United States
Office of
Personnel Management
The Federal Government's Human Resources Agency

Retirement and Insurance Service
Financial Management Letter

Number: F-00-05 **Date : August 28, 2000**

SUBJECT: RECONCILIATION OF INTERGOVERNMENTAL BALANCES: ACCOUNTING FOR THE "STRADDLING PAY PERIOD"

As you know, agencies must record an accrued expense for employer contributions due the Retirement, Health Benefits and Life Insurance Programs at the end of the fiscal year. To do so properly, agencies must devote special attention to the pay period that includes or "straddles" September 30.

During the reconciliation of the FY 1999 intergovernmental account balances, we learned that two methods were commonly used to calculate the amount to accrue for the "straddling" pay period. Some agencies used a ratio of the number of *calendar* days that fell in FY 1999 over the number of calendar days in the "straddling" pay period [i.e., 5/14]. Other agencies used a ratio of the number of *workdays* that fell in FY 1999 over the number of *workdays* in the "straddling" pay period [i.e., 4/10]. We used the calendar day method to compute our accrued revenue in FY 1999. The use of different approaches to compute year-end accruals resulted in "built-in" and often material intergovernmental account balance differences with many of our partner agencies.

To address this inconsistency, we asked OPM's Office of Pay Policy whether an employee is actually paid for a five-day or for a seven-day workweek. The answer was that employees are entitled to pay based on the number of days in their established work schedule – five days per week for most. Accordingly, we have established that *workdays*, not calendar days, should be used to calculate the accruals pertaining to the "straddling" pay period. For the pay period that "straddles" September 30, agencies must, therefore, multiply their employer contributions for this pay period by the ratio of the number of workdays falling in the accounting year over the number of workdays in the pay period.

For FY 2000, the "straddling" pay period is the one that begins on September 24 and ends on October 7. Thus, for this pay period, agencies with biweekly pay periods will multiply their employer contributions for this pay period by the ratio of the number of workdays falling in FY 2000 [i.e., five] over the number of workdays in the pay period [i.e., ten]. The amounts computed will be reflected as a charge to account 6400G.24 – Benefit Expense – and as a credit to account 2213G.24 - Employer Contributions and Payroll Taxes Payable [note that this account is new for

FY 2000]. We will also use workdays in the calculation of our accrued Benefit Revenue for the "straddling" pay period. You will note that, for FY 2000, the ratio by which agencies will multiply their employer contributions for the "straddling" pay period will be the same, regardless of whether they use the workday [5/10] or calendar day [7/14] method. Since this rarity may not reoccur for many more years, agencies should seek nonetheless to modify their processes as soon as is practicable.

Please note that a change from a calendar day to a workday calculation is a change in accounting estimate. As such, the accounting approach is *prospective.* No catch-up adjustment should be computed or reported. The opening payable balance that agencies should report on their FY 2000 confirmation report should be their actual balance in account 2210G.24 as of September 30, 1999. To assist in the reconciliation, we will ask that agencies note on their FY 2000 confirmation report whether the September 30, 1999 balance in account 2210G.24, was computed using a calendar day or a workday calculation.

If you have questions about this matter, please direct them to 202-606-0606 or us at finance@opm.gov**.**

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