

GAO

March 1996

Revisions to Title 6 on Pay, Leave, and Allowances

**Comptroller General
of the United States**

March 22, 1996

**GAO POLICY AND PROCEDURES MANUAL FOR GUIDANCE OF
FEDERAL AGENCIES****TITLE 6—PAY, LEAVE, AND ALLOWANCES****TRANSMITTAL SHEET NO. 6-33**

Effective Date: Immediately

Material Transmitted: Revision of Chapter 3 and Section 5.3 of Chapter 5

Purpose: The General Accounting Office has revised chapter 3 and section 5.3 of chapter 5 of Title 6 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies. The revisions cover internal controls over time and attendance (T&A) reporting and situations where employee pay is not sufficient to permit all deductions. The changes to T&A reporting are the result of advancing technology and current initiatives to simplify administrative operations. The changes that have been made should provide agencies with sufficient flexibility to streamline T&A systems and implement steps to reduce costs. We will monitor implementation of this new guidance and make additional refinements to further simplify T&A operations and reduce costs within the parameters set forth by law, regulation, and good internal controls.

This revision replaces chapter 3 of the May 1989 edition of Title 6. Elimination of the order of precedence for deductions is in response to the requirements of the Hatch Act Amendments of 1993, Public Law 103-94, that were passed subsequent to the last revision of Title 6. This revision also replaces section 5.3 in chapter 5.

The principal changes include

- greater emphasis of agency's responsibility to have in place a system of internal controls that ensures (1) proper authorization and approval of T&A transactions and (2) maintenance of complete and accurate T&A records,
- elimination of specific procedural requirements,
- discussion of requirements for using electronic signatures,
- discussion of exception-based T&A reporting systems and minimum requirements, and
- addition of legal references regarding deductions from pay.

Filing Instructions

Remove and destroy

- Chapter 3
- Section 5.3 of chapter 5

Insert

- Revised chapter 3
- Section 5.3 of chapter 5

Obtaining Additional Copies

Each federal department and agency receives a limited number of copies of all revisions and updates to GAO's Policy and Procedures Manual for Guidance of Federal Agencies. Copies are sent to agency heads, inspectors general or other agency audit heads, and departmental financial management offices. Additional copies are sent to other central locations in various departments and agencies and to congressional offices, based on specific requests.

Additional copies of this revision may be obtained through the following means.

By mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

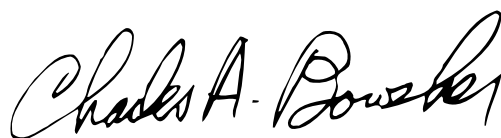
In person:

U.S. General Accounting Office
Room 1100
700 4th Street, NW (corner of 4th & G Streets, NW)
Washington, DC

Orders may also be placed by calling GAO's Document Distribution Services Branch on (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006. For information on how to access this and other GAO publications on the INTERNET, send an e-mail message with "info" in the body to: info@www.gao.gov.

Notification of any correction or revisions to the addresses where we send copies of revisions of the Policy and Procedures Manual for Guidance of Federal Agencies should be sent to the mailing address given above.

Any questions about this revision should be directed to GAO's Accounting and Information Management Division by calling (202) 512-7689.

A handwritten signature in black ink that reads "Charles A. Bowsher". The signature is written in a cursive style with a large, prominent initial "C".

Comptroller General
of the United States

Please retain this transmittal sheet; it is part of the document.

Time and Attendance

3.1 Introduction

This chapter distinguishes between civilian employees, who are expected to be “working,” usually during certain times and other civilian employees and members of the active duty armed services, who are expected to be in a “duty status.” Part I sets forth guidance for civilian employees and part II sets forth the guidance for military service members. Employees who are paid regardless of their presence or absence and who do not accrue leave under 5 U.S.C. 6301 et seq., such as certain political appointees, are exempt from the provisions of this chapter. [See Comptroller General Decision B-123698 (May 10, 1978).]

For the past several years, T&A systems have been undergoing significant changes due to more flexible work schedules and places, increased use of automation, and the downsizing movement in government. These trends have resulted in a changing internal control environment and are the basis for revising this chapter.

