



DEPARTMENT OF THE NAVY
UNITED STATES NAVAL ACADEMY
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USNA INSTRUCTION 7420.10

From: Superintendent

Subj: CIVILIAN PAY POLICIES AND PROCEDURES

Ref: (a) NAVCOMPT Manual, Volume III (NOTAL)
(b) DOD Financial Management Regulation, Volume 8 (NOTAL)
(c) USNAINST 12630.1J
(d) DCPS Reference Manual (NOTAL)
(e) USNA/AACINST 12610.4D
(f) SECNAVINST 7200.17D
(g) SECNAVINST 7000.11C

Encl: (1) Civilian Pay Policies and Procedures Manual

1. Purpose. To issue policies and procedures regarding civilian pay.
2. Cancellation. USNAINST 7420.9 and 7000.2B
3. Scope. These procedures apply to all Naval Academy departments: Naval Station, Annapolis; Naval Academy Museum; and all other activities for which the Naval Academy performs civilian payroll support functions. Payroll services for the Naval Academy are performed by the Defense Finance and Accounting Service (DFAS) Pensacola, FL. References (a) through (g) contain detailed pay and leave policies and were used to develop enclosure (1). Use of the procedures in this directive is mandatory, and deviation will be made only with the prior written approval of the Comptroller, U.S. Naval Academy.
4. Action
 - a. The Comptroller will maintain current operating procedures in this instruction.
 - b. Departments of the Naval Academy and other applicable activities will take immediate action to cancel or revise any existing civilian pay instructions and procedures in conflict with this directive and establish internal procedures to comply with this instruction.
5. Forms availability. Standard forms prescribed by this instruction are available through normal supply channels, Human Resources Department (HRD), and the Payroll Liaison Office, Comptroller Department.


W. P. FOGARTY
Deputy for Management

Distribution:
AA
Comptroller (50)

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CIVILIAN PAY POLICIES AND PROCEDURES

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SECTION I

INTRODUCTION AND RESPONSIBILITY

1. Introduction. This instruction is based on information contained in references (a) through (g). It is published to assist in the uniform reporting of time worked and leave taken, as well as to issue other information useful to the civilian pay function. It is organized into seven sections as provided in the table of contents. It is not possible for this instruction to cover every conceivable circumstance related to the civilian pay function, nor is that intended. It is limited to presenting the proper methods for recording time and leave charges on employee time and attendance (T&A) documentation. Additional information may be obtained from references (a) through (g). The Payroll Liaison Office is also available to answer questions, provide interpretation, and assist in resolving payroll issues.

2. Faculty. For the purposes of this instruction and consistent with the Naval Academy's academic mission and the faculty's status as teacher-scholars, the following is applicable.

a. Civilian faculty not in full-time administrative positions shall, for time and attendance purposes, be regarded as being in a duty status if they are preparing for classes or pursuing scholarly research within normal commuting distance from the Naval Academy, as defined by the Joint Travel Regulations as the Washington Commuting Area and to include the Delmorva Peninsula.

b. Faculty are responsible for meeting any ongoing teaching and administrative obligations of their positions at the Academy. They are responsible for keeping their department chairs informed of their whereabouts while in a duty status away from the Academy such that they can be recalled if necessary.

c. When faculty do not wish to be in "on call" status for a period of time, they should request annual leave for the period from the department chair. If faculty expect to be outside the normal commuting area for personal or professional reasons, they should request annual leave or official travel orders, as appropriate.

3. Exempt and Nonexempt Employees. On 1 May 1974, the Fair Labor Standards Act (FLSA) became applicable for Federal Employees. The majority of employees are covered by this law because their positions fall into the "nonexempt" category. Certain employees in the executive, administrative, and professional positions, as determined by the Office of Personnel Management, are exempt from coverage by this law. Since it is the position that is either exempt or nonexempt, the employee can only change status by changing positions. The FLSA requires payment for all work in excess of 40 hours a week or 8 hours a day which the supervisor requires to be done. For nonexempt employees, this will be overtime. See Section IV for further guidance.

