

United States Office of Personnel Management



**Human Resources Line of Business  
2011 Payroll Benchmarking Report  
MAESC Version**

November  
2011

*a New Day for Federal Service*

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## 1. Introduction

### 1.1 Payroll Studies

As part of the e-Payroll initiative, the Office of Personnel Management (OPM) sponsored a benchmarking study to establish a baseline of information about payroll services and costs to measure progress toward meeting the goals of the e-Payroll initiative. In April of 2004 the *Best Practices Through Benchmarking Consolidated Payroll Benchmarks Report for the U.S. Office of Personnel Management (OPM)* was completed. Thirteen agencies, including the current four payroll providers, participated in the 2004 study.

The 2004 study was followed by a 2008 payroll benchmarking study, which the Human Resources Line of Business (HR LOB) conducted using a slightly different approach. In January of 2008, the HR LOB convened a workgroup consisting of representatives from each of the four Federal payroll providers and three customer agencies. The workgroup was charged with determining the type of measures to be collected and defining the detailed definitions and calculations for each measure.

The 2008 study focused on the following five important outcomes:

- Provide a snapshot of current payroll operational performance – revealing successes and providing visibility into improvement opportunities
- Show how the landscape has changed since the 2004 study
- Set a baseline of performance in 2008 against which to compare future progress
- Provide a basis (the raw data) that can be summarized or used to satisfy requests for performance data
- Begin to shape messages that highlight the benefits of the HR LOB program

During the spring of 2008, the four Federal payroll providers responded to a data call with performance results for the measures they previously helped to define. These results are presented in the *2008 Human Resources Line of Business Payroll Benchmarking Report* (covering the reporting period of calendar year or fiscal year 2007, depending on the measure). The report describes the overall approach that was taken for this 2008 study and provides a comparison of all Federal payroll providers to aggregate data and comparable industry benchmarks, where applicable. This report can be found at:

[http://www.opm.gov/egov/documents/practices/2008\\_Payroll\\_Benchmarking\\_Report.pdf](http://www.opm.gov/egov/documents/practices/2008_Payroll_Benchmarking_Report.pdf)

In December 2008, the Federal providers reconvened to discuss the nine payroll measures that would be used in the 2009 benchmarking study. The *2009 Human Resources Line of Business Payroll Benchmarking Report* (covering the reporting period of calendar year or fiscal year 2008, depending on the measure), extends the 2008 report with another year of results data. This report can be found at:

[http://www.opm.gov/egov/documents/practices/2009\\_Payroll\\_Benchmarking\\_Report.pdf](http://www.opm.gov/egov/documents/practices/2009_Payroll_Benchmarking_Report.pdf)

Beginning in October 2010, the Federal providers reconvened to discuss eight of the nine payroll measures used in the 2008 and 2009 reports (the workgroup agreed to remove the measure *Cycle Time for Disbursing an Off-cycle Payment*) and to define two new payroll measures. This report presents the results of those efforts.

The 2011 study focuses on the following four important outcomes:

- Provide a snapshot of current payroll operational performance – revealing successes and providing visibility into improvement opportunities
- Provide a basis (the raw data) that can be summarized or used to satisfy requests for performance data
- Continue to shape messages that highlight the benefits of the HR LOB program.
- Describe how providers have used their participation in the benchmarking process and the results of previous studies to their organization

This report describes the overall approach that was taken for this 2011 study and provides a comparison of all Federal payroll providers to aggregate data and comparable industry benchmarks, where applicable. Data from calendar years or fiscal years 2007, 2008, and 2010 (depending on the measure) was used to create this report. The HR LOB is planning to collect this data again from the payroll providers in fiscal year 2013 as part of the performance management work stream.

## **1.2 Use of Benchmarking Results by Payroll Providers**

One benefit of benchmarking is process improvement: good performance may point to effective business practices that can be replicated at other organizations. Through the development of the payroll benchmarking measures and the sharing of their detailed processes, the Federal payroll providers have utilized the knowledge they have gained and applied it to their organizations. Below are several examples of how the payroll providers have applied information gained through their participation in OPM's benchmarking studies:

- Data is used for organizational strategic planning, performance management, and benchmarking reporting
- Cost comparison of processing garnishments internally versus outsourcing
- Identifying alternate practices to reduce the cost of postage for the W-2 process
- Strengthening relationships between the Federal providers to increase information sharing (e.g. sharing payroll policy implementation practices)
- Identifying improvements in the nightly system processing to reduce the cycle time required to transmit payroll

## 2. 2011 Benchmarking Process

From October 2010 through February 2011, the Federal providers met to discuss the nine payroll measures used in the 2008 and 2009 reports. The workgroup agreed to remove the measure *Cycle Time for Disbursing an Off-cycle Payment* during the 2010 payroll analysis project, and defined two new payroll measures. As a result of the meetings, the providers recommended adding the following measures to studies performed after 2011:

- Percentage of Employees Receiving Earning and Leave Statements via Mail. This measure will be included in the 2013 study.
- Cycle Time in Days From Notification of Required Wage Garnishment until Scheduled for Withholding in the Payroll System

The providers determined that the best timeframe to conduct the 2009 data call would be March through April 2011.

### 2.1 Data Collection

On April 1, 2011, the HR LOB issued the 2011 payroll benchmarking data call. The data call consisted of three documents: the payroll benchmarking measure definitions, the payroll benchmarking questionnaire, and the list of narratives. All four Federal payroll providers participated in the data call:

- Department of Defense - Defense Financial and Accounting Service (DFAS)
- General Services Administration - National Payroll Branch (NPB)
- Department of the Interior - National Business Center (NBC)
- Department of Agriculture - National Finance Center (NFC)

### 2.2 Data Reporting and Analysis

After receiving the completed questionnaires, the HR LOB analyzed the data across providers to create this report. For each of the questions the HR LOB established the mean, the weighted mean (where appropriate), median, and standard deviation:

- Mean – the simple arithmetic average of a set of values (i.e., the sum of a set of values divided by the number of values).
- Weighted mean – the arithmetic average of a set of values, factoring in the sample size for each value.
- Median – the number separating the higher half of a set of values from the lower half, thus providing the middle of the spectrum of data; fifty percent of the data falls above the median and fifty percent falls below the data.
- Standard deviation – a measure of the average distance by which the scores deviate from the mean.
- Weighted standard deviation – standard deviation around the weighted mean.

The Government means and medians were compared to industry reported benchmarks for those measures where the HR LOB was able to obtain a comparable industry measure.

### **3. Results**

The results presented in this section reflect the analysis performed by the HR LOB benchmarking team on the data collected during the data collection phase for this 2011 payroll benchmarking study (covering the reporting period of calendar year or fiscal year 2010, depending on the measure). The mean, weighted mean (where applicable), median, standard deviation, and weighted standard deviation (where applicable) were computed based on the completed Payroll Benchmarking Questionnaire submitted by each provider. As this is the third year for the study, the HR LOB has also included a 2008 to 2010 difference column for each measure.

The Government means and medians were compared to industry-reported benchmarks – if realistically comparable benchmarks could be located. The first three measures in this section (3.1, 3.2, and 3.3) provide industry benchmark comparisons. Industry benchmarks were obtained from the International Business Machines (IBM) /American Productivity and Quality Center (APQC) Shared Services Payroll Benchmarking database.

### 3.1 Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office

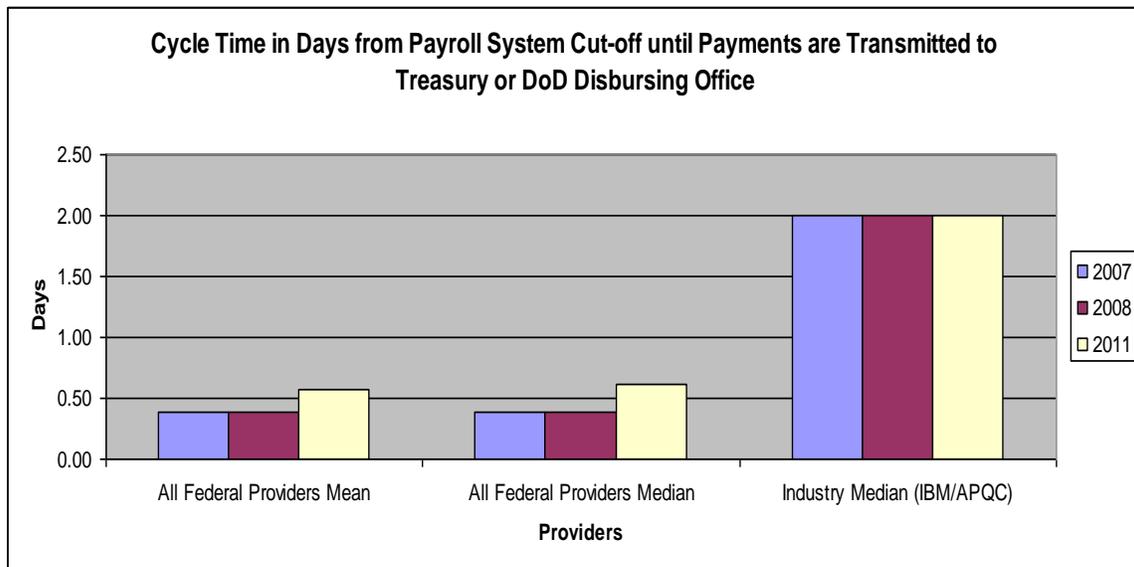
The cycle time in days from payroll system cut-off until payments are transmitted to Treasury or DoD disbursing office compares the time it takes a provider to certify and transmit their payments after their payroll system has closed for a given pay cycle.

The provider's processes and results are summarized in the following tables and graph:

Provider Name	Process
DFAS	DFAS currently maintains 13 Production Databases, resulting in a variance in the number of hours to process and transmit data. The time provided in the metric is an average of time for all 13 databases for the entire 2010 calendar year.
GSA	GSA's biweekly payroll cycle includes a single payroll calculation run, which is normally has a 4:00 pm cut-off. GSA transmits the various payroll disbursement files to Treasury's Kansas City Finance Center manually. The process includes verifying that the Treasury has received the files, obtains the control numbers assigned by Treasury, and certifies schedules for payment using Treasury's Secure Payment System the following morning during normal business hours.
NBC	NBC's biweekly payroll cycle includes a single calculate run for each database, beginning with a 6:00 pm cut-off. This cycle includes preparation of payment files which are transmitted to Treasury's San Francisco Disbursing Office, generally by 10:00 am the following morning. NBC verifies that Treasury has received the files, obtains the control numbers assigned by Treasury, and certifies schedules for payment using Treasury's Secure Payment System. The final certification takes place, on average, by 9:30 am.
NFC	NFC's payroll system has multiple passes; the period of time measured for this metric represents the time between initiation of the final pass and file transmission to Treasury.

<b>Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office</b>				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Mean	0.38	0.39	0.58	0.19
All Federal Providers Median	0.39	0.39	0.61	0.22
Industry Median (IBM/APQC)	2.00	2.00	2.00	0.00

**Table 2: Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office**



**Figure 1: Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office**

### 3.2 Payroll Price per Employee Served

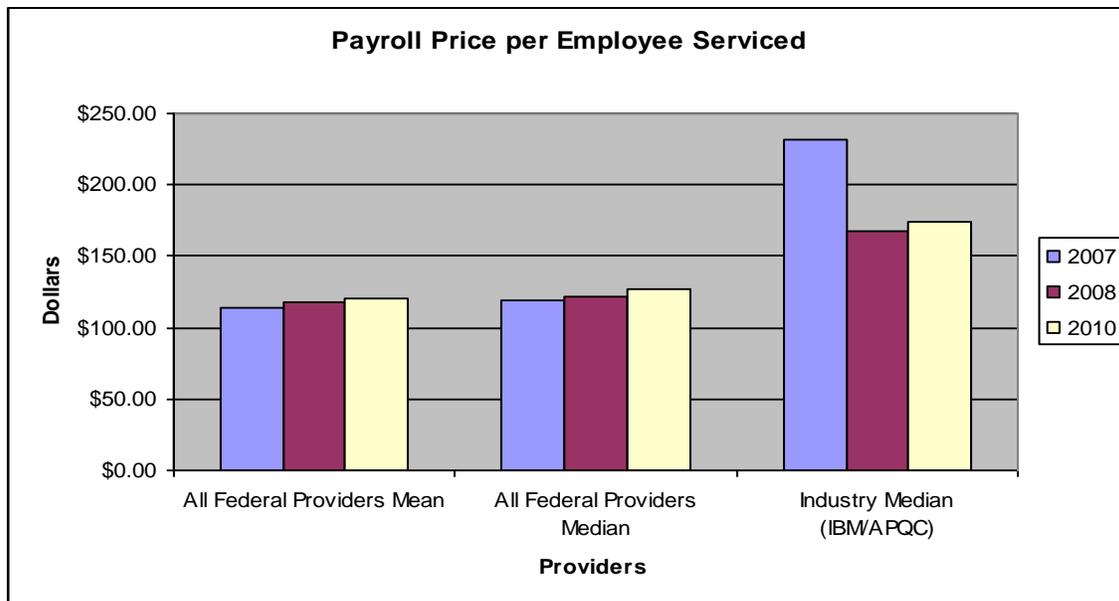
Payroll Price per Employee Served measures the price providers charge their customers for their baseline services. There are several factors that may determine price including location, staff size, overhead costs, outsourcing costs, services offered, ability to perform customized services, etc. Each provider's price should be viewed in the context of their service offerings relative to their customers' needs.

