AAM 230. ACCOUNTING AND CONTROL

AAM 230.010   Introduction to Accounting and Control

As provided by AS 37.05.140 (a), the Division of Finance is responsible for centralized production payroll for state employees in compliance with federal, state, and labor contract requirements. This includes oversight of input preparation, processing, reporting, verification, pay warrant generation, and control over the central statewide payroll system.

The division is responsible for central security, control of state payroll warrant stock, and security of the payroll system.

The division is also responsible for centralized accounting functions of the State, maintaining the State's master accounting records, and providing security for the automated accounting system into which payroll financial information flows.

AAM 230.020   Accounting for Payroll Expenditures and Employer Costs

The Division of Finance is responsible for producing reports for agency finance officers that account for costs associated with the payroll.

The Account Routing Charge Report contains all financial information for each batch payroll and all online warrants updated in a batch payroll. The financial data contained in the report may be reconciled to information in the financial system. The Warrant Charge Report is also produced each production payroll. This report provides financial information for employee earnings and employer charges. Both reports provide financial information for use by agencies to verify financial activity interfaced from the payroll system to financial system and to audit payroll costs.

AAM 230.030   Distribution of Payroll Costs

Each agency is responsible for monitoring and ensuring accuracy of the labor distribution codes to which payroll expenditures are charged. Agencies must review all labor distribution codes in employee records and verify the validity of the codes for use in the new fiscal year prior to the beginning of a new fiscal year. Payroll adjustments for the prior year must not be processed against current year labor distribution codes.

Labor Distribution Codes

A payroll system labor distribution code (LD) consists of a collocation code, and optional program and ledger codes, to which an employee's wages and associated employer costs are distributed. Earnings and employer costs are allocated to labor distribution codes based on the percent apportionment of labor distribution codes recorded in the payroll system.

Account Codes

Account codes are real or nominal financial codes required with all payroll transactions. Nominal accounts record payroll expenditures by account type, such as an earnings or an employer charge. Real account codes are used to maintain the balance of assets, liabilities, and equity of funds, such as retirement system fund accounts and employer cost liability accounts. The payroll system earnings, tax, and voluntary deduction (ETV) codes are hard coded with real or nominal account codes.

Labor Distribution Records

When a production payroll is processed, an employee's compensation and associated employer charges are automatically allocated to labor distribution codes established for the employee in the payroll system.

These records may be overridden by entering financial coding in earnings lines in time and attendance pay batches. Agencies must use financial codes that are valid in the financial system when overriding default labor distribution records.

Allocation of Employer Charges

Employer charges are calculated based on earnings codes used in payroll transactions. Employer charges are allocated to labor distribution codes based on the weighted percentages of dollar amounts charged to the labor distribution codes for the earnings.

Validation of Labor Distribution Records

The payroll system generates payroll regardless of the validity of labor distribution records used to produce a payroll. The payroll system performs a series of labor distribution validation edits during screen entry for screens on which labor distribution codes may be entered. Some labor distribution errors must be corrected before the screen is updated and some may be overridden. When a production payroll is interfaced with the financial system, payroll expenses charged to invalid labor distribution codes default to agency payroll exception suspense collocation codes.

The Labor Distribution Errors Report, generated from each simulation and production payroll, identifies the payroll system transactions with labor distribution coding errors that will not process correctly when interfaced with the financial system. This report is distributed to agencies following each simulation and production payroll. Agencies or departments have primary responsibility for correction of payroll labor distribution coding errors.

AAM 230.040   Payroll Cost Controls (07-25)

Article IX, Section 13, of the Alaska Constitution requires that no money shall be withdrawn from the Treasury except in accordance with appropriations made by law. AAM 10.060 Deviations From Approved Financial Plans addresses the regulations for payment of state funds from the Treasury. Agencies must not incur obligations or expenditures outside the time, purpose, and amount limitations authorized for their appropriations by the legislature. Agencies are responsible for closely monitoring their appropriations to ensure no overexpenditure occurs.

As provided in AS 37.05.170, payments may not be made and obligations may not be incurred against a fund unless the Department of Administration certifies there is a sufficient unencumbered balance available in the fund and that an appropriation or expenditure authorization has been made for the purpose for which it is intended to

incur the obligation. The Division of Finance uses system authorization and account control edits in agency appropriations in the financial system to prevent overexpenditure of the State's authorized budgets. Overexpenditure tests compare actual expenditures and encumbrances to the unobligated balance and compare expenditures to the available balance. Expenditures are rejected if they exceed the available balance. Controls are placed on personal services accounts to prevent any other line-item account expenditures from charging to personal services authorizations.

