

CHAPTER 2. PAYROLL ELECTRONIC PROCESSING

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CHAPTER 2. PAYROLL ELECTRONIC PROCESSING

2.1 POLICY.

- 2.1.1 It is the National Aeronautics and Space Administration (NASA) policy to effectively use electronic processing to the extent possible to accomplish payroll objectives (see NASA Financial Requirements (FMR), Volume 11, *Payroll*, Section 2.3, Management Objectives). The electronic processing of NASA payroll transactions, distribution of payroll costs, and update of NASA accounting systems and information systems requires coordination of management efforts and system processing within NASA and among other agencies and financial institutions. All of the following must work together for an effective payroll process:
- A. Collection and processing of personnel data from human resource actions to calculate pay consistently with grade, position classification, and other individual entitlements.
 - B. A payroll processing mechanism to receive all the data and do the electronic calculations.
 - C. Interaction with the Office of Personnel Management (OPM) to ascertain the rates for pay, benefits, and other personnel information.
 - D. Receipt of time and attendance data each pay period to be used to calculate base pay and pay for leave categories.
 - E. Information on employee benefit and other deductions to calculate deductions from pay and contributions from NASA to pay for these items.
 - F. Import of the payroll labor cost file into the Agency's labor system for Centers' review reconciliation of labor cost distribution.
 - G. Electronic interfaces from and to other systems for receiving payroll data, and processing output for accounting and information needs and electronic banking.
 - H. Record keeping, reconciliation of data, and reporting.
- 2.1.2 Policies and procedures for NASA's payroll processing align with the goals of e-payroll to promote simple, easy to use, cost effective, standardized, integrated e-Human Resources (HR)/Payroll services and systems. The Joint Financial Management Improvement Program now under the Financial Systems Integration Office (FSIO) identified functional requirements that must be performed by agencies by Human and Resources & Payroll Systems. This chapter covers the effect of the eight functions required for payroll systems on NASA's payroll requirements from a financial policy standpoint. (See NASA Financial Management Requirements (FMR), Volume 11, *Payroll*, Section 2.4, Functions for Payroll Processing).

2.2 MANAGEMENT OBJECTIVE.

- 2.2.1 Any system or systems used in NASA shall meet the objectives of NASA payroll management which are:
- A. Prompt payment in the proper amount to all entitled persons in compliance with laws, regulations, and legal decisions.
 - B. Payment by Electronic Funds Transfer (EFT) in accordance with the Debt Collection Improvement Act of 1996 and 31 CFR 208, except where a waiver has been granted in accordance with 31 CFR 208.4.
 - C. Proper accounting for and disposition of all authorized deductions from gross pay.
 - D. Adequate control over retention and disposition of all payroll-related documents.
 - E. Preparation of adequate and reliable payroll records. Individual pay records for all personnel must be maintained to show gross compensation (including allowances by type and amount), deductions (including allotments) by type and amount, and net pay for each pay period. As a part of NASA's financial management system, these records must be maintained by calendar year, leave year, tax year, or fiscal year, as appropriate, to support:
 - 1. Management information needs.
 - 2. Planning, preparation, execution, and review of the budget.
 - 3. Internal and external reporting requirements.
 - F. Effective communication with employees on payroll matters.
 - G. Adequate control over all phases of pay, leave, and allowances.
 - H. Effective interaction of the payroll with the general ledger, personnel, cost accounting functions, and other work efforts in NASA requiring payroll information.
 - I. Adherence to Internal Control Methods (see FMR Volume 9, Internal Management Controls).
 - J. Collection and processing of payroll data consistent with a standard of accuracy, timeliness, complete reliability, and consistency.
 - K. Provision of an audit trail is to facilitate audits and reconcile and validate data.

2.3 FUNCTIONS FOR PAYROLL PROCESSING.

2.3.1 NASA's policy promotes efficiency of automation and electronic banking through the following eight functions, needed to process payroll. NASA uses an integration system for the payroll processing to provide the data necessary for NASA systems and reporting. Discussion of policies, procedures, and systems related to payroll follow.

2.3.2 Position Management and Classification Function.

- A. Policy. Needed for the administration of payroll and system of Position Management and Classification performs the initial and subsequent classification of jobs and matches individuals to a job class. NASA Human Relations Specialists shall ensure employee compensation consistency with grade, position classification and other individual entitlements.
- B. NASA System. NASA uses an internally developed and managed Position Management and Classification system called the NASA Supplemental Classification System (NSCS) to support the distinctive aspects of NASA's work, particularly aerospace work, rather than the more broadly defined categories of work and occupations defined within the Government-wide position classification system.