The Federal providers perform quite well compared to the industry median.

Payroll Price per Employee Served				
Reporting Period	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2010	2008 - 2010 Difference
All Federal Providers Mean	\$113.89	\$117.15	\$119.78	\$2.63
All Federal Providers Median	\$119.66	\$121.72	\$127.28	\$5.56
Industry Median (IBM/APQC)	\$231.04	\$167.94	\$174.08	\$6.14
Standard Deviation	\$19.11	\$20.39	\$21.57	\$1.18

**Table 3: Payroll Price per Employee Served**

*Federal policies dictate that the price of services must equal the cost to provide those services. This measure looked at the provider prices because generally when a customer is selecting a service they look at the price of the service, not the cost. Industry providers are not held to the Federal policies and therefore their price does not equal their cost. In order to obtain comparable data the HR LOB is comparing the government price to industry payroll provider costs.*



**Figure 2: Payroll Price per Employee Served**

### 3.3 Payroll Provider Servicing Ratio

The Payroll Provider Servicing Ratio measures the number of payroll full-time equivalent employees (FTEs) needed to perform payroll processes for the employees they service. There are several factors that may determine an organization’s servicing ratio including the population size they service, the payroll functions they outsource, their ability to perform customized services, etc. Each provider’s servicing ratio should be viewed in the context of their service offerings relative to their customers’ needs.

The Federal providers perform quite well compared to the industry median.

Payroll Provider Servicing Ratio				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Weighted Mean	1578.86	1697.79	1899.83	202.04
All Federal Providers Median	1256.80	1325.17	1446.81	121.64
Industry Median (IBM/APQC)	379.62	523.29	607.42	84.13
Weighted Standard Deviation	467.33	571.73	863.14	291.41

Table 4: Payroll Provider Servicing Ratio

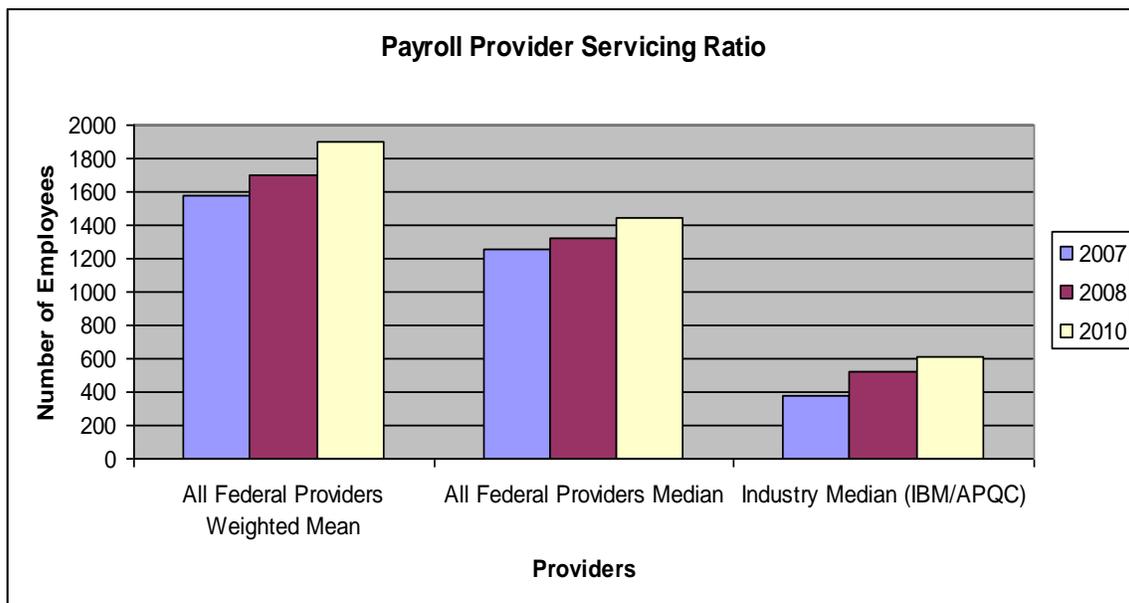


Figure 3: Payroll Provider Servicing Ratio

### 3.4 Cost of Printing and Mailing Hard Copy W-2s

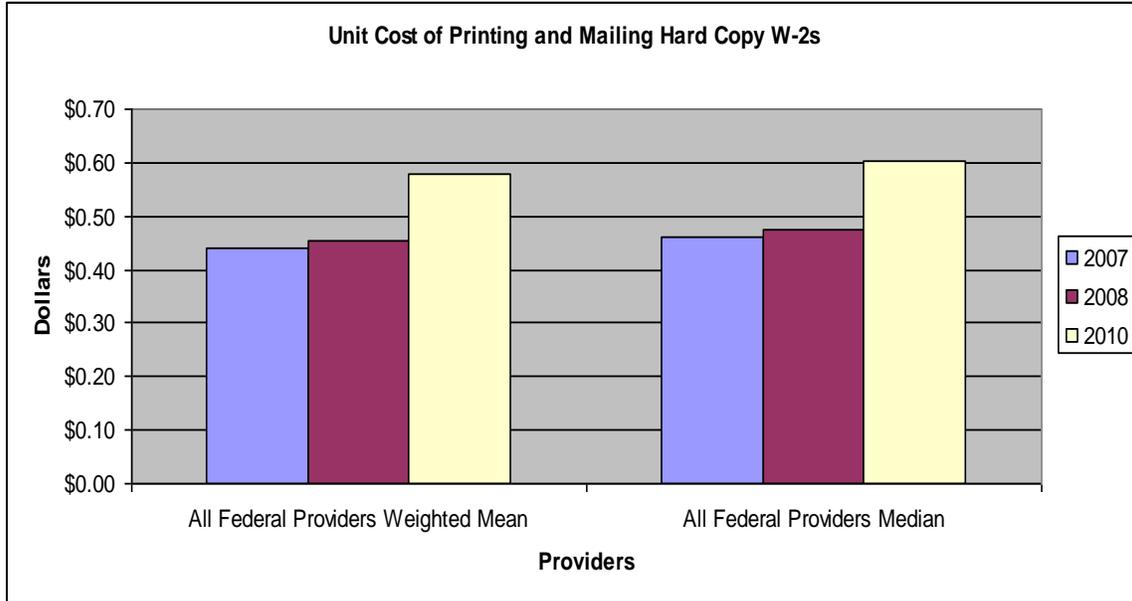
Cost of Printing and Mailing Hard Copy W-2s compare the costs incurred by the four Payroll providers.

The providers' processes and results are summarized in the following tables and graph:

Provider Name	Process
DFAS	DFAS outsources the W-2 printing and mailing process to DRC (Data Recognition Corporation). DRC accepts and conducts a review of all W-2 data that is submitted and verifies addresses for mailing to ensure accuracy. Re-issued W-2s are processed by DFAS payroll offices in the DCPS (Defense Civilian Pay System) and printed by DAPS.
GSA	GSA has contracted with OPM's Employee Express (EEX) to print and mail hard copy W-2s.
NBC	Utilize on-site contractors to print and mail their W-2s.
NFC	Utilize government personnel to print and mail their W-2s on site.

Unit Cost of Printing and Mailing Hard Copy W-2s (Per W-2)				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Weighted Mean	\$0.44	\$0.45	\$0.58	\$0.13
All Federal Providers Median	\$0.46	\$0.48	\$0.60	\$0.12
Weighted Standard Deviation	\$0.06	\$0.06	\$0.12	\$0.06

**Table 5: Cost of Printing and Mailing Hard Copy W-2s**



**Figure 4: Cost of Printing and Mailing Hard Copy W-2s**

### 3.5 Cycle Time of Electronic W-2 Distribution

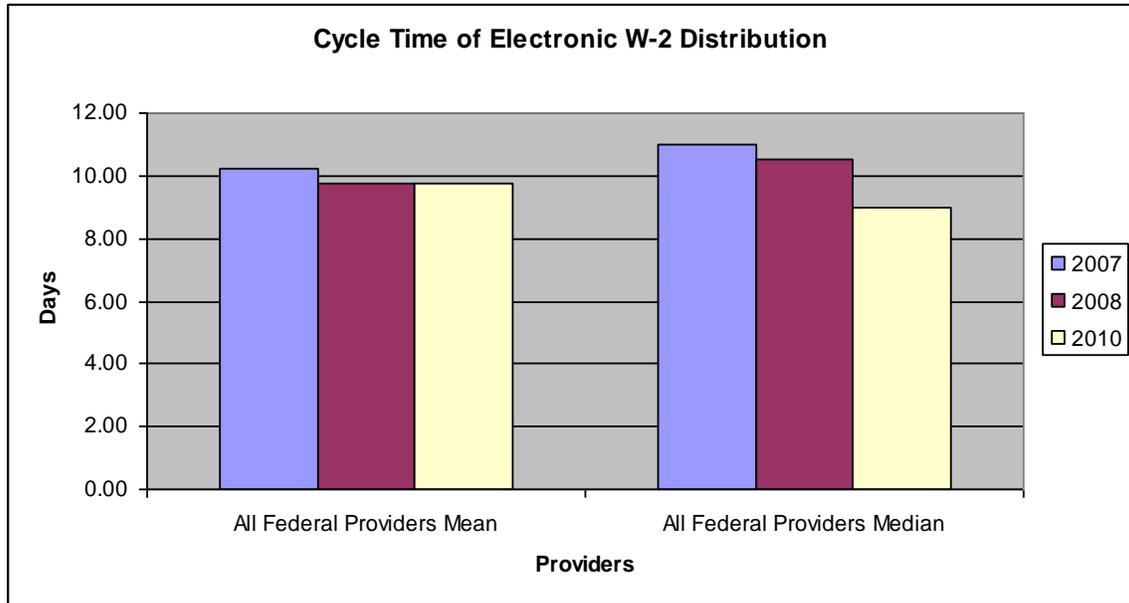
Cycle Time of Electronic W-2 Distribution measures the average number of days it takes a provider to make electronic W-2s available to employees. The average number of days is based on the time period beginning with the last day W-2 data is accepted and ending with the day W-2s are available to the employee.

The providers' processes and results are summarized in the following tables and graph:

Provider Name	Process
DFAS	DFAS accepts W-2 data until the last day of the last pay period of the year. A file with consolidated W-2 data is compiled and transmitted to My Pay (the DFAS administrated employee self-service site) to be displayed for employee viewing and printing. My Pay sends employees a notification email to inform them when the W-2 is available.
GSA	GSA has contracted with OPM's Employee Express (EEX) to provide electronic W-2 distribution.
NBC	NBC utilized OPM's Employee Express to make 2010 W-2s available to employees.
NFC	The Electronic W-2 Distribution process is as follows: (1) The cut-off date for the last payments to be included in the W-2s is reached. (2) A sample of W-2 data is verified. (3) When verification is completed, the W-2s are printed. (4) A sample of the printed W-2s is reviewed for accuracy and print quality. (5) When verification is completed, the W-2 data is made available on the Employee Personnel Page and Reporting Center. (6) The Employee Personnel Page and Reporting Center are updated nightly until all W-2s are corrected and released.