4. Responsibilities

a. The Comptroller, as delegated by the Superintendent, is responsible for the administration of the civilian pay function and will perform the following:

- (1) Process time and attendance and supplementals; including downloading and uploading data files with DFAS.
- (2) Prepare Master Employee Record (MER) diskettes.
- (3) Process transactions and retain records for the following:
 - Federal, state, and local tax authorizations
 - U.S. Savings Bond authorizations
 - Authorizations for Direct Deposit (DD) or Electronic Fund Transfer (EFT) of net pay and allotments
 - Charitable contribution authorizations
 - Employee mailing addresses

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- Advance annual and sick leave authorizations
- Restored leave authorizations
- Leave and Earning Statement (LES) for leave balances prior to receipt of Record of Leave Data (SF 1150)
- Union Dues
- Military and court leave documentation
- Time off awards

- (4) Ensure availability of forms.
- (5) Provide periodic training and individual training as requested.
- (6) Perform liaison with DFAS Pensacola.
- (7) Maintain security in the Defense Civilian Pay System (DCPS).
- (8) Provide leave status reports quarterly to Cost Center Heads.

b. Heads of Cost Centers, Sub-Cost Centers, and supported activities will:

(1) Designate supervisors or other personnel operating in a supervisory capacity who have knowledge of the employee's attendance as certifying officials for time and attendance/labor, supplemental cards, labor authorization forms and labor charge adjustments. Personnel who do not function as supervisors may not certify time and attendance, and employees may not sign their supervisor's time and attendance.

(2) Maintain a list of the designated certifying officials in the department. Update as personnel changes occur.

(3) Certify time and attendance of designated certifying officials within the cost center. This is necessary since employees are not permitted to certify their own time and attendance.

(4) Designate timekeeper(s) and alternate(s) responsible for submission of completed time and attendance and system security.

(5) Provide verification that the hard copy documentation of the T&A provided with the diskette matches the time and attendance as certified by the supervisor or other designated official.

c. Certifying officials, supervisors, or individuals operating in a supervisory capacity who certify T&A accuracy will:

(1) Ensure accurate mustering at all stations where time "In" and "Out" is recorded. Where time clocks are used, ensure that timecards are clocked "In" and "Out" only by the employee whose name is shown on the timecard. Time clocks are used in some sub-cost centers and the information from the time clock will be used to record time and attendance in the payroll system.

(2) Make sure T&A accurately reflects attendance for duty and/or absence and that all overtime, compensatory time, and/or absences are properly substantiated.

(3) Make sure all work differential codes are properly entered when applicable.

(4) Sign T&A documentation and supplemental cards for employees. Where possible, overtime and compensatory time hours on the T&A documentation should be initialed by the supervisor for approval.

(5) Make sure the T&A diskette is hand delivered and received by the Payroll Liaison Office, Halligan Hall, by time and date required by written guidance issued by the Comptroller. T&A diskettes should not be sent through the yard mail.

d. Timekeepers will:

- (1) Receive MER file and load into the payroll system.
- (2) Record daily time and attendance information, the number of hours worked, and number of hours absent of all employees assigned to their timekeeping unit.
- (3) Verify the T&A of the certifying official is certified by another employee designated for that purpose.
- (4) Make sure that all employees in a pay status are shown on the MER file.
- (5) Upload the completed MER file to a diskette.
- (6) Bring the diskette along with a hard copy printout to Payroll Liaison Office on predesignated time and dates.
- (7) Provide the forms as appropriate for advanced leave, jury duty, military leave, family-friendly leave.
- (8) Retain T&A records for 3 years.

e. The Human Resources Department will:

- (1) Disseminate and provide leave guidance and forms.
- (2) Process Notification of Personnel Action (SF50), to DCPS.
- (3) Provide new employees with personnel and payroll forms. Collect completed forms, ensure they are properly filled out, and forward to the payroll office.

f. The Command Evaluation Office will perform an annual review of civilian pay policies, procedures, and record keeping.