2.3.3 Personnel Action Administration.

- A. Policy. The Standard Form (SF) 50 Notification of Personnel Action documents employee information needed to determine compensation and serves as a source document for payroll processing providing the employee name, address, position, occupation, grade, step, benefits, financial codes and other information. SF 52 Request for Personnel Action often starts the execution of a SF 50. It is NASA's policy to:
1. Use an automated system to generate the SF 50 and SF 52 through a Personnel Action Administration system that shall:
 - a. Be a data source for maintaining a personnel data base.
 - b. Be a single entry point for the SF 50 and SF 52 data and production.
 - c. Interface electronically data to the Payroll Processing System for pay calculation and to other systems as needed for such purposes as Financial Information and Management activities.
 - d. Ensure Position Management and Classification system data and the SF 50 and SF 52 data are in agreement.
 2. NASA Human Resource Specialists responsibilities for data entry include:

- a. Ensuring accurate entry processes.
 - b. Ensuring entry agrees with the Position Classification.
 - c. Ensuring SF 50 data agrees with the SF 52 as appropriate.
- B. NASA System Provider. The NASA Human Resources Offices oversee the update of personnel actions. The Department of Interior (DOI) Federal Personnel and Payment System (FPPS) in a cross servicing arrangement with NASA handles the Personnel Action Administration function system execution. DOI also handles the automated payroll processing function identified in FMR Volume 11, *Payroll*. DOI provides assurance of the accuracy of handling the SF 50 and SF 52 data and its use in payroll processing.

2.3.4 Benefits Administration Function.

- A. General. This section covers the processing of benefit changes selected through self service systems. If a self-service capability does not exist the function is performed through the DOI FPPS.
- B. Policy. As performing changes or selecting benefits requires time-intensive manual work by both the employee and HR, such as delivering a hard copy slip to HR for manual entry, NASA's policy requires:
1. Use of web-based technology as the single entry point for NASA employees to process these actions whenever feasible.
 2. Use of interfaces to the payroll processing systems and other systems as necessary to avoid duplication of entry.
 3. Adoption of procedures, checks, edits, and on-line verification as necessary to assure the accurate processing as transactions.
 4. Handling Benefit Administration in accordance with FMR Volume 11, *Payroll*, Chapter 7, "Withholdings and Deductions."
- C. NASA System. Employee Express, an electronic system for benefit administration provided to NASA under cross serving arrangements with OPM and DOI, allows employees to manage their own discretionary payroll and personnel transactions. OPM and DOI provide access, update, and maintenance of Employee Express and interface functionality with the payroll processing system. DOI provides assurance of the accuracy of handling the data from Employee Express for payroll processing. The Work Number system handles employee verification. The transactions NASA employees shall (unless exempted by waiver) make through Employee Express include:
1. Change of federal and state tax withholding.
 2. Direct Deposit of pay arrangements.

3. Change of home address.
4. Set-up of financial allotments.
5. Enrollment and changes for the Thrift Savings Plan (TSP).
6. Enrollment and changes to health coverage.
7. Maintenance of Personnel Identification Number (PIN).
8. Sign up or changes for saving bond allotments.
9. Permission for employment and salary verification through The Work Number.
10. View employee "Leave and Earning Statement."

2.3.5 Time and Attendance (T&A) Processing Function.

- A. Policy. A T&A system shall be used to record employees' time in a pay and non pay status for purposes of computing pay, leave, and allowances. NASA's T&A system shall:
1. Process records so payroll data includes Work Breakdown Structure (WBS), to facilitate the use of NASA's Financial Classification Structure (FCS) when processing payroll labor cost for transmission to NASA's Core Financial System. This is instrumental for management purposes such as Full Cost Reporting.
 2. Meet the objectives of FMR Volume 11, Chapter 3, "Time and Attendance."
 3. Use web-based technology as the single entry point for NASA employees to process time and attendance transactions whenever feasible.
 4. Interface data and files to and from the payroll processing systems and other systems whenever feasible to avoid duplication of entry.
 5. Adopt procedures, checks, edits, and on-line verification as necessary to assure the accurate processing as transactions.
- B. NASA System. NASA uses the internally managed Web-based Time and Attendance Distribution System function (WebTADS) for Time and Attendance (T&A). OCFO provides oversight and Center CFO Personnel or Human Resource Personnel provide data entry and system operation. The data entered in WebTADS is electronically interfaced through NASA managed middleware:
1. To the labor distribution system for management of NASA financial codes for labor distribution.