Cycle Time of Electronic W-2 Distribution (In Days)				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Mean	10.25	9.75	9.75	0.00
All Federal Providers Median	11.00	10.50	9.00	(1.50)
Standard Deviation	4.50	2.87	2.99	0.12

Table 7: Cycle Time of Electronic W-2 Distribution



**Figure 6: Cycle Time of Electronic W-2 Distribution**

### 3.6 Cycle Time of Hard Copy W-2 Distribution

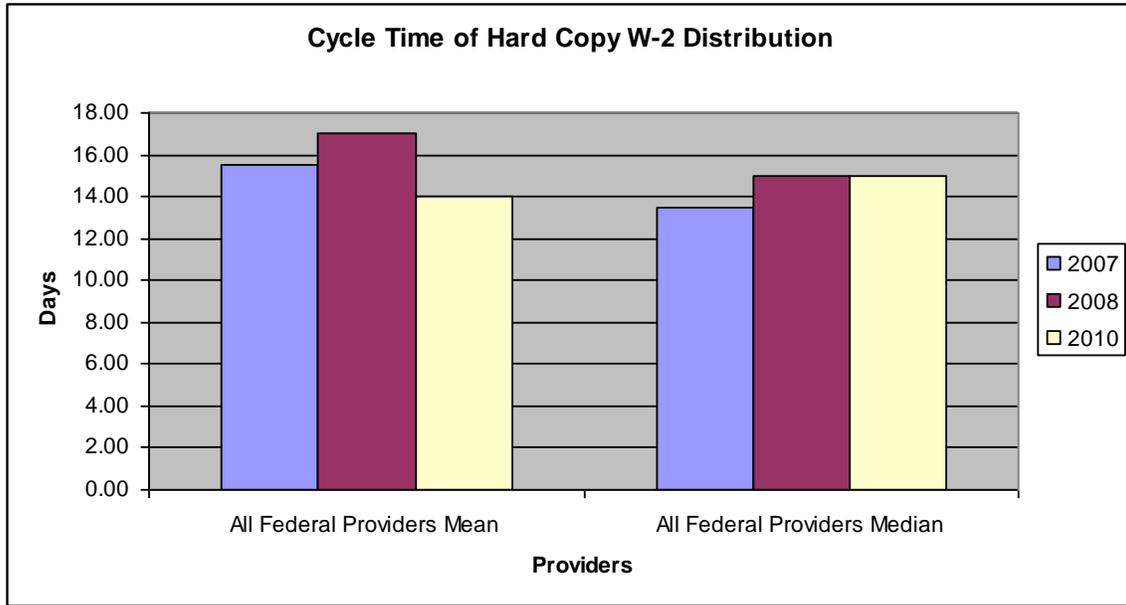
Cycle Time of Hard Copy W-2 Distribution measures the number of days it takes a provider to make their hard copy W-2s available to their employees. The number of days is based on the time period beginning with the last day W-2 data is accepted and ending with the day W-2s are mailed to the post office.

The providers' processes and results are summarized in the following tables and graph:

Provider Name	Process
DFAS	DFAS utilizes a third-party provider, DRC, to prepare and distribute W-2 documents. DFAS compiles W-2 data and transmits a file to DRC that will be reviewed prior to distribution.
GSA	GSA has contracted with OPM's Employee Express (EEX) to provide hard copy W-2 distribution.
NBC	Utilize on-site contractors to print and mail their W-2s.
NFC	<p>Once W-2 data has been accepted, the primary bulk of W-2s (99 percent) is made available by the 14th day of the cycle; however, the remaining 1 percent is made available to the post office within the next 10 days.</p> <p>The Hardcopy W-2 Distribution process is as follows:</p> <ol style="list-style-type: none"> <li>(1) The cut-off date for the last payments to be included in the W-2s is reached.</li> <li>(2) A sample of W-2 data is verified.</li> <li>(3) When verification is completed, the W-2s are printed.</li> <li>(4) A sample of the printed W-2s is reviewed for accuracy and print quality.</li> <li>(5) When verification is completed, Mail Center personnel are informed that the W-2s are to be mailed.</li> </ol>

Cycle Time of Hard Copy W-2 Distribution (In Days)				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Mean	15.50	17.00	14.00	(3.00)
All Federal Providers Median	13.50	15.00	15.00	0.00
Standard Deviation	6.56	6.98	5.10	(1.88)

Table 8: Cycle Time of Hard Copy W-2 Distribution



**Figure 7: Cycle Time of Hard Copy W-2 Distribution**

### 3.7 Number of SAS-70 Material Weaknesses

The Number of SAS-70 Material Weaknesses measures compliance in terms of the number of material weaknesses on each provider's SAS-70 audit report. None of the providers had a material weakness in fiscal year 2010.

Number of SAS-70 Material Weaknesses			
Reporting Period	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2010
All Federal Providers Mean	0.00	0.00	0.00
All Federal Providers Median	0.00	0.00	0.00

**Table 9: Number of SAS-70 Material Weaknesses**

### 3.8 Unit Cost of Processing a Wage Garnishment

Unit Cost of Processing a Wage Garnishment measures the costs a provider incurs to evaluate and process an external wage garnishment.

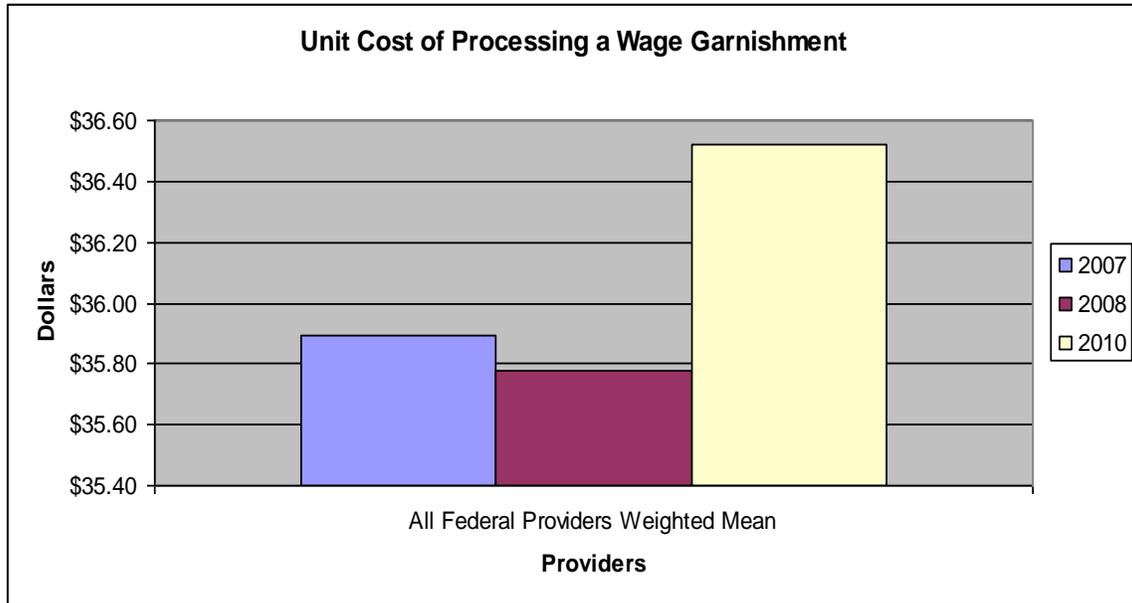
Due to the number of participants for this measure the median result is not calculated for this measure. The provider's processes and results are summarized in the following tables and graph:

Provider Name	Process
DFAS	<p>DFAS has a separate component organization that processes garnishments. The Garnishment Operation provides a legal review of all documentation by paralegals under attorney supervision. The Garnishment Operation processes only court-ordered documents including: Child Support, Alimony, Commercial Wage Garnishments and Bankruptcy. Tax Levies and Department of Education student loans are not administrated by the DFAS Garnishment Operation.</p> <p>The cost metric also includes the cost to process applications under the Former Spouses Protection Act, 10 USC 1408 and military commercial debt applications under 5 USC 5520A. The individual cost of these cases cannot be broken out, but it is important to note that DFAS Garnishment Operation is the only agency that processes these cases.</p>
GSA	<p>GSA provides full service Commercial Wage Garnishments processing on behalf of its client agencies. The NPB receives garnishments orders from legal offices; reviews applicable state and local laws pertaining to wage garnishments; sends notification to the employee; calculates the biweekly salary offset amount; collects an employee service fee; disburses and mails the payment; and corresponds with the legal offices on the status and pay off date of the commercial wage garnishment.</p> <p>GSA also processes other wage garnishments (including input data into the PAR system) for the following:</p> <ul style="list-style-type: none"> <li>○ Child support /alimony withholdings.</li> <li>○ Tax Levies (IRS, State and local).</li> <li>○ Bankruptcies.</li> <li>○ Department of Education Student Loans.</li> </ul>
NBC	<p>The NBC provides full servicing of processing wage garnishments such as child support, bankruptcies, commercial garnishments, education loans, alimony and tax levies. The service includes providing employee notice and ensuring the order meets the regulatory requirements, responding to interrogatories, establishing the biweekly salary offset amount, disbursing payment; collecting an administrative processing fee for commercial garnishments; consulting with General Counsel,</p>

	as needed; providing status updates regarding separation of employment, etc.
NFC	NFC's process for handling wage garnishments for its clients cannot be calculated in the terms requested in this metric. The vast majority of these types of transactions are processed directly by their customer HR offices. As a result, it is an additional transaction that is read and processed within their payroll system. NFC does not identify specific costs for these customer-generated transactions – they are all included in the base rate charged per W-2. For manually created garnishments and third party payments that require NFC intervention and assistance, an additional charge is applied to those specific transactions for the additional processing services. These manually-created transactions represent an immaterial percentage of the total percentage of garnishment-type transactions. Therefore, NFC cannot calculate the unit cost of all garnishment transaction processing.

Unit Cost of Processing a Wage Garnishment				
Reporting Period	Calendar Year 2007	Calendar Year 2008	Calendar Year 2010	2008 - 2010 Difference
All Federal Providers Weighted Mean	\$35.89	\$35.78	\$36.52	\$0.75
Weighted Standard Deviation	\$7.48	\$4.14	\$1.10	(\$3.04)

**Table 10: Unit Cost of Processing a Wage Garnishment**



**Figure 8: Unit Cost of Processing a Wage Garnishment**

#### **4. Report Summary and Next Steps**

The continued commitment and participation of the benchmarking workgroup members as well as the individuals at the agencies who provided results data, have provided a valuable snapshot of current payroll operational performance and a comparison of data to the 2008 and 2009 studies. The results presented in this report demonstrate how each of the four Federal payroll providers is performing in comparison to the industry benchmarks, where applicable. The results also include the Federal aggregate for these eight measures.

This study once again affirms that the Federal payroll providers continue to provide payroll services in an efficient and cost effective manner to the approximately 2.0 million Federal civilian employees they serve. The Federal providers continue to exceed the industry benchmarks for the three measures for which comparable industry benchmarks are available: Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office; Payroll Provider Servicing Ratio; and Price per Employee Serviced. The providers currently deliver services to Federal employees at a price 26.88% less than the Industry, and the providers have a servicing ratio that is 138.19% higher than Industry benchmarks.

The HR LOB will continue to conduct the Payroll Benchmarking Study approximately every two years to provide a view of payroll services trends and allow analysis of factors that drive fluctuations in measurement results. The HR LOB team recommends that the payroll benchmarking workgroup continue to add measures over time to build a more complete picture of payroll-related performance.

## **Appendices**

Appendix A describes the detailed definitions for the eight payroll performance measures.

Appendix B is the 2011 Payroll Benchmarking Questionnaire.

Appendices C - F provide a narrative summary written by each of the four Payroll providers. Each narrative contains:

- Description of the provider
- List of baseline services
- Number of employees serviced
- Number of customer agencies
- Type of special populations
- Description of outsourced services (this list should only reference services that relate to the eight payroll performance measures)

Appendix G contains a narrative summary of the industry benchmark used in the 2011 Payroll Benchmarking study.

## Appendix A – Payroll Benchmarking Measure Definitions

### Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office

**Measure Category:** Cycle Time

**Calculation:** Day the Payment is Transmitted to Treasury or DoD Disbursing Office minus the Day the Payroll System Closes for the Pay Cycle

**Frequency:** Annual

**Reporting Period:** Each Pay Period

**Measure Definitions:**

**Payroll System Cut-off:** Day the payroll system is locked or cut-off in order to process the bi-weekly pay. The system is no longer accepting information for the current pay cycle.

**Payment Transmitted:** Calculations are complete; payment schedules have been prepared, transmitted to Treasury or DoD Disbursing Office for payment, and the payment has been certified.

Cycle time will be measured in days. Organizations should convert the hours that the processing takes to days. For example if it takes an organization 15 hours to process the pay they would report .625 days (15 hours divided by 24 hours).

*All items included within the definition apply to activities only performed at the Payroll provider.*

*There is a standard industry benchmark available for comparison.*

## Payroll Price per Employee Serviced

**Measure Category:** Price

**Calculation:** Total Payroll Price Divided by the Number of Employees Serviced

**Frequency:** Annual

**Reporting Period:** Fiscal Year

### **Measure Definitions:**

Payroll Price per Employee Serviced is defined as the sum total of the costs for developing, maintaining, and producing payroll services divided by the number of employees serviced. Payroll costs include:

- Payroll FTEs salaries and benefits
- Office supplies
- Contract monies for direct support
- Training that is directly related to the payroll function
- Data Center costs
- Rental or building fees\*
- Utilities
- Printing/Mailing costs
- Assessments for IT infrastructure
- Security
- HR Support
- Acquisitions
- Finance
- Headquarters management billable to W-2
- Contract Support
- Statement of Auditing Standards (SAS) 70 Audits
- Depreciation/Overhead/G&A
- Cost to develop, maintain, and operate payroll systems

Notes: Costs will be reported in the aggregate; the above list is meant to show at a minimum what must be included in the aggregate cost. The list above is not an exhaustive list.