Part I: Civilian Employees

3.2 Guidance Provided in This Chapter

The purpose of this chapter is to provide guidance to agencies on T&A systems. It identifies the internal control objectives that T&A systems must meet and describes several requirements that must be addressed to help accomplish these control objectives. With few exceptions, the particular internal control techniques needed to accomplish the objectives are not specified. Rather, this chapter is intended to provide agencies sufficient flexibility to implement T&A systems best suited to their needs and to implement the techniques they feel can best achieve the control objectives in their systems.

3.3 Internal Control Objectives in T&A Systems

The primary objective of T&A systems is to ensure that the hours worked, hours in pay status, and hours absent of employees/service members are properly reported. Reliable data are important to accurately compute and account for computed pay, leave, and allowances. To achieve this objective, management should have in place internal control systems that provide reasonable assurance that (1) T&A transactions are properly authorized and approved and (2) T&A data is completely and accurately recorded and retained.

A. T&A Transactions Are Properly Authorized and Approved

The nature and extent of approvals of T&A transactions will vary among T&A systems depending upon the specific aspects of the system. By their design, some systems, such as fully automated ones, may require fewer approvals than manual systems and will use automated signatures instead of the handwritten ones in manual systems. Nevertheless, the nature and extent of T&A approvals must be such that management knows that supervisors or other officials are accountable for approvals of employees' worktime and absences. This helps ensure that accurate T&A information is recorded and reported for the purposes of computing pay and allowances.

Primary responsibility for authorizing and approving T&A transactions generally rests with employees' supervisors, who approve employees' T&A reports. Timekeepers¹ and supervisors must be aware of the work time or absence of employees for whom they are responsible to ensure the reliability of T&A data. To the extent practical, changes to employees' normal work schedule should generally be approved prior to the change actually occurring. Unanticipated changes should be approved as soon as possible.

B. T&A Data Are Complete and Accurate

Because most federal civilian employees are paid on an hourly basis (or fractions of an hour) and earn and charge leave on that basis, a complete and accurate record of the hours (or fractions of an hour) an employee works must be retained as an official agency record available for review or inspection. To provide a basis for pay, leave, and benefits, the records must include aggregate hours of regular time, other time (such as overtime, credit hours, or compensatory time), and leave.² To help ensure accuracy, the completed records must be approved by the supervisor (or other equivalent official) and, in an automated environment, checked by system edits and other tests to verify that recorded worktime is reasonable and allowable.

¹Traditional T&A systems have involved a timekeeper responsible for assisting supervisors in recording and verifying employees' work time and absences. New T&A systems can reduce or even eliminate timekeepers' duties and shift the responsibilities to employees or supervisors. However, recording accurate T&A information remains the primary control objective.

²Traditionally, daily arrival and departure times were required to be recorded. Although this revision does not require such daily records to be maintained, agencies may choose to do so by using sign-in sign-out sheets or other means if management deems it appropriate.

3.4 Reliance on Internal Controls in T&A Systems

As T&A systems move away from traditional methods of recording and reporting employee work and leave times, it is important to implement and maintain a well defined system that provides management continuous confidence that controls are working as designed. This can be done through:

1. A well-defined organizational structure and flow of T&A data, with clearly written policies and procedures setting forth the responsibilities of employees, timekeepers (if applicable), and supervisors regarding recording, examining, and approving T&A transactions.
2. Effective application of available technology and concepts to achieve efficient and effective T&A system processes in accordance with applicable requirements and the environment in which the agency operates.
3. The ability to record payroll costs by appropriation, organizational code, and work activity to facilitate application of required cost accounting for financial and program management.
4. Review and testing of all aspects of the T&A systems' processing procedures and controls in sufficient scope, depth, and frequency to provide reasonable assurance that key procedures and controls are working and effective and that employee integrity is maintained.

