

# SECTION 12: LEAVE ACCOUNTING

## Cash Value of Leave

### INTRODUCTION

In 1996, legislation added subsection (b) to AS 39.20.200 requiring personal leave to be converted to a cash value at the employee's current annualized hourly rate of pay. This legislation specifically affects how terminal leave and leave cash-ins will be paid. These provisions apply to all leave eligible employees not covered by labor contracts (XE, XJ, XL and EE). The terminal leave provision also applies to employees covered by the Confidential Employees Association (KK) and Alaska Vocational Technical Center Teacher's Unit (TA).

For cash valuation purposes, leave is processed on a first-in first-out basis using the annualized hourly rate at the time of accrual. As leave hours accrue, the cash value accrues at the current annualized hourly rate. Upon separation, terminal leave is paid at the annualized hourly rate at which it was earned for KK, TA, XE, EE, XJ and XL employees. This valuation process also applies to leave cash-ins for XE, EE, XJ and XL employees. The statute does not affect KK or TA cash-ins as they are paid according to their contracts.

Balances for all KK and XE, EE, XJ and XL employees were converted to Cash Value of Leave on 07/01/96. TA employees converted to Cash Value of Leave 07/01/2006, retro to 07/01/2005.

### AKPAY SCREENS

Personal leave records are viewed and adjusted using the following screens:

B21 Accrual Accumulator  
G13 Time and Attendance Header  
G5B Time and Attendance Detail

### GENERAL INFORMATION

**Pay Period Accruals** – Leave automatically accrues each pay period. The hours for each accrual are added to the cash value of leave program at the employee's current annualized hourly rate of pay. Leave accruals are not prorated for any mid pay period rate changes. Leave accruals are posted on the last day of the pay period and will use the annualized hourly rate as of the last day of the pay period.

**Leave Usage** – Personal leave used has a different value for pay purposes than for cash valuation. Personal leave usage is paid at the current pay period rate while the cash value for those same hours is deducted at the annualized hourly rate at the time the leave was accrued.

The hours deducted from the cash value of leave account will always pull from the oldest accruals and dollar rate regardless of how they were paid.

**Terminal Leave** – Terminal leave hours for KK, TA, XE, EE, XJ and XL employees are paid at the annualized hourly rate at which they were accrued (Cash Value of Leave).

**Cash-ins** – Hours cashed in for XE, EE, XJ and XL employees are paid at the annualized hourly rate at which they were accrued (Cash Value of Leave). Cash-ins for KK or TA employees are paid at their current annualized hourly rate according to their contract.

**Transfers** – Employees transferring into KK, TA or XE, EE, XJ and XL positions will have their annual or personal leave balances deposited into their Cash Value account as a lump sum at their new annualized hourly rate of pay

**Processing order of leave transactions for Cash Value employees:**

1. Conversions, accruals, and adjustments (add and fix records first)
2. Usage by hours
3. Usage by hours or by dollars, depending on BU
4. Usage by dollars by all BU's.

Records are sorted first by the sort category. Within each category, the sort order remains transaction date and ETV code within transaction date.

Category	Description	ETV's included
10	Conversion-in earnings	CV8, CV6, CVP
15	Accruals	PER
20	Cash leave rate fix transactions: Adjustment with zero hours, with rate	E965, rate only
30	Positive-hours adjustments, with or without rate (look up) Negative-hours adjustments with rate	E965, positive hours, with or without rate E965, negative hours, with rate
40	Usage by hours: Usage Donation KK business bank contribution Negative-hours adjustment without rate	E165, E166 E957 E972 E965, negative hours, without rate
50	Leave cashin (KK: by hours; all other BU's: by dollars): Leave donated to scholarship Leave cashin Cash leave donation	E401 E407 E427
60	Terminal and SLWOP leave payout (All BU's by dollars): Terminal leave SLWOP leave payout	E404 E424

## PROCEDURES

**I. Hours Leave Adjustment – E965**

When processing an E965 leave adjustment to correct the hours in the employee's account, a time specific line date must be entered for each change to correctly add or delete hours and dollars in the Cash Value of Leave program.

- A. Create a G13 screen adjustment batch. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.
- B. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave adjustment as follows:
  1. **EMPLOYEE NUM** – Enter the employee's social security number.
  2. **DATE** - Enter the specific line date of the pay period end when the adjustment is needed.
  3. **EARNINGS NUM** – Enter E965.