**Number of Employees Serviced:** Number of Employees Serviced is defined as the total number of employees receiving a W-2 plus any employees processed who do not receive a W-2.

*All items included within the definition apply to activities only performed at the Payroll provider or their outsourced vendor.*

*There is a standard industry benchmark available for comparison.*

*\*Item may not be applicable to all providers.*

## **Payroll Provider Servicing Ratio**

**Measure Category:** Efficiency

**Calculation:** Number of Employees Serviced During a Calendar Year Divided by the Number of Payroll Process FTEs During a Calendar Year

**Example:** Number of Employees Serviced from Jan 1 – Dec 31, 2008 (W-2s Produced in Jan 2009) Divided by the Number of Payroll Process FTEs from Jan 1, 2008 – Dec 31, 2008

**Frequency:** Annual

**Reporting Period:** Calendar Year

### **Measure Definitions:**

Payroll Servicing Ratio is defined as the number of employees serviced divided by the number of FTEs supporting the payroll process. FTEs include all individuals (e.g. employee, contractor) reporting directly to the payroll operations organization. Payroll operations are comprised of two components, Report Time/Manage Pay and Report Payroll Taxes.

**Report Time/Manage Pay:** Report Time includes those activities associated with receiving employee time information from client agency time and reporting systems for use by payroll, benefits, billing (depending on business model), etc. Report time includes preparing the data for payroll and benefits use by analyzing and reporting paid and unpaid leave, monitoring regular, overtime and other hours, and analyzing and reporting employee utilization.

Manage Pay includes those activities associated with moving employee time data into the payroll system; maintaining and administering employee earnings and deductions in accordance with regulations, statutes, union agreements, and agency policies for each pay period (including bonus runs throughout the year); maintaining and adjusting leave balances; maintaining, reporting, and reconciling benefits information; monitoring changes in tax status to prepare the payroll each period; processing and distributing payments to employee accounts or directly to employees; processing and distributing manual checks, period end adjustments, supplemental payroll (additional earnings processing, retirement, disability, workers compensation, etc.), processing on and off-cycle payroll, retroactive payroll, on-line checks, check reversal, check adjustment, stop payments, garnishments and other salary debt; bank reconciliation, payroll reconciliation to the general ledger, check reconciliation, and year-end pay and benefits reconciliation; responding to payroll-related inquiries; performing management activities; establishing and documenting policies and procedures; and training for all Manage Pay activities.

**Report Payroll Taxes:** Report Payroll Taxes includes those activities associated with reconciling and disbursing taxes withheld from employees (OASDI, Medicare, etc.) and ensuring regulatory and statutory compliance for payroll tax obligations on behalf of the

organization. This includes filing regulatory payroll tax forms in a timely manner; calculating and paying applicable company payroll taxes; payroll tax compliance, and year-end processing. In addition, the “report payroll taxes” process includes the production and distribution of employee tax statements on annual basis (e.g. W-2s). For organizations that outsource services, such as W-2 production, measurement results may be somewhat skewed.

**Payroll FTE:** The equivalent of one person (e.g. employee, contractor) reporting directly to any of the Payroll Process functions working 40 hours per week for a total of 2080 hours per calendar year. Part-time individuals are converted to full-time equivalents. Payroll FTEs include all individuals (e.g. employee, contractor) reporting directly to the payroll operations organization. Payroll operations are comprised of two components, Report Time/Manage Pay and Report Payroll Taxes.

**Number of Employees Serviced:** Number of Employees Serviced is defined as the total number of employees receiving a W-2 plus any employees processed who do not receive a W-2.

*All items included within the definition apply to activities only performed at the Payroll provider.*

*There is a standard industry benchmark available for comparison.*

## **Unit Cost of Printing and Mailing Hard Copy W-2s**

**Measure Category:** Cost

**Calculation:** Cost Incurred to Print and Mail Hard Copy W-2s to Employees Divided by the Number of W-2s Mailed

**Frequency:** Annual

**Reporting Period:** Calendar Year

### **Measure Definitions:**

Cost Incurred to Print and Mail Hard Copy W-2s is defined as the sum total of the costs for printing and mailing W-2s to employees.

Costs include:

- Cost of printing (includes labor)
- Cost of postage (includes postal verification)
- Cost of materials

Does not include W-2cs and reissues.

Providers will note whether their W-2 distribution is outsourced.

*All items included within the definition apply to activities only performed at the Payroll provider or their outsourced vendor.*

*This measure will be used for comparison across all government selected payroll providers. There is not a standard industry benchmark available for comparison.*

## **Cycle Time of Electronic W-2 Distribution**

**Measure Category:** Cycle Time

**Calculation:** Number of Calendar Days between the Day the Last W-2 Data is Accepted and the Calendar Day W-2s are Available Electronically to the Employee

**Frequency:** Annual

**Reporting Period:** Calendar Year

### **Measure Definitions:**

Cycle Time of Electronic W-2 Distribution is defined as the number of calendar days between the day the last W-2 data is accepted to the day W-2s are made available to the post office. The period of time being measured should end when all W-2s are made available to employees. The time period should account for any days providers are performing exception W-2 processing, or the days that W-2s are in suspense. This time period does not include W-2c processing and reissues.

Processes differ across organizations. Providers will provide narrative summaries describing their processes. Providers will also note whether their W-2 distribution is outsourced.

*All items included within the definition apply to activities only performed at the Payroll provider or their outsourced vendor.*

*This measure will be used for comparison across all government selected payroll providers. There is not a standard industry benchmark available for comparison.*

## **Cycle Time of Hard Copy W-2 Distribution**

**Measure Category:** Cycle Time

**Calculation:** Number of Calendar Days between the Day the Last W-2 Data is Accepted and the Day W-2s are Made Available to the Post Office

**Frequency:** Annual

**Reporting Period:** Calendar Year

### **Measure Definitions:**

Cycle Time of Hard Copy W-2 Distribution is defined as the number of calendar days between the day the last W-2 data is accepted to the day W-2s are made available to the post office. The period of time being measured should end when all W-2s are made available to employees. The time period should account for any days providers are performing exception W-2 processing, or the days that W-2s are in suspense. This time period does not include W-2c processing and reissues.

Processes differ across organizations. Providers will provide narrative summaries describing their processes. Providers will also note whether their W-2 distribution is outsourced.

*All items included within the definition apply to activities only performed at the Payroll provider or their outsourced vendor.*

*This measure will be used for comparison across all government selected payroll providers. There is not a standard industry benchmark available for comparison.*

## **Number of SAS-70 Material Weaknesses**

**Measure Category:** Internal Control

**Calculation:** Count of Material Weaknesses Identified in the SAS-70 Audit

**Frequency:** Annual

**Reporting Period:** Fiscal Year

**Measure Definitions:**

Number of SAS-70 Material Weaknesses is defined as total number of material weaknesses identified in the SAS-70 audit.

*All items included within the definition apply to activities only performed at the Payroll provider.*

*This measure will be used for comparison across all government selected payroll providers. There is not a standard industry benchmark available for comparison.*

## Unit Cost of Processing a Wage Garnishment

**Measure Category:** Cost

**Calculation:** Costs Incurred to Process Wage Garnishments in the Calendar Year divided by the Number of Garnishments that Originate during the Calendar Year

**Frequency:** Annual

**Reporting Period:** Calendar Year

### **Measure Definitions:**

Unit Cost of Processing a Wage Garnishment is defined as the total costs incurred to evaluate and process external wage garnishments in the calendar year divided by number of garnishments that originate during the calendar year. Types of garnishments include, but are not limited to:

- Child support
- Alimony
- Commercial wage garnishments
- Tax levies
- Bankruptcy
- Department of Education student loans

Does not include:

- TOP's debt (Treasury Offset Program)
- Travel card debt
- Internal debt (salary overpayments, Federal property, etc.)

Costs may include:

- Pay and benefits of personnel processing the garnishments
- Overhead (specific to each provider)

Providers will note whether their garnishment process is outsourced.

*All items included within the definition apply to activities only performed at the Payroll provider or their outsourced vendor.*

*This measure will be used for comparison across all government selected payroll providers. There is not a standard industry benchmark available for comparison.*

## **Appendix B – 2011 Payroll Benchmarking Questionnaire**

### **Instructions for Completing the 2011 Payroll Benchmarking Questionnaire**

Thank you for taking the time to complete this questionnaire. Various cost and data elements may require your organization to generate special system reports to collect the necessary data. In addition, certain data elements may require estimates derived from observation of certain practices and processes. The following steps will provide for efficient and accurate benchmarking.

1. Review the Human Resources Line of Business Payroll Benchmarking Measure Definitions prior to completing this questionnaire.
2. If your system or records do not track certain items (e.g. cycle times), please approximate the requested figure by observing a defined shorter time period and extrapolating for the total.
3. All data should be reported based on calendar year or fiscal year 2010 data (except where noted.)
4. All questions should be completed. No input fields should be left blank.
5. Each organization should submit one completed document to the Human Resources Line of Business Program Office. Use this questionnaire to submit your information.
6. If your organization has any questions on completing the questionnaire or on an individual measure, please contact [hrlob@opm.gov](mailto:hrlob@opm.gov).

**Please return your completed questionnaire by end of day Tuesday, May 31, 2011.  
Questionnaires and all additional documentation should be emailed to  
[hrlob@opm.gov](mailto:hrlob@opm.gov)**

### 2011 Payroll Benchmarking Questionnaire

**1 Cost of Printing and Mailing Hard Copy W-2s**

Cost incurred to print and mail hard copy W-2s.

Number of W-2s mailed in January 2011.

Total cost per mailed W-2.

*If your organization outsources any part of the W-2 process please attach a separate document briefly telling us which parts of the process are outsourced.*

**2 Cycle Time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office**

Calculation Average number of days for your organization to close the payroll system, process the bi-weekly pay, transmit the payment to Treasury or DoD disbursing office, and certify the transmission.

*Organizations should reference their calendar year 2011 pay cycles*

*to determine an average cycle time.*

**3 Cycle Time of Electronic W-2 Distribution**

Calculation Number of calendar days between the day the last W-2 data is accepted and the calendar day W-2s are available electronically to the employee.

*Organizations should provide their data based on W-2s made available in January 2011. The period of time being measured should end when all W-2s are made available to employees. The time period should account for any days providers are performing exception W-2 processing, or the days that W-2s are in suspense. This time period does not include W-2c processing and reissues.*

*If your organization outsources any part of the W-2 process please attach a separate document briefly telling us which parts of the process are outsourced.*

**4 Cycle Time of Hard Copy W-2 Distribution**

Calculation Number of calendar days between the day the last W-2 data is accepted and the day W-2s are made available to the Post Office.

*Organizations should provide their data based on W-2s made available in January 2011. The period of time being measured should end when all W-2s are made available to employees. The time period should account for any days providers are performing exception W-2 processing, or the days that W-2s are in suspense. This time period does not include W-2c processing and reissues.*

*If your organization outsources any part of the W-2 process please attach a separate document briefly telling us which parts of the process are outsourced.*

**5 Number of SAS-70 Material Weaknesses**

Calculation Count of material weaknesses identified in the SAS-70 Audit.

*Organizations should provide their data based on their FY10 SAS-70.*

**6 Payroll Price per Employee Serviced**

Calculation Total payroll price divided by the number of employees serviced.

*Organizations should provide their FY10 price for their baseline services.*

**7 Payroll Provider Servicing Ratio**

Calculation Number of employees serviced during a calendar year.

Number of payroll process FTEs during a calendar year.

Servicing Ratio

*Organizations should provide their data based on the number of employees they serviced during calendar year 2010 and their number of payroll FTEs during calendar year 2010.*

**8 Unit Cost of Processing a Wage Garnishment**

Calculation Costs incurred to process wage garnishments in the calendar year.

Number of garnishments that originate during the calendar year.

Cost of a wage garnishment.

*Organizations should provide their data based on calendar year 2010.*

*If your organization outsources any part of the garnishment process please attach a separate document briefly telling us which parts of the process are outsourced.*

## **Appendix C – Department of Agriculture’s National Finance Center Narrative**

### **Description of Organization**

The National Finance Center (NFC) serves the United States Department of Agriculture (USDA) and other Federal organizations providing reliable, cost effective, employee-centric systems and services so that our customers can focus on serving this great Nation through mission delivery. NFC looks to leverage its more than 30 years of leadership in the Federal sector and its current capabilities to provide valued services centered on Federal employee recordkeeping.