Agencies' T&A systems are subject to periodic review under the Federal Managers' Financial Integrity Act of 1982 (FMFIA) (31 U.S.C. 3512(d)).³

3.5 Recording and Maintaining Complete and Accurate T&A Records

A. Data Contained on T&A Reports

Because pay is based on a biweekly period, T&A reports should generally cover no more than one biweekly pay period and include the following information for each employee:

1. Employee name and identifying number (such as a social security number).

³Standards for internal controls are in appendixes II and III of title 2 of this manual. In addition, the Office of Management and Budget (OMB) requirements for evaluating financial systems and controls are in OMB circulars A-123 and A-127. Together, OMB and GAO guidance establish the criteria and rules for assessing and reporting annually on the status of agency systems and controls.

2. Pay period number or dates.
3. Aggregate number of hours worked for the pay period.
4. Aggregate number of hours of premium pay, by type of premium pay, to which the employee is entitled.
5. Dates and number of hours of leave (by type), credit hours and compensatory hours earned and used.
6. Evidence of approval by an authorized official (usually the supervisor).
7. Any required supporting documentation or records for absences.
8. Such other information as agencies believe necessary in support of operations.

A T&A record containing all required data elements can be (1) a hard copy document completed manually, (2) an automated file retained electronically, or (3) a combination of automated and manual records. The data contained in the T&A records should be linked to accounting records that can provide support for financial reporting and allocation of costs.

B. Recording T&A Data

Agency policy must affix accountability for recording T&A data referred to in 3.5.A. The data may be recorded by the

1. individual employee,
2. timekeeper,
3. supervisor, or
4. combination of these persons.

Regardless of who records the data, the T&A system must be able to identify the individual responsible for recording the data. If the employee is not recording his or her T&A data, the basis for recording the data could be (1) the timekeeper's or supervisor's observation, (2) time clocks, or other automated timekeeping devices, where not prohibited by law, or (3) other applicable techniques. The person recording the T&A data acknowledges responsibility for the accuracy of the recorded data.

Because T&A systems may differ, the point at which T&A data are recorded can vary among different T&A systems. For example, T&A data may be recorded (1) daily, (2) when deviations occur from an individual's or agency's established work schedule, or (3) at the end of the pay period. Regardless of the timing of recording T&A data, management must have in

place a system of control techniques that give reasonable assurance that integrity of the data is maintained.

C. Other T&A Records

Other documents supporting T&A records should be completed and maintained. Examples of such documents include those for establishing (1) work schedules⁴ (2) flexiplace⁵ arrangements, (3) leave, (4) overtime, (5) compensatory time earned and used, (6) credit hours earned and used under an alternative work schedule, (7) number of unscheduled duty hours, etc. The records must show (1) employees' pay period schedules indicating planned start and stop work times and hours per day for established work schedules, (2) the aggregate hours (or fractions of hours) and days employees worked regular hours, worked overtime, took leave, or used earned compensatory time or credit hours, and (3) approval by the supervisor. Concerning overtime, in order for the agency to properly document and calculate an employee's overtime pay entitlements under title 5 of the U.S. code (5 U.S.C. chapter 55 and 61 and the Fair Labor Standards Act (29 U.S.C. 201 et seq.)), the records must distinguish between regular overtime and irregular or occasional overtime.

D. Employees Temporarily Assigned to Another Agency

When an employee is on temporary assignment to another agency, the agency to which the employee is detailed must record T&A data for the employee in accordance with the requirements of this title and report the information to his or her home agency promptly to facilitate disbursement of pay by the home agency.

3.6 Authorizing and Approving T&A Transactions

A. Attestations, Verifications, and Approvals

This section (1) defines attestations, verifications, and approvals and (2) discusses how attestations, verifications, and approvals can be indicated in a manual or automated T&A system.

⁴Under the Federal Employees Flexible and Compressed Work Schedules Act, as amended, federal agencies can allow employees to vary their daily arrival and departure times and, under some options, to vary the length of their workday or work week. In all cases, full-time employees are required to work or account for 80 hours each biweekly pay period, unless on approved leave.

⁵OPM Memorandum for Personnel Directors on the subject of Alternative Workplace Arrangements, October 21, 1993.