2. To the DOI payroll system to calculate payroll.
3. From the DOI payroll system to NASA's labor distribution system to determine amounts for labor distribution financial coding based on the payroll calculations.
4. Finally, from the labor distribution system to the NASA Core Financial System with cost updates complete with financial coding for labor distribution.

2.3.6 Leave Processing Function.

- A. Recordation of Leave. The recoding of accrued leave taken by an individual is handled through the T&A system.
- B. Policy. NASA shall automate leave processing for the following:
 1. Calculation and maintenance of all activities associated with determination of proper leave balances for all types of leave advances, accruals, usages, forfeitures, limitations, and transfers.
 2. Application of current period leave accruals and leave charges to each employee's available leave balances, leave transfers, donations to leave banks or individuals, and adjustments to leave balances for restored leave, Equal Employment Opportunity (EEO) settlements, and similar after-the-fact situations.
 3. Processing of leave forfeitures and carryovers for each employee.
 4. Performing all the functions needed for handling leave in FMR Volume 11, *Payroll*, Chapter 4, "Leave."
 5. Updating through a single entry process.
 6. Permitting the maintenance of records of leave for each employee.
- C. NASA System. WebTADS handles the automated T&A process for leave actually taken by category. Performance of the leave maintenance function resides with DOI FPPS which abides by leave parameters for each employee received through the Personal Action Administrative System to maintain leave balances and calculate pay by leave categories.

2.3.7 Pay Processing Function.

- A. General. The payroll processing system comprises the central processing system for calculating payroll. It is the repository of all information collected from the systems and functions discussed in this section as needed to process payroll and the supplier of record keeping information and report information.

- B. Policy. The payroll system for NASA shall be the only central payroll processing system used by NASA. In case of a service provider a Standard Level User agreement shall be executed to provide payroll processing for all of NASA through a uniform payroll system. The payroll system must:
1. Calculate gross pay, deductions, and net pay, employee, and employer contributions for each employee on an effective pay period basis.
 2. Compute gross pay as the sum of each rate of pay times the number of units related to it, minus retirement annuity offsets, if applicable, plus all appropriate allowances and/or other gross pay components, classify and total deductions, subtract total deductions from gross pay, and apply formulas or utilize tables to determine employer contributions required for certain payroll taxes and benefits.
 3. Provide data that meets NASA's payroll informational needs. This includes NASA's criteria for accounting records, reporting purposes, and payroll administration at the employee level and aggregate level.
 4. Have the necessary capability to perform the entirety of the functions in this chapter for payroll processing and meet the objectives of payroll in conjunction with other systems and processes in NASA in accordance with FMR Volume 11, *Payroll*.
 5. Permit the reconciliation between NASA financial systems and other systems that receive the data from payroll processing.
 6. Allow for meeting the Fund Control Objectives of NASA (see FMR Volume 5, *Budget Execution*) to be met before payments are disbursed.
- C. NASA System. DOI FPPS provides full payroll processing services through electronic interfaces, web based connections or manual input and output including most of NASA's payroll processing related external reporting requirements. However, the NASA Labor Distribution System still must provide supplemental processing for cost calculations in the detail needed. Overall, NASA adopted DOI FPPS for the following:
1. Payroll Functions.
 - a. Payroll Accounts Maintenance.
 - (1) Leave and pay processing.
 - (2) Disbursement of pay.
 - (3) Back Pay administration.

- (4) Error Correction and Adjustment to the DOI FPPS system and through the DOI FPPS system to the extent practical.
 - (5) Off-Cycle payments.
 - (6) Audit and Research of payroll data.
- 2. Debt Management.
 - a. Salary Overpayments.
 - b. Collection Actions.
 - c. Debt Reporting and Tracking.
 - d. Garnishment and Legal Actions.
 - 3. Payroll Accounting.
 - a. Treasury/Bank Liaison.
 - b. Lost/Stolen Checks and Bonds.
 - c. Accounting Reconciliations for Disbursements (through Treasury).
 - d. Determination of amounts for payroll obligation and accruals for posting into the NASA Core Financial System through the labor distribution system.
 - 4. Taxes and Collections.
 - a. Federal
 - b. State.
 - c. City.
 - d. Local.
 - e. Includes processing of all forms for personnel tax administration such as; W2 (Form W2 Wage and Tax Statement) and W4 (Form W4 Employees Withholding Allowance Certificate) actions.
 - 5. Employee Benefit Payment Processing.
 - a. Retirement.
 - b. Life Insurance
 - c. NASA Employee Benefits Association.