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SECTION II

TIME AND ATTENDANCE (T&A) RECORDING AND REPORTING PROCEDURES

1. Method of Recording. Records will be maintained by one of the following time and attendance accounting methods. In all cases, adequate controls will be maintained to assure proper and accurate time accounting.

- a. Observation by a designated employee such as a supervisor or a timekeeper.
- b. Electromechanical devices such as time clocks.
- c. Sign-in/sign-out sheets showing times of arrival and departure.

2. Recording Time and Attendance/Labor

a. Each time and attendance/labor site will perform T&A following the guidelines and coding in reference (d).

b. Adjustments. Supplemental time cards will be used to correct previously submitted data or for the addition of unreported data to DFAS. Corrections will be submitted on a blank regular timecard with "SUPPLEMENTAL" written across the top of the timecard. In no instance should the correction be recorded on the next pay period's T&A. Only the change should appear on the supplemental. Do not rewrite the entire card. Change the weekly totals at the top of the card to reflect the change and include a copy of the original T&A documentation. This supplemental timecard must be certified in the same manner as the original T&A.

3. Leave

a. The number of hours of leave and the leave code will be shown on the T&A documentation. See reference (d) for leave codes. Employees should initial their time and attendance documentation maintained by the timekeeper for each absence. Upon return to duty following unscheduled leave, an employer will require employees to submit an Application for Leave (SF 71) which will be retained by the timekeeper for 3 years. For further guidance regarding leave policy, refer to reference (c) or contact the Human Resources Department (HRD).

b. Employees requesting annual or sick leave in excess of their current balance should understand that sick leave automatically converts to annual leave and annual leave automatically converts to leave without pay to cover any excess amount. Supervisors should be aware of their employees' leave balances in this regard and may obtain such information from the Payroll Liaison Office. A Leave Status Report is distributed to all cost centers quarterly.

c. Traumatic Leave. The day of the injury is recorded as code LU. Subsequent days are recorded as Traumatic Leave, code LT with an injury number of the actual date the injury occurred. Weekends and holidays are also charged to traumatic leave. If an employee returns to work prior to using 45 days and uses traumatic leave for follow-up doctor visits or therapy, etc., the actual number of hours used will be recorded in the payroll system and charged to code LT. These hours will be converted to whole days by DFAS for calculating the 45 days allowable. If an employee does not return to work after the 45 days have been used, their time will be charged to annual or sick leave unless the Department of Labor has approved the case as an injury compensation case. In this case their time will be charged to a nonpay status code, KD. Supervisors and employees should meet with the HRD to determine all options available to the injured employee.

4. Other Pay Conditions. Certain conditions of work entitle an employee to additional pay. To pay the employee the required premium pay, it is necessary to properly annotate the time and attendance with the actual number of hours and applicable code per reference (d). Some of the more common types of premium pay are explained below.

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a. Night Shift Differential. General schedule (GS) employees earn 10% of their basic hourly rate for each regularly scheduled hour of work within their basic workday occurring between 1800 and 0600. Wage Grade (WG) employees earn 7 1/2% of their basic hourly rate for work performed on a scheduled shift from 1500 - 2400; or 10% for work performed on a scheduled shift from 2300 - 0800. The majority of work must be within these hours to qualify for differential; i.e., an 8-hour shift must work at least 5 hours within the shift. WG employees will receive differential while on annual and sick leave; however, GS employees will only receive night differential for paid leave when the total amount of that leave in a pay period is less than 8 hours.

b. Environmental Differential. Certain adverse conditions encountered in the performance of work by WG employees entitle them to additional pay for either the entire shift or the hours worked under the adverse condition. These additional payments are computed by the Office of Personnel Management and this percentage rate is applied to the hourly rate of a WG-10, step 2 to determine the rate of compensation. See reference (d) for codes.

c. Sunday Premium Pay. Premium pay for Sunday is payable to full-time employees whose regularly scheduled basic workweek includes Sunday. This period includes midnight Saturday through midnight Sunday. Employees earn 25% of their basic hourly rate for each hour of work performed within that tour. Anything beyond the regular 8-hour shift is charged to overtime, not Sunday premium pay.