Attestation refers to employees affirming T&A data to be true and correct. Verifications are confirmations, usually by timekeepers or supervisors, that recorded information is true, correct, and accurate to the best of their knowledge. Approvals are supervisors', other equivalent officials', or higher level managers' agreement, ratification, or concurrence to planned work schedules and leave of employees or actual T&A data. Such approvals represent that actual work schedules recorded by employees or timekeepers are to the best of the approving official's knowledge true, correct, and accurate, and in accordance with applicable laws, regulations, and legal decisions. Approving officials acknowledge awareness and understanding of their responsibilities when approving T&A data.

The evidence showing attestations, verifications, and approvals will differ between manual and automated systems. In manual systems attestations, verifications, and approvals are usually shown by a signature or initial of an individual on a hard-copy document; in automated systems, they are represented by electronic programmed data elements. The programmed data elements can vary from user identification codes and passwords to electronic signatures. The degree of control in automated systems over T&A data and the reliability of data will vary depending on the type of programmed data elements used in the attestation, verification, and approval. User identification codes⁶ and passwords⁷ provide less control over data than do electronic signatures.⁸

In automated systems, electronic signatures are required to be used for indicating approvals but need not be used for attestations and verifications, if management so chooses to require such attestations and verifications. If management requires attestations and verifications in an automated T&A system, a review of the system and related risks should be made to help determine the type of automated attestation and verification to implement. Based on the results of the review, management may use passwords or user ID codes if it believes that through such means it can

⁶User Identification Code: A string of characters used to identify an entity to a system. This value will generally be public information and is unlikely to change. It is used by a system in referencing the user's authorization privileges and keeping track of his or her usage. (FIPS 83, page 9.)

⁷Password: A string of characters used to authenticate an identity or to verify access authorization. (FIPS 140-1.)

⁸Electronic Signature: A symbol, generated through electronic means, that can be used (1) to identify the sender of a message and (2) to verify the integrity of the critical information that is received. In evaluating electronic signature systems, GAO uses the following four criteria. The system must produce a signature which is (1) unique to the signer, (2) under the signer's sole control (3) capable of verification, and (4) linked to the data in such a manner that if the data are changed, the signature is invalidated. See 71 Comp. Gen. 109 (1991).

obtain reasonable assurance that T&A data accurately represent an employee's actual work schedule, type of hours worked, and leave.

Because of the nature of an electronic document, it is difficult to ascertain whether the data have been altered unless the signature is linked to the data in such a way that the signature verification process can detect data changes. Electronic signatures are linked to the data so that if the data are changed, the signature is invalidated. Traditional passwords and user identification codes do not contain this control. For this reason, electronic signatures are preferred.

The National Institute of Standards and Technology (NIST)⁹ has established procedures for the evaluation and approval of certain automated signature techniques¹⁰ to ensure the integrity of the data and compliance with the previously mentioned criteria. The electronic signatures should conform with the requirements issued by NIST and also use algorithms and techniques approved by NIST.

B. Authorizing An Employee's Work Schedule

When (1) an employee's work schedule differs from the agencywide schedule established by management or (2) reflects a flexible work program, an employee's work schedule must, when feasible, be approved by the supervisor or the official most knowledgeable of the employee's schedule in advance of the period when the plan takes effect. When not feasible, the plan should be approved as soon after the start of the pay period as possible.

Approval must be granted for overtime before the work has been performed when feasible and, when not feasible, as soon as possible after the work has been performed. Care must be taken to distinguish between regular overtime and irregular overtime or occasional overtime (or compensatory time in lieu of overtime, where allowed) in order for the agency to properly document and calculate an employee's overtime pay entitlements under title 5 of the U.S. Code (5 U.S.C. chapters 55 and 61) and the Fair Labor Standards Act (29 U.S.C. 201 et seq.).

C. Approval of Leave

⁹Under the requirements of the Computer Security Act, NIST is responsible for establishing standards for federal computer systems that process sensitive but unclassified information.

¹⁰These procedures are contained in the Federal Information Processing Standards (FIPS PUB 186).