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4. **HOURS** – Enter the number of hours (+/-) for this adjustment.
  5. **OVERRIDE RATE** – for negative adjustments, an override rate may or may not be necessary. An E965 with negative hours and no rate will come off the oldest line of leave in cash value to reduce an employee's leave account. An E965 with negative hours with an override rate and a PPE line date will reduce the existing hours accrued on that particular line date. To increase a leave balance, the appropriate rate must be included to insert a line of accrual.
- C. Press <Enter> to process the transaction. An online warning message will occur:  
TS0786-CASH LEAVE EE, VERIFY AMOUNT ENTERED; PF11 TO OVERRIDE.  
If you have correctly entered the dollar amount, press <PF11> to override the message.
- D. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

**II. Rate Leave Adjustment – E965**

Retro rate adjustments - when correcting an employee's rate of pay due to a late merit increase or other late pay change, the rate at which an accrual was originally added to cash value of leave must also be corrected. An E965 leave adjustment to correct a rate for an existing line in Cash Value must have the specific pay period end line date and an override rate to correct the dollar amounts in the Cash Value of Leave program.

If the hours in the cash leave account are correct, an E965 is entered into an adjustment batch using only a rate override and no hours. The rate entered will correct the cash value of all hours from the specific line date forward until it reaches the next rate change in the employee's account. All accruals after the new rate change is reached will not change unless a second adjustment is entered. Multiple rate changes may be entered in one adjustment batch.

- A. Create a G13 screen adjustment batch. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.
- B. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave adjustment as follows:
1. **EMPLOYEE NUM** – Enter the employee's social security number.
  2. **DATE** - Enter the line date of the pay period end when the rate adjustment is effective.  
  
**NOTE:** If the line date of the pay change in cash value has already been used and is not on the report, use the next available line date, if still appropriate for the rate change.
  3. **EARNINGS NUM** – Enter E965.
  4. **HOURS** – No hours are entered.
  5. **OVERRIDE RATE** - Enter the override rate of the annualized hourly rate of the pay period end when the rate adjustment is needed.
- C. Press <Enter> to process the transaction. An online warning message will occur:  
TS0786-CASH LEAVE EE, VERIFY AMOUNT ENTERED; PF11 TO OVERRIDE. If you have correctly entered the dollar amount, press <PF11> to override the message.
- D. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

### III. Acting Status

XE, EE, XJ, XL, KK or TA employees in acting status should earn their accruals at their regular rate of pay, not their acting rate of pay. Leave is also taken and paid at their regular rate of pay. Accruals will automatically post at the higher acting rate and must be manually adjusted in an adjustment batch in the pay period following the accrual posting. Accruals cannot be adjusted in the current pay period.

Accruals can be adjusted in one of two ways:

1. Enter an E965 rate adjustment in an adjustment batch each pay period, with the line date of the previous period end of when the accrual was posted. Enter only the regular annualized hourly rate of pay with no hours.

OR

2. Once the employee is off acting status, submit an E965 adjustment with a line date of the first accrual to be changed, no hours, and the regular annualized hourly rate of pay. All accrual rates forward will update through the current accrual or until a new rate change occurs in cash value.

**Caution:** If you prefer to wait until the end of the acting period to make one adjustment, be wary of any cash-ins or terminations that may occur and adjust the cash value rates before processing the action.

### IV. Leave Cash-In

KK or TA Leave Cash-In – Leave cash-in is paid out at the current annualized hourly rate of pay. Do not enter a hard coded rate or flat dollar amount. AKPAY will automatically calculate the cash-in at the current rate of pay. Refer to *SECTION 12, LEAVE ACCOUNTING, Leave Cash-in* for procedures.

XE, EE, XJ and XL Leave Cash-In - Leave cash-in is paid out at the cash value of leave.

- A. Make a copy of the most current Cash Leave Balance Report.
  1. Compare the balance in Cash Value to the balance on the B2 screen. If they do not match, determine where the discrepancy is and contact Division of Finance (DOF) for assistance.
  2. Manually subtract any current pay period leave hours usage and the corresponding dollars from the oldest entries on the report. This also applies for cash-ins processing by online warrant prior to the current pay period processing. Subtract the leave use before calculating the cash-in amount.
  3. Manually “use” the next available hours and rates to calculate the dollar amount payable for the hours being cashed in.