State agencies are responsible for adjusting personal services overexpenditures by processing journal entries to move personal services expenditures, through revised budgets for the overexpended program(s), or by requesting supplemental appropriations as authorized in AS 37.07.100.

AAM 230.050   Pay Verification

Each agency is responsible for verifying pay for each employee of the agency before monies are disbursed to employees by direct deposits, payroll warrants, or online warrants. Refer to AAM 260.050 Agency Responsibility for Time and Attendance Reporting. Also, refer to AAM 340.050 Distribution of Online Warrants.

AAM 230.060   Pay Distribution

The Division of Finance is responsible for verification of payroll warrants released from the Juneau Data Center. Following verification, the division releases warrants to the central mailroom in the Division of General Services. The central mailroom is responsible for security and distribution of agency return warrants, nonnegotiable warrant stubs, and mailout warrants. Warrants and nonnegotiable warrant stubs for employees who elect to have their warrants mailed are delivered to the post office no later than three days prior to the designated payday. Warrants and nonnegotiable warrant stubs distributed to agencies must be kept in a secured area until signed for by an authorized employee of the agency. The central mailroom notifies the human resources office in each agency when payroll warrants are available for pickup.

Agencies are responsible for establishing internal controls for handling and distributing payroll warrants delivered to the agency. These responsibilities include:

1. Limiting access to the central mailroom's secured area.

2. Delivering payroll warrants and nonnegotiable warrant stubs to the agency's human resources office.

3. Immediately forwarding warrants with overpayments to the Division of Finance with requests to reverse the warrants.

4. Giving warrants with pay shortages to employees so they receive partial payment of their wages, and processing pay adjustments or online warrants as appropriate. Refer to AAM 270.240 Pay Shortages.

5. Delivering warrants to the employee or designee. A payroll warrant returned to an agency for distribution to the recipient must not be released to another employee, the employee's supervisor, or any other individual without prior written instructions from the recipient for alternate distribution.

6. Securing warrants not delivered directly to employees in a locked location for later distribution.

Refer to AAM 340.050 Distribution of Online Warrant for information on security and control of online warrants.

AAM 230.070   Pull Warrant Requests

Payroll warrants with pay problems may be "pulled" from the central mailroom before they are distributed. Warrants may only be pulled by the Division of Finance. To have a mailout payroll warrant pulled, the certifying agency must submit a pull warrant request to the Division of Finance by 10:00 a.m. on warrant distribution day. To have an agency warrant pulled, the certifying agency must submit a pull warrant request to the Division of Finance by 8:00 a.m. on warrant distribution day.

When an agency other than the certifying agency requests a payroll warrant be pulled, written approval by the certifying agency must first be obtained. If the certifying agency objects to retrieval of the warrant, the requesting agency must provide a written directive from the Commissioner of Administration, Chief of Staff, or the Governor. A warrant must not under any circumstances be released to anyone other than the certifying agency without proper prior approval.

AAM 230.080   Judicial Pay Distribution

Payroll warrants for justices of the supreme court, judges of the court of appeals, superior court judges, and district judges may not be issued to these individuals if they have any matter referred to them for decision or opinion that remains incomplete or undecided for a period of more than six months as mandated in AS 22.05.140 (b), AS 22.07.090 (b), AS 22.10.190 (b), and AS 22.15.220 (c). The Division of Finance does

not produce a payroll warrant until a judge or magistrate files an affidavit with the division stating no matter referred to them for opinion or decision has been incomplete or undecided for a period exceeding six months.

AAM 230.090   Cancel and Reissue a Payroll Warrant

An agency human resources office may request the Division of Finance to cancel and reissue a payroll warrant that is mutilated. The agency submits a Warrant Status Change Request and the original printed warrant to the division to request the cancellation and reissue. Cancellation and reissue of a payroll warrant may only be processed by the Division of Finance, Accounting Control Section. When a payroll warrant is to be canceled and reissued for the same net amount, the cancel and reissue transactions are processed in the financial system. The warrant must not be reversed in the payroll system if it has been reissued in the financial system.

AAM 230.100   Payroll Warrant Reversal

An agency human resources office may request the Division of Finance to reverse a payroll warrant that was issued in error or for an incorrect amount. The agency submits a Warrant Status Change Request and the original printed warrant to the division to request the reversal. A payroll warrant may only be reversed by the Division of Finance, Payroll Section. The division processes an online warrant reversal (CR) in the payroll system to reverse all charges made to earnings and liability accounts by the original warrant. The online warrant reversal also reverses amounts posted to the employee's year-to-date accumulators. To pay the employee correctly, the agency must process an online warrant. Refer to AAM 340 Online Warrants.