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d. Holiday Pay. Holiday pay is earned for scheduled work performed during the employee's regular working hours on the day the employee observes any legal holiday, and payable only for hours actually worked. The holiday pay compensation rate is twice the basic hourly rate times the number of hours worked on the designated holiday not to exceed 8 hours. Any hours worked in excess of 8 hours will be paid at the employee's overtime rate.

e. Overtime Pay. Overtime pay is paid for any work in excess of 40 hours in an administrative workweek or 8 hours in a day. For further guidance regarding overtime policy, see Section IV.

f. Compensatory Time. Compensatory time may be earned in lieu of overtime pay for irregular or occasional overtime work. Compensatory time earned should be used before annual leave except when an employee has use or lose leave which could be lost. For further guidance regarding compensatory time policy, see Section IV.

5. Employee Leave and Earnings Statement (LES). An LES will be furnished by mail to employees each pay period. Information includes leave taken during the current pay period with year-to-date totals for: (a) annual, sick, compensatory time, and leave without pay (LWOP); (b) current earnings and year-to-date earnings; (c) current deductions and year-to-date deductions. Timekeepers should contact the Payroll Liaison Office on Wednesday following the payday to request a duplicate LES.

6. Notification of Employee Pay/Leave Problems. All problems are to be handled through the department timekeeper who will contact the Payroll Liaison Office for assistance. All employee pay/leave problems should be submitted with necessary related documents to the Comptroller Department, Payroll Office, who will take corrective action with DFAS. Employees should not contact DFAS directly.

* Sunday premium pay is not authorized for periods when work is not performed, such as paid leave time, excused absences with pay, holidays, compensatory time off, credit hours, or time off granted as an incentive award. Part-time and intermittent employees are not entitled to Sunday premium pay.

SECTION III

CIVILIAN SALARY PAYMENTS

1. Introduction. Reference (f) issues procedures for distribution of pay. Effective 1 October 1985 hand delivery of pay and LESs was discontinued. Pay will be forwarded to a designated financial institution. LESs will be mailed to a nonwork address with exceptions as stated in paragraph 3.

2. Civilian Pay

a. Options. Two options are available to civilian employees concerning their distribution of pay as follows:

(1) Employees may elect to receive their net paychecks at a nonwork address; however, as of 1 August 1992, the Department of Defense (DOD) approved (DD/EFT) as the standard method of payment for DOD personnel. Employees may receive net paychecks at a nonwork address until a personnel action for promotion, reassignment, etc. is received. After receiving the personnel action, the employee will have 60 days to enroll in DD/EFT.

(2) Employees may elect to have their net paychecks forwarded to a financial institution of their choice. To have their paycheck forwarded via DD/EFT, they must complete a Direct Deposit Sign-up Form (SF1199A). The DD/EFT program utilizes the Federal Reserve Bank's telecommunications network to distribute and credit payments to individual accounts. Benefits to these procedures are:

(a) Eliminates the need to print and mail checks thus saving tax dollars every year.

(b) A fast, convenient, safe, and reliable method of getting money from the paying agent to the employee's account at a financial institution.

(c) Protects the employee from a misplaced, lost, or stolen paycheck which can happen if the check is mailed to the nonwork address.

(d) Allows employees to be away from home without the worry of the check being unprotected if mailed to the nonwork address.

(e) Ensures your money is available at the opening of business on the same day the check would arrive in the mail and begins earning interest immediately if placed in an interest bearing account.

b. Applicability. These procedures apply to regularly scheduled payments of net pay.

c. Remittance. Only the total amount of net pay (that amount remaining after taxes, allotments, and deductions) may be remitted.

d. Advice of Deposit. Employees whose accounts are credited and/or updated will be advised by the financial organization receiving the deposit. Questions regarding this matter should be taken up directly with the financial institution by the employee.

