency	Payroll replacement system will be installed by 2004	\$4.4 million
Federal Energy Regulatory Commission	Upgrade of software to newest version on or about fourth quarter FY02	\$0
General Services Administration	PAR upgrade	\$0
Department of Health and Human Services	Upgrade to EHRP in 2003	\$1.4 million
NASA	Replacement planned with COTS in 2006	\$0
Nuclear Regulatory Commission	Agency-wide Financial and Resource Management System (STARFIRE)	\$12.2 million
National Science Foundation	None planned	\$0
Department of Agriculture	Replacement planned by 2010—not identified	\$46.0 million to \$124.6 million
Department of Veterans Affairs	Replacement planned with HRLINK\$ (HR and payroll system) for 2004—PeopleSoft	\$100 million to \$600 million

^a Planned investments were derived from the following sources: agency responses to the survey questionnaire, websites, OMB 300s, and agency cost/benefit studies. With the exception of NRC and VA, the total investment costs for payroll systems are not available, and therefore not reflected, in these figures.

Full capital investment costs that would be necessary to support replacement of the nine legacy systems that are 13 or more years old are not reflected in planned investments. This is only a small subset of the investment that would be required. The capital investment projects shown are at various stages of development. Some will be implemented as early as 2002; others are still being planned and analyzed. Because some planned improvements are years from implementation, an opportunity exists for OMB to affect the development—and ultimately the cost—of payroll to the Government.

Chapter 3

Opportunities: Establishing Governance

This chapter describes the options for establishing governance. Within governance, options regarding standardization of policies and practices are also described. For each option, the associated benefits and considerations are presented. Recommendations for establishing governance are presented at the end of this chapter. A summary of all recommendations in this report is presented in Chapter 6.

The opportunities described in this chapter have been categorized as follows:

- ◆ Governance and policy formulation
- ◆ Implementation of policy
- ◆ Systems standardization.

GOVERNANCE AND POLICY FORMULATION

Agencies are allowed flexibility in interpreting and implementing payroll policy. The working group recognizes, however, that despite the benefits of this flexibility, decentralized interpretation is contributing to a lack of standardization. Central agencies such as OPM and OMB manage legislative initiatives and create policy that affects agency payroll processes and systems. There is an opportunity to improve standardization with a more disciplined approach to assessing the full impact on implementation.

Payroll systems accommodate 192 different pay plans.

The working group discussed three options for coordinating policy formulation while assessing the impact on costs.

Option: Establish a centralized payroll authority to ensure sound, consistent policy across Government.

Although OMB has overall Government-wide authority over financial management policy that includes payroll, the problem calls for a more direct focus on payroll policy and systems. OMB's current responsibilities for payroll as a financial management system need to be moved to an organization more directly aligned with HR policy formulation. OPM could fulfill this role if directed to do so.

Benefits and considerations are as follows:

◆ Benefits

- Aligning policy control over human resources issues and payroll issues into a single organization would facilitate the creation and implementation of payroll policy. The single organization would be uniquely positioned to have a strategic view of how emerging HR policy changes would affect payroll systems and processes. The organization would be a single touch point for Government-wide councils regarding payroll issues and the coordination among payroll, HR, and systems. It would have the final authority on policy interpretations, allowing for a more clearly defined set of business rules for policy implementation.

Laws become effective at times other than the beginning of the pay cycle resulting in multiple pay calculations.

◆ Considerations

- While this new responsibility alignment would lead to more standardization across the Government, care would be needed to balance the benefits of agency creativity and uniqueness.

Option: Establish a process for full impact assessment of all new policies affecting payroll processes and systems.

The impact assessment should be broadened beyond what is viable within the current system's limited focus to also consider economic impact on payroll service delivery as well as strategies for interpretation and implementation.

In addition, a single focal point for payroll governance would create the opportunity to simplify and standardize the wide array of payroll policies and procedures that have evolved over many years. OPM could become the champion for addressing the low cost, high impact opportunity to review and eliminate the silly rules. Appendix H lists low cost, high impact recommendations identified by staffs at stakeholder agencies.

Some employees' salaries are computed using 2080 hours per year; others use 2087 hours resulting in different gross salaries for people in the same grade and step.

The creation of a stakeholder Payroll Council could provide support to OPM as an advisory body to address and assess the Government-wide impact of proposed policy on payroll processes and systems. Council membership could include the

Human Resources Technology Council (HRTC), Chief Information Officers (CIO) Council, and CFO Council, as well as selected service providers and small independent processors.

Finally, the establishment of a payroll users network (PUN) could serve as a vehicle for increasing communication and cooperation across the payroll community. It would coordinate the action items emanating from legislative and policy proposals. Payroll processing representatives from across the Government would be invited to participate.

Anticipated responsibilities for the PUN would include acting as a clearinghouse for development efforts, sharing best practices, and identifying enhancements to payroll systems functionality. The PUN would be organized and staffed by the Payroll Council to ensure sound support and guidance from the Council to OPM as the “owner” of the payroll function and to OMB as the central reviewing authority for Government policy initiatives.

Different agencies choose to pay employees in the same geographic different amounts of locality pay.

Benefits and considerations are as follows:

◆ Benefits

- An impact assessment would enable the Government to approach a consistent global perspective regarding the impact and implementation of policy changes on payroll service delivery. Guiding policy changes in this manner could help the Government achieve the desired goal of more standardization in payroll processing.
- Consistent and comprehensive guidance on implementation of new policies would provide for more effective and efficient policy implementation.
- Elimination of unnecessary rules would make payroll service delivery more efficient and simplify development of modern systems.

At least ten (one, two, five, six, eight, ten, fifteen, twenty-four, thirty, or sixty minutes) increments are used to compute leave usage and pay.

◆ Considerations

- A full impact assessment could cause longer lead times for policy creation and implementation.
- The extra reviews and analysis may require additional staff time to complete.

- OPM allows agencies the discretion for interpretation, resulting in inconsistent implementation of policy. Achieving standardization may limit agency flexibility.

Option: Establish a unified OMB oversight process to align resources, budgeting, capital planning and investment, and/or contracting to support joint investment in payroll systems and/or joint procurement of payroll services to facilitate consolidation and leveraging in the marketplace.

Current OMB capital planning guidance requires agencies to identify their agency-specific architecture and satisfy Clinger-Cohen Act requirements. Before agencies can approve capital investments, the Clinger Cohen Act and implementing guidance require that they develop a capital investment plan and business case that answers questions from an agency perspective. The agency must determine (1) whether the function is necessary, (2) if there are cross-servicing or outsourcing opportunities, (3) the return on investment, and (4) risk prior to investing in information technology. This process does not raise questions from a broader perspective or organize cross-agency funding of joint investments or joint contracting for services.

Agency-specific budget targets and ceilings make it more difficult for a single agency to take the lead in capital investment that will benefit many multiple agencies. Similarly, an agency may enter into contracts for services, but must have additional authority to negotiate contracts for services on behalf of other agencies.

Benefits and considerations are as follows:

- ◆ Benefits
 - A unified oversight process would remove barriers for agencies considering joint investment and joint contracting.
- ◆ Considerations
 - This option would require congressional consultation. Appropriations committees are averse to funding joint initiatives within their “top lines.”

IMPLEMENTATION OF POLICY

Internal agency policies are not always coordinated across HR and payroll. Agencies develop varying interpretations of policies, have differing systems capabilities, and follow different business models. These factors lead to agency-individualized customization, non-standard requirements, and increased costs.

The working group discussed two options for reengineering agency-specific implementation of policy. These actions would be fostered under the direction of the payroll policy governance body discussed above.

Option: Review existing agency business models and policy interpretations and implementations, looking for opportunities to standardize.

In order to standardize payroll processing, payroll policy and regulations promulgated by the central agencies need to be standardized and implemented uniformly throughout all Federal agencies.

Benefits and considerations are as follows:

- ◆ Benefits
 - A review would create a baseline for standardization efforts. While there would be no effort to retrofit systems or processes to comply with the standards lists, no new changes could be implemented that did not comply with the established standard.
 - Standardization across agencies would lead to cost savings and a common methodology for delivering payroll services.
- ◆ Considerations
 - A review would require identification of an executive agent to lead a Government-wide effort and resources.

Some agencies round fractions of cents up during pay and deduction calculations and others round down.

There are over a dozen operational processes to accommodate special work allowances (horse, scuba diving, porpoise observers, etc.).

Option: Pursue common implementation strategies across Government through the PUN.

Based upon the review described above, the PUN could identify and prioritize common business rules and procedures to facilitate efficient and effective payroll operations and systems. By moving toward common implementation strategies, the payroll community will move toward greater standardization of processes and procedures. Over time, common practices for payroll services across agencies will materialize.

Benefits and considerations are as follows:

◆ Benefits

- Common practices and standardization would lead to cost efficiencies.
- Government-wide implementation strategies would reduce the need to coordinate policy change implementation within an agency.
- Improves opportunity for investing in a common system.

There are several permutations to manage leave transfer (one for one accounting, donated into pool, etc.) resulting in different systems to manage leave policy.

◆ Considerations

- Creating common implementation strategies would reduce the latitude payroll service providers and systems developers have in creating individualized solutions for their customer accounts.
- The move toward common practices may lead to the lowest common denominator approach to the implementation of policy changes, so that all providers can comply with the standard.

SYSTEM STANDARDIZATION

Data standards are not fully coordinated between HR and payroll, and payroll service providers do not observe data or functionality standards. The working group discussed two options for reengineering system standardization.

Option: Update and add clarity and specificity to the current JFMIP payroll systems requirements document.

JFMIP issues functional system requirements documents that describe what Federal financial systems must do and consist of the minimum functionality necessary to establish a system and comply with Federal laws and regulations. The JFMIP issued *Human Resources & Payroll Systems Requirements* in 1999.⁴ It identifies high-level functional requirements for Federal human resources and payroll systems. However, the document does not standardize on a specific approach when the underlying regulation provides discretion. The recommendation is to define more specific approaches and/or data requirements in an update of the document to incorporate the recommendations of a PUN group.

Benefits and considerations are as follows:

- ◆ Benefits

- ▶ Together with an effective PUN, an updated JFMIP payroll system requirements document would reduce lead times and the cost of implementing future payroll policy changes.
- ▶ Updated requirements would provide the opportunity to integrate HR and payroll systems at the data element level, thereby reducing system redundancy and overhead.
- ▶ Because all systems would be implementing changes using the same standards, better decisions would be facilitated regarding the wisdom of continued capital investment in more expensive systems.

- ◆ Considerations

- ▶ It is likely there would be a natural resistance to any effort that will fundamentally alter the way payroll providers do their business.
- ▶ If the number of payroll providers remains relatively fixed, the cost of retrofitting legacy systems to more tightly defined standards could be high.

⁴ JFMIP, *Human Resources & Payroll Systems Requirements*, JFMIP-SR-5, April 1999 (www.jfmip.gov).

Option: Create a set of data element standards to be shared by payroll and HR systems.

Benefits and considerations are as follows:

- ◆ Benefits
 - A set of data element standards shared by payroll and HR across Government would facilitate collection and collation of consistent data Government-wide.
 - Adopting a single set of data element standards could help in fully integrating HR and payroll systems. This level of integration would lead to a greater purity of data, would facilitate and simplify data interchange, would facilitate Government-wide application development (e.g., HRDN and Thrift Savings Plan) and would significantly reduce the need for rework typically associated with interfacing systems that require some level of data conversion.
- ◆ Considerations
 - The transition to Government-wide use of standard data elements may be costly and should coincide with systems integration to be effective.
 - Many components of HR do not directly impact on payroll so the scope of the architecture should be carefully drawn to address the integration of those HR processes (employee data and personnel actions) that affect employee payroll.
 - Civilian HR and payroll are complex and any effort to bring standard data and processes will be very difficult.

RECOMMENDATIONS FOR ESTABLISHING GOVERNANCE

The following recommendations address the opportunity for establishing governance:

- ◆ Designate OPM as the policy owner of payroll policy and operations. OPM in conjunction with the recommended payroll governance body, would have the responsibility to set clear goals and timelines for standardizing payroll processes and the payroll processing business model.
- ◆ Designate OMB and OPM as champions for addressing the low cost, high impact recommendations identified in Appendixes G and H.

- ◆ Create a stakeholder Payroll Council, supported by a PUN as an advisory body, to address and assess proposed policy Government-wide impact on payroll processes and systems. Include in the council membership the HRTC, CIO Council, and CFO Council, as well as selected service providers and small independent processors.
- ◆ Establish joint capital investment and budgeting capability within OMB's capital planning and budgeting procedures.
- ◆ Establish governance to facilitate acquisition of privatized services on behalf of multiple agencies.
- ◆ Create a PUN consisting of the current providers of payroll and selected cross-serviced agencies.
- ◆ Direct the PUN to review a select list of agency payroll policies and procedures and to develop a set of standards to be followed.
- ◆ Review current payroll data elements and functionality and HR data standards for simplification and standardization.
- ◆ Set clear goals and timelines for standardization.
- ◆ Form a public-private strategic alliance, championed by a central agency, to develop a single standard system to be used Government-wide.

Chapter 4

Opportunities: Developing an Integrated Enterprise Architecture

This chapter describes the options for developing an integrated enterprise architecture. For each option, the associated benefits and considerations are presented. Recommendations for developing an integrated enterprise architecture are presented at the end of this chapter. A summary of all recommendations in this report is presented in Chapter 6.

The opportunities described in this chapter are categorized as follows:

- ◆ Government-wide architecture
- ◆ Integration with human resources
- ◆ Proliferation of interfaces
- ◆ Barriers to electronic commerce.

GOVERNMENT-WIDE ARCHITECTURE

Responsibility for defining a Government-wide architecture has not been established. Under the current process, each agency has its own view, and that view may not contain all the elements of an architecture. In April 1998, the CIO Council directed the development and maintenance of a Federal Enterprise Architecture to maximize the benefits of information technology within the Government. The Federal Enterprise Architecture is a strategic information asset base that defines the business, information necessary to operate the business, technologies to support the business operations, and transitional processes for implementing new technologies in response to the changing needs of the business.

The working group discussed one option for a Government-wide architecture.

Option: Develop Government-wide payroll architecture to be used for investment decisions and technical guidance.

The architecture includes as-is and to-be business processes, data used, systems, interfaces, infrastructure needed, locations, organizational involvement, standards, and a transition plan for moving from the as-is model to the to-be model. The Government-wide payroll architecture forms a portion of the Federal Enterprise Architecture Framework (FEAF) Financial Management Segment. The FEAF

provides an organized structure and a collection of common terms by which Federal segments can integrate their respective architectures into the Federal Enterprise Architecture.⁵

Benefits and considerations are as follows:

- ◆ Benefits
 - Use of a Federal Enterprise Architecture would facilitate long-term capital investment decisions and the identification of costs by identifying dependencies and providing sequencing information to assess the impact of financial decisions.
 - A Government-wide architecture would provide standards and technical guidance for system implementation efforts.
 - A shared description and defined terminology would improve communication across agencies and across professional groups (end users, IT professionals, planners, etc.).
 - Adherence to a Federal Enterprise Architecture would increase visibility of uncontrolled and uncoordinated elements of the business and IT environments; it also would increase control over the evolution of business processes and IT capabilities.
- ◆ Considerations
 - A decision-making process that incorporates the payroll architecture must be developed and followed.
 - Ownership and maintenance of the architecture must be established.

INTEGRATION WITH HUMAN RESOURCES

Most of the employee/management decision points and data elements affecting pay are initiated under laws and regulations governing Federal personnel actions. Therefore, human resources actions (appointments, positions changes, separations, awards, within-grade increases) are inextricably linked to the calculation of Federal employee pay. To achieve the necessary level of efficiency and effectiveness, the maximum possible level of integration between HR and payroll services and systems is needed.

The working group discussed one option for integration with human resources.

⁵ For more information about the Federal Enterprise Architecture Framework, visit the CIO Council's website at www.cio.gov.

Option: Agencies should implement an integrated payroll/HR solution based upon a set of Government-wide data and functionality standards.

Benefits and considerations are as follows:

- ◆ Benefits
 - An integrated solution based on a set of common data and functionality standards would reduce the costs of developing, maintaining, and implementing interfaces.
 - Common standards and functionality would allow the payroll community to fully leverage the use of the PUN to address common issues.
 - The payroll community would have a unified voice in addressing policy and legislative changes.
 - Significant savings would be achieved and customer service enhanced by eliminating dual entry of the same or related data into separate payroll and HR systems, which would, in turn, eliminate pay discrepancies and errors that result from conflicting or inaccurate data in either human resources or payroll processing.
- ◆ Considerations
 - Full integration could require service recipients to have less flexibility in their choice of an HR and payroll provider. An integrated human resources/payroll system might not be severable, therefore requiring the service recipient to get both services from the same provider.
 - With an integrated system, the primary system owner would have to be identified. Differences in primary system ownership between HR and a finance organization could lead to differences in priorities and implementation schedules. (Such differences exist even in current models, inasmuch as human resources priorities must be reflected in payroll processes, whether or not system integration is in place.)

PROLIFERATION OF INTERFACES

Interfaces for HR, payroll, and time and labor have different file formats and are complex and numerous. Systems have different nomenclature and data elements. Development of interfaces adds costs. The availability of standardized interfaces impacts options.

The working group discussed two options for reengineering interfaces.

Option: Update to add clarity and specificity to the existing JFMIP payroll systems requirement document to include subsystems like T&A and labor cost accounting.

Benefits and considerations are as follows:

- ◆ Benefits
 - Together with an effective PUN, standardized interfaces would reduce lead times and the cost of implementing future payroll policy changes.
 - The opportunity to integrate HR and payroll systems at the data element level would be enhanced by reducing system redundancy, overhead, and the lead time for implementing future changes.
 - Decisions regarding the wisdom of continued capital investment in more expensive systems would be facilitated, because all systems would be implementing changes using the same standards.
- ◆ Considerations
 - It is likely that there would be a natural resistance to any effort that will fundamentally alter the way payroll providers do their business.
 - If the number of payroll providers remains relatively fixed, the transition to standards would be costly.
 - It does not adequately address the problem.

Option: In conjunction with HR, create a set of data standards for use by payroll and HR.

Benefits and considerations are as follows:

- ◆ Benefits
 - Standards would facilitate collection and collation of consistent data Government-wide.
 - The HR and payroll system could be fully integrated. This level of integration would lead to a greater purity of data, and it would significantly reduce the need for rework typically associated with interfacing systems that require some level of data conversion.

◆ Considerations

- Requiring agencies to transition to a set of standard data elements will create a cost associated with the transition.

BARRIERS TO ELECTRONIC COMMERCE

Rules and regulations currently prevent the full integration of electronic commerce in payroll processing, such as electronic signature and W-2 forms mailed to employees. Greater penetration of electronic commerce practices and procedures within the HR and payroll areas will lead to greater efficiencies and cost savings. Some examples of barriers to electronic commerce are included in Appendix G.

The working group discussed one option for electronic commerce reengineering.

Option: Systematically identify and eliminate the barriers to greater reliance on electronic commerce.

Benefits and considerations are as follows:

◆ Benefits

- The use of e-commerce would eliminate manual and paper-based processes, give the payroll customer greater control over selected personnel and payroll data elements, and reduce costs associated with these operations.

◆ Considerations

- Some of the barriers to e-commerce are grounded in legislation and central agency policy.
- Effecting change could be a long and tedious process.
- Some agencies may not possess the technical capability to deal with the new technologies associated with e-commerce.
- Expanding e-commerce changes the landscape of command and control and could threaten the security of some systems and process owners.
- E-commerce represents a major culture shift for HR and payroll processors.

RECOMMENDATIONS FOR DEVELOPING AN INTEGRATED ENTERPRISE ARCHITECTURE

The following recommendations address the opportunity to develop an integrated enterprise architecture:

- ◆ Develop a payroll Government-wide architecture with as-is and to-be models and a transition plan.
- ◆ Establish ownership over the development of the payroll Government-wide architecture with the Payroll Council.
- ◆ Develop a process to include the payroll architecture in decision-making processes.
- ◆ Ensure that any provider or system solution adopted for Government-wide or multi-agency use has the capability to fully integrate processing of human resources and payroll actions.
- ◆ Review current payroll data elements and functionality and HR data standards for simplification and standardization.
- ◆ Set clear goals and timelines for standardization.
- ◆ Aggressively move forward with an effort to overcome the barriers to increased reliance on e-commerce.

Chapter 5

Opportunities: Strengthening Payroll Service Delivery

This chapter describes the options for strengthening payroll service delivery. For each option, the associated benefits and considerations are presented. The options are based on the assumptions that (1) the payroll function in the Federal Government is too widely dispersed, (2) legacy systems currently serving more than three-fourths of the workforce are at the point where there will need to be a reinvestment, and (3) a Government-wide strategic replacement of legacy systems would be less costly than individual agency efforts. Recommendations for strengthening payroll service delivery are presented at the end of this chapter. A summary of all recommendations in this report is presented in Chapter 6.

The opportunities described in this chapter are categorized as follows:

- ◆ Consolidation
- ◆ Privatization.

CONSOLIDATION

Over the past 18 years, Federal agencies have attained cost savings and cost avoidance through cross-servicing their payroll operations to Federal providers. A 1989 General Accounting Office report identified a \$52 million operational savings over a 10-year period based on the Department of Treasury's decision to move its payroll operations to the USDA's National Finance Center (NFC). In addition, Treasury reported a cost avoidance of more than \$32 million in system capital investments associated with the move. In fact, the five largest organizations that migrated their payroll operations to the NFC cited combined operational savings of more than \$15 million annually and avoided more than \$60 million in systems modernization costs (stated in 1992 dollars). More than 100 Federal organizations have achieved comparable savings by opting to obtain quality and cost-effective payroll services from a core group of primarily five Federal payroll providers.

The issue at hand is to determine the appropriate approach for obtaining the additional operational cost savings through economies of volume, obtaining additional cost avoidance by limiting the places capital system modernization activities have to take place, and increasing standardization by limiting the number of systems.

The working group discussed three options representing the alternative “to-be” scenarios for Federal payroll processing transition.

Option: Direct agencies to an approved existing cross-servicer.

Currently, there are 14 Federal payroll offices. The five primary providers—DFAS, USDA, VA, DOI, and GSA—service 1.58 million Federal (non-uniformed military and non-postal) employees, or 85 percent. Payroll services for another 265,000 Federal (non-uniformed military and non-postal) employees are provided by their own agency or department. The implementation time for a single agency to migrate to another provider is approximately 6 months to 1 year, because of the need for requirements analysis, data mapping, data conversion, reports development, testing, training, etc. At the same time, the provider may be required to develop software and interfaces to accommodate unique requirements unless ameliorated through standardization, adding additional cost and complexity.

Benefits and considerations are as follows:

- ◆ Benefits

- ▶ Consolidation to five providers would reduce capital investment needs and achieve significant standardization. Fourteen agencies provide payroll services. Five providers service 1.58 million payees. The remaining nine service 265,000. If, through consolidation and standardization, savings of \$100 per serviced employee could be achieved, overall annual savings would amount to approximately \$26.5 million. The larger benefit is achieved through cost avoidance, by eliminating multiple investments to modernize payroll systems. (For example, four system replacements averaging \$25 million each would cost \$100 million.)
- ▶ It is the most feasible option in terms of risk and difficulty and could be accomplished in the FY03 to FY04 time frame. (This assumes that one of the current cross-servicers can support Title 38 and Title 42.)
- ▶ Agencies would have more choice and flexibility to select the best provider based on competition.

- ◆ Considerations

- ▶ Significant implementation and development costs would be incurred over a 1- to 2-year time frame in order to move to one of the five existing providers. The working group concluded that this option is feasible but less desirable than consolidation to two to three providers.

Option: Develop a single software system.

This option involves building a single integrated payroll system software (versus multiple systems) that (1) would leverage COTS and private-sector integrators, (2) would comply with the newly defined Government-wide architecture, (3) would be enabled by standardized requirements and reengineered business practices, and (4) may be offered at multiple Government or commercial locations.

The general business case for using COTS software rests on the ability to spread research and development costs over a large customer base and benefit from systematic upgrades of software that incorporate best business practices. However, to take advantage of economies of scale in vendor software development, Federal agencies must be able to use the software with limited customization. Existing COTS providers do not support the full range of Federal payroll processing requirements. At present market research indicates limited commercial options. PeopleSoft, Oracle, and SAP are enterprise resource planning software solutions that include HR, payroll, and other financial functionality where the HR functionality has been used in a Federal agency.

Two fundamental factors account for the gap between Federal payroll requirements and the capabilities of COTS solutions. The primary factor is the lack of standardization, resulting in excessive and complex Federal requirements and increasing the requirements that vendors must meet. The second is the lack of marketplace incentives for providers of COTS packages to invest and increase capabilities.

Benefits and considerations are as follows:

- ◆ Benefits
 - A single software system would impose a standardized Federal payroll process on a Government-wide basis by default. The disparate implementation of payroll policies in agency payroll systems would be resolved by virtue of one payroll system.
 - The system, with strong configuration management, would not necessarily be limited in terms of geographical locations of operation.
 - A single system would provide the best opportunity to minimize near-term capital investment cost in software development in the commercial market place to meet Federal needs while, at the same time, setting powerful incentives for the COTS market to become responsive to Federal needs.

◆ Considerations

- A single software system may be less feasible in terms of meeting requirements, technology, and capacity. It would require visibility of the full range of functional requirements in order for the market to respond.
- An aggressive acquisition strategy would be needed to engage the market to close the functionality gap in commercial software. The COTS model of “best fit” and business process reengineering is effective only when the product supports most critical functionality without customization.
- Integration and standardization of HR systems is a desirable prerequisite to a single payroll system. At a minimum, a standard interface between HR and payroll must be defined. An incremental approach to integration with HR systems should be part of the migration strategy. Since it will take several years to consolidate payroll systems, the near term should be seen as a prime opportunity to orchestrate common investments in HR systems.
- Governance issues defining roles, responsibilities, and resources to support a common software system development effort must be defined in advance and an acquisition strategy developed.
- The single system option represents a very large risk and responsibility without first evolving to the point where the requirements, capacity, and technology are more feasible and issues of ownership, standardization, architecture, and HR/payroll integration can be more easily resolved. Risk may be mitigated, however, with multiple providers of the same system.
- There are risks inherent with a monopoly, including the lack of incentives to control costs, refresh technology, and meet customer service expectations.
- A single standardized software system must be designed to be flexible and nimble to accommodate unique needs and changing HR policies that will occur over time.
- A single software system could be achieved in the next 5 years for agencies that must move off of legacy systems. However, it could take many additional years to implement the entire civilian sector onto the system if the current state of differences remains.

Option: Direct all agencies to two to three providers.

Agencies could be directed to choose among two or three approved payroll providers within an agreed upon time frame. Each provider would have its own systems software and operation. Capital investment in payroll systems would be redirected in accordance with those migration decisions. The timing of when each agency migrates to the approved provider would be influenced by the state of that agency's return on investment already made or in process. Agencies that are planning investment in new systems or upgrades would likely be earlier candidates than those who have recently completed upgrades.

There are several approaches for selecting the two or three payroll providers. The first can be a mandate by OMB. The provider selection criteria would be based on the minimum payroll processing requirements needed for the approximately 2 million Federal civilian employees. The directive can be based on a more detailed business case, input from the President's Management Council or other councils, or other methods. This directive would enable a decision to be made quickly and allow the process for consolidation to move quickly; however, there is a low level of competition involved. The lack of a federalized software product may also limit the amount of commercial-sector involvement.

A second alternative is to have a competition (similar to A-76) in which the minimum requirements are defined and agencies, commercial entities, or public-private joint ventures submit bids. Although this method allows for a high level of competition and a lower cost to the Government, this involves a longer time frame. The A-76 competition process is lengthy and may not result in enough bidders to make the process worthwhile.

Regardless of which approach is taken in determining the two or three providers, the following benefits and considerations hold true:

- ◆ Benefits
 - Reduced capital investment, operating, and maintenance costs would achieve significant long-term cost avoidance.
 - A high degree of standardization would be imposed by default as more agencies use the same system.
 - Agencies may choose the best provider. Each provider has its own software and operation.
 - Having two or three systems may be more feasible than having a single system in terms of meeting requirements, technology, and capacity. Currently, no single system supports the range of functional requirements found across Federal payroll operations.