- d. Federal Employees Health Benefits.
 - e. Thrift Savings Plan and Thrift Loans.
 - f. Employee direct deposits including for allotments.
6. The following is handled through DOI through a series of electronic one way interfaces from DOI to the recipient organization with the exception of Employee Express and John Hancock Long Term Health Care where there is a two-way data exchange from and to these entities.
- a. EFT through Treasury to handle most payments.
 - b. Non-EFT payments distributed via printed check for disbursement through Treasury.
 - c. Retirement and insurance disbursements to OPM.
 - d. Central Personnel Data File (CPDF) for update of personnel information to OPM.
 - e. Employee self-service Information to and from Employee Express.
 - f. Automated group health changes to OPM Electronic Health Benefits system.
 - g. Unemployment taxes for Unemployment Compensation.
 - h. Data to the Equal Employment Opportunity Report System.
 - i. Long term health care information to and from John Hancock Long Term Health Care.
 - j. Employee health insurance reconciliation interface with Health Benefit Enrollment Reconciliation.
 - k. Saving bond file with the Federal Reserve (Bonds).
 - l. Social Security Administration (SSA) files for child support enforcement.
 - m. State of California Directory of New Hires and Quarterly Wage Data.
 - n. W-2 file with the Internal Revenue Service.
7. The following are Interfaces with DOI FPPS and NASA Systems.
- a. To Travel Manager for employee verification and employee financial institution name and account number.

- b. To and from Identity Management System for cyber security verification of employee data.
- c. To and from the Technology Transfer System for award actions.
- d. To the Workforce Information System (WIMS).
- e. From the Labor Distribution System with pass through codes for financial classification, to the Labor Distribution System with calculated payroll data.
- f. From WebTADS to receive Time and Attendance Information.

2.3.8 Labor Cost Distribution.

- A. General. The labor distribution process in summary is distribution of civil servant employee's labor cost plus associated overhead type cost (fringe benefits, paid leave, etc) by financial classification structures. Due to full cost, NASA's labor distribution also must fairly and equitably allocate costs to projects and programs. NASA has a standard labor distribution system, the ALDS, used by all Centers, NASA Shared Services Center (NSSC), and Headquarters.
- B. Policy. NASA Policy for Labor Distribution is:
 - 1. To provide one labor distribution process as an integral part of the payroll system.
 - 2. To accumulate cost information for use in budgeting and controlling costs; performance measurement; determining fees and prices for services; assessing programs; and management decision making. Labor costs are an integral part of determining the cost of doing business.
 - 3. To accumulate cost to report workforce/labor information for full cost purposes, to understand where people work and the related cost and for full cost accounting and management.
 - 4. To accumulate work units by cost object (e.g., organization and activity), and responsibility center and be provided to other systems performing cost accounting functions.
 - 5. To calculate, distribute and update NASA payroll so labor cost is recorded consistent with the benefiting activities as reflected in the NASA's Financial Classification Structure (FCS). This information is needed for NASA full cost management, personnel management, and budget development and management purposes.
 - 6. To assure the labor distribution process distributes civil servant employees labor cost plus associated overhead type cost (fringe benefits, paid leave, hours associated with travel, etc) by NASA's

FCS, which includes the work breakdown structure (WBS), Fund, Internal Order, Cost Center, and Object Class for transmissions to NASA's Core Financial System.

7. To validate the data against anticipated results and format it for submission to Core Financial System.
8. To submit the data for posting to other NASA financial systems and HR systems.
9. To provide the capability of reconciling the data electronically with the payroll processing system and other systems as necessary.
10. To handle NASA Accruals according to the following policy for Personnel Compensation, Personnel Benefits and Related Payments (Object Class Code (OCC) 11, 12, 13, and 14).
 - a. Gross compensation (OCC 11), including overtime, will be accrued through the end of each month. A labor distribution system may be used to distribute actual charges to cost accounts and to credit accounts payable. A month end record cutoff shall be made if practicable. If a record cutoff is not feasible or the labor distribution to cost accounts does not vary significantly from payroll period to payroll period, the cost distribution of a representative preceding payroll or the total annual payroll to date may be used in determining the current accrual. Labor cost accruals will be distributed to the appropriate benefiting project(s) and functions. Merit bonuses and awards are not included in the accrual.
 - b. Benefits (OCC 12 and 14), including NASA contributions to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs will be accrued in the same manner as gross compensation. Other benefits, such as relocation-related real estate costs and personnel allowances, shall be accrued in the month in which notification of the liability for payment is received. (Reference FMR Volume 12, *Travel*.)
 - c. Payments to the Office of Personnel Management for reemployed annuitants and severance pay for former employees (OCC 13) will be accrued in the same manner as gross compensation.
 - d. Recruitment and relocation bonuses and retention allowances shall be accrued in the month in which the financial servicing Center is notified of the requirement for payment.