AAM 230.110   Stop Payment of Payroll Warrants

Stop payments of payroll warrants differ from warrant cancellations in that the original printed warrant is not available. An agency human resources office should request the Division of Finance to process a stop payment on a warrant that, if redeemed, will result in a large overpayment or a duplicate payment to an employee. Also, a stop payment should be requested on any warrant that will overpay an employee who has separated from state service or who will separate in the near future. When agencies becomes aware of potential overpayment situations, they should act expeditiously to avert the overpayments.

The agency human resources office is responsible for completing a Warrant Status Change Request form and forwarding it to the Division of Finance, Accounting Control Section, to request the stop pay action. The

agency must also immediately notify the employee that payment has been stopped on the employee's warrant and request the employee to void the face of the warrant and return it when received. The Division of Finance processes stop payments in two steps. A change warrant transaction must first process to stop the warrant in the financial system. Not until the original warrant is returned to the division will a reversal be processed in the payroll system to reduce the employee's earnings by the stop pay amount thereby reducing the tax liability.

AAM 230.120   Stop Payment and Reissue

An agency human resources office may request a stop pay and reissue on a payroll warrant when the warrant has been lost. When agencies become aware payroll warrants are lost, they should act expeditiously to avert penalty pay situations. An agency submits a Warrant Status Change Request to the Division of Finance to request the stop pay and reissue of a lost warrant. A stop pay, reissue request may only be processed by the Division of Finance, Accounting Control Section. When a payroll warrant is to be stopped and reissued for the same net amount, the cancel and reissue transactions are processed in the financial system. A warrant must not be reversed in the payroll system if it has been reissued in the financial system.

An agency may receive payroll warrants that have been previously stop paid. The agency must not request cancellation of a warrant for which a stop payment has been processed. The agency is responsible for returning these warrants to the Division of Finance for destruction.

AAM 230.130   Accounting for Payroll Cancel Suspense

At the time a warrant is reversed in the payroll system, an employee's accumulators are adjusted; however, the payroll system does not reconstruct the labor distribution codes originally charged to expenditures on payroll warrants. When reversed payroll warrants are interfaced with the financial system, the dollar amounts are credited to the statewide payroll suspense collocation code and account code 29940. The Division of Finance is responsible for periodically running an interface program that clears the statewide payroll collocation code and credits the issuing agencies' payroll suspense collocation codes. Timing of the interface is strictly controlled and cancel reversal reports are carefully verified by Division of Finance, Payroll and Programming staff. Agencies are prohibited from processing journal entry transactions to clear the statewide payroll cancel suspense collocation code.

AAM 230.140	Stale-Dated Warrants (07-04)

As provided in AS 37.05.180, a payroll warrant not presented to the Department of Revenue for redemption within six months from the date of issue may not be paid and the warrant will be stale-dated. It is the responsibility of the Department of Administration to transfer to the Department of Revenue monies for these stale-dated warrants. The monies are administered as Unclaimed Property as provided in AS 34.45.

The recipient of a payroll warrant that has been stale-dated may request the State to honor the warrant by contacting the Unclaimed Property Section of the Department of Revenue.

AAM 230.150	Direct Deposits

Direct deposit is electronic transfer of an employee's net pay to a designated financial institution known as the Receiving Depository Financial Institution (RDFI). As disbursements of state funds, electronic transfers of net pay require guidelines and controls similar to those established for state warrants.

Direct deposit enrollments are entered and controlled centrally in the Division of Finance. To ensure accurate transfer of employee net pay to an RDFI, the transit routing and account number are first verified through an information only, prenotification process. Funds may not be electronically transmitted until the prenote process is successful.

AAM 230.160	Direct Deposit Reversing Entries

As with other pay problems, it is the responsibility of the agency human resources office to notify an employee of a pay problem and the need to reverse a direct deposit entry. An agency may request the Division of Finance to initiate a reversing entry to an employee's direct deposit when pay is incorrect. The division will reverse a direct deposit when a pay error results in a large overpayment or when an employee will be separating from state service in the near future and there is insufficient time to correct the error by payroll adjustment.