◆ Considerations

- ▶ Short-term transition costs will increase near-term operational costs while reducing near-term capital investment requirements. Note: OMB should be cautioned on taking savings earlier based on less than the full known costs to be incurred in the out-years. To support the decision, the Government-wide requirements as a whole need to be evaluated and matched against current capabilities.
- ▶ Achieving significant progress in the FY03 to FY05 time frame requires a strong governance structure, sustained leadership, a defined architecture, and standardization.
- ▶ Customer service and continuity of operations risks are lessened and somewhat mitigated by having two or three providers as opposed to a single system. However, consolidation options that require modifying old legacy systems to expand functionality to meet incremental needs (e.g., Title 42 employees) may pose unacceptable risk. Older systems are less able to expand functionality. The ability to manage any exponential increase in workload created by a short time frame should be carefully considered.
- ▶ Payroll and HR processes should be integrated. Separating payroll from HR presents problems because HR systems drive payroll systems. Some agencies have integrated payroll and HR systems. For them, being directed to a different provider may drive up costs in related functions such as HR. Four agencies that currently provide HR and payroll support to about 20 percent of the workforce have already invested in modern integrated systems. Others are seeking funding for upgrades. The definition of what is included as operating costs varies (e.g., some include T&A, others do not). This analysis makes generalities about the Government-wide capital investment framework (Chapter 2), but the information is insufficient to make any final determination. Significant additional cost analysis needs to be done to support further decisions on who the providers will be and how they are funded.
- ▶ A more in-depth assessment should be made to determine the capabilities of the two or three potential providers to meet expected timelines for accepting new customers. The migration and implementation should be incremental and achievable. Options include consolidation of particular agencies, all of Title 5 or other titles, etc. The requirements for implementing all titles must be identified to determine the providers with the best capabilities. A detailed migration plan should be developed early.

- Additional transition costs and delays should be expected in areas of labor relations, reductions in force, union negotiations, and other human factors associated with reductions in force.
- Adoption of recommendations in this report is proposed to produce tangible savings or cost avoidance in Government payroll IT outlays and improve operations. If budgets are reduced at the onset of the initiatives, payroll operations will suffer at the expense of estimated savings in future years. Timing of reallocating or eliminating current budget requirements for payroll operations that will be affected by estimated cost savings should coincide with actual or imminent cost savings. Imminent cost savings would be based on an initiative's progress in meeting schedule, performance, and cost estimates (earned value).

PRIVATIZATION

A privatization strategy assumes that the Government will get out of the software system development process and the service delivery process for the following reasons: systems and payroll service are not core Government missions; the workforce and resources supporting the legacy systems servicing 80 percent of current workload are not aligned to support modern systems; and the Government wants to orchestrate a performance based contracting strategy to set combined system modernization and service best value over a period of time. Privatization would consolidate workload to maximize incentives in the marketplace.

The working group discussed one option for privatization.

Option: Privatize Federal payroll processing.

Virtually all of the current providers are operated in the Government, even though Government providers engage in public-private partnerships with contractors or ASPs to perform various services related to the overall pay process. Many of the direct cost savings from privatization would materialize whether the outsourced provider is a Government or non-Government entity.

Among the marketplace options reviewed for this study was that of outsourcing or privatizing Federal civilian payroll functions through such mechanisms as the A-76 process, use of ASPs, or conversion of existing Federal staff and functions through an Employee Stock Ownership Plan (ESOP). Privatization could be considered for all functions except certification of time, payroll, and disbursements, which are required by statute and regulation to be performed by delegated Federal certifying officials. Under the privatization scenario, the Government would contract in some manner with a private entity to provide pay services currently performed by the Federal payroll community.

Using the A-76 process poses significant challenges to achieving payroll services while minimizing future payroll information technology investment (by Govern-

ment or on behalf of Government). Given that legacy systems are diverse, the goal of pooling future system development costs could not be achieved unless there was some way to organize public-private competitions while combining most efficient organization (MEO) bids across more than one agency. This is feasible, but unprecedented. Organizing such a competition using A-76 procedures would be difficult and time-consuming.

More suitable models for privatization can be found in existing efforts in other functional areas. For instance, the U.S. Army Logistics Modernization program may provide an example of the type of effort that would be required. Under that initiative, the Army determined its workforce did not have the necessary skills to modernize the logistics systems and the Army did not have the resources to maintain the current legacy system and to adopt a modern system unless it leveraged the knowledge of the current workforce and the capabilities of leading COTS software and integrators that could support it. The Army selected the best-fit software, then, using performance-based contracting, selected a business partner that took over operation of the existing systems and hired displaced Army personnel, guaranteeing 3 years at comparable salaries and benefits. The contract sets financial incentives to rapidly transition to the new software system.

While full privatization would be difficult to achieve in the short term, it offers potential future cost savings. It also provides a more manageable method of organizing payroll systems of more than one agency under a single executive agent as a way of organizing the privatization effort. As progress is made toward a single system, reengineered business practices, and increased standardization, privatization becomes more feasible.

Benefits and considerations are as follows:

◆ Benefits

- The primary benefit of full privatization would be in passing the capital investment and operating cost to the private sector, possibly resulting in savings to the Government.
- With the proper contracting incentives and integration of private-sector software and operations teams, the private sector may be able to introduce cost and performance innovations faster than would be true in the Federal sector.

◆ Considerations

- Outsourcing payroll becomes more feasible as payroll processes are further integrated, standardized, reengineered, and consolidated among existing providers.

- The privatization strategy may be the final phase of a modular implementation strategy, and not an option that competes with the two to three service providers option.
- Currently, no private-sector vendor has been identified that can meet the civilian payroll processing requirements of the Federal community. A recent A-76 study by DFAS resulted in no bidders for the civilian payroll function. Organizing a single A-76 competition for the same function across organizations would require combined MEO bids by Government. This is theoretically possible, but unprecedented and would be very time-consuming.
- Articulating Government-wide payroll requirements and transforming them into a unified pay processing capability would require careful management and an innovative acquisition strategy.
- Overarching project management and contract management skills would be needed to meet multi-agency requirements.
- In order to privatize payroll, numerous transition issues—such as recognizing and satisfying requirements of union contracts; meeting multi-agency legislative, regulatory, and policy requirements; and maintaining acceptable base levels of customer service—would need to be resolved before the transition to a private provider could be implemented. Difficulties could also be encountered in maintaining Government ownership of the pay process and securing and protecting private and confidential data maintained in the pay system, especially information covered by the Privacy Act of 1973. On the other hand, it has been argued that by integrating HR and payroll and moving closer to a single system, payroll processing will become more attractive for potential privatization. The timeline for privatization is reduced in proportion to standardization and consolidation of legacy operations.
- Outsourcing payroll is a high-risk option in that the Government may lose its recourse to provide services to itself, should outsourcing fail. A risk mitigation strategy would be critical. Acquisition strategy must place high emphasis on business partner capabilities, including scalability of operations, performance, and viability.
- Key consideration must be given to retaining the existing knowledge-base, both in project management and operational skills. A single system requires knowledge management, far over and above a requirements document, to retain the vast knowledge the Government has acquired over the years.

RECOMMENDATIONS FOR STRENGTHENING PAYROLL SERVICE DELIVERY

The following recommendations address the transition options—both consolidation and privatization—for improving service delivery:

- ◆ Establish a governance structure to support multi-agency management of payroll investment and processing decisions. OMB should direct and communicate the decision to consolidate the number of payroll providers and charter OPM as owner of the payroll policy function. OMB should sponsor a strategic alliance with the major payroll providers to determine the most cost-effective way to consolidate to the desired number. All Federal agencies should be directed to develop milestones to migrate to one of the remaining providers based on a timeline that conforms to the goals and objectives. Future capital investments should be redirected to support the new strategic objectives. The factors most critical to success are central authority and leadership. The task of consolidating providers on a Government-wide level is significantly beyond the capabilities of any individual agency or market forces to enable. Leadership and authority need to be clearly identified and the decision needs to be communicated.
- ◆ Set a goal to have a single integrated HR and payroll system (software) for the Federal Government. Incremental investments should be governed by this goal.
- ◆ Direct agencies using competitive processes to two or three approved payroll service providers. It is feasible to make significant progress toward consolidating to two or three providers by FY05. Significant progress in FY04 and FY05 can be made if there is a mandate, pooled resources across agencies, and a structured approach.
- ◆ Undertake a more detailed study of the capital investment framework (Chapter 2) to facilitate the timing of decisions. The payroll working group encountered difficulties with availability, accuracy, and consistency of cost and investment data available from agencies and provided by OMB. Significant effort is needed to ensure that cost-benefit data can be applied uniformly.
- ◆ OMB, in conjunction with OPM, the CFO Council, the CIO Council, HRTC, and existing related councils and workgroups, must ensure that the communication and change management strategies are effective and universally embraced, that authorities are clear, and that there is strong and continued leadership to champion progress toward the goal.
- ◆ Evaluate the capabilities of the commercial marketplace to provide Government payroll services using a direct privatization strategy that consoli-

dates all, or a significant portion of, current payroll operations and uses a single software system. Action on this strategy requires designation of an executive agent with authority to act on behalf of multiple agencies. This acquisition strategy could take advantage of performance-based contracting strategies but would require overcoming cross-agency contracting and governance barriers.

- ◆ Develop a strong change management strategy to support the capital investment strategy selected. Regardless of which transition option is selected, a strong change management strategy must be in place.
- ◆ Develop a task force for implementation, as well as strong project management leadership and other resources. It should be recognized that there is a limited supply of qualified project managers to meet an accelerated demand for implementation. Utilizing the current knowledgebase is also important. The transition should be facilitated by pooling a task force of talented people in the Government.

Chapter 6

Recommendations

In this chapter, the recommendations for establishing governance, developing an integrated enterprise architecture, and strengthening payroll service delivery are presented. The purpose of this chapter is to provide an overview of all recommendations and to provide some additional comparative analysis.

The recommendations are presented as follows:

- ◆ Summary of recommendations
- ◆ Comprehensive list of recommendations
- ◆ Supporting analysis of the four leading service delivery options compared to the current environment (status quo)
- ◆ Supporting analysis of options in support of the President’s Management Agenda.

SUMMARY OF RECOMMENDATIONS

Table 6-1 summarizes the recommendations from Chapters 3, 4 and 5.

Table 6-1. Summary of Recommendations

Opportunity	Recommendation
Establishing Governance	Establish a governance framework
Developing an Integrated Enterprise Architecture	Develop a Government-wide architecture for HR and payroll processing Standardize Federal payroll policies and processes
Strengthening Service Delivery	Consolidation/outsourcing: Set a goal to develop a single integrated system (software) leveraging COTS product Direct agencies to two or three approved public or private payroll service providers based on competition Privatization: Privatize payroll services. Select a single integrated system (software) and competitively select a service provider to conduct payroll operations. Set performance incentives to optimize services.

COMPREHENSIVE LIST OF RECOMMENDATIONS

Table 6-2 provides an overview of options and recommendations for establishing governance, developing an integrated enterprise architecture, and improving service delivery. These actions should consider foundation elements for single software development, consolidation, and/or privatization options presented in Table 6-3.

Table 6-2. Overview of Options/Recommendations

Opportunity	Option/recommendation
Establishing Governance	<p>Designate OPM as the owner of payroll policies and operations.</p> <p>Create a stakeholder payroll council as an advisory body, to assess policy impact on payroll.</p> <p>Create a payroll users network consisting of current providers and cross-serviced agencies.</p> <p>Establish a joint capital investment and budgeting capability within OMB capital planning and budgetary procedures. Establish a unified OMB oversight process to align resources, budgeting, capital planning, investment/contracting to support joint capital investment.</p> <p>Designate OPM and OMB as champions for implementing high impact low cost recommendations, and “silly rules” for dispensation</p> <p>Direct the Payroll Users Network to conduct a review of agency payroll policies and procedures and to develop standards.</p> <p>Review current payroll data elements and functionality and HR standards for simplification.</p> <p>Set clear goals and timelines for standardization</p> <p>Form a private-public strategic alliance, championed by a central agency, to develop a single, standard, Government-wide system.</p>
Developing an Integrated Enterprise Architecture	<p>Develop Government-wide payroll architecture with as is and to be models and a transition plan.</p> <p>Establish ownership over the development of the payroll Government-wide architecture with the Payroll Council.</p> <p>Develop a process for including the payroll architecture in decision-making.</p> <p>Any provider or system solution adopted for Government-wide use must provide the capability to fully integrate payroll and HR.</p> <p>Aggressively move forward with an effort to remove the barriers to increased reliance on e-commerce.</p>
Strengthening Service Delivery	<p>Establish a governance structure to support multi-agency management of payroll investment and processing decisions.</p> <p>Set as a goal, to have a single integrated HR and payroll system (software) for the Federal Government, leveraging a COTS software product.</p> <p>Direct Agencies to two to three approved payroll service providers.</p>

Table 6-2. Overview of Options/Recommendations

Opportunity	Option/recommendation
	<p>Undertake a more detailed study of the Capital Investment Framework (Chapter 2) to facilitate the timing of decisions.</p> <p>Develop a strong change management and communication strategy. OMB, in conjunction OPM, the CFO Council, CIO Council must ensure effective change management and leadership.</p> <p>Evaluate the option of direct conversion of payroll using a single system to assess market acceptance issues.</p> <p>Develop a task force for implementation.</p> <p>Evaluate the capabilities of the commercial marketplace to provide Government payroll services using a direct privatization strategy that consolidates all or a significant portion of current payroll operations and uses a single software system.</p>

ANALYSIS OF SERVICE DELIVERY OPTIONS

Table 6-3 presents an analysis of the options, compared to the current environment.

Table 6-3. Analysis of Options Compared to the Current Environment (Status Quo)

Option	Feasibility (requirements, technology, capacity)	Cost (transition, operational, capital investment)	Cost savings (transition, operational, capital investment)	Risk	Time frame
Current environment	Current environment will continue to meet payroll requirements.	Highest cost due to multiple capital investments and operations.	Limited opportunity for cost avoidance due to multiple capital investments and operations.	Difficulties with standardization and integration continue to drive costs up. Shortage of project management skills.	FY02
Single integrated system (software)	Higher: Can be accomplished. A single software system is highly dependent on an enterprise architecture and standardization. The migration to the single system is highly dependent on a successful governance model.	Lowest capital investment cost. Implementation cost may be high due to the high number of migrations that must occur. However, standard interfaces present opportunity for efficiency.	Highest potential long-term cost avoidance through common system maintenance and enhancement.	Medium	FY04 FY06
Direct agencies to 2 or 3 approved providers	High : Can be accomplished if directed. Servicing agencies may need resources to meet incremental capacity or functionality. Workload allocation may be through competition (e.g., Franchise Fund).	Potential higher capital investment than single system if system upgrades required for 2-3 systems. Lower cost if single software development mandated. Transition costs due to increased number of migrations.	Higher potential long-term cost savings with centralized investment and operations.	Medium. Requires that consolidated systems have functionality and scalability to meet the needs of customer agencies.	FY03 FY06

Table 6-3. Analysis of Options Compared to the Current Environment (Status Quo)

Option	Feasibility (requirements, technology, capacity)	Cost (transition, operational, capital investment)	Cost savings (transition, operational, capital investment)	Risk	Time frame
Privatize payroll operations with a standardized system software based on COTS product	Medium: Can be accomplished but is dependent on innovative acquisition strategy, effective project management, and marketplace capability.	Potential capital investment savings if competed for single system software. Incremental savings for operations.	Highest potential cost savings with contract incentives to take advantage of optimal IT and operations improvements overtime..	High: Must have opportunity to capture knowledge-base of current Federal payroll providers to accomplish transition.	FY06

HOW SERVICE DELIVERY OPTIONS SUPPORT THE PRESIDENT’S MANAGEMENT AGENDA

Table 6-4 presents an analysis of how the options presented in this report impact the President’s Management Agenda.

Table 6-4. Analysis of Options’ Support of the President’s Management Agenda

Option	Strategic management of human capital	Competitive sourcing	Improved financial performance	Expanded E-government	Budget and performance integration
Continue payroll processing in the current environment (status quo)	Low	Low	Lower	Low	Low
Establish a governance framework	Improves the opportunity to use personnel more effectively	Enables Government-wide planning for privatization	Enables focused planning and oversight to support goal	Enables focused planning and oversight to meet goal	Enables more accurate performance measures
Develop a Government-wide architecture for HR and payroll processing	Improves the capability to make human resource decisions in support of systems	Critical to achieving the outcome of any competition that meets customer needs for seamless information flow	Critical enabler	Critical enabler	Better cost information possible, if architecture specifies data standards and business rules to support cost accounting and full cost budgeting
Standardize Federal payroll policies and processes	Reduces manpower requirements and enables automated capture for knowledge management	Communicates common requirements, which helps organize the market	Process reengineering enables automated, integrated solutions supporting timely accurate management information	Requires unification and simplification to optimize e-government	Enables timely accurate information to inform full cost of programs

Table 6-4. Analysis of Options' Support of the President's Management Agenda

Option	Strategic management of human capital	Competitive sourcing	Improved financial performance	Expanded E-government	Budget and performance integration
Develop a single integrated system leveraging COTS product	Reduces manpower requirements for multiple system development and maintenance efforts	Higher (incentives the COTS market)	Higher (potential for better cost information)	Requires unification and simplification for common system	Has potential for better information if integrated with standard HR, time and labor, and core financial system requirements
Direct agencies to 2-3 approved providers	Reduces operating staff devoted to non-core missions		Higher (potential for better cost information)	Higher	medium impact
Privatize payroll operations	Highest reduction of Federal manpower devoted to commercial activity (focus government manpower on core missions)	Highest (use direct privatization model)	Potentially higher	Higher (set specific contract goals)	Potential for full cost of service visible and full accounting information possible

Appendix A

Participants with Roles

The working group for this analysis consisted of representatives from JFMIP, OMB (Office of Federal Financial Management, Office of Federal Procurement Policy, Office of Information and Regulatory Affairs, and Resource Management Offices, Personnel Branch), major stakeholders (DFAS, VA, DOI, USDA, and GSA), other CFO offices, and small agencies. Table A-1 lists the working group members and their roles.

Table A-1. Payroll Processing—Business Case Working Group

Name	Role	Agency
Karen Cleary Alderman	Executive Project Leader	JFMIP
Julie Basile	Advisor Acquisition Strategy	OMB Office of Federal Procurement Policy
Richard Bennett	Payroll Provider Cross Servicer	EPA
Bob Bird	Advisor DOD Military/Civilian Payroll	Defense Finance and Accounting Service
Anh Bolles	Agency Payroll Owner	DOT
Ken Bresnahan	Contractor Support	PriceWaterhouseCoopers
Milton Brown	Payroll Provider Cross Servicer	EPA
George Brundage	CIO Council Advisor	Treasury
John Bunnell	Advisor DOD Policy	DOD/OSD
Tom Caporizzo	Payroll Provider Cross Servicer	Defense Finance and Accounting Service
Craig Chapman	Agency Payroll Provider	Federal Energy Regulatory Commission
Daniel Chenok	Advisor Technology Solutions	OMB Office of Information and Regulatory Affairs
David Childs	Advisor for Outsourcing	OMB Office of Federal Procurement Policy
Joe Colantuoni	Agency Payroll Owner	HHS
Dan Costello	Staff Support	JFMIP
Debbie Dennie	Contractor Support	LMI
John DiLuccio	Payroll Provider Cross Servicer	VA
Janet Dubbert	Agency Payroll Provider	Federal Energy Regulatory Commission
Vidal Falcon	Payroll Provider Cross Servicer	Veterans Affairs
Dan Fink	Agency Payroll Owner	HHS
Yvette Garner	Advisor Acquisition Strategy	OMB Office of Federal Procurement Policy
Paula Hagan	Contractor Support	MITRE
Lillie Haggins	Agency Payroll Owner	National Science Foundation
Teresa Hannan	Agency Payroll Owner	DOL

Table A-1. Payroll Processing—Business Case Working Group

Name	Role	Agency
Jerry Hinton	Advisor DOD Military/Civilian Payroll	Defense Finance and Accounting Service
Rick Koebert	Payroll Provider Cross Servicer	DOI/National Business Center
Brenda Kyle	Agency Payroll Owner	DOL
Jerry Lohfink	Payroll Provider Cross Services	USDA/National Finance Center
William McVay	Advisor Technology Solutions	OMB Office of Information and Regulatory Affairs
John Moseley	Advisor Program Executive for Human Resources Network	OPM
Edward Murray	Payroll Provider Cross Servicer	Veterans Affairs
Ed Nasalik	Payroll Provider Cross Services	GSA
Aromie Noe	Advisor HR/Payroll Laws and Regulations	OMB—Personnel Branch
Ann Overly	Contractor Support	MITRE
Jo Ann Perrini	Advisor HR Policy	OPM
Dr. Ann Reedy	Advisor Enterprise Architecture	MITRE
Ron Rhodes	Contractor Support	LMI
Diane Schenk	OMB Staff Support	OMB Office of Federal Financial Management
Albert Seferian	Advisor HR/Payroll Laws and Regulations	OMB—Personnel Branch
Rich Shepherd	Contractor Support	LMI
Susan Smith	Contractor Support	LMI
P. Katie Sowell	Advisor Enterprise Architecture	MITRE
Gerry Stoopman	Advisor Technology Solutions	OMB Office of Information and Regulatory Affairs
Don Titus	Payroll Provider Cross Services	DOI/National Business Center
Bruce Turner	JFMIP Project Leader	JFMIP
Jerry Williams	Executive OMB Guidance	OMB

Appendix B

Inventory of Payroll Initiatives

Table B-1 lists recent studies, articles, and business cases relating to payroll systems and processes. It includes a document summary, key findings and conclusions, as well as source information and contacts. Our key findings and conclusions are divided, where applicable, into three categories: issues in current environment, benefits, and recommendations. Many common benefits appear for payroll processes and systems changes, while issues in current environment and recommendations vary.

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
1	HR LINK\$ Cost Benefit Analysis	<p>A Cost Benefit Analysis of HR LINK\$, a new commercial Human Resources (HR) and Payroll (P) system (PeopleSoft) that simultaneously re-engineers how HR/P services are delivered at the Department of Veterans Affairs.</p> <p>All financial metrics (NPV, BCR, IRR & Payback Period) review project favorably.</p>	<p>Issues in Current Environment:</p> <p>Requires 9 years to develop/implement and has a projected 10 year operation cycle. VA IT Investment Guide states hardware life cycle should be ~10-12 years, including development and implementation.</p> <p>Scalability Issues—slow implementation and constant upgrading by vendor pushes VA behind technological improvements and functionality enhancements.</p> <p>Benefits:</p> <p>Project will increase legislative compliance, has better system supportability, reduces chance of system failure, HR and Payroll done centrally rather than locally.</p>	Science Applications International Corporation, Holder Hinch, (703) 676-4628	Vidal Falcon, VA: (202) 273-9457
2	Governmentwide Human Resources Information Systems Study	<p>Outlines core HR functions and requirements common across government and evaluates current and developing HR systems against those requirements.</p>	<p>Issues in Current Environment:</p> <p>The systems being built have functionality and flexibility that may not be fully used for several years.</p> <p>Small agencies are at a disadvantage in attempting to obtain new HR systems. They often lack the in-house resources and funding to design and implement complete systems to meet their needs. Cross-servicing providers is not always a solution, but these are not always viewed as satisfactory solutions.</p> <p>Other system characteristics include:</p>	Human Resource Technology Council (OPM)	Mary Lou Lindholm, Associate Director for Employment, and Janet Barnes, Chief Information Officer, Co-Chairs of the Human Resources Technology Council

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>time consuming and expensive maintenance, duplicate data entry, repetitive databases, difficulty in use, deferred batch processing which precludes real-time data retrieval, multiple systems which are not interoperable and have high maintenance costs, system architecture which is too complex to retrieve information easily, lack of management information and decision support capability, limited access for managers, no access for employees, and old system designs were based on automating old paper flows.</p> <p>Benefits:</p> <p>Encourages competition for COTS products.</p> <p>Development of new agency human resources systems will meet core information system requirements, but their means for doing so varies considerably (in-house development, minimally customized COTS) and substantially customized COTS software).</p> <p>Recommendations:</p> <p>Systems should accommodate the flexibility and discretion needed by agency management.</p> <p>Agencies should adopt standard data elements to have degree of interoperability and compatibility with human resource systems across government.</p> <p>Analytical processes should be used to critically examine agency HR management programs before embarking on development of new information systems.</p> <p>Agencies should review existing information systems to see if any can satisfy needs before purchase/development of new system.</p> <p>Agencies decisions to replace systems need to be based upon business case analysis.</p>		

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
3	Comparison Study: PeopleSoft Capabilities Vs. JFMIP Requirements	Compares payroll functions and capabilities of PeopleSoft's payroll product with that of JFMIP's Human Resources and Payroll System Standard Requirements.	Supports DOL's decision to implement the PeopleSoft payroll in January 2001 (Phase II).	http://www.jfmip.gov/jfmip/Road-MapRec.asp?rec=81	Bruce Turner, (202) 219-0533
4	1994 Study of NFC as payroll provider	Congressionally mandated study conducted by PA&E to determine if NFC could provide payroll services for DoD	Concluded that system did not accommodate DoD-unique requirements.		
5	1996 Feasibility study to contract our civilian pay	Congressionally mandated study conducted by DFAS and Arthur Anderson to determine if outsourcing was cheaper.	Concluded that overall, DoD was cheaper.		
6	1999 A-76	Secretary of Defense mandated study conducted in accordance with A-76 circular guidelines.	Cancelled after industry criticisms.		
7	2000 A-76	Follow on to the 1999 study using streamlined study criteria that resulted in a solicitation being issued.	No bidders, solicitation cancelled.		
8	Proceedings of the Payroll/Human Resources Retreat, July 2000	Retreat organized by several federal agencies to bring together key individuals from the major payroll agencies and some key HR personnel to examine the current status of and identify opportunities for improving payroll/HR operations.	Issues in Current Environment: Standardization Issues: Standardization of payroll procedures and policies across the federal government is desired, but there are too many obstacles to make this a reality. Obstacles include: No single owner of payroll; Differences in policies, procedures, business practices, and interpretations of regulations among agencies; Limited interaction between payroll, finance, HR, and T&A; Difficulty in implementing executive orders; Lack of infrastructure hardware and	Logistics Management Institute	Ron Rhodes, (703) 917-7505

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>communication lines to support standards.</p> <p>Intersection Issues:</p> <p>Issues related to where systems interact or intersect with each other:</p> <p>Systems are no longer stovepipes;</p> <p>Core processes lack consistent standardization;</p> <p>Barriers to electronic commerce must be removed to facilitate automation;</p> <p>Highly diverse technical infrastructure presents challenges;</p> <p>Federal “councils” are not engaged to foster cooperation or full review;</p> <p>There is no approach to motivate the private sector to build systems for the federal government.</p> <p>Marketplace Issues:</p> <p>What operating models should be considered for payroll operations?</p> <p>How can agencies work with vendors to ensure they receive a quality product at a fair price?</p> <p>What direction needs to be given to the payroll cross-servicing agencies to address the needs of other functional groups?</p> <p>Due to the limited marketplace for payroll software, it is unlikely that many vendors will be entering the market.</p> <p>Recommendations:</p> <p>Standardization Recommendations:</p> <p>Approach OMB with a proposal of a unified payroll HRTC-like group;</p> <p>Identify council user groups that are available and already functioning, and leverage their goals and objectives with payroll’s goals and objectives;</p> <p>Identify an overall champion or co-champions;</p> <p>Develop a subgroup to manage legislative concerns;</p> <p>Develop a subgroup to study the feasibility of developing a payroll certification process;</p>		

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>Develop a subgroup to look at commonalities and differences in interpretation and implementation of payroll policy;</p> <p>Develop a subgroup to take JFMIP's document of requirements and flush them out to create a detailed minimum requirements document for an automated payroll system.</p> <p>Intersection Recommendations:</p> <p>Define data and process intersections between all administrative systems;</p> <p>Define core process and commonality, while remaining cognizant of agency exceptions;</p> <p>Implement the following overarching tenet: "Where possible, core processes should be standardized to achieve efficiencies and savings across the federal government";</p> <p>All federal councils need to unilaterally share proposals with each other to facilitate review at the early proposal/conceptual stage;</p> <p>The key councils need to push Congress to take advantage of the councils to vet proposals and legislation;</p> <p>Identify processes that require supporting paper-based forms and obtain waivers for them;</p> <p>Recognize that the objective of common solutions across federal agencies requires interoperability;</p> <p>Recognize and support each agency's needs (relating to technical architectures).</p> <p>Marketplace Recommendations:</p> <p>Create the Payroll Users Network to serve as the primary organization in the federal government to deal with payroll issues;</p> <p>Establish a payroll policy board to issue guidelines for implementing legislation;</p> <p>Develop a payroll systems boundary document to facilitate agencies undergoing payroll systems implementation;</p>		