NFC’s value proposition lies in these five key attributes:

- High reliability and proven track record
- Low costs
- High data and physical security
- Knowledgeable, experienced staff with a “can do” attitude
- Relationships, human and technical, with virtually every Federal organization

The majority of NFC’s shared services workforce and operations is located in New Orleans, Louisiana, with additional sites in Washington, D.C., and Denver, Colorado. Members of the New Orleans-based information technology (IT) staff, along with a small cadre of on-site personnel in Denver, support NFC’s primary data center and the disaster recovery operations at a backup data center in St. Louis, Missouri. NFC’s Washington, D.C., site has a small team providing customer service, marketing, Payroll/Personnel policy, and interface to the Office of Personnel Management (OPM) and other regulatory bodies

The core for NFC’s payroll offering is in its integrated, in-house developed and maintained Payroll/Personnel System. The ability to maintain its systems in-house affords NFC the flexibility to adapt to unique client needs and requirements that are not routinely available in mainstream Federal payroll. As a result, while NFC’s original mission was to provide payroll services to USDA, NFC began taking on payroll services for other Federal clients in 1984. Today, NFC provides payroll services for 170 Federal organizations across all branches of Government and several independent organizations for a payroll in excess of 650,000 Federal employees. These organizations range in size from 4 employees to more than 175,000 employees.

NFC prides itself in being able to provide the stability of a competitively priced, integrated Payroll/Personnel baseline service that is flexible enough to provide additional programming and support for those clients with special and unique payroll servicing needs. Therefore, NFC’s Payroll/Personnel business model has continued to expand and grow beyond payroll over the years and currently includes such offerings as state-of-the-art access for employees via an Employee Personal Page and Employee Self Service; a 24/7 data center help desk; a Web-based, employee-entry Time and Attendance (T&A) System; a staff of dedicated customer support representatives; Human Resources (HR)/Payroll/ Personnel

help desks and training; and ad-hoc and canned reporting functionalities available via a Web-based system and a mainframe environment.

### **List of Baseline Services**

Due to NFC's history of accommodating unique client needs, it has developed a tiered approach to payroll services and related costs. The services listed below are those items that, through experience, NFC has learned are common payroll services that all of our clients want as a baseline Payroll/Personnel product. NFC also offers a variety of additional Payroll/Personnel services to clients on an individual client basis. These additional services are designed to meet the special and/or unique servicing needs of a particular client. Depending on the client situation, these additional services may be handled ad-hoc or incorporated in that client's service level agreement.

### **Payroll Processing Services**

- Provide a system for T&A entry and submission.
- Provide accurate and timely salary payments.
- Receive, review, and correct error conditions on submitted T&A records and contact the agency if required to obtain necessary information. This process occurs during payroll week a minimum of two times per day.
- Record and maintain an official "system of record" for payroll and personnel data for all customer employees.
- Support and operate the interface with OPM to update the Government-wide Central Personnel Data File/Enterprise Human Resources Integration Warehouse with personnel data for all of client's employees.
- Maintain the standard data dictionary for all personnel and payroll data.
- Design, develop, and implement program development services to ensure compliance with mandated regulations, enhancements, and modifications (i.e., annual pay raise, tax law changes, etc.).
- Receive, assign, monitor, and complete the processing of manual transactions initiated by the customer within a specified timeframe based on complexity. Process manual adjustments initiated within NFC to adjust various areas such as Wage and Tax Statement (W-2) suspense and cash reconciliation.
- Receive, analyze, and correct error conditions on NFC payroll adjustment record reports. Corrected Adjustment Processing System (ADJP) items may include revalidations based on the processing of late personnel actions, T&A revalidations, and duplicate cash awards.
- Produce Earnings and Leave (E&L) Statements.
- Produce and mail annual Personal Benefits Statements.
- Provide a tool for the customer to enter manual payments.
- Maintain records following prescribed file and disposition schedules.
- Support the clients' Human Resource Officers with their correction of suspense data.
- Receive, track, and follow to resolution all customer inquiries reported to the Payroll/Personnel Call Center.
- Close financial records based on fiscal year, tax year, leave year, and other reporting variables.

- Provide employee self-service applications addressing employee informational needs and data change requests. Provide electronic options for:
  - E&L Statements
  - W-2
  - Personal Benefits Statements
  - Financial Disclosure Statements
  - Employee Self-Service

### **Payroll Accounting Services**

- Reconcile disbursement activity.
- Provide weekly payroll detail, in the format specified by the customer, to interface with the customer's financial system.

### **Salary Payment Processing Services**

- Serve as designated Treasury Certifying Officer. Authorized on behalf of client agencies to provide accurate and timely payment certification of all salary-related payment vouchers processed through the United States Department of the Treasury, Financial Management Service. Transactions include daily manual payroll schedules and automated biweekly payroll processing cycles (e.g., net salary payments and salary-related payments associated with employee withholdings and Agency contribution monies).
- Research and resolve all employee claims of non-receipt related to electronic funds transfer (EFT) salary payments.
- Reconcile payment cancellations to Treasury credits and Administrative Billings and Collections unbilled receivables.
- Reissue canceled payments on behalf of agencies only when payments are for child support, student loans, garnishments, bankruptcies, and Internal Revenue Service (IRS) levies. For all other canceled payments (e.g., canceled salary payments, allotments, etc.), NFC provides guidance to customers on initiating the reissuance of these payments using NFC's Web-based Special Payroll Processing System (SPPS).

### **Payroll Policy Support Services**

- Develop systems design along with the corresponding coding/module changes and performs integration testing.
- Develop functional requirements and facilitate implementation of new laws and regulatory requirements.
- Document system-wide specifications based on new laws and regulatory requirements.
- Manage and implement production application controls, configuration management, and security.
- Plan and develop basic training materials.
- Coordinate end-user acceptance testing.
- Coordinate with OPM on new laws and regulatory requirements.

### **Benefits Reconciliation and Liaison Services**

- Reconcile Federal Employees Health Benefits insurance coverage in the NFC system with the Federal Employees Health Benefits Centralized Enrollment Clearinghouse System.
- Reconcile Thrift Savings Plan (TSP) deduction records within the TSP system of records.
- Process benefits for international employees.
- Generate retirement and separation packages with supporting documentation and forward to OPM.

### **Tax Reporting Services**

- Provide accurate and timely tax reporting.
- Close records based on tax-year-reporting variables.
- Reconcile tax deductions and report to Federal, State, and local taxing authorities.
- Produce and mail annual W-2s for each employee paid.

### **Debt Management Services**

- Monitor and collect receivables related to current and former employee indebtedness.
- Provide cash reconciliation information.
- Provide debt problem resolution through use of a call center.

### **Claims Services**

- Collect delinquent receivables related to former employee indebtedness.
- Refer bankruptcy cases for current and separated employees.
- Use debt collection tools as required by Treasury for collection of delinquent debts.

### **Third Party Garnishment Processing**

- Notify agencies upon receipt of requests for third party debt documentation.
- Process third party garnishments for IRS tax levies in accordance with agency's request.

### **Post-56 Military Service Deposit Processing**

- Record, monitor, and verify post-1956 military service deposits for credible active service performed after December 31, 1956, to the Civil Service Retirement System or the Federal Employees Retirement System fund.

### **Reporting Services**

- Provide on-demand reporting (FOCUS, Payroll/Personnel Report Generator System (CULPRPT), and the NFC Reporting Center).
- Support end-use and customer reporting using the NFC Reporting Center.

### **Postage Services**

- Provide actual postage costs for mailing paper E&L Statements, Personal Benefits Statements, W-2s, and paper checks mailed by Treasury.

### **USDA Office of Inspector General Oversight of Payroll Processing**

USDA's Office of Inspector General (OIG) performs annual audits on NFC's Payroll/Personnel System and data center operations. OIG is funded for USDA agencies through appropriations. Non-USDA agencies are charged for these services. Audit documentation, reports, and findings are shared with customer agency auditors, as needed, and are covered under this line item. Specifically, USDA, OIG will:

- Perform audits of NFC's systems and operations.
- Coordinate audits with serviced agencies or their designated audit agents.

### **eGovernment Services**

- Coordinate NFC eGov efforts.
- Coordinate with OPM for project status and cost reporting.
- Coordinate with OPM regarding a replacement system planning/development.
- Work with OPM and other shared service providers on standardization of Federal payroll-related policies/requirements.

### **Data Center Services**

- System Maintenance and Operations:
  - Provide continuous online availability during normal business hours.
  - Maintain multiple system environments (production, test, development, etc.).
  - Perform regular maintenance on all production, test, and development data sets.
  - Provide ongoing systems tuning, capacity management, and performance monitoring.
  - Operate a 24-hour help desk for systems connectivity and availability issues.
  - Operate a multi-tier troubleshooting service for the Data Center.
  - Develop and maintain the schedules for processing each payroll cycle.
  - Design and maintain IT infrastructure and telecommunications network to support applicable applications.
- Voice Response System and Online Customer Information:
  - Provide voice response system access to users.
  - Provide the infrastructure for the voice response, online knowledge database, and online directives.

- Security:
  - Provide a secure data processing environment for operation of the application software.
  - Provide security controls of various levels for personnel and payroll data.
  - Operate a security access process for client agencies and their staffs.
  - Establish and monitor security procedures.
  - Meet the National Institute of Standard and Technology and Federal Government security standards and controls for systems that access, process, and store sensitive but unclassified data.
  - Technical Support:
    - Provide technical support for agency security officers.
    - Troubleshoot access problems.
    - Perform certifications as prescribed in Office of Management and Budget (OMB) Circular A-130, Management of Federal Information Resources.
  
- Disaster Recovery (DR) and Continuity of Operations (COOP):
  - DR is the recovery process of the IT infrastructure (putting the computing facility back in operation). This includes restoring operating systems, databases, non-database productions files, servers, network, etc.
  - COOP is the process of continuing business operations through a Business Continuity Plan (BCP). A BCP may include a Business Resumption Plan (BRP) to put recent processes back in synchronization with the restored IT infrastructure. Examples: A hurricane threat would make NFC execute their BCP. A disaster in Denver would require the BCP to also execute the BRP.
  - Provide disaster recovery and business continuity planning and procedures.
  - Operate essential services of a backup computer facility such that service availability will not be significantly impacted.
  - Ensure that essential applications are available to our customers and are functioning properly within specified and agreed-upon recovery timeframes.
  - Provide limited onsite technical support for installation and troubleshooting.
  - Provide communication with staff and customers via the NFC and USDA Internet-based homepages.
  - Provide DR/COOP drills.
  - Produce Annual Compliance Certification Statement and the Statement on Standards for Attestation Engagements No. 16 Report.

### **Number of Employees Serviced**

NFC currently processes bi-weekly payrolls in excess of 650,000 employees per pay period.

### **Number of Client Agencies**

NFC provides payroll services for 170 Federal organizations across all branches of Government and several independent organizations for a bi-weekly payroll in excess of 650,000 Federal employees.

### **Type of Special Populations**

NFC provides Payroll/Personnel services to 170 Federal organizations covering various Federal Titles (e.g., Title 5, Title 7, Title 8, Title 12, Title 19, and Title 47), in addition to non-Federal entities such as Smithsonian's Trust employees and USDA's county employees. This includes Departments plus any independent organizations as identified by OMB.

### **Description of Outsourced Services**

Not applicable.

### **Supplemental Payroll Measurement Information**

#### *Cycle time of Electronic W-2 Distribution*

The Electronic W-2 Distribution process is as follows:

- (1) The cut-off date for the last payments to be included in the W-2s is reached.
- (2) A sample of W-2 data is verified.
- (3) When verification is completed, the W-2s are printed.
- (4) A sample of the printed W-2s is reviewed for accuracy and print quality.
- (5) When verification is completed, the W-2 data is made available on the Employee Personnel Page and Reporting Center.
- (6) The Employee Personnel Page and Reporting Center are updated nightly until all W-2s are corrected and released.

#### *Cycle time of Hard Copy W-2 Distribution*

Once W-2 data has been accepted, the primary bulk of W-2s (99 percent) is made available by the 14th day of the cycle; however, the remaining 1 percent is made available to the post office within the next 10 days.

The Hardcopy W-2 Distribution process is as follows:

- (1) The cut-off date for the last payments to be included in the W-2s is reached.
- (2) A sample of W-2 data is verified.
- (3) When verification is completed, the W-2s are printed.
- (4) A sample of the printed W-2s is reviewed for accuracy and print quality.
- (5) When verification is completed, Mail Center personnel are informed that the W-2s are to be mailed.

*Unit Cost of Processing a Wage Garnishment*

NFC's process for handling wage garnishments for its clients cannot be calculated in the terms requested in this metric. The vast majority of these types of transactions are processed directly by our customer HR offices. As a result, it is simply another transaction that is read and processed within our payroll system. We do not identify specific costs for these customer-generated transactions – they are all included in the base rate charged per W-2. For manually created garnishments and third party payments that require NFC intervention and assistance, an additional charge is applied to those specific transactions for the additional processing services. These manually-created transactions represent an immaterial percentage of the total percentage of garnishment-type transactions. Therefore, NFC cannot calculate the unit cost of all garnishment transaction processing.