AAM 230.170	Direct Deposit Returned Items

There are two types of direct deposit returned items. Notification of Change items are items for which an RDFI has received inaccurate information. Dollar return items are entries and monies returned by the RDFI. The Division of Finance will take immediate action to pay

employees their net pay associated with direct deposit dollar returned items to meet collective bargaining provisions for timely payment of wages and to avoid or minimize penalty pay. It is the responsibility of the agency human resources office to notify an employee of pay problems that may delay receipt of the employee's payroll warrant.

| AAM 230.180 | Controls - Financial System Interface |

All financial activity of the State must be recorded in the financial system in order to report the financial condition and operations of the State. The payroll system is a system external to the financial system that produces negotiable payroll warrants, generates information for posting payroll financial activity to state appropriations, and records activity for each business leave bank. This financial information is formally recorded in the financial system through interface processes. The Division of Finance is responsible for accurate and successful interfaces of financial activity from the payroll system to the financial system. Internal control procedures are essential to the interface process.

During payroll processing the payroll system produces the Warrant Issue (WI), Large Document File (LDF), and Business Bank interfaces to pass payroll accounting information to the financial system. The WI interface contains warrant information including warrant number, amount, and payee information for issued and reversed payroll warrants. The LDF interface contains the financial system account coding for earnings, deductions, and employer charges collapsed to totals for each fully qualified account (FQA) for issued and reversed payroll warrants. The Business Bank interface records activity for each business bank's contributions and withdrawals. Reports generated from creation of interface tapes identify where amounts are coded to post in the financial system.

Verifications are performed using control reports generated from the payroll system interface tape creation process to ensure balanced transactions are interfaced with the financial system. The WI and LDF post offsetting debit and credit entries for payroll warrants to the payroll suspense account code. The payroll entries on interface control reports must net to zero or the entries will not be interfaced with the financial system. Interfaces are processed through a Balance Interface File (BIF) prior to acceptance for batch processing. Following successful processing of interface tapes with the financial system, the Division of Finance, Accounting Services Section, performs a payroll system/financial system interface verification to ensure the payroll system production runs are interfaced for correct amounts and payroll system transactions will post to correct financial system accounts.

The Division of Finance processes financial system and ALDER reports each night for the purpose of identifying and verifying amounts posted to the accounting system from the payroll system. Reports include audit trails for current year transactions in dollars summed by account and transaction code, for Business Bank hours summed by account, for all departmental default collocation codes, and for all fiscal period code "P" transactions during the months of July and August. The reports also include a warrant issue interface detail and transactions errored out of the interface process. The final Payroll Posted to Suspense Accounts Report identifies additional transactions with account coding errors that will default to account 71965 - Payroll Exceptions. This report is distributed to agencies to be used with the final Labor Distribution Errors Report generated from production payrolls. Both reports are used to correct payroll expenditure coding errors.

AAM 230.190   Controls - Other Interfaces

The payroll system transactions and information are passed to or retrieved from other systems through interfaces. The payroll system produces information and must receive information in standard interface formats. It is the responsibility of each agency or external institution to provide interfaces or receive information in standard interface format. The Division of Finance must approve all payroll system internal and external interfaces. Agencies submitting data must test the data before it is used in a production payroll, format the data on a file that can be read and used by the payroll system's segment load programs, and provide control totals that are verified by the division before the data is used in the payroll system.

AAM 230.200   Agency Payroll Exceptions

Agency payroll exception suspense collocation codes are agency-specific default codes in the financial system that accumulate payroll expenses that were charged to invalid collocation, program, or ledger codes. Production payroll processing does not prevent labor distribution codes that are invalid in the financial system from being used. However, when invalid codes are interfaced with the financial system, personal services expenditures will default to agency payroll exception suspense collocation codes. Payroll exception suspense collocation codes point to agency appropriations, usually in the administrative service or commissioner's office component. Exception suspense expenditures posted to these appropriations reduce the available balance.

The Division of Finance produces and distributes the Payroll Posted to Suspense Accounts Report to identify personal services expenditures posted to payroll exception collocation codes and accounts. Agencies are

required to process financial system journal entry transactions to move payroll expenditures defaulted to payroll suspense to valid agency expenditure collocation codes. Journal entries should be processed within one month of receipt of documentation. Prior fiscal year payroll exception suspense adjustments must be processed in the financial system by August 31. Before the next production payroll is processed, agencies must correct payroll system labor distribution records that caused payroll expenditures to default to suspense.

AAM 230.210   Fiscal Year-End

As provided in AAM 25.160 Fiscal Year Obligations, payroll costs must be charged to the fiscal year in which wages are earned. All prior fiscal year adjustments to employee earnings must be processed in the payroll system by the second production payroll in August.