C. NASA System.

1. The DOI FPPS does not offer labor distribution functionality fully adequate for NASA purposes. To supplement this, NASA utilizes ALDS:
 - a. To receive T&A data from WebTADS and process it to assign project codes associated with gross payroll cost for time and attendance hours, hour types, adjustments, and rollup cost for various additives (e.g., fringe benefits).
 - b. To process T&A data so it can be electronically interfaced to DOI FPPS for payroll processing.
 - c. To receive the payroll as processed by DOI FPPS and further process the data for cost allocation purposes.
 - d. As a source system for updating the Core Financial System for General Ledger Records and Business Warehouse purposes.
 - e. As a source for any other NASA system that needs the data.
 - f. To check for fund availability to meet the fund control objectives of NASA (see FMR Volume 5, *Budget Execution*).

2.3.9 Reporting, Reconciliation, and Records Retention Functions.

- A. Policy. The system must provide for reporting, reconciling, and retaining records to accommodate a number of requirements.
 1. Reports shall be automated to:
 - a. Be accessible and formatted as required to satisfy regulatory, managerial, and accounting information requirements including full cost requirements.
 - b. Be generated at specific time intervals or upon request, including reports that span fiscal years, calendar years, or other time periods to meet user needs and other requirements.
 - c. Produce user outputs including all vouchers and reports necessary to recognize payroll expenses and authorize related disbursements.
 - d. Include external reports including those required by Treasury, OPM, the Department of Labor, the Federal Retirement Thrift Investment Board, and others.
 - e. Include managerial reports including control reports used by human resources/payroll office staff members, as well as reports used by others such as supervisors.

- f. The Payroll system must provide the reports or needed payroll data for all NASA reporting requirements both internal and external (See FMR Volume 8, *External Financial Reporting*).
2. The systems involved in payroll processing must provide reconciliation functionality to compare data between systems. For ease of reconciliation:
 - a. All data for the payroll system is to be recorded based on a one time single point of entry. The data may be entered directly into the payroll system or update through an electronic interface with the payroll system.
 - b. All data from the payroll system to other systems is to be updated through an electronic interface with the payroll system.
 - c. Data between systems is to be electronically reconciled to flag any differences and procedures developed to make corrections with notification to or through the efforts of the responsible employees.
 3. For record retention the Payroll function must:
 - a. Provide for maintaining, storing, and permitting ready retrieval of employment and payroll data for the time period required by law. The system must be nimble enough to handle time frames and record keeping requirements that differ depending on the subject matter. For specific guidance NASA Payroll Administrators should contact:
 - (1) National Archives and Records Administration (NARA) 7th Street and Pennsylvania Avenue NW Washington, DC 20408 Life Cycle Management Division Phone: (301) 713-7110.
 - b. Abide by regulations concerning the handling of records created within the Federal government as written by the National Archives and Records Administration (NARA), and codified in 36 CFR 1200 to 1290.
- B. NASA Provision for Reports, Reconciliation, and Record Retention.
1. DOI FPPS provides;
 - a. Reporting, reconciliation, and record retention for automated data processed through the payroll system.
 - b. Processing through electronic interfaces to report payroll data to following key NASA systems receiving payroll data:
 - (1) NASA Core Financial System, General Ledger, and Business Warehouse for financial reporting and management.

- (2) NASA WIMS for human resource management, planning and budgeting.
 - (3) The DOI FPPS data is reconciled electronically with the data updated in NASA systems. DOI is responsible for performing reconciliations to other systems outside of NASA.
 - c. Record retention and management of payroll data.
2. NASA Organizations provide the reporting, reconciliation, and record retention function for:
 - a. Payroll data processed through their systems.
 - b. Hard copy documents processed through NASA.