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			Establish a payroll systems certification process.		
9	Statement of Work (SOW) for Federal Energy Regulatory Commission's (FERC) contract with Accenture/USi.	SOW which details services required to provide management, support and hosting of the hardware, database, and PeopleSoft related application software used in Financial Management and Human Resource Management at the FERC.	Issues in Current Environment: FERC's desire to migrate both Financial Management and Human Resource Management environments to a designated Contractor site where hardware, database and application support for both business lines may be performed by a single Application Service Provider (ASP).	Federal Energy Regulatory Commission	Janet M. Dubbert, Director, Div of MAPS at (202) 219-2967
10	Draft Assessment of the National Finance Center's (NFC) Financial Operations Final Report	Report prepared by Pricewaterhouse-Coopers (PwC) that provides the results of the operational assessment of the NFC Payroll/Personnel and Direct Premium Remittance (DPRS) operations and includes the results of the expended NFC Activity Based Costing (ABC) model. PwC, as part of this study, determined the costs of NFC's payroll/personnel and DPRS operations.	Issues in Current Environment: In addition to specific costs, the cost model generated the top 10 FTE assignments for the 457 Payroll/Personnel FTE. The Top 10 activities represent 51% of FTE assigned to the function. The analysis shows that the top 2 activities, 23% of FTE assigned to Payroll/Personnel, support activities that involve manual processes, error correction, and response to customer inquiries. Recommendations: Improve customer focus of NFC operations; Manage risks by minimizing series of manual and duplicative processes; Build organizational capacity; Utilize and leverage technology; Standardize manual processes; Reinvest into product lines and new business; Align framework that NFC can recapture and apply to its product lines; Strategic plan of NFC to lead government; Empower customers and strengthen satisfaction through improved relationships.	Pricewaterhouse-Coopers, LLP USDA	Morgan Kinghorn, (703) 741-2322, or David Loerzel, (703) 322-5127 Patricia Healy, Deputy Chief Financial Officer, USDA

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
11	Federal Personnel Payroll System	Slide presentation of a fully integrated Personnel and Payroll System for DFAS. System is customer driven and has operational flexibility and maintainability, online database with real-time update and retrieval capabilities.			Don Titus, NBC
12	FUN Payroll Focus Group	The Federal users Network conducted a payroll focus group to review the Enhancements and Incidents to the HRMS Payroll Module. The purpose of review was to prioritize issues that have not been established as “incidents.”	<p>Issues in Current Environment:</p> <p>A total of 26 issues have been identified and collectively agreed upon by the Federal community, 14 categorized as “high”—unacceptable deficiencies within the Federal HRMS Payroll Product. These include issues in: Off-Cycle Disbursements, Pay Caps, Annual and biweekly Pay Limits, Leave Administration, Prior Year Adjustments, Retro Benefits, Reports/Interfaces, Retirement Processing, Union Dues Calculation, Bond Addresses, Benefits, Deduction Subset, Interest Calculations, and Treasury Interface.</p> <p>12 issues are categorized as medium, or significant; not mandated by law but have become the normal way of processing within the Federal government.</p> <p>Recommendations:</p> <p>All “high” issues should be corrected in the core product and receive immediate attention or else agencies will have to develop manual workarounds and processes in order to use the software.</p>	Janet Dubbert, FERC, OED, Director of Management, Administrative and Payroll Support, (202) 219-2967 janet.dubbert@ferc.fed.us	Terry Hannan, Department of Labor, Focus Group Leader
13	Selected Agencies’ Use of Commercial Off-the-Shelf (COTS) Software for Human Resources Functions	Report by the General Accounting Office (GAO) to the Chairman, Committee on Government Reform, House of Representatives. Objectives of the report were to determine how the five agencies reviewed (Department of Health and Human Services, etc.)	<p>Issues in Current Environment:</p> <p>The five agencies have acquired the services of two primary HR COTS vendors—Oracle and PeopleSoft—to provide most of the functional system requirements called for by the federal Joint Financial Management Improvement Program (JFMIP). DOD, CDC, and VA have contracted with Avue and Resumix to augment the services of the primary vendors in areas such as recruitment.</p>	General Accounting Office	Randall Tabor, Project Control Officer, Pay Engine/PayMint Project Staff, (504) 255-6647 Joel C. Willemssen, Director, Civil Agencies Information

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
		<p>Services' (HHS) Centers for Disease Control and Prevention (CDC), Department of Veterans Affairs (VA), Department of Defense (DOD), General Services Administration (GSA), and the Department of Labor (DOL) were using COTS systems/applications to improve their human resources (HR) functions and to identify the agencies' reported estimated costs and expected benefits from using HR COTS systems.</p>	<p>cruitment.</p> <p>Four of the five agencies' systems efforts have encountered delays, while three of the four agencies have increased cost estimates.</p> <p>Benefits:</p> <p>At the time of the report, three of the five agencies—DOD, DOL, and VA—had reportedly achieved quantifiable benefits, such as full-time equivalent (FTE) reductions from their HR COTS systems or related efforts.</p> <p>Nonquantifiable benefits include: a more user-friendly environment, easier manager/employee access, better decision making and data analysis, improved data accuracy, and better information sharing.</p>		<p>Systems, (202) 512-6253</p>
14	Sourcing Options ...using a strategic sourcing approach	<p>Presentation on strategic sourcing prepared by Grant Thornton. Strategic sourcing being the systematic method of determining the most appropriate source for improving delivery of goods and services to customers. The presentation focuses on the logic behind strategic sourcing, sourcing alternatives, lessons learned, and how to start. It also lists potential alternatives: elimination of service, perform an A-76 study, direct conversion, and Inter-Service Support Agreements (ISSA).</p>	<p>Recommendations:</p> <p>Step one is to perform a Functionality Assessment (FA). This is a systematic and process-based assessment that results in performance by:</p> <ul style="list-style-type: none"> Assessing the current state; Determining if work should be done in-house, by the private sector, or competed; Selecting appropriate sourcing for activities not done in-house; Reengineering remaining in-house processes and overall organization. 	Grant Thornton LLP	<p>Carl A. (Stagg) Christian, (703) 847-7500, or Alvin Tucker, (202) 296-7800</p>

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
15	Strategic Sourcing Decision Tree	DoD Strategic Sourcing Program Diagram of decision process for Strategic Sourcing.		http://gravity.lmi.org/ec003/web-site/web/Hot/InterimGuidanceon-StrategicSourcing.pdf	Jack Padgett, Grant Thornton LLP
16	Privatization Alternative for Civilian Pay Function	White paper prepared by Grant Thornton addresses the option of transferring the processing of U.S. civilian payroll to the private sector	<p>Recommendations:</p> <p>Government must retain control over the rules for pay computation and ensure they can monitor contractor's compliance with said rules.</p> <p>The existing government workforce that processes civilian payroll is a commercially viable entity that would be attractive as an Employee Stock Ownership Company (ESOP);</p> <p>A merger or acquisition target for an existing private sector firm interested in entering the market should follow this methodology:</p> <p>Conduct a feasibility study;</p> <p>Develop justification for exploring ESOP and/or acquisition competition based on results of feasibility study;</p> <p>Follow established rules for an ESOP based on OPM precedent or conduct an acquisition competition based on NAVSEA, NSA, and LOGMOD precedents.</p>	Grant Thornton LLP	Carl A. (Stagg) Christian, (703) 847-7500, or Alvin Tucker, (202) 296-7800
17	E-Government Initiative Assessment of Pay.gov and PCC	Assesses electronic collections initiatives Pay.gov and Paper Check Conversion (PCC) to collect payments to government in electronic and unified way.	<p>Issues in Current Environment:</p> <p>Agencies may overlook value inherent in electronic collections, not place a priority in integrating their systems and financial data.</p> <p>It is hard in PCC to save information at remote locations.</p> <p>Benefits:</p> <p>Will provide processing cost and float savings for the government. Anticipates that Treasury can save at least a dollar for every form and collection authorization that is received in electronic format.</p> <p>Eliminates paper, integrates financial systems, improves cash forecasting, timing and availability of funds.</p>	Julie Basile, OFPP/OMB, (202) 395-4821 or jbasile@omb.eop.gov	Segment Team Leader: Melissa Rider (DoD)

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>Recommendations:</p> <p>Business process simplification/reengineering must occur and FMS and customer agencies need to work closely together to conduct workflow analysis.</p> <p>Create enterprise level financial data integration initiative.</p>		
18	National Science Foundation Integrated Payroll System (IPAY)	The new Integrated Payroll System (IPAY) is a client/server platform system which integrates with NSF's operational Integrated Personnel (IPERS) and Time and Attendance System (ITAS) systems for personnel and time and attendance data.	<p>Benefits:</p> <p>IPAY will reduce need for redundant entry and provide core payroll functionality resulting in accurate, complete, timely payroll calculations.</p> <p>Will seamlessly interface with NSF's Financial Accounting System (FAS) to post, validate, and control pay data for financial reporting and analysis.</p> <p>Will provide electronic transfers of payroll and financial information to other government agencies and commercial financial institutions to minimize or eliminate manual payroll processes.</p> <p>Will provide self-service capabilities by putting NSF employees in control of processing their own discretionary personnel-payroll data without using a paper form.</p>	National Science Foundation website: http://www.nsf.gov/search97.cgi/vtopic	
19	Market Survey/Evaluation for NSF Integrated Payroll System	This document identifies Federal agency and commercial off-the-shelf (COTS) payroll systems that currently exist in the marketplace, and assess their ability to meet NSF's requirements for a new payroll system.	<p>Issues in Current Environment:</p> <p>The application system design must not require additional database licensing.</p> <p>A system that combined both personnel and payroll functionality such that payroll could not be used alone was not an option.</p> <p>The payroll functionality provided by any Federal or COTS system had to accommodate NSF's business practices, insofar as those practices assign specific work functions to the Payroll office rather than to the Personnel office.</p> <p>The application had to run on the following platform:</p> <ul style="list-style-type: none"> - Sun Server running Solaris operating system - Sybase database management system 	ANDRULIS Corporation 2800 Shirlington Road, Suite 600 Arlington, VA 22206	Lillie Haggins, lhaggins@ nsf.gov

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>- IBM compatible client PCs running Windows 95 or higher.</p> <p>For Federal payroll processing systems, the source code had to be available to NSF to bring operations in-house.</p> <p>Cross-servicing from another Federal agency is not an option</p> <p>Benefits:</p> <p>Automation of retirement records;</p> <p>Retroactive pay adjustment capability;</p> <p>Single source data entry and update for data elements common to IPERS and IPAY;</p> <p>Employee self-service for entry of data for selected data fields for which the employee determines the content of the data;</p> <p>Minimization or elimination of manual payroll processes;</p> <p>Migration of payroll processing to a client-server environment in order to achieve closer integration with other NSF systems.</p> <p>Recommendations:</p> <p>No federal systems were found that meet NSF's requirements.</p> <p>Commercial product from PeopleSoft showed great promise, but was rejected because functionality partitioned between personnel and payroll modules is not well aligned with NSF's business processes and existing information technology systems.</p> <p>Two commercial supplemental products, OmniForm and ALLTAX2, are recommended.</p>		

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
20	US Mint Paymint	<p>A project of US Mint to implement a fully integrated PeopleSoft federal HRMS product with these modules:</p> <ul style="list-style-type: none"> Basic Human Resources (PAR, position management) Base Benefits (enrollment) Time & Labor Payroll <p>The project is a joint effort of the Mint, Treasury and National Finance Center. There is a positive ROI.</p>	<p>Benefits:</p> <ul style="list-style-type: none"> Reengineered business practices resulting in high performing and productive HR organizations; Transformed HR service delivery; Implementation of best practices inherent in COTS products; Investment in infrastructure and business processes in line with private sector practices; Empowerment of employees/managers to directly access needed information and to execute a range of individual HR transactions; Electronic information and automated tools for strategic workforce management; Reduction of non-value added work so that resources can be redirected to value-added use; More accurate, timely and less costly HR and payroll information; Marked improvement in user and Department customer satisfaction; and Development of HR programs, practices and services that enable the Department to meet its mission. 	<p>Eleanor Braun, Manager, HR/PY/PayMint, Office of Application Development/OCIO, U.S. Mint, (202) 312-0331 or ebraun@usmint.treas.gov</p>	<p>Eleanor Braun</p>
21	U.S. Department of Treasury—Capital Planning Business Case	<p>Treasury and its bureaus have undertaken efforts to re-engineer human resources (HR) management and to design, develop and implement HR Connect, a new automated human resources system (HRS), which is based on a suite of commercial-off-the-shelf (COTS) products. HR Connect is a key information technology initiative in bringing about process changes to Treasury and its bureaus.</p>	<p>Issues in Current Environment:</p> <p>The current configuration of human resources systems is extremely expensive to use and maintain, uses inefficient processes and in most cases relies on grossly outdated technology, requires too much specialized knowledge to operate, offers limited access, and does not provide adequate accurate or timely information and mission support.</p> <p>Benefits:</p> <ul style="list-style-type: none"> Reengineered business practices resulting in high performing and productive HR organizations; Transformed HR service delivery; Implementation of best practices inherent in COTS products; Investment in infrastructure and business processes in line with private sector practices; 	<p>Eleanor Braun Manager, HR/PY/PayMint, Office of Application Development/OCIO, U.S. Mint, (202) 312-0331 or ebraun@usmint.treas.gov</p>	<p>Project Lead: Todd Turner, Director, Human Resources Enterprise Solutions</p>

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>Empowerment of employees/managers to directly access needed information and to execute a range of individual HR transactions;</p> <p>Electronic information and automated tools for strategic workforce management;</p> <p>Reduction of non-value added work so that resources can be redirected to value-added use;</p> <p>More accurate, timely and less costly HR and payroll information;</p> <p>Marked improvement in user and Department customer satisfaction; and</p> <p>Development of HR programs, practices and services that enable the Department to meet its mission.</p>		
22	Innovative Contracting Approaches: A Contractor's Perspective	Proposal of US Army Communications-Electronics Command (CECOM) changes to acquisition process for the Wholesale Logistics Modernization Program (WLMP).	<p>Issues in Current Environment:</p> <p>Need to communicate clearly and openly to avoid ambiguous presentation of Government objectives and offerors capacities.</p> <p>Benefits:</p> <p>Offerors can compete more intelligently and aggressively;</p> <p>Performance-Based contracting method;</p> <p>CECOM's open, fair, and thorough communication with all contractors in regards to Government's requirements.</p>	http://wlmpprod.wlmp.com/	Craig A. Matrice, Computer Sciences Corporation, Federal Sector—Defense Group

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No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
23	1989 GAO Report: "Treasury's Efforts to Improve Its Payroll and Personnel Systems"	A review of the Treasury's past efforts to develop payroll and personnel systems. It describes the past efforts to improve the systems, characteristics of existing systems, current efforts to improve payroll and personnel processing, and observations on factors important to the success of the current effort.	<p>Issues in Current Environment:</p> <p>Current payroll and personnel systems are labor intensive, require substantial manual operation, and are inadequate to meet agency needs.</p> <p>Study conducted in 1988 reviewing possible conversion to NFC met the majority of personnel and payroll requirements, was operational and did not pose risk of failure, and could provide significant cost savings over 10 year period (\$21-52 million).</p> <p>Two conversions currently underway; one for all bureaus and agencies, and the other for IRS.</p> <p>Treasury and IRS faced funding shortfalls in their planned conversion effort.</p> <p>Conversion efforts at IRS were understaffed and under funded at time of report.</p> <p>A system for transmitting IRS time and attendance data to NFC had not been selected.</p>	GAO	Randall Tabor, Project Control Officer, Pay Engine/PayMint Project Staff
24	Government Executive Article: "Pay Dirt"	Efforts to streamline human resources operations and cut payroll costs are opening market for federal pay processing. Article discusses movement to commercial payroll servicers for big payroll players, their business needs in HR and the considerations they face.	<p>Issues in Current Environment:</p> <p>Government organizations have felt more comfortable broaching outsourcing with another government organization because they have a better understanding of government business processes.</p> <p>Agencies want to reduce repetitive data entry, have better handle on HR management information and enable employees and managers to conduct basic HR transactions themselves.</p> <p>Benefits:</p> <p>A) Enterprise systems will allow managers to:</p> <ul style="list-style-type: none"> Use desktop computers to design organizational models; Do "what-if" HR analysis; Create position descriptions; Classify jobs; Conduct personnel actions; Manage recruitment; Administer training, benefits and 	http://www.govexec.com/features/0699/0699s2.htm	Randall Tabor, Project Control Officer, Pay Engine/PayMint Project Staff

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			pay; Track salaries; Handle performance reviews and evaluations, union agreements and grievances, disciplinary actions and discrimination complaints; Can reduce operating costs and improve productivity. B) Client server technology is easier to use and change, cheaper to run and permits more access to information.		
25	Government Executive Article: "Buyers Beware"	A summary of the GAO report on DoD decision to purchase Oracle software for HR applications.	<p>Issues in Current Environment:</p> There was a failure to consider all possible alternatives for improving personnel management; DoD made its decision too quickly without cost and performance data; DoD committed to buying Oracle before they modified to meet DoD-specific requirements; DoD did not fully mitigate system security risks. <p>Recommendations:</p> Before considering HR improvements, rigorously evaluate all business and system alternatives as directed by the 1996 Clinger-Cohen information technology management reform law; Use data generated during this evaluation to select the most cost-beneficial business and system alternatives; Develop a transition plan to the alternative selected; In analyzing commercial products, consider costs, benefits and return on investment for all personnel management products. Also consider technical risks, including whether each product can support agency needs and can be modified at reasonable cost; In analyzing commercial products, consider the amount invested in any existing system.	http://www.govexec.com/features/0699/0699s2.htm	Randall Tabor, Project Control Officer, Pay Engine/PayMint Project Staff

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
26	DOD Personnel/Payroll Functional Requirements Checklist	<p>This document includes functional requirements in the following areas of Personnel: position management, staffing, personnel activities, employee relations, labor relations, training, EEO support, retirement, information access, other.</p> <p>It also includes functional requirements in the following areas of Payroll: time and attendance, pay processing, leave processing, labor distribution, and information access.</p>			<p>Bob Bird, DFAS, robert.bird@dfas.mil</p> <p>Jerry Hinton, DFAS, jerry.hinton@dfas.mil, or (703) 607-0328</p>
27	Alternative Payroll Provider Team (DOE & FERC) review of DOI capacity to manage FERC payroll/personnel system.	<p>The Alternative Personnel/Payroll Provider Team (APPT) was created to review DOI ability to uphold Memorandum of Understanding with DOE to outsource DOE payroll services. This document reviews, evaluates, and provides recommendations for a potential payroll provider. These include: DOI, NFC, GSA, VA, Anderson Consulting, and DOE.</p>	<p>Benefits:</p> <p>Increases accuracy and efficiency within an agency by eliminating duplicative processes and automating workflows;</p> <p>Eliminates obsolete functions by reengineering processes;</p> <p>Improves information management by providing under one system data maintenance and access to all levels of the organization.</p> <p>Recommendations:</p> <p>APPT determined that DOE would achieve the benefits of an integrated HR and Payroll system by using the entire suite of PeopleSoft HRMS Federal.</p> <p>APPT identified the following steps required to implement effectively and efficiently an integrated system solution using PeopleSoft HRMS Federal:</p> <p>DOE budget for, identify, and select a staff to implement the PeopleSoft integrated solution;</p> <p>DOE implement and interim DOE solution to upgrade current payroll/personnel system, and develop</p>		<p>Janet Dubbert, FERC, (202) 219-2967, or janet.dubbert@ferc.fed.us</p>

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
			<p>interface with current system to (CHRIS) Corporate Human Resource Information System;</p> <p>DOE choose between outsourcing payroll, retaining the function in-house, or using the next nine months to acquire and assess the PeopleSoft Federal Payroll and Time and Labor modules and readdress outsourcing versus in-house processing of payroll later.</p> <p>APPT identified three options:</p> <p>If decision is to outsource payroll, VA is the best alternative to meet an integrated system solution;</p> <p>If decision is to retain in-house payroll, APPT identified potential cost savings and reductions of risk.</p>		
28	FERC's Management, Administrative, and Payroll System (MAPS) Strategic Plan	A blueprint that depicts the future vision of the FERC's MAPS. The plan presents an operational strategy and implementation plan for reengineering select business processes within HR and financial management, specifically processes within OED/CFO to maximize benefits of an integrated system solution.	<p>Issues in Current Environment:</p> <p>How to define an operating vision and strategy for human resources and financial management;</p> <p>How to define future business processes that leverage the PeopleSoft HRMS, Time and Labor, and payroll applications;</p> <p>How to develop an implementation plan to achieve the operating vision and realize future business processes.</p> <p>Benefits:</p> <p>Streamlines activities;</p> <p>Maximizes the uses of resources;</p> <p>Improves communication and workflow.</p>		Janet Dubbert, FERC, (202) 219-2967, or janet.dubbert@ferc.fed.us

Table B-1. Recent Payroll Studies, Articles, and Business Cases

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29	Federal Human Resources Data Network (HRDN) Status Report	A slide presentation on the status of the HRDN Program and includes a summary of the HRDN business case. The HRDN Program is an effort to more effectively transfer HR records electronically between Federal Government Agencies.	<p>Issues in Current Environment:</p> <p>The HR process is paper-bound, labor intensive and inefficient. Employees are negatively affected upon transfers between agencies.</p> <p>Benefits:</p> <p>The Network eliminates the need for a paper employee record, enables the electronic transfer of HR data, streamlines and improves Government reporting, complements and incorporates agency HRIS capabilities, provides technology flexibility and support the President's Management Initiatives on e-Government.</p>		John Moseley, Program Executive, HRDN
30	Report on Department of Health and Human Services, Human Resources Services Controls Placed in Operation and Tests of Operating Effectiveness for the Central Personnel and Payroll System for the Period October 1, 1999, to September 30, 2000.	A report of the examination by Price-WaterhouseCoopers of the Human Resources Services central personnel and payroll system (HRS) controls placed in operation.	The firm concluded that the description of the central personnel and payroll system application presented fairly the relevant aspects of the HRS system controls placed in operation as of September 30, 2000. The controls were suitably designed to provide reasonable assurance that the related control objectives would be achieved if user organizations satisfactorily complied with them. Finally, the controls tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives specified were achieved during the specified period.		Joseph E. Vengrin, Assistant Inspector General for Audit Operations and Financial Statement Activities, (202) 619-1157 Refer to common identification number: A-17-00-00012
31	Department of Labor Payroll Processing Alternatives	Comparison of cross-servicing options to PeopleSoft option in order to select the most cost-effective, customer-oriented solution. LMI interviewed 16 agencies at DOL to identify issues within the current payroll processing environment that need to be addressed by a modernized process and to define the criteria to be used in evaluating GSA's	<p>Issues in Current Environment:</p> <p>5 evaluation criteria were identified: interoperability and integration with PeoplePower; functionality; technology and the ability to keep up with advances in information technology; customer service; costs (developmental and operational).</p> <p>Recommendations:</p> <p>LMI believes DOL should move forward in its implementation of PeopleSoft.</p>		Ron Rhodes, Logistics Management Institute, 703-917-7505 Teresa Hannan, DOL, 202-693-6800

Table B-1. Recent Payroll Studies, Articles, and Business Cases

No.	Document title	Document summary	Key findings and conclusions	Reference point or hyperlink path	Source contact
		payroll services.			
32	Department of Labor Time-keeping Process; Modernizing Existing Operations	DOL asked LMI to analyze alternatives to the current ATA (a custom-built, client-server application developed using PowerBuilder®) application and recommend business process improvements. These included: GSA's Electronic Time and Management System, GOTS and COTS.	<p>Issues in Current Environment:</p> <p>ATA processing at DOL does not meet all needs and is not sufficiently integrated with other DOL systems, notably the payroll and HR systems.</p> <p>Recommendations:</p> <p>DOL should modernize its internal ATA application rather than acquire a new COTS/GOTS product alternative. The ATA application needs functional enhancement and could benefit from an operational make-over.</p>		<p>Ron Rhodes, Logistics Management Institute, 703-917-7505</p> <p>Teresa Hanan, DOL, 202-693-6800</p>
33	Evaluation of Services from the National Finance Center	Describes the process employed to evaluate the functional and technical capabilities of each solution being considered as a replacement solution for FAA legacy personnel and payroll systems.	<p>Issues in Current Environment:</p> <p>6 alternatives were researched: COTS HR and Payroll, VA, GSA, DOI, NFC and COTS HR with Legacy Payroll.</p> <p>Recommendations:</p> <p>Cross-servicing by the Veteran's Administration using PeopleSoft HR and Payroll provides the most functionally rich alternative to FAA's legacy systems.</p>		Anh Bolles, DOT, 202-366-5564, Anh.bolles@ost.dot.gov
34	Report on the FAA's Assessment of the National Finance Center (NFC), Focus on Personnel and Payroll Systems	A slide presentation of FAA evaluation of NFC to cross service personnel and payroll systems. Identifies pros and cons of cross-servicing with NFC.	<p>Issues in Current Environment:</p> <p>FAA experiences personnel reform changes without the benefit of modern automation that is flexible to accommodate these changes. Previous studies identify major gaps existing between FAA requirements and NFC capabilities. These include: automated requests for personnel actions, automated training enrollments, validation of time and leave data at point of entry, electronic approvals of time and labor, personnel requests, and training enrollments.</p>		Anh Bolles, DOT, 202-366-5564, Anh.bolles@ost.dot.gov
35	Requirements Analysis FAA Legacy Systems.	Gap analysis of the FAA requirements to FAA legacy systems. Significant gaps are identified and concludes that the current system would not be able to accommodate	<p>Issues in Current Environment:</p> <p>Substantial material weaknesses in the current systems developed by FAA in the 1970's have grown after the stalling of the Integrated Personnel and Payroll System project (IPPS) initiated in 1991. There are now 3 non-integrated human resources and payroll systems, all of</p>		Anh Bolles, DOT, 202-366-5564, Anh.bolles@ost.dot.gov

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		changes required by personnel reform.	which are unduly complex, costly and inefficient.		
36	GAP Analysis – General Services Administration	A gap analysis of FAA requirements to GSA functionality highlights a number of concerns in cross servicing.	The lack of integration between GSA’s HR and Payroll system is a cause for concern, among others, since it would not address the “lack of integration” material weakness of the current systems.		Anh Bolles, DOT, 202-366-5564, Anh.bolles@ost.dot.gov