## **Appendix D – Department of Defense Defense Finance and Accounting Service Narrative**

### **Description of organization**

The people of the Defense Finance and Accounting Service (DFAS) take pride in serving the men and women who defend America. We take our contribution to national defense seriously. We work hard to fulfill the important fiscal responsibilities entrusted to us by the American taxpayers. We ensure the resources they provide are accounted for properly.

In FY 2010 DFAS:

- Processed 168.9 million pay transactions (6.4 million people)
- Made 8.1 million travel payments
- Paid 11.4 million commercial invoices
- Maintained 255.2 million general ledger accounts
- Managed military retirement and health benefits funds (\$487.9 billion)
- Made \$578 billion in disbursements to pay recipients
- Managed \$31.9 billion in foreign military sales (reimbursed by foreign governments)
- Accounted for 1129 active DoD appropriations

### **DFAS overview**

In 1991, the Secretary of Defense created the Defense Finance and Accounting Service to standardize, consolidate, and improve accounting and financial functions throughout the DoD. The intent was to reduce the cost of the Department's finance and accounting operations while strengthening its financial management.

DFAS pays all DoD military and civilian personnel, retirees and annuitants, as well as major DoD contractors and vendors. DFAS also supports customers outside the DoD in support of electronic government initiatives. The new customers include the Executive Office of the President, the Environmental Protection Agency, the Department of Energy, the Department of Veterans Affairs, the Department of Health and Human Services and the Broadcasting Board of Governors.

Since its inception, the agency has consolidated more than 300 installation-level offices into nine DFAS sites and reduced the number of systems in use from 330 to 111. As a result of BRAC efforts begun in FY 2006, DFAS has closed 18 sites, realigned headquarters from Arlington to Indianapolis and established a liaison location in Arlington. There are still two more sites to close, with some 25 workloads remaining to migrate before all DFAS BRAC actions are complete early in FY 2011.

DFAS is financed as a Working Capital Fund, obtaining revenue by charging its customers for the services it provides rather than being funded through direct appropriations. The agency sets annual rates two years in advance based on anticipated workload and estimated costs calculated

to offset any prior year gains or losses. DFAS operations are subject to oversight by DoD as well as the executive and legislative branches of the federal government.

DFAS has steadily reduced operating costs and has returned those savings to its customers in the form of decreased bills and improved service. These savings are a result of the agency's robust search for continuous innovation and enhanced business practices. DFAS remains the world's largest finance and accounting operation.

### **Our mission...our vision**

The DFAS leadership and workforce is dedicated to achieving the agency's vital mission every day:

"Lead DoD in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information."

To accomplish this and to guide our way to the future, the agency has adopted a vision that challenges us to build upon past accomplishments to reach higher:

"To be a recognized leader in DoD's financial management by consistently delivering first-class service and products."

### **Our workforce**

Our focus is on the warfighters and everything we do to support them. This demands a highly talented and professional workforce.

The DFAS core values form the essential character of each individual within the agency. They are the guiding principles for each plan, project or action. These are the beliefs that must be a part of everything we do, have withstood the test of time, and will see us into the future. They are the foundation of the trust our customers have given us, the sense of partnership we hold for each person or organization we support, and the notion that, whatever our past accomplishments may be, they serve only as milestones to even greater successes.

### **Integrity: Doing what is right**

- Accountability
- Dependability and commitment
- Rewards linked to performance

### **Service: Striving to be a trusted financial partner**

- Collaboration within and across governmental organizations
- Commitment to financial stewardship
- Timely and accurate information
- World-class performance

### **Innovation: Creating new ways to do business**

- State-of-the-art technology to become a trusted financial partner
- Advanced enterprise systems
- Business intelligence

DFAS Civilian Pay Operations are currently conducted in two locations. Payroll processing occurs in payroll offices located in Cleveland, Ohio and Indianapolis, Indiana. Technical and support services are also located in Indianapolis, Indiana.

### **List of baseline services**

- Annual Aggregate Limit processing which includes the computation and deferral of wages
- Entitlements for items such as uniform allowance, retention, recruitment and relocation incentives, and bonuses
- Entitlements and allowances for employees serving in a foreign duty station
- Processing prior pay period adjustments as a result of Time and Attendance (T&A), Personnel, or retroactive regulatory changes
- Leave buy back processing related to the Office of Worker's Compensation Program (OWCP)
- Off-cycle payments made daily via Automated Disbursing System (ADS)
- Physician Comparability pay
- Administratively Uncontrollable Overtime
- Standby payments
- Supplemental Payments
- Automatic adjustments for Thrift Savings
- Computation, deduction, disbursement, and reporting for federal, state, and local taxes, as well as Old Age Survivor's Disability Insurance (OASDI) and Medicare
- Accounting, disbursement, reconciliation, and reporting of deductions and government contributions for Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS)
- Health Savings Accounts (HSA)
- Flexible Spending Account (FSAFEDS)
- Federal Long Term Care Insurance (FLTCL)
- Federal Employees Group Life Insurance (FEGLI)
- Federal Employees Dental and Vision Insurance (FEDVIP)
- Treasury Offset Program (TOPS) deductions
- Processing and administration of donated leave
- Cancelled Check processing
- Personal Check processing
- Employment Verification
- Union deductions based on flat amounts or tables
- Payment of union dues and distribution of detailed union deduction information to unions and, if requested, labor relations officials
- Government Quarters Housing deductions

- Separation processing; generation of lump sum payment based on Nature of Action Code (NOAC)
- Processing of taxable wage information from client finance offices for inclusion on the employees W2 (e.g., taxable travel payments, Permanent Change of Station reimbursements)
- Automated W2 processing, including ability to update W2 information after the final pay period for the year; automated W2c processing and on-line generation of duplicate W2s
- Automated deceased employee beneficiary pay
- Salary offset for active employees (debt collection)
- Savings allotments support
- Tier 3 Help Desk providing expert assistance for payroll related issues
- Disaster recovery, security, Continuity of Operations (COOP) and Testing
- Audit Support
- Full service accounting functionality
- Employee Self-Service and Distribution of Leave and Earnings Statements (LES) via MyPay and mail
- Issue resolution via Remedy system

**Number of employees serviced:**

DFAS Civilian Pay services over 1.2 million employees worldwide.

**Number of client agencies**

DFAS Civilian Pay services 11 major DoD (Department of Defense) and Non DoD agencies.

**Type of special populations**

Graded and Ungraded  
Physicians, Nurses - T42, T5, T38 and T5/T38 hybrid  
Professors and Educators  
Firefighters  
Air Traffic Controllers  
Judges  
Law Enforcement Officers  
Consultants  
Uncontrollable Overtime Earners  
Titles 3, 5, 10, 32, 38, and 42

**Description of outsourced services**

DFAS outsources the W-2 printing and mailing process to DRC (Data Recognition Corporation). DRC accepts and conducts a review of all W-2 data that is submitted and verifies addresses for mailing to ensure accuracy. Re-issued W-2s are processed by DFAS payroll offices in the DCPS (Defense Civilian Pay System) and printed by DAPS (Document Automation and Production Service).

DFAS has a separate component organization that processes Garnishments. The Garnishment Operation provides a legal review of all documentation by paralegals under attorney supervision. The Garnishment Operation processes only court-ordered documents including: Child Support, Alimony, Commercial Wage Garnishments and Bankruptcy. Tax Levies and Department of Education student loans are not administrated by the DFAS Garnishment operation.

The cost metric also includes the cost to process applications under the Former Spouses Protection Act, 10 USC 1408 and military commercial debt applications under 5 USC 5520A. The individual cost of these cases cannot be broken out, but it is important to note that DFAS Garnishments is the only agency that processes these.

### **Supplemental Payroll Measure Information**

#### 1. Cost of Printing and Mailing Hard Copy W-2s

DFAS outsources the W-2 printing and mailing process to DRC (Data Recognition Corporation). DRC accepts and conducts a review of all W-2 data that is submitted and verifies addresses for mailing to ensure accuracy. Re-issued W-2s are processed by DFAS payroll offices in the DCPS (Defense Civilian Pay System) and printed by DAPS.

#### 2. Cycle time in Days from Payroll System Cut-off until Payments are Transmitted to Treasury or DoD Disbursing Office.

DFAS currently maintains 13 Production Databases; resulting in a variance in the number of hours to process and transmit data. The time provided in the metric is an average of time for all 13 databases for the entire 2010 calendar year.

#### 3. Cycle time of Electronic W-2 Distribution

DFAS accepts W-2 data until the last day of the last pay period of the year. A file with consolidated W-2 data is compiled and transmitted to My Pay (DFAS administrated employee self-service site) to be displayed for employee viewing and printing. My Pay sends employees a notification email to inform them when the W-2 is available.

#### 4. Cycle time of Hard Copy W-2 Distribution

DFAS utilizes a third-party provider, DRC, to prepare and distribute W-2 documents. DFAS compiles W-2 data and transmits a file to DRC that will be reviewed prior to distribution.

#### 5. Number of SAS-70 Material Weaknesses

DFAS did not have any material weaknesses identified for fiscal year 2010.

#### 6. Payroll Price per Employee Serviced

DFAS total cost figures are derived from all applicable outputs attributed to servicing all DoD and Non-DoD customers.

7. Payroll Provider Servicing Ratio

DFAS utilizes DCPS (Defense Civilian Pay System), which is not an integrated payroll system.

8. Unit Cost of Processing a Wage Garnishment

See Description of Outsourced Services.

## **Appendix E – Department of the Interior’s National Business Center Narrative**

### **Description of Organization**

The Department of the Interior, through the National Business Center (NBC), offers the Federal Personnel and Payroll System (FPPS). The NBC offers a comprehensive customer-driven solution creating and generating the full life cycle of personnel and payroll transactions with its modern, flexible, integrated (HR, payroll, and time and attendance) FPPS, state-of-the-art analytical data warehouse tool (DataMart), and a full array of other related operation services, all of which are included in the base-level services. The NBC also offers optional, web-based Time and Attendance solutions including Kronos webTA and Quicktime. NBC is both a Payroll and HR LOB Shared Service Center and has been in the business of providing shared services for more than 30 years.

The FPPS is NBC’s enterprise integrated personnel / payroll system supporting employees in 38 agencies. The HR IT system was developed in-house using a suite of Software AG products. Software maintenance is performed by the NBC.

NBC is committed to providing our clients with innovative human resources products and services that meet their needs and are congruent with cutting-edge technology. To realize this commitment, we have expanded NBC’s human resources strategic direction by committing to expand HR LOB service offerings; standardize and improve business processes for all human resources operations; and improve automation for efficiency, service, and security gains.

To support the above processes, the NBC has developed the Human Resources Management Suite (HRMS). The HRMS is a set of human resources-related business process workflows, business rules, event rules, and routing rules that tie together human resources systems hosted by NBC, partner vendors, and customer agencies. There are a number of connectors, which will provide real-time integration between federal human resources related e-Gov initiatives, FPPS and HRMS systems, including an Entrance on Duty System (EODS); a Talent Management System (TMS-learning, competency, performance); and a Workforce Transformation and Tracking System (WTTS).

The NBC is a major provider of hosting services, which are comprised of infrastructure, telecommunications, storage management, application architecture, and data center security. The NBC also hosts OPM’s eGovernment initiatives to include the electronic Official Personnel File (eOPF) and the Enterprise Human Resources Integration (EHRI) data warehouse.

### **List of baseline services**

NBC prides itself on the comprehensive nature of its payroll services. Below is our full list of base-level payroll-related services.

### Time and Attendance Processing

- FPPS T&A Module provides for collection of leave and work hours, information on shift, overtime, and other premiums, exceptions to biweekly and hourly limits, project numbers, comprehensive editing at time of input, online help, and table look-ups. Timesheet processing includes on-line storage of timesheet data, and an on-line audit trail of changes. The T&A module is also used to store and edit T&A data received from other T&A systems. (Note: NBC also offers T&A solutions WebTA and Quicktime, which is web-based and designed for employee entry. WebTA and Quicktime are not part of a base level services.)
- Continuous T&A editing once T&As have been submitted to FPPS, and proactive interactions with timekeepers, personnel offices, and supervisors to resolve T&A errors before payroll calculation. An on-line error correction process used by the Payroll Office allows for cleaner T&A data to be sent to FPPS pay calculation.
- Automated leave processing of all regulatory leave types, including annual, sick, restored, military, leave under the Family and Medical Leave Act (FMLA), bone marrow / organ donations, administrative, and numerous agency-unique leave types. FPPS also supports credit hours, compensatory time, time-off awards, home leave, and shore leave. Leave processing includes applying accruals, maintaining balances, applying regulatory maximums, and reporting.
- Automated support for agency-unique leave types, or agency-unique leave processing, including maintaining balances, applying maximums and expirations dates, and reporting.
- Automated leave share and leave bank programs, including donations and receipts, accrual of special leave accounts per regulations, automated return of unused donations upon case closure.
- Automated support for worker's compensation and continuation of pay cases with quarterly reporting.