**Example: Cash Value Account**

DATE	HOURS	RATE	TOTAL
08/15/xx	4.32	\$15.00	\$64.80
08/31/xx	11.25	\$15.00	\$168.75
09/15/xx	11.25	\$17.00	\$191.25
09/30/xx	11.25	\$17.00	\$191.25
10/15/xx	11.25	\$17.00	\$191.25
10/31/xx	11.25	\$17.00	\$191.25

- The employee submits a request for a 20.0 hr cash-in. Beginning with the oldest record, add 4.32 hours at \$15/hr, 11.25 hours at \$15/hr and 4.43 at \$17/hr (4.32 + 11.25 + 4.43 = 20.0 hrs) for a total cash-in amount of 20.0 hrs and \$308.86 (\$64.80 + \$168.75 + \$75.31).
  - The employee submits a request for a cash-in totaling \$225.00. Calculate the number of hours beginning with the oldest record; add \$64.80 for 4.32 hrs and  $\$160.20/\$15 = 10.68$  hours for a total cash-in of 15.0 hours and \$225.00.
- B. Create a G13 screen adjustment batch or access the employee's existing system generated production payroll batch. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.
- C. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave adjustment as follows:
1. **EMPLOYEE NUM** – Enter the employee's social security number.
  2. **DATE** - Enter the line date of the pay period end that the cash-in is processing in.
  3. **EARNINGS NUM** – Enter E407.
  4. **HOURS** – Enter the number of hours for the cash-in.
  5. **LABOR DISTRIBUTION** – Enter 760200XX (XX = department number).
  6. **AMT** - Enter the amount calculated above in A.3.
- D. Press <Enter> to process the transaction. An online warning message will occur: TS0786-CASH LEAVE EE, VERIFY AMOUNT ENTERED; PF11 TO OVERRIDE. If you have correctly entered the dollar amount, press <PF11> to override the message.
- E. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

**V. Leave Cash-In Adjustments**

If an employee was paid incorrectly for a leave cash-in due to a late pay change, an adjustment can be made using code **E402**. This code is designed to make flat dollar amount adjustments to prior period leave cash-in transactions. Use of this code DOES NOT affect the cash value leave report, mandatory leave, or the detail leave transaction report.

- A. Create a G13 screen adjustment batch or access the employee's existing system generated production payroll batch. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.

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- B. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave adjustment as follows:
  - 1. **EMPLOYEE NUM** – Enter the employee’s social security number.
  - 2. **DATE** - Enter the line date of the original leave cash-in transaction.
  - 3. **EARNINGS NUM** – Enter **E402**.
  - 4. **HOURS** – No hours are entered.
  - 5. **OVERRIDE RATE** – No rate is entered.
  - 6. **LABOR DISTRIBUTION** – Enter the same labor distribution (CC) as the original transaction.
  - 7. **AMT** – Enter the flat dollar amount to be adjusted.
- C. Press <Enter> to process the transaction.
- D. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

**VI. Terminal Leave Payout – XE, EE, XJ, XL, KK or TA by On-Line Warrant**

XE, EE, XJ, XL, KK, TA and employees are paid terminal leave at cash value of leave.

- A. Make a copy of the most recent Cash Value of Leave report.
  - 1. Compare the cash leave balance to the B2 balance. If they do not match, determine where the discrepancy is and contact DOF for assistance. It is necessary to determine what caused the imbalance in case an under or overpayment of a previous transaction has occurred.
  - 2. Subtract any leave usage in the current pay period from the earliest hours and dollars entries on the report.
  - 3. Calculate the partial leave forecast accrual hours and dollars to be paid.
- B. Sign on to AKPAY and access the G13 screen.
  - 1. Create an online warrant adjustment batch or access the employee’s existing system generated production payroll batch, changing to the special online warrant pay period numbers. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.
  - 2. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave pay out as follows:
    - a. **EMPLOYEE NUM** – Enter the employee’s social security number.
    - b. **DATE** - Enter a line date of the last day worked.
    - c. **EARNINGS NUM** – For the employee’s adjusted leave balance, enter a detail line for earnings code E404. For the leave forecast (partial accrual), enter a detail line for earnings code E403 (leave forecast).