Question 1A	Describe the business functions supported in your current payroll processing environment.
GSA	Pay, Title V, benefits administration, time and labor
DOI	Pay, time and attendance, leave administration, debt management, tax administration, payroll accounting, benefits, emergency fire fighter (EFF) pay, internal and external reporting
DFAS	T&A, leave processing, pay processing, report processing and reconciliation, Title V, benefits administration, time and labor, Title 20.
USDA	Pay, Title V, benefits administration, time and labor
VA	Pay, Title V, Title 38, benefits administration, time and labor
NSF	No response
FERC	Title V, SF-52/50 processing and associated HR transactional processes, time and labor, pay
DOT	Pay, time and attendance, leave administration, debt management, tax administration, benefits administration, Title V. In addition, the Federal Aviation Administration (FAA) falls under the Department of Transportation (DOT) and comprises approximately 76 percent of the employees (over 49,000) paid by DOT's Consolidated Uniform Payroll System. As a result of the 1996 DOT Appropriations Act, FAA was given the authority to develop and implement a new personnel management system. With this change, FAA was exempted from a good portion of Title 5.
DOL	The Department currently handles all payroll processing with a legacy system that is over 25 years old. We are addressing the challenges of the current legacy systems with a COTS solution for integrated HR/Payroll functionality.
Question 1B	What major challenges do you have with those functions?
GSA	No response
DOI	New or unique statutory and/or regulatory requirements affecting all or part of our client base that must be addressed by the system and in operational processing interfaces; agency and organizational flexibility in utilizing and implementing personnel and pay authorities; since FPPS and the overall pay process are "customer driven" through personnel action and time and attendance input, the system and payroll processing staff must deal with changes, errors, and lack of timeliness in client input on a continuous basis; payroll processing staff must work with agency personnel offices and managers to audit and calculate numerous back pay entitlements resulting from court cases, labor arbitration, Equal Employment Opportunity complaints, etc.
DFAS	No response
USDA	Major challenges presented to payroll processing center around legislation, laws, rules, regulations, executive orders, labor agreements, etc. Examples of some of the complexities are: Different rules between the various branches of the government (executive, legislative, judicial); requirements specific to an agency or grouping of employees across agencies; Small groupings of employees who are subsets of larger groups of employees, yet are subject to different payroll requirements (e.g., the Smithsonian Institution's Zoo Police are paid differently from other law enforcement officers); short time-frames for implementation; retroactive effective dates; interpretations which often vary by department, agency, and bureau; lack of sufficient federal personnel with the institutional knowledge necessary to analyze and interpret legislation; union-specific labor agreements
VA	Size of VA; diversity of multiple pay authorities with varying rules and computations; keeping old system current with policy and regulatory changes; keeping old system current with nuances and payment rules specific to VA; electronic T&A is decentralized with no rollup data capability.
NSF	No response
FERC	Some pay provisions are not provided in the COTS product. Liquidation of compensatory time is optional and can hinder system development for multiple clients with varying procedures.
DOT	With the FAA under Excepted Service and the remainder of the Department under Title 5, our requirements are unique. While our payroll system and time collection system must pay employees covered under Title 5, it must also accommodate FAA's specific pay and leave entitlements resulting from FAA's personnel reform. To date, our payroll system covers 57 different Federal Pay System codes (these codes were established by the Office of Personnel Management for all Federal pay systems). In addition, the FAA alone has 50 different bargaining units with differing requirements based on their contractual agreements. Changes to pay, benefits and leave must be negotiated accordingly with these entities.
DOL	No response

Question 2	What are the performance metrics for your payroll system and processes?
GSA	No response
DOI	Processing time of 1 second per transaction; security at the application level; Privacy Act; OMB A-130 compliance; continuity of operations plan; 99.9% on-time pay; 24 hour notification of non-payment
DFAS	On-line response time less than 2 seconds 95% of the time; process and programs must run within time frames established; agency-level performance measures indicators; internal performance metrics reported monthly; in-house managerial reports by product line. (Numerous specific performance metrics submitted.)
USDA	NFC monitors the following performance metrics: Payment of employees in a timely and accurate manner; customer service satisfaction; availability of mainframe computer (up-time); payroll/personnel processing costs per disbursement event; payroll/personnel processing costs per W-2 issued; system development and enhancements in accordance with project plan target dates; number of inquiries resolved within established time frames; number of manual payments within established time frames; number of debts managed within established time frames; number of retirements processed within established time frames; number of separations processed within established time frames
VA	Payroll cycle completed within 48 hours of final HR data entry; final pay calculations completed under 25 minutes for 220,000 employees; payroll is \$248 million per pay period
NSF	No response
FERC	Examples: 100% accuracy of Treasury disbursements; 95% accuracy of post-payroll disbursement interfaces; 98% accuracy of periodic reporting on disbursements; 98% completion of payroll processes within specified time frames; 97% availability of payroll services; 99% completion within one business day of unscheduled payments; 99% availability of payroll program staff during scheduled hours; 100% availability of help desk support during scheduled hours.
DOT	Chart number of system changes made in a year's time; compare volume and whether target date was met for each change; use customer satisfaction surveys; assess Employee Express usage (i.e., paper v. electronic).
DOL	The goal of the Department's OCFO/Payroll Services is to follow all legal and regulatory requirements to pay Department employees timely and accurately every biweekly pay period and to comply with all legal and regulatory Federal, State, and local reporting requirements. The Office's standard is 99%, but our goal is 100%. Within that overall goal we have other metrics listed below: Pay manual or off-cycle salary payments or adjustments within two days of receipt in the OCFO Payroll Office; Process back-pay and settlement actions, including interest when appropriate, within 10 days or court order due dates; Process TSP loan transactions within five days, and within the pay period in which it was received in the OCFO Payroll Office; Correct ACH errors within the pay period received; Respond to salary-related debt collection requests within ten days of receipt; complete waiver requests within 30 days of receipt; Take initial action and send employee notification on garnishments, tax levies, or child support orders within five workdays of receipt. Enter collection actions into the payroll system within 30 days or the date established by the court; Process retirement and separation acti

Question 3	Describe your payroll systems environment. Include system name(s), location of operation; platform; capacity; number of employees paid; and internal and external interfaces (finance, time and attendance, personnel, OPM, Treasury, etc.). Include graphic presentations if available.
GSA	<ul style="list-style-type: none"> —Updates in real time. —System name: Payroll and Accounting Reporting System —Oracle Version 8.17 IBM RS/6000–AIX Client server —Capacity with current equipment: 100,000 —Current employees paid: 25,000 —Interfaces: time & attendance, accounting, Labor, Treasury, HR
DOI	<ul style="list-style-type: none"> —Fully integrated personnel and payroll systems environment, utilizing FPPS; located in Denver; developed and maintained by the Personnel and Payroll Systems Division. —IBM mainframe platform; capacity limited only by computer size, disk array, storage requirements and staff. —About 225,000 employees are paid, including workers under EFF/Vendor Pay System. —Interfaces: financial and human resources systems of various client agencies, time and attendance systems, Office of Personnel Management, Department of Treasury, National Finance Center, our unemployment services contractor, the TALX employment verification system, Employee Express, various unions, and the Payroll Operations Division’s Debt Management System.
DFAS	<ul style="list-style-type: none"> —Defense Civilian Pay System (DCPS) runs at a Defense Information Systems Agency (DISA) facility in Mechanicsburg, PA. —Mainframe-based, in-house and custom developed. —Interfaces: Defense Automated Printing service; OPM; Integrated Garnishment; NFC; Operation Mongoose; Savings Bonds; IRS; state tax; local tax; T&A; accounting; departmental accounting; disbursing; Federal Reserve Bank; unemployment compensation; Defense Civilian Personnel System.
USDA	<ul style="list-style-type: none"> —NFC payrolls over 450,000 employees of more than 100 federal organizations —System expanded to accommodate "average" federal employees as well as over 100 types of federal and quasi-federal employees —PPS is a three-tiered system hosted at NFC in New Orleans —Multiple user interfaces which enable field offices/user agencies to access PPS via the Internet, 3270 emulation, or client/server —NFC’s Front-End System Interface (FESI) middleware enables clients to use their choice of HR systems (i.e., agency developed or COTS) and interface with PPS —Application server is an IBM MVS CMOS machine, which routinely processes large quantities of data received through various feeder systems. With appropriate central processing units (CPU) and storage availability, NFC payroll processing capacity could easily accommodate over 1 million employees.
VA	<ul style="list-style-type: none"> —Payroll and HR management system on mainframe under OS390 —Processing at the Austin Automation Center —Custom-built on-line data entry system (OLDE); electronic T&A custom-built using MUMPS —220,000 employees paid per pay period —Interfaces with NFC for TSP, Treasury, several departmental financial systems, OPM, SSA
NSF	<ul style="list-style-type: none"> —1,250 employees —IPAY system —Interfaces: Payroll User Interface, which uses employee self service model; IPERS (HR); ITAS; Treasury; OPM; federal tax; state and local taxes. Employee Self Service (ESS) allows employees to enter new changes and modify existing data for their individual records.
FERC	<ul style="list-style-type: none"> —Payroll performed with PeopleSoft HRMS COTS software —Integrated solution with HR, time and attendance, payroll —Use an ASP (USi in Annapolis, MD) —1,150 employees paid —Internal interfaces: DOE Information System, Workload Tracking System —External interfaces: Treasury, TSP, OPM

DOT	<p>System name: Consolidated Uniform Payroll System (CUPS) – DOT legacy system built in-house and implemented in 1978</p> <ul style="list-style-type: none"> - Location: Payroll services/operations - Oklahoma City, OK & Atlanta, Georgia - Payroll systems development - Oklahoma City, OK - Platform: ICEMAN (IBM mainframe) - Number paid: approx. 65,000 employees in DOT and cross-servicing for NTSB - Internal Interfaces: Personnel system (CPMIS) & IPPS, financial systems (DAFIS/DELPHI) - External Interfaces: Treasury, OPM, Employee Express, NFC SSA, HHS, Frick, etc. - NOTE: time collection system is integrated with HR system which interfaces with payroll system.
DOL	<p>The Interactive Payroll System (IPS) handles the general processes of issuing salary payments, calculating and recording leave, producing payroll reports, and tracking personnel changes that affect salary payments for the Department of Labor. The core processing of IPS is to update the IPS database with personnel actions, time and attendance data, computation of pay, reporting pay computation results, leave, year-end processing and W-2 creation and separation processing. Other IPS subsystems support a variety of payroll related activities. Support for IPS is provided via a contract with SunGuard Computer Services, Inc., for ADP timeshare services at their site in Voorhees, NJ. The hardware consists of multiple IBM mainframe processors, over 6 terabytes of online file storage, multiple communications front-end processors and a host of peripheral device support for tapes, etc. IPS, residing on the SunGuard mainframe, is accessed through the DOL Employee Computer Network (ECN). A user is required to have a LAN userid and password to access the DOL network.</p>

Question 4	What are the current funding sources (budget authority, revenue) and expenditures for payroll processing and systems, including IT and staffing?
GSA	fee-for-service revenue and budget authority; no capital investments planned
DOI	100% reimbursable fee-for-service; working capital fund
DFAS	Defense Working Capital Fund. Customers are charged a standard billing rate per account serviced. Payroll processing actual costs for FY 2001 for the three payroll offices were \$22,760,997. Systems costs in FY 2001: information processing costs were \$3.8 million; systems development costs, funded by capital investment, were \$7.6 million; software maintenance and other system production costs were approximately \$4.1 million. Approximately 134 IT staff years were used to support development and maintenance.
USDA	NFC, part of the USDA Working Capital Fund (WCF) authorized by 7 U.S.C. 2235. The WCF also has funds available for capitalized expenses. These funds were originally provided from appropriations or from growth capital assessments in prior years. There has been no new infusion of growth capital since the early 1990s. As capitalized items are depreciated, the depreciation is included in user fees, and the related revenue is reinvested in the capital fund.
VA	VA franchise fund
NSF	5 employees funded from S&E. Systems and IT cost are broken down into two components, development and maintenance. Development costs include new systems, modules, and upgrades. Development costs are funded through our S&E appropriation for payroll. Program costs are used to fund development IT projects. The funding is spread over program appropriations, so at NSF two-year and no-year funding is available. Maintenance costs are funded out of our salaries and expense appropriation.
FERC	\$1.6 million for ASP and payroll services
DOT	Funding for our payroll processing, systems, etc., is provided through reimbursable agreement between the Operating Administrations and other organizations and the Federal Aviation Administration.
DOL	The payroll implementation effort is currently funded in the working capital fund, through fiscal year 2002. The current legacy payroll system support requirements are 21 FTEs, an operational cost of \$1.16 million and a systems (maintenance) cost of \$0.65 million. As referenced in the opening remarks to this document, one of the Department's goals is to have an integrated HR/Payroll system. This will provide common administrative data elements and eliminate data redundancy and the need for reconciliation
Question 5	Which of the following strategic options for payroll processing are feasible cost reduction considerations for your agency? Simplification of requirements / Outsourcing to an ASP / Outsourcing to a federal cross-servicer / Replacement of in-house systems / Replacement of in-house systems with a COTS product / Consolidation of processing / Other
GSA	No response
DOI	No response
DFAS	DoD has made considerable cost reductions through its recently completed civilian payroll consolidations. Further efficiencies are expected through an end-to-end review of the civilian payroll process. The review will examine the "as is" state of the payroll business processes and the current business model to develop alternatives that may be implemented within 12 to 18 months. In addition, the review will also examine government and private-sector best practices, available technology, and existing systems to recommend alternative solutions to make payroll operations an integral part of the department's human resources automated system
USDA	As part of the business case development for its PPS replacement, referred to as the Pay Engine Project, NFC has identified the following cost reduction approaches: 1) additional agencies outsourcing payroll processes to NFC, 2) enhancing existing system to provide employee self-service and Web deployment of payroll/personnel functions, 3) replacement of in-house systems using in-house and contract development resources, and 4) replacement of in-house systems with a COTS product.
VA	Simplification of requirements; replacement of in-house systems; replacement of in-house systems with COTS products (under way); consolidation of processing (in process of centralizing).
NSF	N/A
FERC	N/A

DOT	simplification of requirements; outsourcing to an ASP; outsourcing to a federal cross-servicer; replacement of in-house systems; replacement of in-house systems with a COTS product; consolidation of processing; other.
DOL	simplification of requirements, replacement of in-house systems, replacement of in-house systems with a COTS product, consolidation of processing.

Question 6A	Have you determined that any options are not feasible?
GSA	No response
DOI	No response
DFAS	Yes.
USDA	Yes, NFC has determined that the following options are not feasible: 1) Simplification of requirements—NFC simplifies requirements when possible, but as a customer service organization, it delivers services that must meet customers’ unique simple and/or complex requirements; 2) Outsourcing to an ASP—NFC has researched the available ASP market, and found none that currently service federal agencies.
VA	Yes—ASP
NSF	N/A
FERC	N/A
DOT	Yes.
DOL	The General Services Administration (GSA) payroll system was considered the only viable option for DOL.
Question 6B	How were those determinations made, and what were the reasons the options are not feasible?
GSA	No response
DOI	No response
DFAS	It is unlikely that outsourcing to an ASP would be an outcome. The department has conducted an A-76 study of its payroll operations, including the issuance of a formal solicitation seeking a service provider. There were no responses to the solicitation from the private sector.
USDA	Due to rules, legislation, laws, regulations, executive orders, etc., different customers require unique processing, thereby making simplification nearly impossible. Since federal payroll processing is so unique, it would be a major organizational and procedural change for a private-sector ASP to process federal payroll.
VA	Outsourcing to an ASP or to another cross servicer were considered in the past. They were determined not to be feasible due to the size of VA and the complexity of its payroll rules.
NSF	N/A
FERC	N/A
DOT	Based on a study conducted in 1998, we determined that the following were non-viable alternatives: complete cross-servicing with the USDA (i.e., NFC) (Reason: failed to meet our functionality requirements); engaging in commercial ASP (Reason: none had federal solution available); outsourcing HR & payroll (Reason: none had federal solution available for payroll); internal development (Reason: limited resources).
DOL	Other cross-servicing agencies were ruled out because of their bundling of services, use of legacy systems, or other reasons. Further, GSA was deemed a less feasible option than the purchase of the COTS product (PeopleSoft Payroll). PeopleSoft Payroll will give DOL greater interoperability, as well as, integration with its existing HR system. GSA’s expected growth in its customer base might limit its ability to maintain a high level of customer service. GSA’s biweekly processing schedule and the closing of DOL servicing payroll offices would require business process changes in DOL. Also, GSA’s ETAM (time and attendance system) was not considered user friendly requiring interfaces to be developed from and to DOL’s Automated Time and Attendance System, as well as, the HR system.

Question 7	What are the key investment decisions your agency is considering (new systems, IT, people, fee-for-service opportunities, outsourcing, service provider, etc.)?
GSA	No response
DOI	Department of the Interior, National Business Center is not currently considering capital investment in payroll systems, since the fully integrated FPPS payroll/personnel action system has been recently implemented and continues to meet client agency needs.
DFAS	Replacing its current civilian payroll system and integrating with HR
USDA	Alternatives: Complete the development of Web access to NFC's PPS from user locations and provide employee self-service via the Internet (short term); acquire COTS Human Resources/Payroll (HR/PR) software and work with a contractor to develop integrated federal HR/PR applications for the user community; rewrite the existing system in-house using modern programming languages, techniques, and data structures with contractual support.
VA	VA is currently developing and implementing a new HR/payroll system (HR LINK\$) around the PeopleSoft application. A shared service center has been established in Topeka, Kansas. Employee self-service functionality has been deployed to the entire VA.
NSF	N/A
FERC	N/A
DOT	DOT is open to alternatives that meet our complex pay requirements and prove cost effective.
DOL	DOL considered outsourcing to a Federal cross-servicer and the purchase of a new system. The decision was made to purchase and develop the PeopleSoft Payroll system to meet Federal and DOL requirements.
Question 8	What is your capital investment plan for payroll processing and systems? Include amounts, purpose, items, and year in which the investment is planned and acquisition strategy.
GSA	No response
DOI	No response
DFAS	The planned capital investment for payroll systems in DFAS is approximately \$6.5 million in FY 02 and FY 03. This funding will be used to include new functionality in the DCPS payroll system that either: 1) is required by new legislation and policy; 2) is requested by our customers; or 3) will reduce manual efforts in our payroll operations offices or in customer and timekeeper offices. We plan a similar level of investment for these purposes in the outyears. However, beginning in FY 04, we have requested additional capital investment funds of \$23 million over a four-year period to modernize the existing payroll system.
USDA	The Pay Engine Project is NFC's long-range payroll processing capital investment. Its capital investment plan is included in the preliminary business case for the project.
VA	VA is currently developing and implementing a new HR/payroll system (HR LINK\$) around the PeopleSoft application. A shared service center has been established in Topeka, Kansas. Employee self-service functionality has been deployed to the entire VA. Development, testing, and implementation are scheduled to be completed by January 2004.
NSF	N/A
FERC	N/A
DOT	The Federal Aviation Administration (the largest organization within DOT) is currently developing a new HR and time collection system using the Oracle application. An investment analysis of a payroll solution is planned for 2003. The vision is to integrate HR and payroll.
DOL	Through the end of FY01, the Department has expended \$3.3 million on the current development effort for the payroll system. In addition, \$0.3 million has been expended on the ATA replacement product, PeopleTime through the same time period (Figures for FY01 expenditures are actuals through August 2001 and projections for September 2001). DOL will invest an estimated \$5.5 million to develop PeopleSoft Payroll during FY01 – FY02. Based on historical costs for its payroll operations, DOL will invest an estimated \$3.3 million annually to perform payroll processing with PeopleSoft Payroll.

Question 9	What is the business case (please provide) for the currently planned capital investment described above?
GSA	No response
DOI	No response
DFAS	Business case provided under separate attachment
USDA	In accordance with Chapter 2 of the USDA Information Technology Capital Planning and Investment Control (CPIC) Guide, the Pay Engine Project is in the Pre-Select Phase of the CPIC Process. This phase entails development of a “preliminary” business case, which is intended to build support and enable funding decisions for the investment. The Pay Engine Project Preliminary Business case is included as Appendix 2 to this document.
VA	SAIC recently completed an updated cost-benefit analysis for the HR/payroll system. Their report documented a benefit-cost ratio of 1.63, a net present value of \$159,704,000, and an internal rate of return of 151%.
NSF	N/A
FERC	N/A
DOT	N/A
DOL	DOL contracted a study with Logistics Management Institute (LMI) to compare outsourcing with the PeopleSoft Payroll option in order to select the most cost-effective, customer-oriented solution. LMI recommended DOL move forward with its implementation of PeopleSoft Payroll as a result of an agreement with DOL by PeopleSoft to make most of the necessary enhancements to its payroll product. By contrast, LMI expressed reservations about whether GSA could meet DOL’s specific needs
Question 10	What will be the impact if it is not funded?
GSA	No response
DOI	No response
DFAS	System is at the end of its life cycle. Without system modernization, the payroll system will not be able to garner efficiencies made possible through modern, integrated software.
USDA	Status quo is not a viable long-range option for the PPS. Modification and implementation costs cannot be avoided indefinitely. They can only be temporarily deferred until the department is forced to move to a replacement system. Replacement of an application as complex and widely deployed as the current PPS is a massive, multi-year undertaking. Aggressive planning must begin while experienced staffs are still available for information transfer and before system functionality issues become critical. Over the next few years, USDA can expect the problems cited below. Problems will increase over time: Increased instances of system problems; NFC being unable to meet program managers’ expanding information needs; decreased ability to modify PPS to systematically process payroll in accordance with new legislation; difficulty meeting service expectations; clients taking their business elsewhere; loss of economies of volume; higher unit costs for service.
VA	The existing legacy system would have to be revitalized and brought into regulatory compliance. This will require new funding and 2 years of development for a system that is 36 years old.
NSF	N/A
FERC	N/A
DOT	N/A
DOL	The implementation of the PeopleSoft payroll system has been fully funded by the Department. The Department handles all payroll processing internally for all agencies and subagencies, from time entry through EFT for all 16,000 Department staff. The Department does NOT provide payroll services for any agencies outside of DOL. The funding for this is provided out of working capital and accommodations are made for various non-standard requirements.

Question 11	Summarize your payroll business operations, including services provided, customers, authority and funding source (appropriated funds, franchise fund, revolving fund). Provide financial statements.
GSA	GSA's National Payroll Center provides the full range of payroll services from initial hire through separation and submission of retirement records to OPM. In addition to GSA employees the NPC also provides these same services to 34 independent commissions or presidential agencies. Operations are funded through appropriated funds and fee-for-service revenue.
DOI	Payroll services provided include FPPS as the primary integrated tool for agency payroll database maintenance and pay calculation, Payroll Operations Division services in all of the functional areas described under Question 1, ADP center and telecommunications support, and logistical support for mailing of leave and earning statements, W-2s, etc. Services are provided to 30 customer agencies, with about 28,000 system users.
DFAS	DFAS provides payroll processing to DOD and non-DOD civilian employees located throughout the Continental United States (CONUS) and overseas (OCONUS). Customer funds are directly charged in the disbursement of biweekly payroll. Payroll operations and systems support is funded from the working capital fund.
USDA	NFC's Payroll/Personnel System (PPS) is a full-service, integrated payroll/personnel system offering a full range of personnel and payroll processing. Biweekly, NFC payrolls an average of 450,000 employees and maintains their personnel records. NFC also transfers voluntary and mandatory deductions to the proper organizations, and produces reports required by those organizations and other federal regulatory organizations. The vast majority of payroll and personnel transactions are electronically entered from agency offices to NFC for processing in the integrated Payroll/Personnel System. All data is defined to one of three databases: USDA employees, Treasury employees, or all other agency employees. In addition to entry of data at the field level, agencies can make inquiries, correct most types of transactions, and generate reports electronically from their remote locations.
VA	VA payroll is currently processed biweekly using the Personnel and Accounting Integrated Data (PAID) System. PeopleSoft payroll processing is currently being accomplished for FERC. There are approximately 1,250 W-2 statements for this organization. The PeopleSoft implementation also includes HR and time and labor modules. The Financial Services Center provides local payroll services for five VA stations. Funded through a franchise fund.
NSF	N/A
FERC	N/A
DOT	CUPS systems functionality: payroll processing for DOT & NTSB; centralized retirement processing; centralized TSP processing; centralized tax reporting; retroactive pay calculations – system generated for 25 pay periods; EFT capability for all payments; Detailed earnings and leave statement with messaging. Customers: Federal Aviation Administration (service providers); Office of the Secretary; Bureau Transportation and Statistics; Transportation Administrative Service Center; Office of the Inspector General; Federal Highway Administration; United States Coast Guard; Federal Rail Administration; Federal Transit Administration; Maritime Administration; National Highway; Traffic Safety Administration; Research and Special Programs; Volpe National Transportation Systems Center; National Transportation Safety Board (external to DOT but pending transition to DOI); International Broadcasters Bureau (external to DOT and pending inclusion). Funding Source: appropriated funds (i.e., reimbursable agreement between the FAA & other organizations for payroll services).
DOL	N/A

Question 12	If you are a fee-for-service provider, describe your pricing structure and methodology including total costs, components of total costs, how costs are tracked for all components (including overhead, IT usage, salaries and expense, etc.), and how charges to customers are derived, billed, and collected. Note whether investment in information technology are a component of the cost.
GSA	Fee-for-service provider. Our pricing structure is based upon a flat rate per year for each W-2 issued. Our pricing structure is derived from using activity-based costing methodologies. We charge an additional flat rate for our electronic time and attendance system. Customers are billed on a quarterly basis, and revenues are collected via the OPAC process.
DOI	FPPS clients are charged a standard unit cost per W-2 issued, which includes personnel action processing and management information system tools in addition to payroll processing. All direct and indirect costs of these products are included in the unit cost. The NBC does not receive appropriated funds to cover the costs of FPPS. Each client has an individual support agreement for NBC services and is billed on a quarterly basis. IT costs are included in the unit price, including depreciation and replacement costs.
DFAS	DFAS operates as part of the Defense Working Capital Fund and is funded through fee-for-service arrangements. It operates on an expense basis. Based on customer orders, DFAS provides services which are billed back to customers. Total expenses are projected as part of the budget process. Information technology investment costs are captured via the depreciation expense component of the total expense. Profit and loss is factored back into pricing. DFAS has an accounting system/management information system (MIS) which tracks all expenses by output on a cost accounting basis. The customer funds are billed monthly for the actual workload (services) provided. The actual collection occurs through the DoD interfund process or via Treasury's OPAC system.
USDA	NFC is a fee-for-service provider. It recovers all its costs through user fees. There are two broad cost recovery categories: processing service and agency-specific special requests.
VA	Costs are pro-rated in VA by W-2 count.
NSF	N/A
FERC	N/A
DOT	Clients make payments to FAA quarterly for the full cost of services based on a prorated share of costs. The prorated share is derived from the total pay accounts maintained for employees in paid and non-paid status. Each of the clients share is the ratio of the number of its pay accounts to the total number of pay accounts of all of the clients. Appropriate deductions are taken from the subtotal costs of CUPS for clients that make Employee Express mandatory. The total annual costs includes salary and expenses, administrative overhead, the cost for payroll policy, IT, and special services. A client that requires a special service funds that service for an additional charge.
DOL	N/A

Question 13A	How do you fund capital investment for maintaining and upgrading systems?
GSA	Included as cost component in current pricing
DOI	The majority of capital enhancements are handled through the flat fee charged to each client. If a client desires a system enhancement that is unique to that agency, the client may provide investment funds in advance to pay for the change. If the consensus of the entire user group is to make a change that benefits all users and cannot be funded as part of the standard unit costs, all clients participate in separate funding for the project.
DFAS	The costs of operating and maintaining software are included in the billing rate. Upgrade costs are funded by using contract obligation authority that is budgeted for and approved by the OUSD Comptroller. The actual obligation for the investment is not included in the current pricing (billing rates). Instead the obligation amount is recovered through the depreciation expense included in the price/billing rate.
USDA	USDA's WCF has limited funds available for capitalized expenses. At the present time, these capital funds must cover all USDA WCF system modernization investment needs, as well as ongoing capital equipment requirements. There is no WCF for the exclusive use of NFC. Approval of all major capital investment projects also requires adherence to the USDA CPIC Guide (see Question 9) and concurrence of the USDA Executive Information Technology Investment Review Board.
VA	IT costs are contained in the billing structure.
NSF	N/A
FERC	N/A
DOT	DOT's funding for capital investments are covered by directly charging each client a flat fee. We require clients that request system changes to fund those special services that are deemed extraordinary before the changes are made.
DOL	N/A
Question 13B	Are funds for future capital investment included as a cost component in current pricing?
GSA	Yes.
DOI	Yes. See response to 13A.
DFAS	Yes.
USDA	No. USDA has not authorized WCF activity centers to assess growth capital fees as a component of their user fees since the early 1990s. Legislative authority was also recently restricted.
VA	No response
NSF	N/A
FERC	N/A
DOT	No
DOL	N/A
Question 13C	Are you allowed to carry forward cumulative results of operations (retained earnings) to fund capital investments?
GSA	No. At this time we are not able to carry forward cumulative results of operations; however, it is currently under discussion within GSA.
DOI	No. We have no retained earnings or franchise fund.
DFAS	No. Under DoD policy, DFAS is not allowed to carry over cumulative profits and use them to fund capital investments.
USDA	No.
VA	No response
NSF	N/A
FERC	N/A
DOT	Retained earnings can be utilized but are not (see #13A).
DOL	N/A
Question 13D	What is your limitation?
GSA	No response
DOI	N/A
DFAS	N/A
USDA	N/A
VA	No response