3. Leave and Earnings Statement. An LES will be forwarded to a nonwork address with exceptions limited to the following conditions:

a. Extended continuous travel status - the LES may be delivered to the employing activity for forwarding.

b. Overseas - Personnel overseas where the use of an activity address is essential for the routing of mail.

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c. Extreme personal hardship - such as employees involved in litigation proceedings.

4. Termination and Change

a. Cancellations are automatic at date of separation from a naval establishment covered by DFAS, transfer of the employee to an activity outside the 48 contiguous states, upon death of the employee, or upon receipt by the Payroll Liaison Office of a written request to cancel. Notice to the financial institution of cancellation of the allotment is the responsibility of the employee.

b. Changes to the financial institution or account to be credited require the employee to submit a new fully executed Direct Deposit Sign-up Form (SF1199A).

c. A change of address is required by all employees. This form will be completed by the employee, signed, and submitted to the Payroll Liaison Office. A copy of the form is sent to the HRD.

d. The DD/EFT selection and address changes will be processed the same pay period as received if the properly executed forms are received within the first week of the pay period. Otherwise, forms will be processed as requested.

SECTION IV

CIVILIAN OVERTIME AND COMPENSATORY TIME

1. Policy. The following policies are established to manage overtime and compensatory time usage and minimize personnel costs per reference (g).

a. Overtime and compensatory time will be limited to cases of necessity, such as:

- (1) Emergencies.
- (2) Safeguarding of life and property.
- (3) Individual incidences where savings can be clearly demonstrated.
- (4) Work cannot be accomplished during normal working hours.

b. Cost Center Heads will attempt to minimize the cost impact associated with scheduling work and maintaining priorities, particularly as it pertains to changes in existing schedules and reassignments of priorities. Consideration should be given to:

- (1) Use of part-time and intermittent employees, and full-time employees in temporary positions.
- (2) Contract work, if not in conflict with generally accepted practices of government employment.
- (3) Maximum use of shift work.

c. The overtime rate of pay for GS and WG employees nonexempt from the FLSA is 1 ½ times the basic rate of pay. The overtime rate of pay for a GS employee exempt from the FLSA is 1 ½ times the basic rate of pay not to exceed the rate of grade GS-10, step 1.

d. GS employees whose rates of basic pay are in excess of the maximum rate of grade GS-10 should be required to accrue 80 hours of compensatory time in lieu of overtime pay for irregular or occasional overtime work they are required to perform for exempt employees. There are certain circumstances when an employee who is nonexempt under FLSA may be granted compensatory time off as a substitute for overtime pay. Any exceptions will require a specific written determination by the Superintendent stating that an exception is in the best interest of the Command. Exceptions will be processed through the Comptroller Department.

e. Compensatory Time

(1) Beginning 7 June 1998, two compensatory time accounts will be established. Compensatory time earned prior to 8 June 1997, and not used prior to 7 June 1998, will be placed in a grandfathered compensatory time account. All compensatory time earned on or after 7 June 1997, will be maintained in a separate current account. Grandfathered compensatory time will only be charged for use when an employee has insufficient current compensatory time to cover the compensatory time off requested.

(2) Beginning June 1998, there will no longer be any limitation on the number of hours of compensatory time an employee may accumulate. Instead, compensatory time hours earned by pay period will automatically pay employees overtime for hours earned which are not used by the end of the 26th pay period after they were earned.