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- d. **HOURS** – Enter adjusted hours remaining in cash value (E404) and the calculated hours for the partial forecast accrual (E403).
  - e. **OVERRIDE RATE** – No rate is entered.
  - f. **LABOR DISTRIBUTION** – Enter labor distribution 760100XX (XX = department number).
  - g. **AMT** – Enter the flat dollar amount to be paid for each earnings code.
3. Press <Enter> to process the transaction. An online warning message will occur: TS0786-CASH LEAVE EE, VERIFY AMOUNT ENTERED; PF11 TO OVERRIDE. If you have correctly entered the dollar amount, press <PF11> to override the message.
  4. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.
- C. Create a leave clean-up adjustment batch to offset the E403 suspense code AND to zero out the cash value of leave account as well as any other leave balances. Start an adjustment batch to run through the next payroll. Refer to *SECTION 7: SEPARATION OR INACTIVE STATUS, Final Pay and Terminal Leave Batches* for procedures.
1. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter detail lines as follows:
    - a. **EMPLOYEE NUM** – Enter the employee’s social security number.
    - b. **DATE** – For the E965, enter a line date of one day before the employee’s last day worked. For the E403 and E404, enter the employee’s last day worked.
    - c. **EARNINGS NUM, HOURS and AMT** fields, enter three detail lines as follows:
      - i. Enter earnings code **E965** and hours with an override rate. Enter the same number of hours as paid in the E403 detail line and the current annualized hourly rate for the override rate.
      - ii. Enter earnings code **E403** and negative dollars and hours. The dollars and hours are the same as the E403 detail line in the online warrant batch, except negative.
      - iii. Enter the earnings code **E404** and positive dollars and hours. The hours and dollars are the same as Step ii above, except positive.
  2. Enter a detail line to delete other leave balances that apply to the employee. The line date is the last day worked.
  3. Press <Enter> to process the transaction.
  4. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

**VII. Terminal Leave Payout – XE, EE, XJ, XL, KK or TA through Production**

XE, EE, XJ, XL, KK and TA employees are paid terminal leave at the cash value of leave.

- A. Make a copy of the most recent Cash Value of Leave report.

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1. Compare the cash leave balance to the B2 balance. If they do not match, determine where the discrepancy is and contact DOF for assistance. It is necessary to determine what caused the imbalance in case an under or overpayment of a previous transaction has occurred.
  2. Subtract any leave usage in the current pay period from the earliest hours and dollars entries on the report.
  3. Add the partial leave accrual for the current pay period.
  4. Total the adjusted hours and dollars that are to be paid to the employee.
- B. Sign on to AKPAY and access the G13 screen.
1. Create an adjustment batch or access the employee's existing system generated production payroll batch. Refer to *SECTION 11, TIME & ATTENDANCE* for procedures.
  2. Press <PF8> to access the G5B Time & Attendance Detail Screen. Enter the leave pay out as follows:
    - a. **EMPLOYEE NUM** – Enter the employee's social security number.
    - b. **DATE** - Enter a line date of the last day worked.
    - c. **EARNINGS NUM** – Enter E404.
    - d. **HOURS** – Enter adjusted hours calculated.
    - e. **OVERRIDE RATE** – No rate is entered.
    - f. **LABOR DISTRIBUTION** – Enter labor distribution (CC) 760100XX (XX = department number).
    - g. **AMT** – Enter the flat dollar amount to be paid in cash value.
  3. Press <Enter> to process the transaction. An online warning message will occur: TS0786-CASH LEAVE EE, VERIFY AMOUNT ENTERED; PF11 TO OVERRIDE. If you have correctly entered the dollar amount, press <PF11> to override the message.
  4. Press <PF8> to access the G13 screen. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

### VIII. Correcting Leave Taken Entries

If the employee is paid with the wrong leave code, complete the following steps:

- A. Start an adjustment batch.
- B. Line 1 – Enter the leave code, date of the original entry, negative hours and the pay period rate.
- C. Line 2 – Enter the correct leave code, date of the original entry, positive hours and the pay period rate.

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- D. Balance and certify the batch. Refer to *SECTION 11: TIME & ATTENDANCE, Create, Open, Balance and Certify a Batch* for procedures.

### **IX. Donating Leave**

Leave donations to a memorial scholarship fund will be based on the value of first-in hours donated and must be entered as an override rate in the on-line warrant. Donated hours are subtracted from cash value at the cash value of leave rate.

Leave donations from an XE, EE, XJ, XL employee to another employee are calculated at the donor's cash value rate of pay and credited to the donee at their current annualized hourly rate. Personal leave donations from a KK or TA employee to another employee are both calculated at the current annualized hourly rate. Retroactive adjustments will not be made for pay rate changes for either the donor or the recipient.

Cash leave donations are treated as a leave cash in to the donor and must follow cash value of leave rules for a leave cash in. If the donor specifies a dollar value for the donation, the number of corresponding hours is calculated using the oldest hours and rates up to the specified dollars donated.

### **X. Reports**

#### **A. Cash Value of Leave Balance Report**

This report is generated every pay period to provide a snapshot of an employee's cash leave balance. This report shows the detail lines of hours, rates, dollar value of accruals and positive leave adjustments that make up the balance.

Leave hours used or cashed in pull from the earliest entries and are systematically deleted from the report.