Approval of leave must be made before the leave is taken when practical. If impractical, leave must be approved as soon as reasonably possible after taken.

D. Attestation and Verification by Employees and Timekeepers

Employees and timekeepers are not required to attest or verify T&A reports and related documents. However, if management requires such attestations and/or verifications, they should be performed as close to the end of the pay period as possible. When not possible until after the end of the pay period, a copy of the T&A report and related documents, when applicable, should be provided to the employee promptly for attestation and to the timekeeper promptly for verification. Employees and/or timekeepers should disclose any discrepancies to supervisors promptly. Supervisors should resolve such discrepancies promptly.

E. Approval of T&A Reports and Related Records

All T&A reports and related supporting documents (such as overtime pay authorizations) must be reviewed and approved by an authorized official. Review and approval should be made by the official, normally the immediate supervisor, most knowledgeable of the time worked and absence of the employees involved. Approval of T&A reports and related documents should be based on personal observation, work output, timekeeper verification, checking data against other independent sources, reliance on other controls, or a combination of these methods.

The official most knowledgeable of the time worked should approve any overtime or compensatory time. Care should be taken (1) to ensure that the overtime was approved, preferably in advance, and (2) that the amount and time of overtime (regular or irregular), credit hours, and compensatory time is accurately recorded.

If practical, T&A data must be approved at the end of the last day of the pay period or later. When this is not feasible because of payroll processing requirements to meet established paydays, T&A data must be prepared and approved as close to the end of the pay period as possible to still allow processing of the payroll by payday.

F. Adjustments or Corrections After the T&A Period Ends

Adjustments or corrections required because of changes after T&A data were approved must be made in the payroll system and reflected in pay for the pay period to which the changes apply, when possible. When not possible, adjustments must be made as soon after discovery as practical. Any changes must be approved by an authorizing official before being entered into the payroll system.

G. Self-Approval of T&A Reports

In general, employees may not approve their own T&A data. However, the head of an agency (or designee) may authorize particular individuals to approve their own T&A data in certain situations. In these situations, an official authorized by the agency head (or designee) must grant advance authority in writing, and agencies must ensure that effective controls are in place.

Exceptions to the general prohibition of employees approving their own T&A data are intended to apply when it is not feasible to have their T&A data approved by a supervisor. These exceptions include but are not necessarily limited to (1) employees working alone at a remote site for long periods and (2) employees based at the same duty station as their supervisors or timekeepers but frequently away from the same general location. In other situations when it is not practical for the supervisor to approve T&A data promptly, the employee may be paid and the supervisor may subsequently review and approve the data.

3.7 Transmitting T&A Information to Payroll

T&A information must be transmitted to the payroll system for all employees or, under exception-based systems, for employees who have changes to their normal work schedules. While the choice of methods used to transmit the T&A data may be based on cost-effectiveness and management information needs, the system used to transmit the information must protect T&A data from unauthorized change or alteration and must generate a record of any change made. Any change to previously attested to and approved data must be reviewed by and attested to by the employee to whom the data relate and must also be reviewed by and approved by an authorized official.

3.8 Exception-Based Systems

Exception-based reporting systems¹¹ can exist when employees schedules are established, either through management designated work schedules or by mutual agreement between employees and management. When employees' arrival and departure times for a pay period are established, these schedules become the basis for recorded T&A data unless material variances or deviations¹² occur. Material variances or deviations must be approved by the supervisor before the change occurs, if feasible, or promptly after occurring, if not feasible. As part of their approval of the change, supervisors or designees must verify that the dates and amounts of material changes have been recorded in the appropriate T&A record.

3.9 Implementing Other T&A Methods Not Provided for in This Chapter

Agencies may select other methods that suit their circumstances and that meet the internal control objectives mentioned earlier in this chapter. In doing so, agencies should consider the cost of additional requirements against the benefits received. Questions on interpretations of the material covered in this chapter or on acceptability of methods not covered may be made to the Assistant Comptroller General for Accounting and Information Management, U.S. General Accounting Office, 441 G Street, NW, Washington, DC 20548.