### Pay Processing

- Pay processing, including all calculations of gross-to-net pay; processing of pay and leave adjustments; government additives; applying hourly, biweekly, and annual limitations; maintenance of data for current and future reporting; and production and distribution of reports.
- Automatic deferral of payments that exceed the aggregate pay limitation, and automatic generation of those payments in the following year or upon the employee's separation.
- Entitlements for items such as uniform allowance, fringe benefits, recruitment and relocation incentives, and bonuses.
- Entitlements and allowances for employees in foreign duty stations.
- Prior pay period re-computations resulting from changes in T&A data, personnel actions, or retroactive regulatory changes. Changes within the last 26 pay periods are automated; NBC processes older changes by making manual calculations and submitting one-time adjustments through FPPS.
- Computation and disbursement of back pay provisions of settlement cases, including payment and Form 1099 reporting of interest, as authorized.
- Leave buy back related to periods of Office of Worker's Compensation Program (OWCP) are computed, collected, and the records adjusted accordingly.
- Off-cycle payments via an automated Pay Daily process.
- On-line certification and printing of Record of Leave Data SF-1150's.

- Physician Comparability Allowance payments.
- Administratively Uncontrollable Overtime payments.
- Standby payments.
- Student Loan repayments as hiring and retention incentives.
- Automated processing of Transportation pre-tax deductions and Fringe Benefits.
- Computation, deduction, disbursement, and reporting for federal, state, and local taxes, as well as Old Age Survivor's Disability Insurance (OASDI) and Medicare. We perform all tax accounting, reconciliation, 941, W2, W2c as well as 1099 reporting for interest and beneficiaries. We also provide separate tracking and reporting of prior year OASDI and Medicare transactions.
- Accounting, disbursement, reconciliation, and reporting of deductions and government contributions, as applicable, for Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS), life insurance, health insurance, TSP, thrift loans, and military service credit deposits.
- Disbursement of net pay via electronic funds transfer and Treasury checks; accounting and disbursement of deductions, including savings allotments, health savings allotments, voluntary tax allotments, discretionary allotments, quarters deductions, charities, union dues, association dues, commercial garnishments, child support, alimony, bankruptcies, education loans, Long-Term Care premiums, Flexible Spending Account (FSA) deductions, and Dental and Vision Care premiums.
- Union deductions based on flat amounts, table lookups, or percentages of gross or base pay.
- Payment of union dues and distribution of detailed union deduction information to unions and, if requested, labor relations officials.
- Government Quarters Housing deductions, including appropriate tax treatment for required Quarters occupancy.
- Separation processing; generation of lump sum payment based on Nature of Action (NOA) code; issuance and certification of Standard Form 1150 (SF- 1150) Record of Leave Data report; submission of retirement packages; closeout of retirement cards and automated severance pay, if applicable.
- Processing of taxable wage information from client finance offices for inclusion on the employees W2 (e.g., taxable travel payments, Permanent Change of Station reimbursements).
- Automated W2 processing, including ability to update W2 information after the final pay period for the year; automated W2c processing; and on-line generation of duplicate W2s.
- Association and fitness dues deduction processing.
- Automated deceased employee beneficiary pay.

#### Debt Processing

- Management of salary-related debts, including issuing bills, providing due process, and issuing collection notices in accordance with the Debt Collection Improvement Act; negotiating repayment schedules; initiating involuntary collections; accruing interest; establishing amortization schedules; and adjudicating waiver requests. Monthly reports to serviced agencies are produced to assist them in tracking their debt status and activity. Names and phone numbers of payroll contacts are printed on each bill to assist employees when questions arise.
- Processing collections for other debts, providing employee notice and enforcing regulatory maximums for collection of other agency debts, child support, bankruptcies, commercial

garnishments, education loans, alimony and tax levies. Support of the Treasury Offset Program and Delinquent Credit Card Offset program. Deducting travel advances or other non-salary related internal debts at the request of the employing agency.

#### Accounting

- Creation of labor cost file for interface to client labor cost system or accounting system. Creation of detail and summary accounting reports. Reconciliation of labor cost file with payroll disbursements. Assistance to client accounting offices on payroll accounting issues.
- Collection, deposit, reporting, and crediting of employee records for check and cash receipts, including receipts for bills, military service credit deposits, OWCP buyback, and advance payments of health benefit premiums.
- Collection Subsystem that tracks and accounts for receipts of cash or checks.
- Tracking, accounting and re-issue of returned payments, savings bonds, and Treasury credits, including Limited Payability credits. Resolution of lost/stolen paychecks and savings bonds and other post-issuance problems. Issue replacement checks and track the status of funds.
- Reissue / Re-certification process enables us to provide replacement payments to employees within a day.

#### Benefits Support

- Maintenance of retirement records (both service history and fiscal data), military service credit deposit records and providing for check payment or payroll deduction of military service credit deposits.
- Process Health Benefit submissions to carriers.
- Automatic TSP enrollment.
- NBC is responsible for working the quarterly reconciliation with carriers.
- Automated Retirement and Insurance Transfer System (RITS) reporting with capability to include external transactions.
- Thrift Lost Earnings pass-through from the TSP recordkeeper to client agency via labor cost file.
- Automated processing of Thrift rejects, Thrift loans, and shutdown of deductions due to TSP in-service withdrawals.
- Users have on-line ability to enter Health Benefit information for Standard Form 2809 (SF-2809) Employee Health Benefits Election Form and Standard Form 2810 (SF-2810) Notice of Change in Health Benefits.

#### Miscellaneous

- Distribution of Leave and Earnings Statements (LES) electronically through Employee Express and by mail to the official correspondence address of all employees. (Employee Express is an extra charge, not base level service). Duplicate LES' can be issued immediately upon request. LES' can include broadcast messages and individual messages, such as expiration of compensatory time and restored leave, update of Within Grade Increases (WGIs), and changes in pay.
- Employee Express also includes employee self-service for changes to address, banking information, allotments, TSP, charity contribution and other voluntary deductions, as well as the capability to print W-2s, a Federal Employee Benefits Statement, and Emergency Contact information maintained by the employee.
- Salary and Employment verification via The Work Number by the TALX Corporation.

- Unemployment reporting via the TALX Corporation's UC-Express.
- Imaging of documents to eliminate the need for stored paper documents and allow for imaged document retrieval.
- Table-driven Order of Precedence.
- On-line web page providing Time and Attendance Guide, Client Interface Guide, Payroll Accounting Manual and tax formulas.

As NBC has an integrated personnel and payroll system, the following functions are an integral part of the overall payroll service delivery model:

#### FPPS General System

- Integrated personnel and payroll system. Clients using FPPS do not need a separate system for processing personnel actions. This is a significant improvement over older technology that required two separate systems with separate databases, along with the necessary reconciliation between the systems.
- Ticklers sent through a client's e-mail system.
- On-line query and DataMart reporting. A library of standard queries is available to all users that can be executed as is or used as a baseline for customized queries. Clients can also develop their own queries.
- Help desk support for end users and employees.
- SF-50s automatically generate the payments for Administratively Uncontrollable Overtime, Availability Pay, Awards, Relocation Incentives, Recruitment Incentives, Retention Incentive and Separation Incentives.
- Annual Pay Raise processed by FPPS.
- View an employee's personnel and payroll history on-line.
- Interfaces daily to the retirement system.
- Accommodation of dual positions (employee has two different positions simultaneously in the same or different agencies).
- Mass change capability, such as reorganizations, realignments, and awards.
- Automatic accumulation of non-paid hours for Leave Without Pay, Within Grade Weeks, or Appointment Limits (day, weeks, or dollars) for timely generation of WGI actions.
- Electronic generation of standard reports (Standard Form 113A and G, Monthly Report of Fulltime Equivalent/Work Year Civilian Employment), OPM's eOPF, Central Personnel Data File (CPDF), and EHRI.
- Generation of Work Year and Personnel Cost Report (A93).
- Users are alerted of important information from NBC through Message of the Day command.

#### Security and Performance

- Maintenance of security and integrity of the database and client data. Management of system-level user IDs, passwords, and access authorities.
- Mainframe Security Access.
- Security Access profiles.
- Audit trail capabilities.
- Provision and management of a Disaster Recovery program, including: development and maintenance of a Contingency of Operations Plan (COOP) that covers FPPS and Quicktime, webTA production environments; provision and management of an off-site storage; provision

and management of a hot site facility; performing disaster recovery backups; and scheduling, coordination, and support of a disaster recovery testing process.

- Provision of and management of a “health and well-being” monitoring system for FPPS and Quicktime environments.
- Management of a monitoring and reporting system of FPPS and Quicktime, webTA activity and performance levels.
- Provision of and management of a physically secure hosting facility, meeting Federal government policies and standards for both physical and logical security.

In addition to the comprehensive list of payroll and other services above, NBC provides unparalleled customer-centric focus. Our Customer Service Center (CSC), concentrates primarily on the needs of individual employees, answering their pay and leave questions directly. The CSC is staffed by payroll experts with extensive experience. NBC is extremely proud of our outstanding responsiveness: 95 percent of employee issues are resolved on the spot, relieving the payroll client agency from that responsibility. In the unlikely event an employee reaches an automated attendant, the target response time is a return call within 2 hours. In 2010, NBC met this goal 98 percent of the time. The CSC’s toll-free number is printed on each LES.

### **Number of employees serviced**

306,567

### **Number of client agencies**

38 agencies used NBC for payroll services in 2010.

### **Special populations serviced**

All of our customer agencies are ‘special’ to us, and many of them have unique requirements. However the following list provides examples of the larger populations with unique requirements.

- Air Traffic Controllers and other FAA employees
- Pay Banded employees at several agencies
- National Park Service Police
- Bureau of Indian Affairs Contract Educators
- Tribal Employees retaining government benefits
- Securities and Exchange Economists
- Casual (Emergency) Workers in Department of the Interior and Department of Agriculture
- Youth Conservation Corp
- Non-Appropriated Fund Instrumentalities

**Description of outsourced services**

- All labor associated with printing W-2s and inserting envelopes is done on-site by government contractors.
- NBC utilized OPM's Employee Express to make 2010 W-2s available electronically to employees.

## **Appendix F – General Services Administration Narrative**

### **Description of Organization**

The U.S. General Services Administration (GSA) has over 40 years of successful history providing “back-office” services (financial, human resources, travel, payroll and administrative support functions) to the Federal marketplace. As an organization whose mission supports the administrative and financial needs of our client agencies and GSA, our objective is to deliver our services and systems in a customer-responsive, cost-efficient, integrated, and scalable manner.

Within GSA, the Office of the Chief Financial Officer (OCFO), Federal Integrated Solution Center (FISC), is the “umbrella” organization responsible for delivery of shared services, both internally and externally. FISC provides support to GSA Shared Services organizations, including the payroll operation, in several areas, including the following:

- Setting Strategic Vision and Goals.
- Review and Approval of Service Offerings.
- Function as a service “broker” between the management and delivery of services as well as across service lines.
- Serve as Account Manager contact person for resolving specific customer issues, change requests, or new requirements.
- Support the consistent achievement of customer service delivery goals and ongoing operational optimization of the service across delivery lines.
- Develop FISC brand, marketing materials, and communication strategy and plan for internal and external purposes.
- Maintain Interagency and Service Level Agreements.
- Manages the interface between FISC and potential and existing clients, providing a single primary point of contact.
- Manages the client relationship throughout the entire life cycle, from lead pursuit to steady state.
- During the Business Development Phase, markets and sells FISC services, responds to requests for information, processes, and tracks leads, and coordinates with other FISC staff to prepare proposal responses, formalize agreements, and develop transition plans.
- For existing clients, serves as the account partner to solicit feedback, communicate performance results, improve service levels, and coordinate change requests or responses to problems.

The GSA FISC provides Shared Services Program Management Support for various organizations within GSA, including the GSA National Payroll Branch (NPB) and the Financial Administrative Services Division. As the business relates to providing service delivery to external clients, FISC provides support to these organizations.

GSA has been a cross-service provider of payroll services for over 40 years for a diverse group of approximately 31,000 employees in over 42 federal agencies and presidential commissions. The GSA NPB is an organization within the GSA OCFO, and serves as one of GSA’s service

bureaus. This worldwide payroll operation is located in Kansas City, Missouri, and provides a full range of payroll services from hiring to separation.

The NPB is responsible for the management and centralized operation of GSA's Payroll Accounting and Reporting system (PAR), a fully automated, worldwide civilian payroll system. PAR was designed, developed, and is maintained by the GSA Financial Administrative Systems Division in Kansas City, Missouri, and has been operational since 1995. The GSA NPB operates in a strong internal control environment and is audited by several outside entities annually. This includes financial statements, A-123, Office of the Inspector General, customer agency, and Statement on Standards for Attestation Engagements (SSAE) 16 audits.