The report is sorted by RD code and Social Security Number (SSN). Two hard copy reports and microfiche are routed to the agencies to assist with calculating terminal leave and cash-ins for an employee in XE, EE, XJ, XL, KK and TA.

#### **B. EE'S Not in Cash Leave Unit Report**

This is an error report generated each pay period to flag employees previously in cash leave who have been moved out of the bargaining unit with an incorrect action on the 10x screen. Bargaining unit changes are completed with a TR, PR or DM to correctly move an employee into or out of a bargaining unit. An AD action will not transfer an employee out of cash leave and convert leave balances.

This report is reviewed by DOF and agencies are contacted to make necessary corrections.

#### **C. Cash Leave Bank Processing Errors Report**

This is an error report generated each pay period showing employees who have been paid more dollars than were in their cash value balance. This can be caused by a previous cash-in or adjustment not being processed correctly causing a mismatch between cash value and the B2 screen balance, or an E965 leave clean up batch for a termination not being entered with the correct line date and rate.

This report is reviewed by DOF and agencies are contacted to make necessary corrections.

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### D. Cash Leave Discrepancy Report

This report shows discrepancies between the B2 screen balances and the Cash Leave file.

This report is reviewed by DOF and agencies are contacted to make necessary corrections.

## XI. Auditing and Corrections

If transactions involving cash leave are not correctly completed with the appropriate rates and line dates, the cash value of leave will be incorrect. Hours on the B2 screen and the cash value hours will no longer be in balance and it is likely that an under or over payment to the employee may occur. The Cash Leave program is based on dollar amounts. When errors are made through AKPAY transactions, the program will re-calculate the number of hours it has based on the dollar amounts in the account.

For example, a cash-in paid at the current rate of pay instead of the lower cash value amount will deduct the higher amount from cash value at the oldest rates and re-calculate the hours at the rates remaining in cash value.

Situations that will cause out-of-balance situations:

- Leave cash-in, rate not entered – The override flat amount **cash value** is not entered in the pay batch; it is paid at the EE's current rate of pay. The higher dollar amount will be deducted from cash value. The system will re-calculate the number of hours in cash value based on the rate of pay of the dollars being deducted, making the hours in cash value less than the B2 balance (dollars deducted/rate = new hours).
- Leave cash-in with leave usage – A cash-in is processed by online warrant or through the regular pay batch; however, leave usage processing in the same pay period is not manually deducted from the cash value before determining the cash-in amount. The cash-in is paid at a lower rate. Leave usage codes will always process before a cash-in code, using first-in hours usually at a lower rate.
- Leave adjustment to correct hours on the B2 – The correct date and an override rate are not entered in the batch. The adjustment is inserted into cash value at the current rate of pay.
- Retro pay change – An E965 adjustment with no hours is **not** entered correctly (or at all) to update the employee's rate of pay in the cash value program for the specific time period. Rates in cash leave are incorrect.
- Acting Status accrual and leave adjustments are not completed for specific line dates.
- Mid pay period transfer from a non-cash leave position into a cash leave position and leave is taken prior to the transfer. AKPAY converts the balance in the leave account to cash leave as of the last pay period. Leave used that is dated prior to the transfer date is deducted from the B2 leave account but does not deduct from cash value, making cash value higher than the B2 balance.
- Warrant Reversals with cash value leave transactions do not post leave back to cash value correctly.

When the Cash Value account becomes out of balance with the B2 screen balance, an audit must be completed to determine what the correct balance should be and what caused the amounts to be out of balance. It is necessary to determine the cause as the employee may be under or over paid. Once the correct dollars and hours have been determined in cash leave, a correction must be made.

### A. B2 and Cash Value are in balance:

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If the B2 and cash value are in balance, corrections to rates or hours can be made with an adjustment batch. Enter the correct line date, rate and/or hours that need to be changed, inserted or deleted.

B. B2 and Cash Value are NOT in balance:

Send a request to DOF to make the corrections. Provide DOF with the following information:

- B2 screen print showing the balance in the personal leave account
- Copy of the latest cash value report
- Leave audit (if one was completed)
- Spreadsheet showing the actual detail lines that need to be corrected with the correct rates and hours. It should be in the same format as lines appear on the cash value.

Example:

<b>Date</b>	<b>Hours</b>	<b>Rate</b>	<b>Total Dollars</b>
06/15	7.5	\$12.00	\$ 90.00
06/30	7.5	\$12.00	\$ 90.00
07/15	7.5	\$15.00	\$112.50
07/31	7.5	\$15.00	\$112.50