NSF	N/A
FERC	N/A
DOT	No response
DOL	N/A
Question 13E	Do you have the current capability to capture system modernization costs in your pricing structure?
GSA	No response
DOI	Yes. See response to 13A.
DFAS	Yes. DFAS can capture the costs of system modernization through its accounting system.
USDA	If given the authority, NFC could add a growth capital assessment to its user fees which would be used exclusively for system modernization at NFC. Further authority would be required to restrict the capital assessment for system modernization at NFC.
VA	No response
NSF	N/A
FERC	N/A
DOT	Yes (see #13A)
DOL	N/A
Question 13F	If yes, what percentage of cost/price is or would be system modernization?
GSA	No response
DOI	No response
DFAS	Capital investment obligations are 13 percent of DFAS combined operating and capital budgets. These obligations are recovered from the customer through depreciation expenses in the operating budget. Depreciation expenses comprise about 10 percent of the operating budget.
USDA	NFC has no estimate of an appropriate level of assessment for future system modernization. A 5 percent assessment on current NFC payroll/personnel customers would yield approximately \$2.5 to \$3.0 million annually.
VA	No response
NSF	N/A
FERC	N/A
DOT	This is dependent on the specific customer for specific enhancements and will differ for each customer.
DOL	N/A

Question 14A	Are services standardized or customer-specific?
GSA	Both.
DOI	Standardized.
DFAS	Standardized.
USDA	Much of our payroll services are standardized, but many are customer-specific.
VA	No response
NSF	N/A
FERC	N/A
DOT	Customer specific.
DOL	N/A
Question 14B	Do you accommodate customers with different requirements?
GSA	Yes. However, we encourage reengineering and make every attempt to keep customization to a minimum in order to standardize payroll processes.
DOI	Yes. The table-driven methodology of the integrated FPPS database enables our standardized services to be customer-specific in that unique requirements, such as new pay plans, can be incorporated into existing or new tables.
DFAS	Yes. Unique requirements for different customers are incorporated into the pay system.
USDA	Yes.
VA	No response
NSF	N/A
FERC	N/A
DOT	Customers are given the option to change their policy, and if they are unable to do so then we charge them accordingly for the time and effort it costs us to make the changes to meet their needs.
DOL	N/A
Question 14C	How do you handle unique requirements (different pay plans, etc.)?
GSA	For unique requirements base upon legislative initiatives, we always make the necessary changes to our system.
DOI	Our business practices are centered around a change request process which defines regulatory and user-driven changes. A user-driven system allows FPPS to continually change to meet the business requirements of the client base. A user group with representatives from each client agency meets 3 to 4 times per year.
DFAS	Customer-unique requirements which have not been accommodated within the payroll system are handled manually by our payroll operations offices.
USDA	We work with our clients to standardize unique requirements when possible, but if standardization is not feasible, we will implement the agency-unique requirements, and the agency will pay the applicable costs.
VA	No response
NSF	N/A
FERC	N/A
DOT	N/A
DOL	N/A
Question 14D	Are interfaces standardized (human resources, time and attendance, accounting)?
GSA	Not all interfaces are standardized with respect to human resources.
DOI	Yes, interfaces are standardized.
DFAS	Yes, we have standard interfaces with HR, T&A, and accounting systems.
USDA	NFC's Front-End System Interface (FESI) enables clients to use their choice of HR systems and interface with PPS. NFC accepts T&A information in a specified format regardless of source. NFC provides detailed accounting interface records in customer-specified formats.
VA	No response
NSF	N/A
FERC	N/A
DOT	Interfaces are standardized since we tell our customers that they must make their data fit our interface.
DOL	N/A

Question 15	How do you recover costs of interfaces or non-standard service requirements?
GSA	Agencies requiring interfaces currently pay for the customization.
DOI	Most issues of this nature are covered in the standard unit cost. However, if a client agency has special or unique requirements that carry a significant cost burden, agreement will be reached to bill the agency separately for the cost of the service or interface.
DFAS	We charge all of our customers one standard billing rate per account serviced. However, there have been occasions when a customer has requested assistance or research beyond the level foreseen in the billing rate development process. On those occasions, and depending on the level of effort involved, we have asked the customers to transfer additional funding to us to cover the cost.
USDA	Development costs for non-standard requirements are borne by the requesting organization. They are charged on an actual time and materials basis.
VA	No response
NSF	N/A
FERC	N/A
DOT	No response
DOL	N/A

Question 16A	Could your payroll processing costs be reduced through standardization? Standardization is defined as finding commonalities and reducing redundancy in policies and procedures and data.
GSA	Yes.
DOI	The recent implementation of FPPS resulted in standardization.
DFAS	The department has already reduced payroll processing costs by implementing a significant degree of system, process, procedure, and data standardization during its consolidation of payroll operations. It expects to identify further cost reduction opportunities in the upcoming end-to-end review.
USDA	Yes, depending on the degree of standardization.
VA	Yes.
NSF	NSF reduced the redundancy in the payroll procedures with the implementation of the new payroll system. IPAY eliminated the need for the payroll staff to enter the same data that was entered by HRM. The interface with the personnel system updates IPAY with the employee information. The update for employee self-service eliminated the necessity for employees to complete paper forms and bring them to payroll for data entry.
FERC	Yes.
DOT	Standardization might prove challenging due to the complexity of our requirements with our largest organization (FAA) falling under the Excepted Service and the remainder of the employees covered under Title 5.
DOL	Standardized policies and procedures would generate cost savings in implementing and operating a time and attendance and payroll system.
Question 16B	What are your payroll simplification/reengineering opportunities and constraints (legislative, cost, authority, capacity)?
GSA	The cost could be prohibitive to comply with the new procedures.
DOI	There are not significant additional payroll simplification/reengineering opportunities that need to be implemented at this time.
DFAS	No response
USDA	NFC currently has an opportunity to introduce more simplification and standardization in its proposed replacement system, the Pay Engine. The constraints to accomplishing this simplification and standardization are several, such as existing laws, rules, regulations, and policies; resistance to change within the customer community; the customer's willingness to standardize, provided their method is chosen as the way everyone else should do it; and the belief within customer agencies that they are so unique that the normal requirements for the rest of government do not exactly apply to them.
VA	Time and labor: legislative and policy changes could standardize divisor rules (2080, 2087, 2088 hours per year) for various premium pay groups. Benefits: simplified leave rules.
NSF	No response
FERC	Opportunities: Compensatory time; eliminate options for implementing advanced leave procedures. Constraints: limit options for COTS products and implement them as designed; if COTS selected, limit number of COTS products to manage and be efficient; lack of competition adversely affects costs.
DOT	Standardization can be achieved if flexibility is built in to accommodate the needs of our customers.
DOL	Within a time and attendance and payroll system cost savings would be realized with streamlined leave administration policies. Also within a payroll system cost saving would occur by standardization of calculations such as the FEGLI calculation for wage grade employees, and also having all employees paid in the same timeframe as all other DOL employees.

Question 17	What is the impact of non-standard requirements (i.e., those driven by legislation, HR, unions, management decisions) on systems cost and sourcing options (COTS, outsourcing, etc.)?
GSA	Continue to realize additional systems costs to comply; sourcing options will be limited.
DOI	FPPS was specifically designed to provide maximum flexibility for accommodating non-standard requirements and changing business practices, so the impact of such requirements is relatively negligible from a systems standpoint.
DFAS	The greater the number of non-standard requirements, the greater the cost to modify our payroll system to include those requirements. However, rather than increase our standard billing rates to our customers, our normal business practice has been to forgo making discretionary enhancements to the system, in order to free up capability to make the required changes.
USDA	The impact of non-standard requirements on systems costs includes (1) increased requirements and development staff who must analyze all future enhancements against existing sets of codes and programs to ensure that implementation does not disrupt any pre-existing unique processing capabilities; (2) longer time to resolve program “abnormal ends” during processing, due to the multitude of unique methods of processing required; (3) more experienced HR and payroll operational staffs are needed who must understand all the unique processes to ensure that data is properly processed against the unique business rules of the customers; (4) training of replacement HR and payroll staff takes more time and is more costly to make them aware of the unique business rules; (5) increased difficulty in reassigning or transferring staff from one operational office to another without additional training; and (6) loss of expertise as the current HR and payroll staffs within government who possess the institutional knowledge of the “how” and “why” of the multiple complex federal rules and regulations near retirement age. The impact of non-standard requirements on sourcing options is that it
VA	These requirements result in adding complexity to existing systems, resulting in difficulty for maintenance and testing. In addition, there are significant needs for modification to COTS products.
NSF	No response
FERC	Non-standard requirements add costs to modify COTS or GOTS.
DOT	No response
DOL	There are a number of non-standard requirements that the Department has to address. These include union requirements as the result of bargaining agreements; special time reporting for certain agencies; handling of special-situation part-time employees in other agencies. Legislation does not consider the end users or implementers when changes are made. Rules need to be simplified to reverse this challenge. Leave administration is an example of a major, non-standard requirement for the Department (and other Federal agencies).

Question 18A	What percent of employees are in payroll plans that have agency-specific nonstandard requirements (pay/benefits plans, etc.)?
GSA	10% to 15%.
DOI	Approximately 21%. In the most recent pay period, about 8,000 out of 155,000 employees paid, or approximately 5% of the total, were in agency-unique pay plans. In addition, almost 25,000 employees are paid under special pay provisions for emergency fire fighters during the course of the year.
DFAS	Approximately 12% of the department's employees are in payroll plans that have agency-specific requirements.
USDA	47.5%, ranging from minor unique to extensive agency requirements.
VA	32%.
NSF	No response
FERC	0%.
DOT	76% of employees in DOT fall under FAA's personnel reform
DOL	small
Question 18B	What are the drivers for the variation (statute/executive order/labor agreements/agency business practices, etc.)?
GSA	No response
DOI	Many other employees have unique benefits, entitlements, leave and hours programs, or other unique pay-related situations stemming from exercise of agency and management flexibilities in human resources program areas.
DFAS	The drivers are primarily attributed to statute and labor agreements.
USDA	The drivers for these nonstandard requirements are: special acts or laws, such as pay banding and hazardous duty; agency policies; job functions; occupational series special pay; geographical adjustments; unique benefits; quasi-federal entitlements.
VA	Title 38 requirements.
NSF	NSF employs a wide variety of scientific and technical employees; the salary for these employees is administratively determined by HRM. The length of their appointment determines their benefits, which usually is for one year. If the appointment is extended, their entitlement to benefits changes. This is controlled by HRM and the personnel system.
FERC	N/A
DOT	DOT Authorization Act of 1996 allowed for the personnel reform that resulted in an increasing number of employees who elected to be covered under bargaining units within the FAA, and a growing number of labor unions (presently 50) being established. Bargaining units have their own specific nonstandard requirements for pay/benefits plans, etc. Any matters pertaining to pay must be negotiated with these bargaining units.
DOL	While the number of employees affected by exception requirements is small (in some cases as small as 500 out of 16,000), the fact that the requirements must be each time they are met. There are many examples of these – BLS part-time employees, wage-hour OSHA rescheduling, 'First 40' workers in MSHA, semi-monthly pay requirements when standard pay is bi-weekly, wage-rate (FEGLI) special handling, OSHA/MSHA emergency overtime.

Question 19	Estimate the cost savings that could be achieved by eliminating variable requirements such as pay/benefit practices: using current systems; future systems; and outsourcing.
GSA	Unable to answer at this time.
DOI	It would actually cost money to reprogram the system to eliminate variable features. Since FPPS is a new system, no major cost-saving enhancements are envisioned in the relatively near future.
DFAS	When the end-to-end review has been completed, the recommended solutions will be analyzed and cost savings will be identified.
USDA	The primary impact of standardized requirements is cost avoidance from not having to customize existing programs and processes to accommodate myriad unique variations. For current systems, NFC estimates modest additional processing efficiencies of approximately 5 percent due to simpler requirements for ongoing maintenance (annual pay raises, for example) and fewer processing errors. For future systems, NFC estimates potential one-time development and implementation savings of approximately 20 percent, and ongoing operational savings of 15-20 percent assuming the current baseline of service and operating costs. For outsourcing GOTS, approximately 5 percent savings in operating costs could be achieved due to simpler requirements for ongoing maintenance and fewer processing errors.
VA	Not possible unless VA decides not to support Title 38 requirements.
NSF	NSF staff cost for testing IPAY before implementation for October 2000 to June 2001 was \$800,000. With the elimination of the different pay/benefit plans the cost for testing would decrease to about 1/3 the cost.
FERC	\$400,000, if other payroll choices available.
DOT	Existence of bargaining units in FAA poses a major challenge to cost savings since we must meet their contractual agreements dealing with pay, benefits and entitlements.
DOL	As stated in the previous question, the Department does not have the ability to eliminate most of the non-standard requirements. The cost savings to be realized will be the adoption of a COTS product that has the capabilities to handle these requirements within the delivered product. The integrated HR/payroll solution will eliminate redundancy of data in the Department as well as provide the ability to migrate to a 'one-stop service center.' DOL anticipates cost savings by establishing a one-stop service environment, within the human resource delivery structure, for management and employees to help DOL achieve the significant benefits made possible by an integrated HR and Payroll system. The one-stop service concept repeatedly surfaced among stakeholders and users as a solution to the problems identified in the current processes. DOL envisions that one stop service means that the front-end processing work regarding who gets paid, the rate they are paid, and the number of hours actually worked will be handled in one place. Within the integrated model this will naturally fall to the operating personnel office of the employee.
(continued)	The following benefits and cost savings will emerge: Improved customer service: One-stop service centers allow employees to be able to turn to one place to handle their HR and Payroll tasks and problems. This can be achieved because the areas that directly involve employees will be handled by the one stop service center; Reduced unnecessary work: One-stop service centers make it possible to eliminate organizational barriers that tend to prevent cooperation, and lead to multiple processing steps that will no longer add value once the system functions have been integrated. Eliminates the need for redundant data entry in multiple systems; Reduced customization: The one-stop service approach fits with the design of the PeoplePower system, and could reduce the amount of customization required; Reduced reconciliation and maintenance: The integrated HR/Payroll system will eliminate the need for reconciliation activities between systems and reduce the maintenance associated with multiple systems to process HR, Payroll, and Time and Attendance.

Question 20	What has to happen to remove barriers to achieving standardization of requirements, i.e., what authority/accountability structure should be in place to achieve simplification?
GSA	A work group to provide oversight of changes and the effects of these changes on payroll providers prior to their implementation or enactment.
DOI	OMB would need to take the lead in identifying and working to influence Congress and the executive branch to change or eliminate legislation and executive orders that provide for specific pay plans or authorities for individual groups. Special difficulty could be encountered in dealing with the numerous pay practices and authorities that stem from longstanding negotiated union agreements. Our sense is that, while standardization may be possible or desirable in some instances, more emphasis should be placed on designing and implementing pay systems and processes that are sufficiently flexible to meet legitimate diverse needs of agencies and managers.
DFAS	Federal-wide non-standardization oftentimes occurs when legislation and/or regulation are sufficiently ambiguous to allow for multiple interpretations and implementations. Likewise, multiple labor organizations each negotiating the same item may have different results. A possible solution would be the formation of a federal-wide payroll group, perhaps modeled on the Human Resources Technology Council, that could deal with legislative concerns and develop guidelines and recommendations to assist agencies in interpreting and deciphering legislation.
USDA	First of all, a task group would need to review existing legislation, rules, regulations, executive orders, and policies to determine where there are differing and similar requirements. Once the sources of the unique requirements are identified, this task group would need to prepare the appropriate action to have the relative law, rule, policy, etc. modified or rescinded. A significant change management plan will be needed to convince the various departments and agencies of the benefits of the change in business rules and procedures. Also, a task force would be needed to negotiate with employee unions to get their acceptance for the changes. Equally important is to find a way to prevent additional unique business rules from being established in the future. This will require a central organization or body of some type to act as a watchdog to prevent the passage of future regulations and policies that would establish similar situations. This central organization would need broad power and authority to standardize or it will be ignored by the various departments and agencies.
VA	An OPM solution for HR/Payroll would be a start.
NSF	OPM would need to consolidate all of the pay schedules and standardize the pay scale for all government employees. The elimination of part-time tours would help to simplify the payroll process.
FERC	Policy agencies issue specific criteria limiting options and, in cases where options are still available, allow a longer period of time to implement; Treasury acceptance of non-federal payroll providers.
DOT	Flexibility is sacrificed in the face of standardization of requirements.
DOL	A government-wide organization to review, evaluate and respond to new and modified time and attendance and payroll policies and procedures needs to be established to communicate back to the policy makers any issues that may arise with the new or modified policy.

Question 21A	Could payroll processing done by your agency be consolidated internally or with another currently providing payroll processing?
GSA	This would require a detailed analysis before we could provide an adequate answer. We do not feel this is a feasible option at this time. We are currently a payroll provider to 34 other agencies or presidential commissions in addition to GSA.
DOI	Payroll processing is already completely consolidated at the NBC for all bureaus of the Department of the Interior and all of our client agencies. At this time, the primary impediment to consolidating with another provider would be that we know of none that provides fully integrated, real-time online payroll and personnel actions processing.
DFAS	The Department of Defense has consolidated from 351 decentralized payroll offices to three operating locations. Further internal consolidations may be feasible and will be examined in the end-to-end study.
USDA	USDA payroll processing has already been consolidated within NFC. NFC has already simplified and standardized requirements to the extent possible, as we have consolidated more than 100 federal organizations into the PPS.
VA	No.
NSF	No, the payroll system was developed and designed to NSF specifications using a client-server platform based on Powerbuilder software that is used as the front-end tool in both Windows and Macintosh environments.
FERC	Payroll operations are outsourced to VA.
DOT	DOT engaged in consolidation of payroll processing in the 1980s and reduced the number of payroll processing centers from about 20 to 2 with one systems office
DOL	Department of Labor (DOL) payroll processing is already consolidated internally, and as stated above, the Department has been working actively with a number of other Federal agencies and a COTS vendor to develop a standardized Federal payroll product meeting multi-agency needs.
Question 21B	What would be the impediments to doing so?
GSA	No response
DOI	We would be in the position of losing the flexibility and responsiveness that FPPS was designed to provide.
DFAS	Consolidation of processing with another agency could be impeded due to the lack of system functionality to process departmental unique requirements.
USDA	No response
VA	The size of VA and the complexity of its payroll requirements do not make this a viable option.
NSF	No response
FERC	N/A
DOT	No response
DOL	No response

Question 22A	Could your payroll costs be reduced by outsourcing to either an ASP or federal cross-servicer?
GSA	Same response as in #21
DOI	Currently, no ASP provider offers federalized payroll services of the type provided by NBC.
DFAS	We have been through a number of outsourcing studies in DoD civilian pay in recent years. Invariably, we have found that the number of complex and unique requirements and rules in federal civilian pay, driven by the factors mentioned in the question above, have impeded the private sector from wanting to participate in DoD civilian payroll. The department's experience with its A-76 study would indicate that outsourcing to an ASP would not likely occur. The department's costs are already competitive with other federal cross-servicers, and considering the cost to modify another system with the department's unique requirements would most likely increase the overall cost, as has been indicated in previous studies. Since the federal workforce is continuing to decline, it is less attractive for an ASP to assume the workload of individual agencies.
USDA	We do not believe that outsourcing to an ASP or other federal cross-service agency is a viable option. Research indicates that outsourcing for comparable services in the private sector would result in significantly higher processing costs to our customers.
VA	No.
NSF	Don't know what the savings would be for NSF. There would be an increase in cost to the funds used to develop, design, and implement the current system for outsourcing.
FERC	Payroll operations are outsourced to VA.
DOT	In 1999, we conducted an evaluation of payroll services provided by other federal cross-servicing agencies (e.g., NFC, VA, GSA, DOI). Cost Analysis of in evaluation indicated consolidation would not reduce our costs.
DOL	The Department of Labor (DOL) commissioned a study with LMI to examine its payroll processing options. The study concluded that utilization of a COTS product, integrated with HR, was the most viable and cost-effective option. The human resource functionality was implemented at the Department in June of 1999. The Department is currently implementing the integrated HR/Payroll portion of the LMI recommendation, and testing of the new COTS payroll system is underway, with full implementation scheduled for June 2002. A conv of the study is attached.
Question 22B	What are the impediments to outsourcing?
GSA	Same response as in #21
DOI	No response
DFAS	No response
USDA	There is no known existing ASP operating a federalized payroll system, and certainly not one approaching the functionality of NFC's current PPS.
VA	The size of VA and the complexity of its payroll requirements.
NSF	I don't think outsourcing is an option; NSF is in the maintenance stage with IPAY. NSF would lose the control over the payroll process, and employee direct contact with payroll personnel would be eliminated.
FERC	N/A
DOT	Risk analysis – posed significant risk factors such as: cross-servicer could not accommodate FAA specific pay and leave entitlements; cross-servicer could not support a to-the-minute based pay entitlement system.
DOL	See related study
Question 22C	What would have to be done to make outsourcing a feasible option?
GSA	Same response as in #21
DOI	A valid cost comparison with another federal cross-servicer would require analysis of the total cost of achieving services comparable to those provided in the entire integrated FPPS environment.
DFAS	ASPs possibly would be more inclined to assume the workload if the possibility of servicing the entire federal workforce existed.
USDA	No response
VA	Simplification of rules.
NSF	No response
FERC	N/A
DOT	No response
DOL	See related study

Question 23A	If your agency has recently been through a major change in payroll processing, i.e. implemented a new payroll system or changed service providers, summarize the major strategic drivers, business case, decision criteria, and results supporting your decision.
GSA	N/A
DOI	Improved service; enhanced integration of human resources and payroll processing to do away with the stovepipe between the two functional areas; more flexibility to address unique and diverse user policies and procedures; more real-time processing capability; more paperless processing and reporting; and less manual intervention. An evaluation of the system baseline after full implementation in FY 1999 resulted in the conclusion that FPPS reduced unit costs by 25% and increased system functionality by 300%. The NBC will continue to utilize and enhance FPPS as long as it remains the most cost-effective and efficient integrated system option. We will continue to evaluate COTS products to assess their capabilities to meet our strategic objectives. At the present time, our primary strategic emphasis is the achievement of even more integration of human resources management and payroll processing.
DFAS	DCPS was selected as the standard migratory civilian payroll system for the Department of Defense in 1991.
USDA	USDA has not recently implemented a major change in its payroll system; however, we have a project underway to replace the payroll engine of the current PPS. The Pay Engine Project is in the Pre-Select Phase of USDA's CPIC Process.
VA	Payroll processing for VA must meet the needs of paying all VA employees as is implemented today.
NSF	NSF implemented a new payroll system (IPAY) on June 17, 2001; the old system was used from the mid-Sixties until that time. The new laws and changes in benefits for employees created havoc with the old system. The system was basically a manual system and required a lot of manual entries, and maintenance by the payroll staff and our computer systems staff. The accuracy of the system was not very good and frequently generated payment errors.
FERC	Legacy provider terminated services; need for eliminating duplicative administrative systems; finding application to strategically align with commission to better manage labor distribution and financial reporting.
DOT	N/A
DOL	See related study
Question 23B	Do you have any resulting studies and analyses used to support the decision?
GSA	N/A
DOI	No response
DFAS	A comprehensive study, documented in the "Report on the Consolidation and Standardization of Civilian Payroll within DoD," was the basis for that decision.
USDA	In accordance with the USDA CPIC Guide, NFC developed a preliminary business case, in which the business/mission need is identified and relationships to the department and/or agency strategic planning efforts are established.
VA	Yes—SAIC cost-benefit analysis study.
NSF	A market survey was completed on April 21, 1999; I will send you a copy by email when I receive it.
FERC	Strategic plan developed, outlining business drivers for COTS and payroll providers selection.
DOT	N/A
DOL	See related study

Question 23C	What were the key limitations of the options not selected?
GSA	N/A
DOI	No response
DFAS	No response
USDA	No response
VA	Not a viable option due to the size of VA and the complexity of its payroll requirements.
NSF	No response
FERC	Lack of competition directly affects costs; no efficiencies gained.
DOT	N/A
DOL	See related study

Question 24A	Has your agency conducted a pilot or other evaluation of a COTS product?
GSA	N/A
DOI	Yes. During the latter stages of FPPS development, in 1998, a contractor was commissioned to study COTS products to determine if any were available to provide similar functionality to that offered by FPPS. We have not conducted any more recent studies of payroll COTS providers.
DFAS	We have not evaluated any COTS payroll systems. However, we have evaluated several COTS time and attendance systems. We know there is at least one COTS T&A package on the market, which meets many of the functional requirements for a federal T&A system. Although we have not evaluated any COTS payroll systems for use in DoD civilian payroll, a COTS package (PeopleSoft) has been purchased and is being customized as a military pay and personnel system. This system, referred to in DoD as the Defense Integrated Military Human Resources System (DIMHRS), is ultimately planned to replace the current military pay and personnel systems in use today
USDA	Yes, market survey.
VA	Yes.
NSF	Yes. NSF evaluated several COTS products before making the decision to develop our payroll system.
FERC	Yes. Prior to selecting PeopleSoft, several COTS products were evaluated in collaboration with DOE.
DOT	In 1998, conducted a feasibility study of the Peoplesoft COTS product for personnel and payroll.
DOL	The Department has accepted the recommendation of an independently conducted alternatives analysis and is currently implementing a COTS solution from PeopleSoft that was developed specifically for the Federal sector.
Question 24B	If so, what product and what were the findings?
GSA	N/A
DOI	The contractor concluded that there was no COTS product available to perform federal payroll functionality. It was recommended that FPPS be utilized for integrated payroll/personnel capability and that we look at COTS products that could perform additional specific human resources functions to interface with FPPS. This course of action was adopted.
DFAS	N/A
USDA	They relied on GAO evaluation of five federal agency HR system implementations and documentation of results from the payroll retreat.
VA	PeopleSoft HR, Payroll, and Time and Labor was selected.
NSF	No response
FERC	COTS scope narrowed to three vendors: PeopleSoft, Oracle, and Impower. PeopleSoft met 85% of federal requirements and allowed integrated solution with flexibility.
DOT	Peoplesoft payroll portion was not ready unless significant customization & expense took place.
DOL	No response

Question 24C	In your opinion, what are the pros and cons of COTS versus GOTS?
GSA	N/A
DOI	No response
DFAS	Pros associated with the use of COTS are as follows: Allows federal agencies to focus on their core business; leverages commercial best practices; enforces standardization of rules and business practices across the federal government; leverages technology and technological currency of systems; provides greater visibility over system costs; forces business case analysis of all system changes. Cons associated with COTS: Cannot respond as quickly to legislative changes, particularly those applicable to only one customer or sub-set of federal employees; does not allow for unique requirements, forcing a degree of standardization across the federal government which may be difficult, if not impossible, to achieve. Pros associated with GOTS: Can be built around unique requirements; more responsive to today's rules and requirements; more responsive to quickly making required system changes. Pros associated with either COTS or GOTS: Economies of scale.
USDA	Disadvantages of COTS: out-of-the-box capability of PeopleSoft's federal version does not meet all of the needs of the federal sector; COTS best practices are not based on processes and therefore do not comply with the number and variety of laws, rules, and regulations required to pay employees; COTS systems are attempting to retrofit payroll processing requirements; lack of scalability results in a serious degradation with a large number of simultaneous users. Advantage of GOTS: rule-based systems allow for real-time editing and error avoidance.
VA	Advantages of COTS: shorter development timeline; incorporation of best practices. Disadvantages of COTS: requires ongoing product upgrades; cultural resistance to changes that result from the implementation of commercial best practices. Advantages of GOTS: provides a full solution for Title 38 requirements.
NSF	The COTS products did not provide the interfaces to NSF's current systems; it would be necessary to purchase the software and build a customized interface to the other systems. The COTS products would also require customizing to meet NSF's payroll processing requirements. This would involve significant effort to complete. Some of the COTS products would require annual maintenance fees to provide system upgrades and forms updates. The COTS products were not flexible, and customizing could not be done by a third party.
FERC	Disadvantage of GOTS: become outdated and are not updated due to high costs associated with design/redesign and development.
DOT	Evaluated Oracle HR (no payroll available at that time) and later on selected it. (Nice fit with Oracles financial system which DOT selected.)
DOL	No response
Question 24D	If COTS was not selected as a viable alternative, what has to happen for it to become one?
GSA	N/A
DOI	No response
DFAS	No response
USDA	Needs to become rule-based.
VA	N/A
NSF	No response
FERC	N/A
DOT	No COTS payroll product exists that handles the volume of transactions and the complexity of DOT's pay requirements.
DOL	No response

Question 24E	In your opinion, what is the current capability of COTS products to meet current federal requirements?
GSA	N/A
DOI	See response to 24B.
DFAS	No response
USDA	No response
VA	No response
NSF	No response
FERC	See response to 24B.
DOT	See response to 24D.
DOL	No response
Question 24F	What would have to be done to make COTS products a more viable alternative?
GSA	N/A
DOI	No response
DFAS	No response
USDA	Needs to become rule-based.
VA	No response
NSF	No response
FERC	No response
DOT	No response
DOL	No response

Question 25A	Do you have any experience using a commercial application service provider (ASP)? Describe pros and cons of experience.
GSA	N/A
DOI	In our opinion, application service providers are a valuable tool for performing specific functions that are appropriate to the system and processing environment. We are currently utilizing the Frick Company to provide unemployment insurance services, OPM's Employee Express for employee self-service activities and electronic leave and earnings statements, and TALX for employment verification services.
DFAS	We use the BSI Corporation's Standard Tax Package for tax computation. The obvious advantage is that the company maintains the currency of all tax rates for state and local taxing authorities, taking this burden off in-house resources. We also have found it to be very cost-effective compared to in-house maintenance of the tax rates.
USDA	USDA has researched the available ASP market and found that none currently service federal agencies.
VA	No.
NSF	No experience using a commercial application service provider.
FERC	Yes. A commercial application service provider currently services FERC's payroll/HR/time COTS product. ASP is used to manage COTS application as well as providing the hosting technical solution.
DOT	In 1999, investigated this but couldn't find any that had a federal HR or payroll solution at the time.
DOL	In the past, a service provider was used for time and attendance processing. DOL used the service provider to enter the time data for everyone.
Question 25B	In your opinion, what are the limitations of using ASPs to reduce the cost of federal payroll processing?
GSA	N/A
DOI	Our experience to date has led us to the conclusion that ASPs do not generally provide a full range of services that meet the total scope of client needs. A tool that only accomplishes 85% of our integrated processing requirements, for example, would require manual and supplemental system intervention to the extent that it would not be a productive alternative to our current FPPS capabilities.
DFAS	No response
USDA	Since federal payroll processing is so unique, it would be a major organizational and procedural change for a private-sector ASP to process federal payroll.
VA	No response
NSF	Privacy would be an issue and control over the payroll process would be lost. For NSF to use a commercial application service to process the payroll, with the funds already invested in the current payroll system, would save no cost.
FERC	No response
DOT	No response
DOL	The service was not cost-effective since the time taken to correct data-entry mistakes by the service provider (and corresponding cost) was extensive. The service was abandoned when an electronic in-house solution was developed. For a discussion of the possibility of using an ASP, the reader is directed to the LMI study.