The GSA NPB commitment is to ensure our clients receive all-inclusive, efficient and flexible services at a fair price. The GSA NPB provides personalized customer service and handles specialty processes for federal, non-federal, and quasi-federal agencies. The NPB provides one-stop-shop service, which allows our clients to focus on their core mission instead of worrying about administrative functions such as payroll. Our niche is the small to moderate size market of federal agencies and presidential commissions. Many of our clients use GSA's Comprehensive Human Resource Integrated System (CHRIS). For those clients that do not use CHRIS, the NPB manually inputs human resource actions directly into PAR.

The GSA NPB has an on-site centralized customer service helpdesk. Customer Service Representatives respond to 99.8% of all inquiries at the point of contact. A helpdesk ticket is created for complex issues and referred for further research and resolution. The NPB customer call center is available to all employees serviced. In addition, employees have several self-service options through the GSA Payroll website and Employee Express (EEX).

The NPB is comprised of two sections: the Payroll Operations and Customer Service Section, and the Control, Analysis, and Reports Section.

The Payroll Operations and Customer Service Section processes the bi-weekly payroll actions and responds to Customer Service inquiries for all pay accounts.

The Control, Analysis, and Reports Section is responsible for all bi-weekly and calendar year post pay cycle processing to include the certification of payroll disbursement files to Treasury, reporting of payroll data to regulatory and taxing authorities, debt processing and balancing of critical payroll system outputs to internal data necessary to maintain system integrity and data validity.

### **List of baseline services**

1. Payroll Services
  - Furnish all necessary payroll support functions as provided by the Payroll Accounting and Reporting (PAR) system.
  - Track and monitor all activities, from initial hire through final payments at separation and submission of retirement records to the Office of Personnel Management (OPM).

- Manage Federal Employee Health Benefit (FEHB) Temporary Continuation of Coverage (TCC) for the Client Agency employees.
  - Manage automated donated leave program for employees who wish to donate leave within their agency or to other Federal agency or commission employees.
  - Calculating, recording and collecting annual leave buy back resulting from Office of Workers' Compensation Program (OWCP).
  - Calculate and report Federal Erroneous Retirement Coverage Corrections Act (FERCCA) corrections in accordance with OPM guidelines.
  - Calculate Thrift Savings Plan (TSP) make up contributions for employees serving on military duty that are subject to the Uniformed Services Employment and Reemployment Rights Act (USERRA).
  - Process TSP adjustments including lost earnings, make up contributions and the TSP payroll extract report.
  - Process off cycle manual payments via Treasury Secure Payment System (SPS) and manually update the PAR system to include required tax deductions.
2. Time and attendance processing. The Electronic Time and Attendance Management System (ETAMS) is used to:
- Collect time and attendance data.
  - Report and release time and attendance data.
  - Edit and correct time and attendance data.
  - Accrue leave.
  - Process leave.
  - Adjust leave.
  - Create amended time cards.
  - Generate Supervisory Time and Attendance Certification reports.
3. Provide labor distribution interface or data feed to financial systems.
4. Retroactive Pay/Leave Processing
- Prior pay period re-computation due to time and attendance or personnel action changes and corrections.
  - Administration of Back Pay Act provisions for third-party case settlements.
  - Pay and thrift adjustments resulting from late personnel actions.
  - Amended Time and Attendance records.
5. Process and input all employee benefits and deductions including:
- Child Care Subsidies and Moving Allowance Tax withholdings.
  - Discretionary allotments.
  - Voluntary tax allotments.
  - Union dues.
  - Charities.
  - Association dues deduction.
  - Savings allotments.
  - Thrift Savings Plan (TSP).
  - Health Savings Accounts (HSA).

- Flexible Spending Account (FSAFEDS).
  - Federal Long Term Care Insurance (FLTCL).
  - Federal Employees Group Life Insurance (FEGLI).
  - Federal Employees Dental and Vision Insurance (FEDVIP).
  - Provide pretax Federal Employees Health Benefits (FEHB) premium conversion.
  - Provide pretax qualified transportation fringe benefits program.
  - Foreign allowances including Living Quarters Allowances (LQA), post differential, post allowance, danger pay and education allowance.
6. Tax Reporting
- Automated Form W-2 reporting including IRS Form W2-C processing. Employee tax forms are available on-line via the Employee Express (EEX) website.
  - Prepare and process Cancellation of Claims, IRS Form, 1099C reporting for employee debts.
  - Employer quarterly tax reporting (IRS form 941 and 941C) via the EFTPS system. (As of calendar year 2009, 941X is used to correct previous quarterly reports).
7. Comprehensive payroll reports
- Associated payroll management reports, including, but not limited to, budget reports and accounting distribution summary reports are included.
  - Earnings and Leave Statements electronically via the Employee Express.
  - Premium Pay Validation reports.
  - Quarterly Overtime reports.
  - Consolidated Payroll reports.
  - Accounting Distribution report.
8. Payroll reporting to stakeholders
- Electronic file to Department of Labor containing monthly employment data and total quarterly wages paid.
  - OPM civilian employment reports.
  - Budget reports.
  - Quarterly Parent Locator File for Health and Human Services' Office of Child Support.
  - Automated unemployment reporting via the TALX Corporation UC-Express service.
  - Submit FEHB enrollment forms to Health Insurance Carriers (SF 2809/2810 forms).
  - Provide OPM required data for the SF-113A and SF-113G to the Client agency by the 10th of each month reflecting information for the preceding month.
9. Wage garnishments
- Provide full service Commercial Wage Garnishments processing on behalf of client agencies. The NPB receives garnishments orders from legal offices; reviews applicable state and local laws pertaining to wage garnishments; sends notification to the employee; calculates the biweekly salary offset amount; collects an employee service fee; disburses and mails the payment; and corresponds with the legal offices on the status and pay off date of the commercial wage garnishment.
  - Process other wage garnishments (including input data into the PAR system) for the following:

- Child support /alimony withholdings.
- Tax Levies (IRS, State and local).
- Bankruptcies.
- Department of Education Student Loans.

#### 10. Debt management

- Process debt and pre-offset notification.
- Salary offset for active employees (debt collection).
- Process Treasury Offset Program (TOPS) deductions.
- Collect and report claims for former employees including referral to TOPS.
- Respond to bankruptcy cases for current and former employees.
- Conduct waiver investigations for overpayment of pay and allowances.
- Provide joint payroll debt processing procedures.

#### 11. Check Processing

- Personal check processing, including payments received for overpayments, health insurance, debt collection, military service credit payments, etc.
- Processing for Treasury returns, limited payability and check cancellation.

#### 12. Separation Processing

- Separation processing (retirement, transfers, deaths etc).
- Maintenance of the Retirement Records.
- Offset advanced leave balances against final net pay at the current rate of pay.
- Offset debts against final net pay or unused annual leave.
- Maintenance of individual retirement data, including service history and fiscal history.
- Maintenance of separate records for military (post-1956) and civilian deposits.
- Reconciliation of retirement records (2806, 3100).
- Generation of deceased employee's payments to designated beneficiary.
- Generation of 1099 for gross amount to beneficiary.

#### 13. Employee Self-service

- GSA and its client agencies use EEX which is an employee self-service system allowing GSA employees and payroll customer employee's direct access to their payroll information. This interface provides employees the ability to view as well as change their payroll data in an online real-time Internet based environment.
- Automated employment verification via "The Work Number."

#### 14. Accounting

- Accounting Distribution report listing each employee's accounting classification code, earnings, benefits, and leave liability.
- Accounting data files.
- Worksheet to reconcile the accounting transactions to the Intra-governmental Payment and Collection System (IPAC) billing.
- Calculation of imputed financing costs for pension benefits by pay period.
- Calculation of leave liability balance by pay period.
- Calculation of bi-weekly accrual entries and quarterly commitments.

- Pay all salaries and government contributions to all appropriate benefit plans from its suspense funds. Using the Treasury Intra-Governmental Payment and Collection System (IPAC), the GSA processes reimbursement for these charges on a biweekly basis against the appropriation of the ordering activity in accordance with the provisions of 31 U.S.C. 1535. GSA will provide appropriate detail in support of these charges each pay period.

#### 15. Payroll policy

- Monitor pay and leave changes to Federal law and regulations.
- Update the PAR system based on legislative and regulatory changes by the due dates.
- Communicate with clients on changes in payroll policy.
- Provide payroll policy advice.

#### 16. Systems support

- Provide system hosting via the PAR system, which is a server-based, on-line and real-time payroll system. The system is table-driven to facilitate real-time data updates and maintenance. PAR is accessible through the use of web-based Oracle forms.
- PAR meets various government standards and guidelines and has been certified and accredited in accordance with the Computer Security Act and other Federal Information Technology guiding practices and policies.
- PAR was developed in accordance with the Government Accountability Office's (GAO) financial system requirements, the Federal Information Processing Standards (FIPS), and the JFMIP guidelines.
- Electronic media (tapes and other media) are stored in both an on-site access-controlled computer facility and in an off-site secure facility. Incremental backups are made daily and cumulative backups made weekly and stored in an off-site tape vault.

#### 17. Continuity of Operations Plan (COOP)

- GSA has developed a COOP and a separate contingency plan in the event of a disaster or emergency. The COOP covers in detail the continuation of payroll services in the event of an emergency/disaster from onset through final termination. The contingency plan identifies potential situational events and the corrective action needed to operate given the particular situation. The COOP plan covers all operational aspects to include staffing requirements, equipment and space needs and critical reporting/salary payment requirements. The on-line support for GSA can be re-directed to a COOP site.
- The COOP plan is tested and updated on a regular basis.
- GSA has implemented a web-based solution that provides payroll operations staff the ability to perform their job functions off-site over the Internet in emergency situations. The staff currently has approximately 250 queries that they can run to print out payroll information; with web enablement, they are able to view the information through their web browser and can optionally print the information. As a backup to other contingency recovery plans, Treasury-formatted files can be produced which will pay all employees for a standard work schedule.

### **Number of employees serviced**

GSA provides full service payroll support to a variety of populations and special populations within the Federal government. GSA serviced 31,495 employees in calendar year (CY) 2010.

### **Number of client agencies**

Number of client agencies, including GSA, serviced in CY 2010 was 42.

### **Special populations serviced**

GSA can pay project personnel/pay band, Non-Federal and Quasi-Federal employees, and administratively determined employees. GSA provides payroll services for the following titles and pay authorities:

- United States Code (U.S.C.) Title 5;
- Government Accountability Office (GAO) Title 6;
- National Credit Union Administration (NCUA) (Pay banded, partial Title 5);
- DC Code II, Section 910 and 1725 – DC Courts (Pay only, Title 5 for benefits);
- Title 36 – Holocaust Museum (Donated Employees); and
- Public Law 98-525 - US Institute of Peace (Quasi-Federal Employees).

GSA also services Law Enforcement employees, Presidential Transition Teams, all Former Presidents and Former Presidential staff.

### **Description of outsourced services**

The GSA has contracted with Employee Express (EEX) to provide W-2 Processing. Employee Express provides the following services to GSA:

1. Receive W-2 file from GSA.
2. Provide electronic Form W-2 access through the Employee Express website ([www.employeeexpress.gov](http://www.employeeexpress.gov)).
3. Print, distribute and mail Paper copies of Internal Revenue Service (IRS) Form W-2.
4. Electronically store and provide access to corrected W-2 (W-2C) processed by GSA and uploaded to the Employee Express website.
5. Reissued W-2 available to employee and GSA through website. Also, provides a CD-ROM of Copy 2 of the IRS Form W-2 to GSA.

## Appendix G – Industry Benchmark Narrative

### IBM/APQC

The IBM Benchmarking Program is a member of the Open Standards Benchmarking Collaborative (OSBC). The program is facilitated by American Productivity and Quality Center (APQC), a not-for-profit organization with greater than 30 years experience in performance measurement. APQC’s internationally recognized Process Classification Framework (PCF) ensures accurate comparisons across industries and geographies. The PCF provides a clear and common definition for business processes and activities.

IBM's Benchmarking Program conducts focused benchmarking studies yearly which have helped thousands of clients:

- **Establish a baseline;** measure and compare current performance with peer organizations
- **Identify sources of value creation;** identify performance gaps and improvement opportunities, and demonstrate how changing processes can create value
- **Estimate potential value;** determine appropriate performance targets, estimate the potential value to be realized, and support business cases for change
- **Identify best practices;** understand relationships between metrics and business drivers

Current payroll respondent breakout by region:

Africa and Middle East	1.2%
Asia-Pacific	8.7%
Central and South America	8.7%
Europe	50.2%
U.S. and Canada	31.3%

Current payroll respondent breakout by major industry:

Agriculture	0.2%
Energy	3.5%
Finance and Insurance	13.2%
Government	4.6%
Information and Communications	6.5%
Manufacturing	48.8%
Retail and Wholesale	5.6%
Services	12.1%
Transportation and Warehousing	5.6%