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(3) Effective February 1998, payoff of compensatory time will no longer occur when an employee changes activities or Unit Identification Codes, only when the employee separates or transfers to another Department of Defense Agency (i.e., from Army to Navy or from Navy to the Defense Logistics Agency). Payment will be based on the overtime rate in effect when the compensatory time was earned.

f. Religious Compensatory Time

(1) Employees may earn compensatory time off for religious observances under provisions of 5 U.S.C. 5550a. Time off for religious reasons will be recorded in a special leave account and may be worked either before or after the period of time off. Advance time off for religious reasons must be paid back within 90 days or will be converted to paid or unpaid leave. The maximum credit balance will be limited to 40 hours. Excess hours will be converted to paid or unpaid leave following the precedence list in references (a) and (b). Employees cannot elect payment for religious compensatory time earned but not used.

(2) When an employee separates or transfers to another agency, the employee shall be compensated for excess religious compensatory time worked at the basic rate of pay in effect at the time worked. Conversely, if the employee has been advanced religious compensatory time and has a negative balance in the special account at the time of separation/transfer, an indebtedness is created. This indebtedness may be satisfied by a charge to annual leave or the time may be charged to LWOP. In the event the time is charged to LWOP, the indebtedness will be handled following the procedures in references (a) and (b).

g. Credit Hours

(1) Credit hours is time which an employee voluntarily elects to work in excess of the basic work requirement. Credit hours differ from compensatory time because they are initiated by the employee and approved by the immediate supervisor. Unlike compensatory time, credit hours do not require advance written approval by the Cost Center Head.

(2) Credit hours in no way affects your right to use annual or sick leave or your supervisor's authority to require advance approval to use leave. However, it offers an employee the option of modifying their work schedule, subject to supervisory approval, to accommodate personal needs and desires without the use of leave.

(3) Credit hours must be earned and used in one-half hour increments. The maximum accumulated number of credit hours an employee may carry is 24 hours. Credit hours must also be earned prior to being used.

2. Approval

a. The approval of overtime or compensatory time will be vested in the Cost Center Head or, as delegated in writing, to at least one organizational level above the level ordering the use of overtime or compensatory time.

b. Authorization of overtime or compensatory time work will be in writing in advance of the performance of the work, except when the exigency of the situation prevents prior approval. In such instances, written approval will be accomplished no later than the first normal working day after the work is performed. The Overtime/Compensatory Time Request and Authorization, (NAVCOMPT Form 2282), will be used for this purpose. One copy will be forwarded with the payroll diskette and hard copy documentation will be retained by the Cost Center. ALL REQUESTS MUST CLEARLY STATE WHY THE WORK CANNOT BE PERFORMED DURING NORMAL WORKING HOURS. Any increase to the number of hours worked not previously authorized on the original request will require a new authorization to approve the increase.

3. Procedures. Overtime and compensatory time worked will be recorded in the payroll system as prescribed in reference (d).

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4. Responsibilities. Cost Center Heads and Supervisors will:

a. Monitor the following situations to ensure that excessive costs are not incurred:

- (1) Overtime paid or compensatory time credited during the same pay period annual leave is taken.
- (2) Annual leave taken prior to depletion of compensatory time balances.
- (3) Accumulation of 30 hours or more of overtime or compensatory time hours during the preceding three pay periods.
- (4) Exempt employees paid overtime.
- (5) Reductions in paid overtime or credited compensatory time due to the biweekly earnings limitation.

b. Monitor compensatory time balances ensuring compensatory time is taken within 26 pay periods if possible, thereby minimizing overtime charges.

c. Reconcile reported time and attendance with overtime authorizations to make sure all overtime recorded is properly authorized by a NAVCOMPT Form 2282 and verify that when possible, overtime recorded on the T&A documentation is initialed by the certifying official.

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SECTION VALLOTMENTS OF PAY

1. Introduction. Reference (a) issues procedures for civilian personnel who desire to authorize allotments of pay to financial organizations.