Appendix D

Rules and Regulations

Rules and regulations for payroll processing are governed by guidance from a number of agencies, in particular, the Department of the Treasury. The Treasury Financial Manual (TFM) Volume I, Part 3, Chapter 2000, “Payroll Vouchers,” is reproduced below in its entirety. The complete TFM is available on the Treasury Department’s website at www.treasury.gov, under Financial Management Service.

The Office of Personnel Management (OPM) also provides certain guidance related to payroll. For example, OPM establishes regulations (5 CFR. 1-990) in regard to pay setting (530), pay administration and hours of duty (530, 550), and processing of garnishment orders for child support or alimony (581). OPM manages regulations for leave administration (630). Indices of laws, regulations, and other references relating to pay and leave administration are provided below. Additional information can be found on OPM’s website at www.opm.gov.

Functional standards for payroll systems have been developed by OMB, OPM, and other agencies and published as a JFMIP Federal Financial Management System Requirements document, *Human Resources and Payroll Systems Requirements* (JFMIP SR-99-5).

Other agencies, like the Department of Labor, have rules here as well, as in the case of implementing the Fair Labor Standards Act.

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PAYROLL VOUCHERS

This chapter prescribes the procedures to be followed and the standard forms to be used in preparing payrolls for civilian employees of the executive agencies.

SECTION 2010—AUTHORITY

The head of each executive agency is responsible for establishing and maintaining an adequate payroll system covering pay, leave, and allowances, as a part of the system of accounting and internal control required by the Accounting and Auditing Act of 1950 (31 U.S.C. 3513). The system must conform to the principles, standards, and related requirements prescribed by the Comptroller General.

Regulations relating to the preparation of payroll vouchers are issued by the Office of Personnel Management (OPM), the Office of Management and Budget, the Department of Labor, and the Department of the Treasury (Treasury). Decisions of the Comptroller General, and the General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies also govern payroll preparation.

SECTION 2015—STANDARD FORMS

The following standard forms are prescribed:

- ◆ SF 1166: Voucher and Schedule of Payments.
- ◆ SF 1167: Voucher and Schedule of Payments—Continuation Sheet.

Standard forms prescribed by this chapter are available at the Federal Supply Service, General Services Administration (GSA). Overprinting of the agency name, bureau, or other recurring information is permitted. Changes or modification of these forms by agencies will require prior concurrence by the Financial Management Service (I TFM 1-2000).

Treasury, GAO, GSA, OPM, and the Department of State prescribe other forms used in payroll preparation.

SECTION 2020—VOUCHER VERIFICATION AND CERTIFICATION

2020.10—Voucher Verification

The SF 1166 OCR and SF 1167 OCR (for nontape payments), and the SF 1166 OCR (or SF 1166 EDP) and the related magnetic tape (for tape submissions) prepared for the creation of checks or Electronic Funds Transfer (EFT) payments should be verified prior to certification. Verification must be performed to provide a cross-check for accuracy and to reduce the possibility of unauthorized, fraudulent, and other irregular acts.

2020.20—Voucher Certification

Payroll vouchers prepared as authority for recording and payment of the payroll will be signed before payment by an authorized certifying officer who does not compute the individual amounts payable, maintain the payroll records, or distribute the paychecks. The vouchers will show the net amount of payments to employees and the amounts withheld for each type of deduction.

The certifying officer will make an examination of the facts underlying the vouchers as is necessary to assure the correctness and validity of the payments.

SECTION 2025—METHOD OF PAYMENT

Agencies will make all payments by check or EFT. Agencies should encourage employees to have their net pay sent directly to accounts in a financial organization, as this method of payment is more advantageous to both the Government and the employee.

When salary payments are delivered to the employees, at the worksite, each employee must be properly identified to the person who delivers the paychecks.

Agencies will access the Government On-Line.

Accounting Link System (GOALS) to obtain the inclusive check numbers assigned to the SF-1166 schedule.

Agencies will use the inclusive check numbers to identify the checks, should it be necessary to process a nonreceipt claim (I TFM 4-7060).

SECTION 2030—VOUCHER PREPARATION AND SCHEDULING

Agencies will use SF 1166 OCR, SF 1167 OCR, or when authorized, SF 1166 EDP (I TFM 4-2000), for scheduling all regular biweekly payroll tape submissions. Every effort should be made to schedule all salary check payments on a single tape submission each pay period. Similarly, all EFT payments should be included on a single tape submission each pay period.

The magnetic tape and the SF 1166 OCR, or SF 1166 EDP (original only) will be delivered to the financial center according to a prearranged schedule agreed to between the head of the agency and the Chief Disbursing Officer.

All payment items to be made by check should be included on the same SF 1166 OCR (or SF 1166 EDP). The “no-check” voucher deductions can be documented on SF 2812 (for OPM withholdings and contributions only), Optional Form 1017G, or other agency-approved journal voucher form, and the payroll scheduled net. The SF 1166 OCR (or SF 1166 EDP) will be prepared as follows:

- ◆ A single line entry will be recorded for each type of payment.
- ◆ The “no check” deductions will be identified in the appropriate column.

- ◆ Withheld Federal taxes will be recorded on the SF 1166 OCR (or SF 1166 EDP). A Federal Tax Deposit (FTD) form will accompany an SF 1166 OCR (or SF 1166 EDP) containing withheld Federal taxes. If the agency has no FTD forms on hand, or has FTD forms with incorrect data, the procedures prescribed in I TFM 3-4050.20 will be followed.
- ◆ Individual payments of \$10 million or more will be scheduled on a separate SF 1166 OCR. These payments cannot be included on tape and should not be reflected on the voucher-schedule covering payments submitted on tape.
- ◆ SF 2812 “Report of Withholdings and Contributions for Health Benefits, Group Life

Insurance, and Civil Service Retirement” will be sent directly to OPM at the same time as the payroll schedule is sent to the disbursing center (I TFM 3-3060).

The SF 1167 OCR will be used when it is not possible to include all payroll items on one SF 1166 OCR. The SF 1166 OCR (or SF 1166 EDP) covering EFT payments will reflect only the net amount of the EFT payments. All authorized check enclosures will be sent to the financial center with the appropriate SF 1166 OCR. The enclosures will be aligned in the order in which they appear on the agency’s magnetic tape.

2035.10—Magnetic Tape Submission

Magnetic tape is the medium most commonly used for submission of payment issue data to the Treasury financial centers. EFT payments will be scheduled on magnetic tape. Check issue tapes should contain a minimum of 100 payment items. Tape submissions of fewer than 100 payments will require the approval of the director of the processing financial center.

If an agency is unable to provide magnetic tape, or if the volume of payments is less than the minimum required for tape submission, detailed check issue data must be provided on SF 1166 OCR and SF 1167 OCR for automatic processing on optical scanning equipment.

These schedules must be sent to one of the OCR-equipped financial centers.

The magnetic tape for reporting salary payments to Treasury financial centers will include the following items on the same tape:

- ◆ Net paychecks to home addresses, financial institutions, and designated agents.
- ◆ Terminal leave settlement payments.
- ◆ Employees’ savings allotments.
- ◆ Payments to the Federal Reserve banks.
- ◆ Charitable contributions.
- ◆ Union dues and dues to associations of management officials and supervisors.
- ◆ Other authorized deductions.

2035.20—United States Savings Bonds

Appendix No. 1 to I TFM 3-6000 prescribes the formats for SF 1166 OCR and SF 1166 EDP, which are used for U.S. Savings Bonds.

SECTION 2040—SUPPLEMENTAL PAYMENTS

A supplemental payroll may be processed if an employee was not included on the regular payroll. Supplemental payrolls of 100 or more check items will be processed on magnetic tape in the same manner as the regular biweekly agency payroll. Only one supplemental check issue tape for each pay period will be submitted to the financial center. This may require accumulating

items for consolidation into a supplemental tape, or merging several supplemental tapes at the agency prior to sending them to the financial center.

If direct deposit payments must be made as a supplemental payroll, all such payments should be included in a single magnetic tape submission to the financial center each pay period.

SECTION 2045—CLAIMS FOR DECEASED EMPLOYEES

The procedures and forms to be used to process claims for deceased employees are prescribed under Title 4 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (4 GAO 23).

CONTACTS

Inquiries concerning this chapter should be directed to:

Production Integrity Division
Regional Operations
Financial Management Service
Department of the Treasury
Liberty Center, Rm. 337
Washington, DC 20227
Telephone: 202-874-6820

INDEX OF LAWS, REGULATIONS, AND OTHER REFERENCES RELATING TO LEAVE ADMINISTRATION

This index highlights the laws, regulations, and other references relating to Federal leave programs and policies. The index is a valuable resource for researching major leave subject-matter areas. Please contact your agency personnel office, library, legal office, or information technology office to obtain copies of the documents cited (e.g., laws, regulations, Executive orders, opinions of the Comptroller General (Comp. Gen.)¹, etc.). Since each agency is responsible for Federal leave administration, it is imperative that you also consult your agency's internal policies and collective bargaining agreements, as applicable.

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
ABSENCE		
bone marrow/organ donation	6327	
funerals, law enforcement officers	6327	
funerals, relatives in Armed Forces	6326	part 630, subpart H
funerals, veterans	6321	
hostile actions abroad	6325	
police and firemen, resulting from duty	6324	
ACCRUAL		
annual leave		
full-time	6303(a)	630.202
part-time	6302(c)	630.303
sick leave		
full-time	6307(a)	630.202
part-time	6302(c)	630.406, 630.202(b)
change in accrual rate	6303(c)	
ACCUMULATION		
annual leave	6304(a)	630.304, 630.302
Overseas	6304(b)	630.302
Senior Executive Service (SES)	6304(f)	630.301

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
sick leave	6307(b)	
ADMINISTRATIVE LEAVE (SEE EXCUSED ABSENCE)		
ADOPTION (SICK LEAVE)	6307(c)	630.401(a)(6)
ADVANCE LEAVE		
annual leave	6302(d)	
sick leave	6307(d)	630.209, 630.404
refund value of sick leave		630.208(d); Comp. Gen. opinion B-189531 (09/14/77)
not likely to return to duty		25 Comp. Gen. 874 (1946) 23 Comp. Gen. 837 (1944)
ALTERNATIVE WORK SCHEDULES (LEAVE ADMINISTRATION)	6129	
ANNUAL LEAVE covered employees general provisions accrual maximum accumulation transfer between different leave systems	6301 6302 6303 6304 6308	part 630, subparts B and C; Title II-Leave, Civilian Personnel Law Man- ual, chapter 2-Annual Leave
reduction in force—use of annual leave to qualify for retirement/health benefits	6302(g)	351.606(b), 351.608, 630.212
agency discretion		39 Comp. Gen. 611 (1960) 16 Comp. Gen. 481 (1936)
ANNUITIES (COMPUTATION, USE OF SICK LEAVE)	8339(m)	630.407, 831.302
BACK PAY (RESTORED ANNUAL LEAVE)	5596(b)(1)(B)	550.805(g)
BEREAVEMENT (SICK LEAVE)	6307(d)	630.401(a)(4)
COURT LEAVE		
jury duty	6322	Title II-Leave, Civilian Personnel Law Man- ual, chapter 5, part C-Court Leave

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
Witness	6322	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part C-Court Leave
credit/retention of fees	5515, 5537	Title I-Compensation, Civilian Personnel Law Manual, chapter 9-Service as Juror or Witness
CREDITABLE SERVICE FOR LEAVE ACCRUAL	6303(a)	Title II-Leave, Civilian Personnel Law Manual, chapter 2, part C-Creditable Services and part D-Noncreditable Services
Agriculture Soil Conservation Service (ASCS) and Nonappropriated Fund (NAF) Employees	6312	
District of Columbia Police and Firemen's Retirement System		Comp. Gen. opinion B-256756 (4/11/95)
DEMONSTRATION PROJECTS (PROHIBITION OF LEAVE WAIVER)	4703(c)(1)	
DESERT SHIELD/DESERT STORM RESERVISTS LEAVE BANK	Public Law 102-25 (04/06/91)	part 630, subpart K
DISMISSAL, ADMINISTRATIVE (DAILY, HOURLY, PIECE- WORK)	6104	part 610, subpart C
DISMISSALS, ADMINISTRATIVE/EMERGENCY	301, 6104, 6302(a)	part 610, subpart C
Leave Without Pay status		56 Comp. Gen. 393 (1977)
EMERGENCY LEAVE TRANSFER PROGRAM	6391	part 630, subpart K (proposed regulations at 62 FR 59301, 11/03/97)
EMPLOYEES COVERED BY THE FEDERAL LEAVE SYSTEM	6301(2)	Title II-Leave, Civilian Personnel Law Manual, chapter I, part B-Employees Covered and part C-Employees Excluded
EXCLUSION OF PRESIDENTIAL APPOINTEES	6301(2)(xi)	630.211

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
EXCUSED ABSENCE	301, 6104, 6302(a)	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part A-Administrative Leave
EXPANDED FAMILY AND MEDICAL LEAVE POLICIES		<p>Presidential Memorandum, April 11, 1997</p> <p>OPM Memorandum to Heads of Executive Departments and Agencies, April 14, 1997</p> <p>Questions and Answers on the President's Memo on Expanded Family and Medical Leave Polices, April 17, 1997</p>
FAMILY AND MEDICAL LEAVE ACT (FMLA) (TITLE I administered by the Department of Labor)	29 U.S.C. 2601 <u>et seq.</u>	29 CFR part 825
FAMILY AND MEDICAL LEAVE ACT (FMLA) (TITLE II administered by the Office of Personnel Management)	6381-6387	part 630, subpart L
FAMILY CARE (SICK LEAVE)	6307(d)	630.401(a)(3)
FAMILY MEMBER		
Definition		
family and medical leave (spouse, son, daughter, and parent)	6381	630.1202
leave transfer and leave bank programs		630.902
sick leave	6307(d)	630.201(b)(4)
HOLIDAYS	6103, 6104	<p>part 610, subpart B</p> <p>Title II-Leave, Civilian Personnel Law Manual, chapter 5, part B-Holidays</p>

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
Leave Without Pay before <u>and</u> after		Comp. Gen. opinion B-187520 (02/22/77)
Leave Without Pay before <u>or</u> after		56 Comp. Gen. 393 (1977)
HOME LEAVE	6305	part 630, subpart F; Title II-Leave, Civilian Personnel Law Manual, chapter 5, part E-Home Leave
JURY DUTY (SEE COURT LEAVE)	6322	
LEAVE CEILING (ANNUAL LEAVE)		
General	6304(a) and (b)	630.302
Senior Executive Service (SES)	6304(f)	630.301(a)-(c)
scheduling "use or lose" leave		630.308
LEAVE BANK PROGRAM	6361-6373	part 630, subpart J
LEAVE TRANSFER PROGRAM	6331-6340	part 630, subpart I
death of recipient—no retroactive substitution		630.907(e) 70 Comp. Gen. 432 (1991) 68 Comp. Gen. 694 (1989)
employee unable to return to work		Comp. Gen. opinion B-271561.2 (07/26/89)
LEAVE OF ABSENCE (ALIENS)	6310	
LEAVE WITHOUT PAY		
Administrative discretion		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F-Leave Without Pay
Disabled veterans	Executive Order 5396 (July 17, 1960)	
injury compensation	5 U.S.C. chapter 81	
military training	38 U.S.C. 2024(d)	

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
creditable service	8332(f)	
during military service		Comp. Gen. opinion B-215542 (08/01/85)
during period covered by service agreement		Comp. Gen. opinion B-184948 (11/18/75)
Family and Medical Leave Act—Title II	6382(c)	630.1202, 630.1205(a)
reduction in leave credits		630.208
Compensation for disability	8118(c)	Comp. Gen. opinion B-164617 (04/13/72)
within-grade waiting periods		531.406
LUMP-SUM PAYMENTS FOR ANNUAL LEAVE	5551-5553, 6304(e)	part 550, subpart L (proposed regula- tions at 62 FR 40475, 07/29/97)
DOD base closings	5551(c)	
refund of lump-sum payment and recredit of annual leave	6306	part 550, subpart L (proposed regula- tions at 62 FR 40475, 07/29/97)
MEDICAL CERTIFICATION		
sick leave		630.403
Family and Medical Leave	6383	630.202; 630.1207
leave transfer and leave bank programs	6333(a), 6367(a)	630.904; 630.1006
MILITARY LEAVE	6323	Title II-Leave, Civilian Personnel Law Man- ual, chapter 5, part D-Military Leave
offset of payments received	5519	
MINIMUM CHARGE OF LEAVE		630.206
NONAPPROPRIATED FUND EMPLOYEES (LEAVE PORTABILITY)	6308(b), 6312	
REREDIT OF LEAVE	6306	part 630, subpart E

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
REFUND FOR UNEARNED (ADVANCED) LEAVE		630.209(a)
waiver for medical disability		630.209(b)
RESTORATION OF ANNUAL LEAVE	6304(d) and (e)	630.305-309; Title II-Leave, Civilian Personnel Law Manual, chapter 2, part G-Restoration of Leave
back pay	5596(b)(1)(B)	550.805(e)(2)(iv)
DOD base closings	6304(d)(3)	630.306(b)
leave forfeiture/scheduling requirement		630.306(a); 56 Comp. Gen. 470 (1977)
SHORE LEAVE	6305	part 630, subpart G
SICK LEAVE covered employees general provisions accrual and maximum accumulation transfer between different leave systems	6301 6302 6307 6308	part 630, subparts B, D, and E; Title II-Leave, Civilian Personnel Law Manual, chapter 4-Sick Leave
Adoption	6307(c)	630.401(a)(6)
family care and bereavement	6307(d)	630.401
incapacity due to death of spouse		Comp. Gen. opinion B-207444 (10/20/82)
agency discretion		Comp. Gen. opinion B-170730 (08/16/71)
SUBSTITUTION OF LEAVE		
sick leave for annual leave		630.405; Title II-Leave, Civilian Personnel Law Manual, chapter 4, part D, 5(a)-Substitution of Sick Leave for Annual Leave

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
sick leave for leave without pay		Title II-Leave, Civilian Personnel Law Manual, chapter 4, part D, 5(b)-Substitution of Sick Leave for Leave Without Pay
annual leave for sick leave		Title II-Leave, Civilian Personnel Law Manual, chapter 2, part F, 4(a)-Substitution of Annual Leave for Sick Leave
annual leave for leave without pay		Title II-Leave, Civilian Personnel Law Manual, chapter 2, part F, 4(b)-Substitution of Annual Leave for Leave Without Pay
substitution of leave without pay for annual leave		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F, 7(a)-Substitution of Leave Without Pay for Annual Leave
substitution of leave without pay for sick leave		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F, 7(a)-Substitution of Leave Without Pay for Sick Leave
SUNDAY PREMIUM PAY prohibition on Sunday premium pay for periods of leave	5546(a); Section 624 of Treasury and General Government Appropriations Act, 1999, as contained in section 101(h) of Public Law 105-277, Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999	
TERMINAL LEAVE		Comp. Gen. opinion B-223876 (06/12/87)

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
TRANSFER OF LEAVE BETWEEN AGENCIES AND LEAVE SYSTEMS	6308	630.501, 630.502 Title II-Leave, Civilian Personnel Law Manual, chapter 2, part E-Transfers and Reemployment (Annual Leave) and chapter 4, part C-Transfers and Reemployment (Sick Leave)
TRAVEL TO/FROM POST OF DUTY	6303(d)	630.207
UNCOMMON TOURS OF DUTY	6304, 6307(d)(3)(B)	630.201, 630.210
VETERANS		
use of leave for physical examination	Executive Order 5396 (July 17, 1930)	
travel expenses—VA physical exam		Comp. Gen. opinion B-188012 (05/10/77)
VOLUNTEER ACTIVITIES participation of Federal employees in volunteer activities		Presidential Memorandum, April 22, 1998 OPM Memorandum to Heads of Executive Departments and Agencies, April 23, 1998 Guidance on Scheduling Work and Granting Time Off to Permit Federal Employees to Participate in Volunteer Activities April 1998

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
WORKERS' COMPENSATION (Federal Employees Compensation Act)	chapter 81	Title II-Leave, Civilian Personnel Law Manual, chapter 4, part E-Employee Receiving Workers' Compensation; chapter 4, part H-Buy Back of Sick Leave; and chapter 2, part G, 7(c)(4)-Buy Back of Annual Leave
buy-back of leave		20 CFR 10.202,310
no administrative leave for injury		Comp. Gen. opinion B-192510 (04/06/79)
forfeiture of annual leave		62 Comp. Gen. 253 (1983); Comp. Gen. opinion B-204524 (03/23/82)
accrual of leave while on leave without pay		630.204; 29 Comp. Gen. 73 (1949); Comp. Gen. opinion B-180010.12 (03/08/79)

NOTES:

1. Opinions of the Comptroller General are included in the General Accounting Office's *Civilian Personnel Law Manual* (CPLM), Title II (Leave), Fourth Edition, 1996. Title II of the CPLM is available at <http://www.gao.gov/special.pubs/og96006.txt> or may be ordered from the U.S. Government Printing Office at:

Superintendent of Documents
U.S. Government Printing Office
941 North Capitol Street
Washington, DC 20402
email address: gpoaccess@gpo.gov
Order Desk: (202) 512-1800

2. Presidential memoranda and OPM guidance materials on expanded family and medical leave policies and participation of Federal employees in volunteer activities may be accessed on OPM's website at <http://www.opm.gov/oca>.

INDEX OF LAWS, REGULATIONS, AND OTHER REFERENCES RELATING TO PAY AND HOURS OF DUTY

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Administratively Uncontrollable Overtime	5545(c)(2)	550.151-154, 161-164
Administrative Appeals Judges, Pay for +	5372b	regulation pending; CPM 2001-4 (4-19-01)
Administrative Law Judges, Pay for +	5372	930.210
Advance Payments for New Appointees	5524a	part 550, subpart B
Aggregate Limitation on Pay	5307	part 530, subpart B
Allotments		
General	5525	part 550, subpart C
Pretax—FEHB Premium +	26 U.S.C. 125	550.311-313; part 892
Pretax -Transportation Fringe Benefit +	7905(b); 26 U.S.C. 132(f)(4)	E.O. 13150; 550.311(b); 550.313(a)
Alternative Work Schedules (AWS)	6120-6133	part 610, subpart D
NAF Employees	Section 1041 of Pub. L. 104-106, Feb. 10, 1996	
Premium Pay for Wage Employees under AWS		532.513
Annual Pay Adjustment	5303	531.205
Availability Pay (Criminal Investigators)	5545a; 5542(d)	550.181-550.187
Awards*	4501-4513	part 451
Back Pay	5596	part 550, subpart H
Basic Pay (General Schedule)	5331-5338	part 531
Blue Collar Employees, Pay for	5341-5349	part 532
Claims, Settlement of (pay and leave)*	5584	part 178, subpart A
Classification (General Schedule Grades)*	5101-5115	part 511

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Compensatory Time Off		
FLSA	5543; 6123(a)(1)	551.531
Prevailing Rate (Wage) Employees	5543(b)	532.504; 551.531(a) & (c)
Religious Observances	5550a	part 550, subpart J
Title 5	5543; 6123(a)(1)	550.114
Compressed Work Schedules	6120-6133	part 610, subpart D
Consultant Pay	3109	part 304
Continued Rate (Geographic Adjustments)	FEPCA, sections 302 & 404	531.307; part 531, subpart G
Contract Appeal Boards, Pay for Members*	5372a	
Cost of Living Allowances (Nonforeign Areas)	5941	part 591, subpart B
Credit Hours	6121(4), 6126	
Critical Positions, Pay for*	5377	OMB Bulletin 91-09 (3/7/91)
Debt Collection via Payment Offset +	5511-5514 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
Demonstration Projects*	4701; 4703-4706	part 470
Dual Pay and Dual Employment*	5531; 5533-5537	part 550, subparts E & F
Evacuation Payments	5522-5524	part 550, subpart D
Executive Schedule, Pay Rates for +	5311-5318	
Expert Pay	3109	part 304
Fair Labor Standards Act (FLSA) Overtime Pay	5542(c); 29 U.S.C. 201 et seq	part 551
Federal Wage System (FWS)	5341-5349	part 532
Firefighter Pay	5542, 5545b	part 550, subpart M
Fire Protection Activities, FLSA	29 U.S.C. 201 et seq	551.541
Flexible Work Schedules	6120-6133	part 610, subpart D

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
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Foreign Language Bonuses for Law Enforcement Officers*	4521-4523	
Garnishment, Child Support/Alimony*	42 U.S.C. 659-662	part 581
Garnishment, Commercial Debts*	5520a	part 582
General Schedule Basic Pay	5331-5338	part 531
GM Employees, Pay Rules for	Pub. L. 103-89, section 4	531.202, 203(c)(2)&(g), 531.204(d)-(f), 205(a)(2)
Grade and Pay Retention	5361-5366	part 536
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Highest Previous Rate	5334	531.202 & 531.203(c)-(d)
Holiday		
Identification of Holidays	6103-6104; E.O. 11582	610.201-202
“In lieu of” holiday under a compressed work schedule	5 U.S.C. 6103(d)(2)	610.202(c)
Premium Pay	5546(b)	550.131-132
Hourly Rate (2087 divisor)	5504(b)	531.303 & 605
Hours of Duty	6101-6133	part 610
Hours Worked, FLSA	29 U.S.C. 201 et seq	part 551, subpart D
Law Enforcement Officers		
Availability Pay	5545a	550.181-550.187
Definition	5541(3)	550.103
Foreign Language Bonus*	4521-4523	
Geographic Adjustment	FEPCA, section 404	part 531, subpart C
Overtime Rate Cap	5542(a)(4)	550.113(b)