Part II: Military Service Members

3.10 Active Military Personnel

Active military personnel are considered to be on duty 24 hours a day. Because the nature of some military assignments makes a confirmation of the presence at duty stations difficult, if not impossible, the recording of presence of duty and of specific hours during which duty is performed each day is not required. However, superiors are expected to be aware of the presence and absence of service members for whom they are responsible. When a service member is on temporary assignment to another component of the armed services or to a civilian agency, the entity

¹¹See "NPR Recommendations on T&A Data" and GAO/AIMD-94-193R, NRP Recommendations on T&A Data, September 28, 1994, for several examples.

¹²Unless otherwise designated by management, material variances or deviations from an established schedule for recording purposes are those that differ by 1 hour or more during a planned workday or flex day. However, if leave is used, a deviation of less than 1 hour could be considered material. For example, if an employee arrives 30 minutes late, but works 30 minutes past the planned departure time, this would be considered an immaterial variation and need not be recorded. On the other hand, if the employee chooses to request annual or sick leave rather than to work for the time absent, then a material deviation for recording purposes has occurred.

to which the service member is detailed must provide time and attendance recording for the service member and report the information to his or her home component promptly to facilitate payment of basic pay and allowances by (or through) the home component.

Absence reports must be maintained daily to indicate those service members who are to be charged leave and those who are not present for duty but who should be. Examples of reports which might contain such data are “morning” or “day” reports, strength reports, unit diaries, and other similar reports.

Information on absences which affect pay should be compiled each pay period and be transmitted to the payroll system. Without such information, the payroll system may pay the member for authorized pay and allowances. In either case, the following requirements for review and approval must be met:

1. Reports of such information and related supporting documents must be reviewed and approved by a designated authorizing official who is aware of the responsibilities for ensuring accuracy of the reports.
2. Approval of such reports will be made at the end of the last day of the pay period whenever possible. When this is not possible because of payroll processing requirements to meet established paydays, documents must be approved as close to the end of the pay period as possible.
3. Approval must be done in accordance with section 3.6.A. of this chapter.
4. Any adjustments required because of changes in reported absences after the reports were approved and transmitted to the payroll system must be made and reflected in the pay period to which the changes apply, when possible, or, when not possible, adjusted as soon as possible, preferably in the next pay period.

Any changes must be approved by the authorizing official prior to being entered into the payroll system. Service members may not approve their own absence reports unless prior authority to do so is granted in writing by an authorized official.

When feasible, cost-effective, and desirable, attendance reporting and related internal controls set forth in part I of this chapter should be instituted for service members to the extent management deems appropriate.

3.11 Military Reservists

The work of military reservists is sometimes suited to the T&A requirements for civilian employees set forth in part I of this chapter. In other cases, it is more like that of active military service members, making the requirements set forth in section 3.10 more appropriate. When reservists perform duties suited to application of the requirements in part I, those requirements must be imposed and met. However, when reservists perform duties that are not suited to application of the requirements in part I because application would make them impractical or infeasible, the requirements in section 3.10 above must be imposed and met. When placed on active duty status, reservists will be subject to the T&A criteria in section 3.10.

5.3 Insufficient Pay to Cover Deductions

If the gross pay of an employee is not sufficient to permit all deductions to be made, the following regulations apply:¹³

Section 550.301 of subpart C—Allotments and Assignments from Federal Employees—of part 550—Pay Administration (General)—of title 5, Code of Federal Regulations, which identifies the deductions to be applied in determining the net pay from which allotments and assignments of pay are made;

Section 550.805(c) of subpart H—Back Pay—of part 550—Pay Administration (General)—of title 5, Code of Federal Regulations, which provides the order of precedence for deductions from back pay awards;

Section 550.1104 of subpart K—Collection by Offset From Indebted Government Employees—of part 550—Pay Administration (General)—of title 5, Code of Federal Regulations, which identifies the deductions to be applied in determining the amount of disposable pay subject to offset.

Agencies should contact OPM should questions arise concerning the aforementioned regulations.

¹³These regulations do not apply to military pay.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