2. General Provisions and Definitions

a. Financial Organization. Any United States bank, savings and loan association or similar institution, or federal or state chartered credit union. Each financial organization will be identified by a 9-digit number assigned by the Internal Revenue Service. Financing through General Motors American Corporation and Ford Motor Credit are not considered financial organizations.

b. Allotment of Pay. An authorization from an employee for a recurring payroll deduction from salary or wages due, in a specified dollar amount, to be remitted to a financial institution of employee's choice for credit to a savings account. Allotments must be a minimum of \$5.00, in fixed whole dollar amounts, and be deducted in each successive pay period. No more than two such allotments per employee will be in effect at any one time nor can more than one allotment be payable to the same allottee at the same time. This does not include DD/EFT of net pay.

c. Advice of Deposit. Employees whose accounts are credited and/or updated will be advised by the financial organization receiving the deposit. If the employee has any questions regarding this matter, it should be taken up directly with the financial institution.

3. Allotment Authorization, Change, and Termination

a. Employees who desire to register an allotment must complete a Direct Deposit Sign-up Form (SF1199A), which must include the financial organization's endorsement. This form will serve as the written authorization and evidence (by the financial organization) that the financial organization is willing to act in this respect as agent of the employee and to accept at its expense, the related service charge. The employee will provide the Payroll Liaison Office with the original SF 1199A for each allotment of pay; one copy will be retained by the financial institution and one copy will be retained by the employee.

b. Changes in the amount of allotment, financial organization, or account to be credited require the employee to submit a new, fully executed SF 1199A. An increase, decrease, or cancellation of an established allotment does not require the financial institution's signature.

c. Cancellations are automatic at date of separation from a naval establishment covered by DFAS, transfer of the employee to an activity outside the 48 contiguous states, upon death of the employee, or upon receipt by the payroll office of another SF 1199A to cancel the allotment(s). Notice to the financial institution of cancellation of the allotment procedure is the responsibility of the employee.

d. Allotments will be processed the same pay period as received, if the properly executed SF 1199A is received within the first week of the pay period. Otherwise, forms will be processed as requested.

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SECTION VI

BONDS

1. Introduction. This section contains procedures for civilian personnel who desire to authorize a payroll deduction for bonds.

2. General Provisions and Definitions

a. Savings Bond (Series EE). A contract showing that money has been loaned to the United States, which promises to repay it with accrued interest, when the bond is redeemed.

b. Payroll Deduction. An authorization from an employee for a recurring deduction from salary or wages due, in a specified dollar amount to be applied to the purchase price of the selected denomination of the bond. Deductions must be a minimum of \$5.00 and be deducted in each successive pay period. No more than two bond deductions per employee will be in effect at any one time.

c. Co-owner. A person who jointly owns the bond with the owner. A co-owner may redeem the bond without the owner's signature. A person must have a social security number to be a co-owner.

d. Beneficiary. A person who owns the bond upon death of the owner.

3. Bond Authorization, Change, and Termination

a. Employees who desire to register a payroll deduction for bonds must complete an Authorization for Purchase and Request for Change, United States Series EE Savings Bonds (SBD 1192).

b. Changes in the amount of deduction, bond inscription, or bond denomination require the employee to submit a new, fully executed SBD 1192.

c. Cancellations are automatic at date of separation from a naval establishment covered by DFAS, transfer of an employee to an activity outside the 48 contiguous states, upon death of the employee, or upon receipt by the payroll office of another SBD 1192 to cancel the bond(s).

d. Payroll deduction for bonds will be processed the same pay period as received, if the properly executed SBD 1192 is received within the first week of the pay period. Otherwise, forms will be processed as requested.

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SECTION VII

TAX WITHHOLDINGS

1. **Introduction.** State and federal tax withholdings are required by law. State tax is deducted according to the employee's residence, not location of the worksite.
 - a. All new employees are required to complete an Employee's Withholding Allowance Certificate (Form W-4) for federal withholdings and an applicable (according to residence) state withholding form through the HRD upon beginning employment with the Naval Academy.
 - b. Employees who want to change their withholdings may do so at any time during the year by completing a new Form W-4 and/or state withholding certificate as appropriate.
2. **Form W-2.** A W-2 will be mailed by DFAS by the end of January each year. Individuals may request a duplicate W-2 through the Payroll Liaison Office if not received by 15 February.