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Premium Pay Limitation	5547(c)	550.107
Special Salary Rates	FEPCA, section 403	
Law Enforcement Activities, FLSA	29 U.S.C. 201 et seq	551.541
Limitations on Pay		
Administrative Action, Pay Set by +	5373	
Aggregate	5307	part 530, subpart B
General Schedule	5303(f)	
Locality Adjusted	5304(g)	531.604
Premium Pay	5547	550.105-107
Locality-Based Comparability Payments	5304-5304a	part 531, subpart F
Locality Pay, Extension to Non-GS Employees	5304(h)	531.604
Lump-Sum Payments for Annual Leave	5551-5553; 6306	part 550, subpart L
Minimum Wage Rates, FLSA	29 U.S.C. 201 et seq	part 551, subpart C
New Appointments, Pay Setting for +	5333	531.203(a)-(c)
Night Pay (GS)	5545(a) and (b)	550.121-122
Night Pay (FWS)	5343(f)	532.505
Order of Precedence		
For Deductions (when there is insufficient gross pay)+		PQA 97-1 (8-19-97)
For Survivors (upon death of employee)*	5581-5583	part 178, subpart B
Overpayments		
Collection/Disposition+	5511-5514; 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
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Overseas Allowances and Differentials*	5921-5928	Department of State Standardized Regulations (Government Civilians, Foreign Areas)

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
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Pay Periods	5504-5505	
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Premium Pay (Title 5)	5541-5550a	part 550, subpart A
During Training +	4109(a)(1); 4102(b)	410.402
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Prevailing Rate Systems	5341-5349	part 532
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Reemployment of Retirees (see "Retiree Reemployment")		
Religious Observances, Compensatory Time Off for	5550a	part 550, subpart J
Relocation Bonuses	5753	part 575, subpart B

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
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Retention Allowances	5754	part 575, subpart C
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Civilian*	8344, 8468	part 553; Part 837
Military*	5532 repealed effective 10/1/99	OPM interim regulations, 4/12/00 (65 FR 19643)
Rounding Rules	5504(b)	531.303 & 605
Salary Offset	5511-5514; 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
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Scientific and Professional Positions, Pay for +	5376	part 534, subpart E
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Aggregate Limitation	5383(b); 5307	part 530, subpart B; 534.402
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Pay +	5381-5385	part 534, subpart D
Retention of SES Pay During Presidential Appointment*	3392(c)	317.801(b)
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Senior Level Positions, Pay for +	5376	part 534, subpart E
Separate Maintenance Allowance (Johns- ton Island)	5942a	part 591, subpart D
Settlement of Accounts*	5581-5583	part 178, subpart B
Severance Pay	5595	part 550, subpart G
Simultaneous Actions	5334	531.203(f)
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General	5305	part 530, subpart C
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SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Standby Duty		
Definition (Title 5)		550.112(k)
Definition (FLSA)		551.431(a)
Premium Pay	5545(c)(1)	550.141-144, 161-163
Statute of Limitations		178.104
FLSA Claims (2 or 3-Year)*	29 U.S.C. 255a	550.804(e)(3), 551.702
Other Claims (6-Year)*	31 U.S.C. 3702(b); 5596(b)(4); 7121(h)	550.804(e)(1) & (2)
Waiver Requests*	5584(b)(5)	
Step Increases	5335-5336	part 531, subparts D and E
Student Loan Repayments*	5379	part 537
Student Trainees, Pay Entitlements for		213.3202(b)(14); PQA 2001-1 (2-6-01)
Sunday Pay	5546; Section 624 of Treasury and General Gov' Appropriations Act, 1999 (Pub. L. 105-277, Oct. 21, 1998)	550.171-172
Superior Qualifications Appointments +	5333	531.203(b)
Supervisory Differentials	5755	part 575, subpart D
Temporary (Time-Limited) Promotion	3301-3302; 3361; 5334	part 335, subpart A; 531.203(d)(2)(ii), 531.204(c), 536.105(b); PQA 98-1 (7-23-98)
Temporary Organizations, Pay for Employees of	3161	regulations pending
Title 38 Delegation	5371	
Training		
Overtime Pay (FLSA)		551.401(h); 551.422
Premium Pay During (Title 5) +	4109(a)(1); 4102(b)	410.402
Special Tours of Duty	6101(a)(4)	610.122

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Travel		
Overtime Pay (FLSA)		551.401(f) & (g); 551.423
Premium Pay During	5542(b)(2); 6101(b)(2)	550.112(g)
Uniform Allowance	5901-5903	part 591, subpart A
Voluntary Separation Incentive Pay		
DOD*	5597	
General—Waiver of Repayment*	Pub. L. 103-226, section 3	part 576, subpart A
Wage Employees, Pay for	5341-5349	part 532
Waiver of Overpayment Claims*	5584; sec. 101, Pub.L. 104-316	OMB Determination Order of 12-17-96 (GAO rules at 4 CFR parts 91-92 rescinded 5-25-00)
Within-Grade Increases	5335	part 531, subpart D
Work Schedules		
General	6101	part 610, subpart A
Alternative (Flexible or Compressed)	6120-6133	part 610, subpart D

NOTES:

1. FEPCA refers to the Federal Employees Pay Comparability Act of 1990 (Public Law 101-509), as amended. (Some prints of title 5, United States Code, provide certain uncodified sections of FEPCA as notes. For example, notes regarding FEPCA sections 401-407 may be appended to 5 U.S.C. 5305.) FR refers to Federal Register. E.O. refers to Executive order. CG refers to GAO Comptroller General, who formerly issued decisions on pay matters.

2. Definition of other acronyms:

CPM Compensation Policy Memorandum, which is issued by OPM officials to agency human resources directors. (See www.opm.gov/oca/compmemo/index.htm.)

PQA Pay Questions and Answers, which are posted by OPM on its website. (See www.opm.gov/oca/pay/index.htm.)

3. An asterisk (*) indicates that the subject area is not within the purview of the Office of Compensation Administration. Questions in these areas should be directed to the responsible organization. A plus sign (+) indicates that the Office of Compensation Administration has only partial responsibility for the subject area. Certain questions in these areas may have to be directed to other offices or organizations.
4. A separate index on leave subjects may be accessed on OPM's Internet website at www.opm.gov/oca/leave/html/levindex.htm.

Inventory of Agency Payroll Systems

Agency	Processor	Number served	Current technical environment	Payroll/time & attendance systems identified	Future plans date/software	Age of Legacy System	Pay Plans Served
AID	Cross-serviced by NFC		Homegrown application IBM Mainframe	AETA - T&A	None Planned		
DOC	Cross-serviced by NFC		Homegrown application IBM Mainframe	OSPAY -T&A	None Planned		
DOD	Provider	680,000	Homegrown application IBM Mainframe	DCPS - Civilian Payroll ATAAPS Mainframe - T&A ATAAPS GUI - T&A	None Planned	DCPS - 13 yrs ATAAPS M/F - 30 yrs ATAAPS GUI - 3 yrs	Titles 3, 5, 10, 20, 32
DOE	Self-provider	12,000	Homegrown application IBM Mainframe	ETA - T & A PAYS - Payroll	Possible Outsourcing with GSA	ETA - 6 years PAYS - 18 years	Title 5
DOI	Provider	200,000	Homegrown application IBM Mainframe	DOI003 - Federal Personnel Payroll System	None Planned	FY 99	All civilian pay plans
DOJ	Cross-serviced by NFC		Homegrown application IBM Mainframe -- Adabase	FMS - Payroll and personnel support	Not developed		
DOL	Self-provider	15,000	Homegrown application IBM Mainframe	IPS - Integrated Payroll System	Replacing with PP2K in 2002 -- PeopleSoft		Title 5
DOS	Self-provider	23,000	AMS, Maxima, Geneva, FSC Paris IBM Mainframe	CAPPS - Pays Peace Corps FEP-TATEL - T&A by Telegram	Replacement for 3 of the systems by 2005		

Inventory of Agency Payroll Systems

Agency	Processor	Number served	Current technical environment	Payroll/time & attendance systems identified	Future plans date/software	Age of Legacy System	Pay Plans Served
DOT	Self-provider One bureau is Cross-serviced by EPA. Also provider for the National Transportation Safety Board (external to DOT).	65,000	Homegrown application IBM Mainframe	CUPS - Civilian Payroll System IPS - T&A EPAYS - EPA Personnel and Payroll legacy system for STB	Replacement or upgrade is expected, but plans are not developed	23	Title 5, Pay plans created as a result of DOT Authorization ACT of 1996 making FAA excepted service
ED	Cross-serviced by DOI		Homegrown application IBM Mainframe	DOI003 - DOI Federal Personnel Payroll System	Upgrade Planned		
EPA	Provider - Surface Transportation Board	18,000	Application obtained by DOI and customized by CSC	EPAYS - EPA's Personnel and Payroll Legacy System TAPP - T&A	Replaced with PRS (integrated HR (implemented 7/10) & Payroll) in 2004 -- PeopleSoft	EPAYS -17 TAPP - 16	General Salary (GS), Wage Grade (WG), Senior Executive Service Experts/Consultants (ED, EE, EF, and EG)
FEMA	Cross-serviced by NFC			NFC - NFC Payroll System	None Planned		
GSA	Provider for 34 agencies of Presidential Commissions, including: OPM	25,000	In House developed application Oracle version 8.17 DB	FEDDESK - T&A PAR - Payroll and awards processing	PAR Upgrade	6	Title 5
HHS	Self-provider	125,000	Homegrown application IBM Mainframe	PSC/Central - ERP HR and Payroll	Upgrade to EHRP in 2003; replacement planned with PeopleSoft	30	Titles: 5, 38, 42

Inventory of Agency Payroll Systems

Agency	Processor	Number served	Current technical environment	Payroll/time & attendance systems identified	Future plans date/software	Age of Legacy System	Pay Plans Served
HUD	Cross-serviced by NFC		Homegrown application IBM Mainframe	PCTARE - T &A data that is transmitted to NFC (Z-1)	Replaced with STARS in 2001		
NASA	Self-provider	7,500	Homegrown application IBM Mainframe	NPPS - Personnel and Payroll	Replacement planned with COTS in 2006		
NRC	Self-provider with timeshare at the National Institutes of Health	3,000	Customized version of FBI's Payroll/Personnel System, IBM Mainframe	PYP - Personnel and Payroll and electronic T&A	Replacement with Human Resources, Payroll, and Time and Labor modules, November 2001 - PeopleSoft	3 years	Title 5
NSF	Self-provider	1,250	Andruilis Corp Client Server	IPAY - Payroll System ITAS - Employee Timecard Reporting	None Planned	5 months	Title 5
OPM	Cross-serviced		FBI's Pay/Pers System IBM Mainframe	FMS - Personnel and Payroll	Cross-serviced by GSA starting October 2001		
SBA	Cross-serviced by NFC		Homegrown application IBM Mainframe	SES - Salaries and Expenditures	Replacement planned with JAAMS (ERP encompassing Financials, HR, Procurement and Travel) by 2003 for payroll -- Oracle hosted by a commercial ASP		
SSA	Cross-serviced by DOI			None Listed	None Planned		

Inventory of Agency Payroll Systems

Agency	Processor	Number served	Current technical environment	Payroll/time & attendance systems identified	Future plans date/software	Age of Legacy System	Pay Plans Served
Treasury	Cross-serviced by NFC		Homegrown application IBM Mainframe	NFC - NFC Payroll System COSS - Overtime Scheduling OCTES - T&A OTPPS - Payroll	Replacement of OCTES with a COTS system is planned for 2002		
USDA	Provider to over 100 Federal roganization, including: DOC, DOJ, FEMA, HUD, SBA, and Treasury	450,000	Homegrown application IBM Mainframe - IDMS	PPS - 13 applications for T&A, Pay history, pay processing APS - Time and Attendance (T&A) for Forest Service firefighters PC-TARE - Remote entry T&A STAR - System for T&A Reporting 3 other homegrown T&A systems	Replacement planned by 2010 -- not identified	17 years; upgraded 8 years ago	Titles: 5, 6, & 7
VA	Self-provider	220,000	Homegrown application IBM Mainframe	PAID - HR, Payroll and T&A - legacy system OLDE - on-line data entry for T&A ETA - T&A	Replacement planned with HRLINK\$ (HR and Payroll System) for 2004 -- PeopleSoft	PAID -35 OLDE - 12 ETA - 12	Titles: 5 and 38

TOTAL Employees 1,844,750

Appendix F

Rules and Regulations

Rules and regulations for payroll processing are governed by guidance from a number of agencies, in particular, the Department of the Treasury. The Treasury Financial Manual (TFM) Volume I, Part 3, Chapter 2000 is entitled, “Payroll Vouchers,” and is reproduced below in its entirety. The complete TFM is available on the Treasury Department’s web site www.treasury.gov, under Financial Management Service.

The Office of Personnel Management (OPM) also provides certain guidance related to payroll. For example, OPM establishes regulations (5 C.F.R. 1-990) in regard to pay setting (530), pay administration and hours of duty (530, 550), and processing garnishment orders for child support or alimony (581). OPM manages regulations for leave administration (630). Indices of laws, regulations, and other references relating to pay and leave administration are provided below. Additional information can be found on OPM’s web site www.opm.gov.

Payroll systems functional standards have been developed by OMB, OPM and other agencies and published as a JFMIP Federal Financial Management System Requirements document, “Human Resources and Payroll Systems Requirements, JFMIP SR-99-5.”

Other agencies, like the Department of Labor, have rules here as well, as in the case of implementing the Fair Labor Standards Act.

PAYROLL VOUCHERS

This chapter prescribes the procedures to be followed and the standard forms to be used in preparing payrolls for civilian employees of the executive agencies.

SECTION 2010—AUTHORITY

The head of each executive agency is responsible for establishing and maintaining an adequate payroll system covering pay, leave, and allowances, as a part of the system of accounting and internal control required by the Accounting and Auditing Act of 1950 (31 U.S.C. 3513). The system must conform to the principles, standards, and related requirements prescribed by the Comptroller General.

Regulations relating to the preparation of payroll vouchers are issued by the Office of Personnel Management (OPM), the Office of Management and Budget, the Department of Labor, and the Department of the Treasury (Treasury). Decisions of the Comptroller General, and the General Accounting Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies also govern payroll preparation.

SECTION 2015—STANDARD FORMS

The following standard forms are prescribed:

- ◆ SF 1166: Voucher and Schedule of Payments.
- ◆ SF 1167: Voucher and Schedule of Payments—Continuation Sheet.

Standard forms prescribed by this chapter are available at the Federal Supply Service, General Services Administration (GSA). Overprinting of the agency name, bureau, or other recurring information is permitted. Changes or modification of these forms by agencies will require prior concurrence by the Financial Management Service (I TFM 1-2000).

Treasury, GAO, GSA, OPM, and the Department of State prescribe other forms used in payroll preparation.

SECTION 2020—VOUCHER VERIFICATION AND CERTIFICATION

2020.10—Voucher Verification

The SF 1166 OCR and SF 1167 OCR (for nontape payments), and the SF 1166 OCR (or SF 1166 EDP) and the related magnetic tape (for tape submissions) prepared for the creation of checks or Electronic Funds Transfer (EFT) payments should be verified prior to certification. Verification must be performed to provide

a cross-check for accuracy and to reduce the possibility of unauthorized, fraudulent, and other irregular acts.

2020.20—Voucher Certification

Payroll vouchers prepared as authority for recording and payment of the payroll will be signed before payment by an authorized certifying officer who does not compute the individual amounts payable, maintain the payroll records, or distribute the paychecks. The vouchers will show the net amount of payments to employees and the amounts withheld for each type of deduction.

The certifying officer will make an examination of the facts underlying the vouchers as is necessary to assure the correctness and validity of the payments.

SECTION 2025—METHOD OF PAYMENT

Agencies will make all payments by check or EFT. Agencies should encourage employees to have their net pay sent directly to accounts in a financial organization, as this method of payment is more advantageous to both the Government and the employee.

When salary payments are delivered to the employees, at the worksite, each employee must be properly identified to the person who delivers the paychecks.

Agencies will access the Government On-Line.

Accounting Link System (GOALS) to obtain the inclusive check numbers assigned to the SF-1166 schedule.

Agencies will use the inclusive check numbers to identify the checks, should it be necessary to process a nonreceipt claim (I TFM 4-7060).

SECTION 2030—VOUCHER PREPARATION AND SCHEDULING

Agencies will use SF 1166 OCR, SF 1167 OCR, or when authorized, SF 1166 EDP (I TFM 4-2000), for scheduling all regular biweekly payroll tape submissions. Every effort should be made to schedule all salary check payments on a single tape submission each pay period. Similarly, all EFT payments should be included on a single tape submission each pay period.

The magnetic tape and the SF 1166 OCR, or SF 1166 EDP (original only) will be delivered to the financial center according to a prearranged schedule agreed to between the head of the agency and the Chief Disbursing Officer.

All payment items to be made by check should be included on the same SF 1166 OCR (or SF 1166 EDP). The “no-check” voucher deductions can be documented on SF 2812 (for OPM withholdings and contributions only), Optional Form

1017G, or other agency-approved journal voucher form, and the payroll scheduled net. The SF 1166 OCR (or SF 1166 EDP) will be prepared as follows:

- ◆ A single line entry will be recorded for each type of payment.
- ◆ The “no check” deductions will be identified in the appropriate column.
- ◆ Withheld Federal taxes will be recorded on the SF 1166 OCR (or SF 1166 EDP). A Federal Tax Deposit (FTD) form will accompany an SF 1166 OCR (or SF 1166 EDP) containing withheld Federal taxes. If the agency has no FTD forms on hand, or has FTD forms with incorrect data, the procedures prescribed in I TFM 3-4050.20 will be followed.
- ◆ Individual payments of \$10 million or more will be scheduled on a separate SF 1166 OCR. These payments cannot be included on tape and should not be reflected on the voucher-schedule covering payments submitted on tape.
- ◆ SF 2812 “Report of Withholdings and Contributions for Health Benefits, Group Life

Insurance, and Civil Service Retirement” will be sent directly to OPM at the same time as the payroll schedule is sent to the disbursing center (I TFM 3-3060).

The SF 1167 OCR will be used when it is not possible to include all payroll items on one SF 1166 OCR. The SF 1166 OCR (or SF 1166 EDP) covering EFT payments will reflect only the net amount of the EFT payments. All authorized check enclosures will be sent to the financial center with the appropriate SF 1166 OCR. The enclosures will be aligned in the order in which they appear on the agency’s magnetic tape.

2035.10—Magnetic Tape Submission

Magnetic tape is the medium most commonly used for submission of payment issue data to the Treasury financial centers. EFT payments will be scheduled on magnetic tape. Check issue tapes should contain a minimum of 100 payment items. Tape submissions of fewer than 100 payments will require the approval of the director of the processing financial center.

If an agency is unable to provide magnetic tape, or if the volume of payments is less than the minimum required for tape submission, detailed check issue data must be provided on SF 1166 OCR and SF 1167 OCR for automatic processing on optical scanning equipment.

These schedules must be sent to one of the OCR-equipped financial centers.

The magnetic tape for reporting salary payments to Treasury financial centers will include the following items on the same tape:

- ◆ Net paychecks to home addresses, financial institutions, and designated agents.
- ◆ Terminal leave settlement payments.
- ◆ Employees' savings allotments.
- ◆ Payments to the Federal Reserve banks.
- ◆ Charitable contributions.
- ◆ Union dues and dues to associations of management officials and supervisors.
- ◆ Other authorized deductions.

2035.20—United States Savings Bonds

Appendix No. 1 to I TFM 3-6000 prescribes the formats for SF 1166 OCR and SF 1166 EDP, which are used for U.S. Savings Bonds.

SECTION 2040—SUPPLEMENTAL PAYMENTS

A supplemental payroll may be processed if an employee was not included on the regular payroll. Supplemental payrolls of 100 or more check items will be processed on magnetic tape in the same manner as the regular biweekly agency payroll. Only one supplemental check issue tape for each pay period will be submitted to the financial center. This may require accumulating

items for consolidation into a supplemental tape, or merging several supplemental tapes at the agency prior to sending them to the financial center.

If direct deposit payments must be made as a supplemental payroll, all such payments should be

included in a single magnetic tape submission to the financial center each pay period.

SECTION 2045—CLAIMS FOR DECEASED EMPLOYEES

The procedures and forms to be used to process claims for deceased employees are prescribed under Title 4 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (4 GAO 23).

CONTACTS

Inquiries concerning this chapter should be directed to:

Production Integrity Division
Regional Operations
Financial Management Service
Department of the Treasury
Liberty Center, Rm. 337
Washington, DC 20227
Telephone: 202-874-6820

INDEX OF LAWS, REGULATIONS, AND OTHER REFERENCES RELATING TO LEAVE ADMINISTRATION

This index highlights the laws, regulations, and other references relating to Federal leave programs and policies. The index is a valuable resource for researching major leave subject-matter areas. Please contact your agency personnel office, library, legal office, or information technology office to obtain copies of the documents cited (e.g., laws, regulations, Executive orders, opinions of the Comptroller General (Comp. Gen.)¹, etc.). Since each agency is responsible for Federal leave administration, it is imperative that you also consult your agency's internal policies and collective bargaining agreements, as applicable.

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
ABSENCE		
bone marrow/organ donation	6327	
funerals, law enforcement officers	6327	
funerals, relatives in Armed Forces	6326	part 630, subpart H
funerals, veterans	6321	
hostile actions abroad	6325	
police and firemen, resulting from duty	6324	
ACCRUAL		
annual leave		
full-time	6303(a)	630.202
part-time	6302(c)	630.303
sick leave		
full-time	6307(a)	630.202
part-time	6302(c)	630.406, 630.202(b)
change in accrual rate	6303(c)	
ACCUMULATION		
annual leave	6304(a)	630.304, 630.302
Overseas	6304(b)	630.302

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
Senior Executive Service (SES)	6304(f)	630.301
sick leave	6307(b)	
ADMINISTRATIVE LEAVE (SEE EXCUSED ABSENCE)		
ADOPTION (SICK LEAVE)	6307(c)	630.401(a)(6)
ADVANCE LEAVE		
annual leave	6302(d)	
sick leave	6307(d)	630.209, 630.404
refund value of sick leave		630.208(d); Comp. Gen. opinion B-189531 (09/14/77)
not likely to return to duty		25 Comp. Gen. 874 (1946) 23 Comp. Gen. 837 (1944)
ALTERNATIVE WORK SCHEDULES (LEAVE ADMINISTRATION)	6129	
ANNUAL LEAVE covered employees general provisions accrual maximum accumulation transfer between different leave systems	6301 6302 6303 6304 6308	part 630, subparts B and C; Title II-Leave, Civilian Personnel Law Man- ual, chapter 2-Annual Leave
reduction in force—use of annual leave to qualify for retirement/health benefits	6302(g)	351.606(b), 351.608, 630.212
agency discretion		39 Comp. Gen. 611 (1960) 16 Comp. Gen. 481 (1936)
ANNUITIES (COMPUTATION, USE OF SICK LEAVE)	8339(m)	630.407, 831.302
BACK PAY (RESTORED ANNUAL LEAVE)	5596(b)(1)(B)	550.805(g)
BEREAVEMENT (SICK LEAVE)	6307(d)	630.401(a)(4)
COURT LEAVE		

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
jury duty	6322	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part C-Court Leave
Witness	6322	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part C-Court Leave
credit/retention of fees	5515, 5537	Title I-Compensation, Civilian Personnel Law Manual, chapter 9-Service as Juror or Witness
CREDITABLE SERVICE FOR LEAVE ACCRUAL	6303(a)	Title II-Leave, Civilian Personnel Law Manual, chapter 2, part C-Creditable Services and part D-Noncreditable Services
Agriculture Soil Conservation Service (ASCS) and Nonappropriated Fund (NAF) Employees	6312	
District of Columbia Police and Firemen's Retirement System		Comp. Gen. opinion B-256756 (4/11/95)
DEMONSTRATION PROJECTS (PROHIBITION OF LEAVE WAIVER)	4703(c)(1)	
DESERT SHIELD/DESERT STORM RESERVISTS LEAVE BANK	Public Law 102-25 (04/06/91)	part 630, subpart K
DISMISSAL, ADMINISTRATIVE (DAILY, HOURLY, PIECE- WORK)	6104	part 610, subpart C
DISMISSALS, ADMINISTRATIVE/EMERGENCY	301, 6104, 6302(a)	part 610, subpart C
Leave Without Pay status		56 Comp. Gen. 393 (1977)
EMERGENCY LEAVE TRANSFER PROGRAM	6391	part 630, subpart K (proposed regulations at 62 FR 59301, 11/03/97)

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
EMPLOYEES COVERED BY THE FEDERAL LEAVE SYSTEM	6301(2)	Title II-Leave, Civilian Personnel Law Manual, chapter I, part B-Employees Covered and part C-Employees Excluded
EXCLUSION OF PRESIDENTIAL APPOINTEES	6301(2)(xi)	630.211
EXCUSED ABSENCE	301, 6104, 6302(a)	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part A-Administrative Leave
EXPANDED FAMILY AND MEDICAL LEAVE POLICIES		<p>Presidential Memorandum, April 11, 1997</p> <p>OPM Memorandum to Heads of Executive Departments and Agencies, April 14, 1997</p> <p>Questions and Answers on the President's Memo on Expanded Family and Medical Leave Polices, April 17, 1997</p>
FAMILY AND MEDICAL LEAVE ACT (FMLA) (TITLE I administered by the Department of Labor)	29 U.S.C. 2601 <u>et seq.</u>	29 CFR part 825
FAMILY AND MEDICAL LEAVE ACT (FMLA) (TITLE II administered by the Office of Personnel Management)	6381-6387	part 630, subpart L
FAMILY CARE (SICK LEAVE)	6307(d)	630.401(a)(3)
FAMILY MEMBER		
Definition		
family and medical leave (spouse, son, daughter, and parent)	6381	630.1202
leave transfer and leave bank programs		630.902
sick leave	6307(d)	630.201(b)(4)

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
HOLIDAYS	6103, 6104	part 610, subpart B Title II-Leave, Civilian Personnel Law Manual, chapter 5, part B-Holidays
Leave Without Pay before <u>and</u> after		Comp. Gen. opinion B-187520 (02/22/77)
Leave Without Pay before <u>or</u> after		56 Comp. Gen. 393 (1977)
HOME LEAVE	6305	part 630, subpart F; Title II-Leave, Civilian Personnel Law Manual, chapter 5, part E-Home Leave
JURY DUTY (SEE COURT LEAVE)	6322	
LEAVE CEILING (ANNUAL LEAVE)		
General	6304(a) and (b)	630.302
Senior Executive Service (SES)	6304(f)	630.301(a)-(c)
scheduling “use or lose” leave		630.308
LEAVE BANK PROGRAM	6361-6373	part 630, subpart J
LEAVE TRANSFER PROGRAM	6331-6340	part 630, subpart I
death of recipient—no retroactive substitution		630.907(e) 70 Comp. Gen. 432 (1991) 68 Comp. Gen. 694 (1989)
employee unable to return to work		Comp. Gen. opinion B-271561.2 (07/26/89)
LEAVE OF ABSENCE (ALIENS)	6310	
LEAVE WITHOUT PAY		
Administrative discretion		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F-Leave Without Pay

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
Disabled veterans	Executive Order 5396 (July 17, 1960)	
injury compensation	5 U.S.C. chapter 81	
military training	38 U.S.C. 2024(d)	
creditable service	8332(f)	
during military service		Comp. Gen. opinion B-215542 (08/01/85)
during period covered by service agreement		Comp. Gen. opinion B-184948 (11/18/75)
Family and Medical Leave Act—Title II	6382(c)	630.1202, 630.1205(a)
reduction in leave credits		630.208
Compensation for disability	8118(c)	Comp. Gen. opinion B-164617 (04/13/72)
within-grade waiting periods		531.406
LUMP-SUM PAYMENTS FOR ANNUAL LEAVE	5551-5553, 6304(e)	part 550, subpart L (proposed regulations at 62 FR 40475, 07/29/97)
DOD base closings	5551(c)	
refund of lump-sum payment and recredit of annual leave	6306	part 550, subpart L (proposed regulations at 62 FR 40475, 07/29/97)
MEDICAL CERTIFICATION		
sick leave		630.403
Family and Medical Leave	6383	630.202; 630.1207
leave transfer and leave bank programs	6333(a), 6367(a)	630.904; 630.1006
MILITARY LEAVE	6323	Title II-Leave, Civilian Personnel Law Manual, chapter 5, part D-Military Leave

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
offset of payments received	5519	
MINIMUM CHARGE OF LEAVE		630.206
NONAPPROPRIATED FUND EMPLOYEES (LEAVE PORTABILITY)	6308(b), 6312	
RE CREDIT OF LEAVE	6306	part 630, subpart E
REFUND FOR UNEARNED (ADVANCED) LEAVE		630.209(a)
waiver for medical disability		630.209(b)
RESTORATION OF ANNUAL LEAVE	6304(d) and (e)	630.305-309; Title II-Leave, Civilian Personnel Law Manual, chapter 2, part G-Restoration of Leave
back pay	5596(b)(1)(B)	550.805(e)(2)(iv)
DOD base closings	6304(d)(3)	630.306(b)
leave forfeiture/scheduling requirement		630.306(a); 56 Comp. Gen. 470 (1977)
SHORE LEAVE	6305	part 630, subpart G
SICK LEAVE covered employees general provisions accrual and maximum accumulation transfer between different leave systems	6301 6302 6307 6308	part 630, subparts B, D, and E; Title II-Leave, Civilian Personnel Law Manual, chapter 4-Sick Leave
Adoption	6307(c)	630.401(a)(6)
family care and bereavement	6307(d)	630.401
incapacity due to death of spouse		Comp. Gen. opinion B-207444 (10/20/82)
agency discretion		Comp. Gen. opinion B-170730 (08/16/71)
SUBSTITUTION OF LEAVE		

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
sick leave for annual leave		630.405; Title II-Leave, Civilian Personnel Law Manual, chapter 4, part D, 5(a)-Substitution of Sick Leave for Annual Leave
sick leave for leave without pay		Title II-Leave, Civilian Personnel Law Manual, chapter 4, part D, 5(b)-Substitution of Sick Leave for Leave Without Pay
annual leave for sick leave		Title II-Leave, Civilian Personnel Law Manual, chapter 2, part F, 4(a)-Substitution of Annual Leave for Sick Leave
annual leave for leave without pay		Title II-Leave, Civilian Personnel Law Manual, chapter 2, part F, 4(b)-Substitution of Annual Leave for Leave Without Pay
substitution of leave without pay for annual leave		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F, 7(a)-Substitution of Leave Without Pay for Annual Leave
substitution of leave without pay for sick leave		Title II-Leave, Civilian Personnel Law Manual, chapter 5, part F, 7(a)-Substitution of Leave Without Pay for Sick Leave

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
SUNDAY PREMIUM PAY prohibition on Sunday premium pay for periods of leave	5546(a); Section 624 of Treasury and General Government Appropriations Act, 1999, as contained in section 101(h) of Public Law 105-277, Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999	
TERMINAL LEAVE		Comp. Gen. opinion B-223876 (06/12/87)
TRANSFER OF LEAVE BETWEEN AGENCIES AND LEAVE SYSTEMS	6308	630.501, 630.502 Title II-Leave, Civilian Personnel Law Manual, chapter 2, part E-Transfers and Reemployment (Annual Leave) and chapter 4, part C-Transfers and Reemployment (Sick Leave)
TRAVEL TO/FROM POST OF DUTY	6303(d)	630.207
UNCOMMON TOURS OF DUTY	6304, 6307(d)(3)(B)	630.201, 630.210
VETERANS		
use of leave for physical examination	Executive Order 5396 (July 17, 1930)	
travel expenses—VA physical exam		Comp. Gen. opinion B-188012 (05/10/77)

Subject	Law 5 U.S.C. (unless otherwise indicated)	Regulation/Other 5 CFR (unless otherwise indicated)
<p>VOLUNTEER ACTIVITIES</p> <p>participation of Federal employees in volunteer activities</p>		<p>Presidential Memorandum, April 22, 1998</p> <p>OPM Memorandum to Heads of Executive Departments and Agencies, April 23, 1998</p> <p>Guidance on Scheduling Work and Granting Time Off to Permit Federal Employees to Participate in Volunteer Activities April 1998</p>
<p>WORKERS' COMPENSATION (Federal Employees Compensation Act)</p>	chapter 81	Title II-Leave, Civilian Personnel Law Manual, chapter 4, part E-Employee Receiving Workers' Compensation; chapter 4, part H-Buy Back of Sick Leave; and chapter 2, part G, 7(c)(4)-Buy Back of Annual Leave
buy-back of leave		20 CFR 10.202,310
no administrative leave for injury		Comp. Gen. opinion B-192510 (04/06/79)
forfeiture of annual leave		62 Comp. Gen. 253 (1983); Comp. Gen. opinion B-204524 (03/23/82)
accrual of leave while on leave without pay		630.204; 29 Comp. Gen. 73 (1949); Comp. Gen. opinion B-180010.12 (03/08/79)

NOTES:

1. Opinions of the Comptroller General are included in the General Accounting Office's Civilian Personnel Law Manual (CPLM), Title II (Leave), Fourth Edition, 1996. Title II of the CPLM is available at <http://www.gao.gov/special.pubs/og96006.txt> or may be ordered from the U.S. Government Printing Office at:

Superintendent of Documents
U.S. Government Printing Office
941 North Capitol Street
Washington, DC 20402
email address: gpoaccess@gpo.gov
Order Desk: (202) 512-1800

2. Presidential memoranda and Office of Personnel Management (OPM) guidance materials on expanded family and medical leave policies and participation of Federal employees in volunteer activities may be accessed on OPM's web site at <http://www.opm.gov/oca>.

**INDEX OF LAWS, REGULATIONS, AND OTHER
REFERENCES RELATING TO PAY AND HOURS
OF DUTY**

SUBJECT	LAW 5 U.S.C. (unless otherwise indi- cated)	REGULATION/OTHER 5 CFR (unless otherwise indi- cated)
Administratively Uncontrollable Overtime	5545(c)(2)	550.151-154, 161-164
Administrative Appeals Judges, Pay for +	5372b	regulation pending; CPM 2001-4 (4-19-01)
Administrative Law Judges, Pay for +	5372	930.210
Advance Payments for New Appointees	5524a	part 550, subpart B
Aggregate Limitation on Pay	5307	part 530, subpart B
Allotments		
General	5525	part 550, subpart C
Pretax—FEHB Premium +	26 U.S.C. 125	550.311-313; part 892
Pretax -Transportation Fringe Benefit +	7905(b); 26 U.S.C. 132(f)(4)	E.O. 13150; 550.311(b); 550.313(a)
Alternative Work Schedules (AWS)	6120-6133	part 610, subpart D
NAF Employees	Section 1041 of Pub. L. 104-106, Feb. 10, 1996	
Premium Pay for Wage Employ- ees under AWS		532.513
Annual Pay Adjustment	5303	531.205
Availability Pay (Criminal Investigators)	5545a; 5542(d)	550.181-550.187
Awards*	4501-4513	part 451
Back Pay	5596	part 550, subpart H
Basic Pay (General Schedule)	5331-5338	part 531
Blue Collar Employees, Pay for	5341-5349	part 532
Claims, Settlement of (pay and leave)*	5584	part 178, subpart A
Classification (General Schedule Grades)*	5101-5115	part 511
Compensatory Time Off		
FLSA	5543; 6123(a)(1)	551.531

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Prevailing Rate (Wage) Employees	5543(b)	532.504; 551.531(a) & (c)
Religious Observances	5550a	part 550, subpart J
Title 5	5543; 6123(a)(1)	550.114
Compressed Work Schedules	6120-6133	part 610, subpart D
Consultant Pay	3109	part 304
Continued Rate (Geographic Adjustments)	FEPCA, sections 302 & 404	531.307; part 531, subpart G
Contract Appeal Boards, Pay for Members*	5372a	
Cost of Living Allowances (Nonforeign Areas)	5941	part 591, subpart B
Credit Hours	6121(4), 6126	
Critical Positions, Pay for*	5377	OMB Bulletin 91-09 (3/7/91)
Debt Collection via Payment Offset +	5511-5514 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
Demonstration Projects*	4701; 4703-4706	part 470
Dual Pay and Dual Employment*	5531; 5533-5537	part 550, subparts E & F
Evacuation Payments	5522-5524	part 550, subpart D
Executive Schedule, Pay Rates for +	5311-5318	
Expert Pay	3109	part 304
Fair Labor Standards Act (FLSA) Overtime Pay	5542(c); 29 U.S.C. 201 et seq	part 551
Federal Wage System (FWS)	5341-5349	part 532
Firefighter Pay	5542, 5545b	part 550, subpart M
Fire Protection Activities, FLSA	29 U.S.C. 201 et seq	551.541
Flexible Work Schedules	6120-6133	part 610, subpart D
Foreign Area Allowances and Differentials*	5921-5928	Department of State Standardized Regulations (Government Civilians, Foreign Areas)

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Foreign Language Bonuses for Law Enforcement Officers*	4521-4523	
Garnishment, Child Support/Alimony*	42 U.S.C. 659-662	part 581
Garnishment, Commercial Debts*	5520a	part 582
General Schedule Basic Pay	5331-5338	part 531
GM Employees, Pay Rules for	Pub. L. 103-89, section 4	531.202, 203(c)(2)&(g), 531.204(d)-(f), 205(a)(2)
Grade and Pay Retention	5361-5366	part 536
Hazardous Duty Pay	5545(d)	part 550, subpart I
Health Care Positions (title 38 for GS Employees) +	5371	
Highest Previous Rate	5334	531.202 & 531.203(c)-(d)
Holiday		
Identification of Holidays	6103-6104; E.O. 11582	610.201-202
“In lieu of” holiday under a compressed work schedule	5 U.S.C. 6103(d)(2)	610.202(c)
Premium Pay	5546(b)	550.131-132
Hourly Rate (2087 divisor)	5504(b)	531.303 & 605
Hours of Duty	6101-6133	part 610
Hours Worked, FLSA	29 U.S.C. 201 et seq	part 551, subpart D
Law Enforcement Officers		
Availability Pay	5545a	550.181-550.187
Definition	5541(3)	550.103
Foreign Language Bonus*	4521-4523	
Geographic Adjustment	FEPCA, section 404	part 531, subpart C
Overtime Rate Cap	5542(a)(4)	550.113(b)
Premium Pay Limitation	5547(c)	550.107
Special Salary Rates	FEPCA, section 403	
Law Enforcement Activities, FLSA	29 U.S.C. 201 et seq	551.541

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Limitations on Pay		
Administrative Action, Pay Set by +	5373	
Aggregate	5307	part 530, subpart B
General Schedule	5303(f)	
Locality Adjusted	5304(g)	531.604
Premium Pay	5547	550.105-107
Locality-Based Comparability Payments	5304-5304a	part 531, subpart F
Locality Pay, Extension to Non-GS Employees	5304(h)	531.604
Lump-Sum Payments for Annual Leave	5551-5553; 6306	part 550, subpart L
Minimum Wage Rates, FLSA	29 U.S.C. 201 et seq	part 551, subpart C
New Appointments, Pay Setting for +	5333	531.203(a)-(c)
Night Pay (GS)	5545(a) and (b)	550.121-122
Night Pay (FWS)	5343(f)	532.505
Order of Precedence		
For Deductions (when there is insufficient gross pay)+		PQA 97-1 (8-19-97)
For Survivors (upon death of employee)*	5581-5583	part 178, subpart B
Overpayments		
Collection/Disposition+	5511-5514; 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
Waiver*	5584; sec. 101, Pub.L. 104-316	OMB Determination Order of 12-17-96; 65 FR 33737 (5-25-00)
Overseas Allowances and Differentials*	5921-5928	Department of State Standardized Regulations (Government Civilians, Foreign Areas)
Overtime		
Administratively Uncontrollable	5545(c)(2)	550.151-154, 161-164
Call-Back	5542(b)	550.112(h), 551.401(e)

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
FLSA	5542(c); 29 U.S.C. 201 et seq	part 551, subpart E
Hourly Rate Cap (GS-10, step 1)	5542(a)	550.113(b)
Title 5 (GS)	5542	550.111-114
Title 5 (FWS)	5544	532.503
Pay and Grade Retention	5361-5366	part 536
Pay Caps (see "Limitations on Pay")		
Pay Periods	5504-5505	
Pay Setting (General)	5334	part 531, subpart B
Physicians Comparability Allowance	5948	part 595
Post Differentials (Nonforeign Areas)	5941	part 591, subpart B
Premium Conversion (FEHB)+		550.311(a)(8), 550.312(f), 550.313(b)
Premium Pay (Title 5)	5541-5550a	part 550, subpart A
During Training +	4109(a)(1); 4102(b)	410.402
During Travel	5542(b)(2); 6101(b)(2)	550.112(g)
Limitations	5547	550.105-107
Prevailing Rate Systems	5341-5349	part 532
Promotions	5334(b)	531.202, 531.203(c), 531.204(a)-(c)
Quality Step Increases	5336	part 531, subpart E
Recruitment Bonuses	5753	part 575, subpart A
Reemployment of Retirees (see "Retiree Reemployment")		
Religious Observances, Compensatory Time Off for	5550a	part 550, subpart J
Relocation Bonuses	5753	part 575, subpart B
Remote Worksite Allowances	5942	part 591, subpart C CG Decision B-188436
Retention Allowances	5754	part 575, subpart C

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Retiree Reemployment		
Civilian*	8344, 8468	part 553; Part 837
Military*	5532 repealed effective 10/1/99	OPM interim regulations, 4/12/00 (65 FR 19643)
Rounding Rules	5504(b)	531.303 & 605
Salary Offset	5511-5514; 31 U.S.C. 3711-3716	part 550, subpart K; 31 CFR parts 900-904
Schedules, Alternative Work	6120-6133	part 610, subpart D
Scientific and Professional Positions, Pay for +	5376	part 534, subpart E
Senior Executive Service		
Aggregate Limitation	5383(b); 5307	part 530, subpart B; 534.402
Credit Hours Prohibition		610.408
Pay +	5381-5385	part 534, subpart D
Retention of SES Pay During Presidential Appointment*	3392(c)	317.801(b)
Saved Pay*	3594	part 359, subpart G
Senior Level Positions, Pay for +	5376	part 534, subpart E
Separate Maintenance Allowance (Johnston Island)	5942a	part 591, subpart D
Settlement of Accounts*	5581-5583	part 178, subpart B
Severance Pay	5595	part 550, subpart G
Simultaneous Actions	5334	531.203(f)
Special Salary Rates		
General	5305	part 530, subpart C
Information Technology Employees		CPM 2000-13 (11-3-00), CPM 2000-14 (11-3-00), CPM 2001-3 (2-15-01)
Standby Duty		
Definition (Title 5)		550.112(k)
Definition (FLSA)		551.431(a)

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Premium Pay	5545(c)(1)	550.141-144, 161-163
Statute of Limitations		178.104
FLSA Claims (2 or 3-Year)*	29 U.S.C. 255a	550.804(e)(3), 551.702
Other Claims (6-Year)*	31 U.S.C. 3702(b); 5596(b)(4); 7121(h)	550.804(e)(1) & (2)
Waiver Requests*	5584(b)(5)	
Step Increases	5335-5336	part 531, subparts D and E
Student Loan Repayments*	5379	part 537
Student Trainees, Pay Entitlements for		213.3202(b)(14); PQA 2001-1 (2-6-01)
Sunday Pay	5546; Section 624 of Treasury and General Gov' Appropriations Act, 1999 (Pub. L. 105-277, Oct. 21, 1998)	550.171-172
Superior Qualifications Appointments +	5333	531.203(b)
Supervisory Differentials	5755	part 575, subpart D
Temporary (Time-Limited) Promotion	3301-3302; 3361; 5334	part 335, subpart A; 531.203(d)(2)(ii), 531.204(c), 536.105(b); PQA 98-1 (7-23-98)
Temporary Organizations, Pay for Em- ployees of	3161	regulations pending
Title 38 Delegation	5371	
Training		
Overtime Pay (FLSA)		551.401(h); 551.422
Premium Pay During (Title 5) +	4109(a)(1); 4102(b)	410.402
Special Tours of Duty	6101(a)(4)	610.122
Travel		
Overtime Pay (FLSA)		551.401(f) & (g); 551.423
Premium Pay During	5542(b)(2); 6101(b)(2)	550.112(g)
Uniform Allowance	5901-5903	part 591, subpart A

SUBJECT	LAW 5 U.S.C. (unless otherwise indicated)	REGULATION/OTHER 5 CFR (unless otherwise indicated)
Voluntary Separation Incentive Pay		
DOD*	5597	
General—Waiver of Repayment*	Pub. L. 103-226, section 3	part 576, subpart A
Wage Employees, Pay for	5341-5349	part 532
Waiver of Overpayment Claims*	5584; sec. 101, Pub.L. 104-316	OMB Determination Order of 12-17-96 (GAO rules at 4 CFR parts 91-92 rescinded 5-25-00)
Within-Grade Increases	5335	part 531, subpart D
Work Schedules		
General	6101	part 610, subpart A
Alternative (Flexible or Compressed)	6120-6133	part 610, subpart D

NOTE

1. FEPCA refers to the Federal Employees Pay Comparability Act of 1990 (Public Law 101-509), as amended. (Some prints of title 5, United States Code, provide certain uncodified sections of FEPCA as notes. For example, notes regarding FEPCA sections 401-407 may be appended to 5 U.S.C. 5305.) FR refers to Federal Register. E.O. refers to Executive order. CG refers to GAO Comptroller General, who formerly issued decisions on pay matters.

2. Definition of other acronyms:

CPM Compensation Policy Memorandum, which is issued by OPM officials to agency human resources directors. (See www.opm.gov/oca/compmemo/index.htm.)

PQA Pay Questions and Answers, which are posted by OPM on its website.

(See www.opm.gov/oca/pay/index.htm.)

3. An asterisk (*) indicates that the subject area is not within the purview of the Office of Compensation Administration. Questions in these areas should be directed to the responsible organization. A plus sign (+) indicates that the Office of Compensation Administration has only partial responsibility for the

subject area. Certain questions in these areas may have to be directed to other offices or organizations.

4. A separate index on leave subjects may be accessed on OPM's Internet web site at www.opm.gov/oca/leave/html/levindex.htm.

Appendix G

“Silly” Payroll Rules

Staff members at stakeholder agencies identified the following payroll rules or procedures as particularly irrational, onerous, or duplicative. Their numbering does not indicate a ranking but is merely a convenience for discussion and tracking. The rules are as follows:

1. Payout of Comp Time—ref CFR 550.114

No standard procedure for payout of compensatory time in lieu of overtime. Heads of agencies

- ◆ determine payout of comp time,
- ◆ determine coverage for FLSA exempt employees, and
- ◆ set time limits for expiration.

2. FMLA and FFLP

- ◆ Restrict hours chargeable to these programs
- ◆ Require tracking of charged hours.

3. Leave transfer program—ref CFR 630 subpart I

- ◆ Cumbersome procedures for return of donated leave
 - Unused leave must be returned to donors.
 - Unused leave is prorated and distributed evenly to donors.
 - Number of hours from a single donor are restricted.
 - Use of donated leave must be tracked.

-
4. Processing multiple garnishments—ref CFR 582.402
 - ◆ Maximum limitations for garnishments are capped at 25% of salary.
 - ◆ Rules require agency to determine how multiple garnishments will be handled.
 - First in first out.
 - Rotate payments.
 5. IRR reports for FERS and CSRS employees must be on different color card stock and with different color ink.
 6. Most Federal employees are paid on a biweekly pay cycle with the exception of the Secretary who is paid semimonthly.
 7. Federal Employee Health Benefit (FEHB) premiums can be taxable; make all FEHB deductions pre-tax.
 8. Escrow leave rules in the Leave Bank need to be simplified with regard to how leave is earned and how escrow rules are applied; consider removing escrow rules all together and allow employee to earn leave in standard leave categories (e.g., annual leave).
 9. Eliminate biweekly and annual pay cap limits. For example, a year-end bonus may need to be paid out in multiple payments over the current and next pay year to avoid exceeding annual pay cap.
 10. Do not apply compensatory time earned to biweekly pay cap limits.
 11. Credit limit hours are calculated based on the work schedule and tour of duty for part-time employees. Recommend limit for part-time employees be the same as the standard limit for full-time employees.
 12. FEFFLA program requires separate usage limits based on an employee's sick leave balance (e.g., greater than 80 hours of sick leave FEFFLA limit is 104 hours; less than 80 hours balance the limit is 40 hours).
 13. Remove FEFFLA/FMLA reporting requirements since reports are not currently required on a regular basis.
 14. Donated leave must be returned to donors on a prorated basis.
 15. Have the FEGLI calculation for wage grade employees be based on their salary instead of the last hour worked * 2080.
 16. All emergency overtime for non-exempt employees should be paid at the overtime rate without being capped.

17. Reduce/consolidate the number of employee paid time-off leave categories (sick leave, annual, credit time, compensatory time, time off award, organ donation, etc.).
18. Monthly pay for secretaries of cabinet departments/military services.
19. Collection of jury duty fees.
20. Application of the Aggregate Limitation of Pay.
21. Application of different rules for hazardous duty pay and environmental differential pay.
22. Providing employees the opportunity to petition for a hearing as a due process requirement.
23. Refund of the unexpired portion of lump-sum leave payments when employees return to federal service.
24. Restoration of donated annual leave when a medical emergency terminates.
25. Allowing overseas educators the option to receive their entire annual salary during the school year (9 months).
26. Allowing DoD employees to repay their voluntary separation incentive pay in installments.
27. Allowing employees to receive net salary payments by check, vice electronic funds transfer.
28. Retroactive pay adjustment (1 year prior) for Department of Defense Education Activity (DoDEA) employees should be changed from retroactive to prospective.
29. Repayment of voluntary separation incentives: Do not require repayment if the employee returns to Federal service.
30. Voluntary separation incentive installment option: Do not allow installments.
31. FERS employees sick leave: Allow FERS employees sick leave credit for retirement.
32. TSP contribution percent: Allow employees to contribute any whole percentage and remove the incremental percentage increases.

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33. Law enforcement leave dual compensation: Do not require employees to pay back the difference in compensation amounts when law enforcement leave is used.
 34. Annual salary increase on lump sum leave: Employees separated prior to an annual salary increase should not receive additional lump sum payments resulting from it.
 35. Compensatory time payment: Pay unused compensatory time at the current rate of pay vice the rate in effect when it was earned.
 36. Restored leave termination date: Remove the usage termination date for restored leave accounts.
 37. Time-off awards: Remove the requirement of a maximum amount equal to one half of the biweekly scheduled hours.
 38. Time-off awards: Remove the requirement to forfeit after one year.
 39. Time-off awards: Do not allow usage before authorization.
 40. Religious compensatory time: Do not allow usage before it is earned.
 41. Biweekly salary limitation: Remove the GS15/10 biweekly salary limitation requirement.
 42. General Schedule overtime/compensatory time cap: Remove the time and one half of a GS10/01 limitation.
 43. Alternate work schedules: Remove the limitation that only certain types of alternate work schedules are allowed to accrue and use credit hours, compensatory time, etc.
 44. Because of the times, i.e., reservists given 22 days authorized absence to perform military duty for law enforcement purposes, agencies must offset the civilian pay by their military pay for duty under 5 USC 6323(b).
 45. Paying department heads on a monthly basis.

Appendix H

Low Cost, High Impact Recommendations

This appendix contains a list of low cost, high impact recommendations applicable to payroll systems across agencies. The recommendations are characterized by their ease of implementation, broad impact, and quick benefit to the payroll community. Their numbering does not indicate a ranking but is merely a convenience for discussion and tracking. (OPM noted that many of the recommendations are “laws/rules/methods/practices” required and/or endorsed by the Administration, Congress, special interest groups, employee unions, professional organizations, or others and would require a substantial effort to change. Any change would be perceived as a “take-away.”)

The recommendations are as follows:

1. Consolidate all employees into one pay cycle (biweekly).

The overwhelming majority of Federal employees are paid on a bi-weekly pay cycle, with the exception of the heads of departments, independent agencies, and members of boards and commissions.

2. Consolidate/eliminate redundant reporting requirements and make them consistent across government (manpower reports, EEOC reports, 113A and 113G, etc.) Allow payroll offices to provide information in electronic format.

The reports produced by payroll offices often contain the same information in slightly different formats. The requirements for these reports should be reviewed and options for providing electronic data in their stead should be mandated.

3. Improve timeliness of wage employee wage area increases.

A large percentage of these increases are implemented retroactively because distribution of the salary schedules to the payroll offices is delayed, causing the majority of Wage employees to receive late salary increases and retroactive adjustments.

4. Establish consistencies in utilizing fractions of hours across Government for leave and pay.

The different policies concerning the time increments (minutes, quarter hours, hours) used to determine leave usage and pay computations present complexities when multiple agencies are paid in a single payroll system.

5. *Establish consistency in pay rules:*

- ◆ LEO. Many agencies that employ law enforcement officers have varying benefits, allowances, and premium pay computations.
- ◆ Rounding. Agency policies vary on the rounding of fractions of cents during pay and deduction calculations. Some round up, while others round down.
- ◆ 2080/2087 hours. Some employees' salaries are computed using 2080 hours to determine the per hour amount, while the majority of employees' salaries are computed using 2087.
- ◆ Allowances (horse, porpoise observers, scuba diving, etc.). The number and type of allowances paid for special types of work cause payroll offices to develop unusually complex system routines and operational processes.
- ◆ Locality pay. There are differences among agencies in the amount of locality pay employees receive within the same geographic area.
- ◆ Premium pay. The number and types of agency-specific requirements for premium pay and special work schedules require complex system routines and operational processes.

6. *Establish a sole authority (OPM, GAO, etc.) to do the following:*

- ◆ Consult with Congress. This authority would advise Congress of the impact of pending payroll legislation on Federal payroll systems.
- ◆ Interpret legislation. Once payroll legislation is enacted, this authority would interpret the law for all agencies to use in modifying their payroll systems.
- ◆ Enforce compliance. This authority would force compliance with legislation or interpretation.

7. *Enact payroll legislation effective the beginning day of a biweekly pay period, not on the 1st of the month, and not retroactive.*

Since the vast majority of Federal employees are paid on a biweekly basis, enacting laws that become effective on other than the beginning date of a pay period results in complex system modifications to accommodate the legislation becoming effective during a payroll cycle. This is complicated even further when the legislation is enacted with a retroactive effective date.

8. *Establish one standard official payday each pay period for entire government.*

9. *Establish mandatory EFT for all salary payments.*

10. Eliminate the multiple pay plans currently existing and establish a universal pay plan.

11. Consolidate overtime rules to eliminate the Title V/FLSA rules.

12. Create competition among HBI carriers to select the top plans that provide the best coverage for Federal employees.

13. Review and simplify time and attendance codes; make them universal throughout government.

14. Standardize the method for recording fractional time for leave taken.

15. Establish one type of shared leave bank and eliminate accrued leave caps.

16. Develop a standardized payroll system that interfaces with all of the systems (financial accounting, time and attendance, and personnel).

It would be cost-effective to develop a system that has all of these components and could replace all of the existing systems at one time. However, reengineering the systems to interface with a new payroll system will not be simple.

17. Automatically terminate the annuity amount when annuitants are reemployed.

Currently when they hire annuitants, agencies have to reimburse OPM (via the RITS program) for the difference in the salary and the annuity amount, which requires making a lot of changes to the payroll system. If the annuity amount could be terminated automatically when annuitants are appointed, it would not be necessary to reimburse OPM. If the employee is appointed for more than a year, they become eligible for additional benefits.

18. Simplify the Family Friendly/Medical Leave Act rules.

A move to simplify system requirements and processing would be beneficial. Employees should be allowed to use as much of their sick leave for authorized family emergencies as they want without requiring any particular remaining balance of sick leave.

19. Develop a Federal payroll website, with FAQs, and a good search engine for regulations and other pertinent information.

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Appendix I

Abbreviations

ASP	application service provider
CFO	chief financial officer
CIO	chief information officer
COTS	commercial off-the-shelf
DB	database
DFAS	Defense Finance and Accounting Service
DOI	Department of the Interior
EPA	Environmental Protection Agency
ERP	enterprise resource planning
ESOP	Employee Stock Ownership Plan
FEAF	Federal Enterprise Architecture Framework
FUN	Federal Users Network
GAO	General Accounting Office
GOTS	government off-the-shelf
HR	human resources
HRTC	Human Resources Technology Council
IRS	Internal Revenue Service
IT	information technology
JFMIP	Joint Financial Management Improvement Program
NFC	National Finance Center (USDA)
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PUN	Payroll Users Network
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs

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Penalty for Private Use \$300

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