FISCAL POLICY AND PROCEDURES MANUAL



State of Alabama

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CHAPTER 1
INTRODUCTION AND INTEGRATION

1-1 PURPOSE AND ORGANIZATION OF THE MANUAL

The Fiscal Policy and Procedures Manual (the manual) has been developed to assist state departments with the operation of the state-wide accounting system STAARS. The manual will assist state departments in complying with statutory requirements and administrative procedures. Furthermore, the manual documents the policies and procedures related to budgeting, revenue and receipts, expenditures and disbursements, purchasing, contracts, journal vouchers, payroll/personnel, and financial reporting.

State funds are entrusted to the head of a department, board, bureau, commission, agency, office, institution, authority, council, service, or system. The term's "department" and/or "agency" are used throughout this manual to denote any of these organizational entities. The department head is primarily responsible for the expenditure of public monies in accordance with statutes and federal guidelines where applicable. Each department head makes decisions and exercises authority relative to the expenditure of funds within the bounds of the department's appropriation(s) and legal function. This manual is intended to assist state officials in complying with laws, policies, and procedures that apply to the fiscal administration of state departments. It is not the intent of this manual to prescribe internal departmental procedures or policies.

This manual standardizes accounting and financial policies and procedures that are within the authority of the State Department of Finance. The State Director of Finance and the Governor have approved this manual in order to establish rules and regulations governing the performance of all functions and duties of the Department of Finance and these policies and procedures will be applied uniformly to all departments unless specific exemption is granted in writing by the Director of Finance, the State Comptroller, Chief Procurement Officer, or State Budget Officer. The fiscal procedures define the functions and responsibilities of the Department of Finance and the methods of fulfilling these responsibilities as authorized by the *Code of Alabama 1975*, §41-4-35, as amended. Any errors of omission or commission in this manual are not to be taken as an exemption from the statutes; full compliance with such statutes is required.

Please note: There are several links to job aids located on the STAARS Support Portal. You must be a registered user to access these job aids.

The STAARS Support Portal provides information, support and resources for the State of Alabama agency staff who use the State of Alabama Accounting and Resource System (STAARS).

If you do not have a user name / password to log in to the STAARS Support Portal, please send an email to financialsystems@comptroller.alabama.gov. Include your first name, last name, title, agency number, email address, and office phone number. You will receive login information by reply email.

Revisions to the manual will be made periodically as needed. Suggestions should be submitted to the State Comptroller's Office at the following address.

Mailing Address

State of Alabama
Comptroller's Office
P. O. Box 302602
Montgomery, AL 36130-2602

E-mail Address
fppm@comptroller.alabama.gov

1-2 COMPONENTS

There are several components that are used to produce accurate financial reports and other pertinent information related to the accounting process. The following list describes the five components:

STAARS Budgeting is the Budget Office's state level budgeting system.

STAARS Financial is designed for the Statewide/Comptroller level accounting and for the agencies to keep detail information required by federal and/or state laws, and to meet the accounting needs of the departments.

Governmental Human Resources System (GHRS) is the state level payroll and personnel system.

Alabama Buys handles the procurement and purchasing for the State of Alabama.

STAARS InfoAdvantage is the system used for creating and maintaining reports at both a statewide and agency level.

1-3 TRANSACTION PROCESSING

STAARS processes transactions real time during the day and posts them to the data warehouse, InfoAdvantage, during the Nightly Cycle. There are a few universes in InfoAdvantage that can access real time data. The nightly cycle processes between7 p.m. and7 a.m. Monday through Friday except some holidays such as New Year's Eve. Time frames referred to as windows are set for each component to have their data ready for the next component to pick up and process. STAARS also performs maintenance once a month. One weekend a month STAARS will be down for the entire weekend. An email is sent to all registered users prior to the maintenance weekend. To register to receive these Campaign Intelligence (CI) Communications, please send an email to financialsystems@comptroller.alabama.gov. Include your first name, last name, title, agency number and email address.

CHAPTER 2
BUDGETING

2-1 STATUTORY AUTHORITY

The Executive Budget Office (EBO) of the Department of Finance by statute is responsible for preparing the initial information concerning the state budget and its execution, revenue estimates, review of appropriation acts and fiscal analyses. The EBO also assists the Director of Finance and the Governor in the formulation of the budget; analyzes and revises the estimates of revenues and requests for appropriations of all state agencies; and supervises and coordinates the expenditures and other fiscal operations of the agencies.

2-2 THE BUDGETING PROCESS

A. OVERVIEW OF THE BUDGETING PROCESS

Formulation of the budget begins with the preparation of estimates of expenditure requirements for the next fiscal year by the administrative head of each budgeted agency. These estimates are submitted annually to the EBO on or before the first day of the third month preceding each regular session of the Legislature. Annually, the EBO provides to the agencies a set of instructions and forms for preparing a budget request. The budget is prepared for each fund, department, appropriation class and function by major object of expenditure in accordance with the state-level chart of accounts. The Budget Management Act is described fully in *Code of Alabama 1975, §*41-19-1 through 41-19-12, as amended.

A detailed statement showing actual agency revenue for the preceding year and estimated revenue for the current and next fiscal year must be submitted by each budgeted agency.

The agency is required to provide a personnel classification budget request form showing employees (full-time equivalents) and amounts by classification.

1) If the agency uses the Salary and Benefit Forecasting System (SBFS-Data Dump) then Performance Budgeting (PB) will generate the Form 9 for personnel data.
2) If the agency selects to not use SBFS, then agencies will provide a Form 9 for personnel staffing using Excel or other method and attach this to the document in PB.

The EBO, after receiving the agency budget requests, prepares a tentative budget not later than the first day of the second month preceding each regular session of the Legislature. In its preparation, the EBO utilizes revenue forecasts prepared by the staff, state officials, and other consultants and economists. After the budget hearings are held, the Governor finalizes the budget recommendations. Consideration is given to the revenue estimates prepared by the Department of Finance, the estimated expenditure requirements submitted by the state agencies, the proposed budget recommendations made by the EBO, and to the testimony given at the budget hearings.

The budget document, as recommended by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. The budget document is comprised of three parts. Part I contains the Governor's budget message and pertinent fiscal data. Part II provides the detailed recommended appropriations for each agency and institution. Part III contains proposed appropriation bills and revenue bills which are needed to implement the recommendations made in Parts I and II. The appropriation bills indicate the programmatic appropriation to each agency and institution and the sources of funds from which each appropriation is to be paid. The appropriation recommendations, subject to alteration by the Legislature, are adopted by the Legislature as the Appropriation Acts. The Appropriation Acts identify the source of funding and programmatic (functional) areas for which expenditures are authorized. Both the Alabama Constitution and the statutes require a balanced budget for annual financial operations. In the event that revenue collections do not meet revenue projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or deficit in the fiscal year for which appropriations are made.

B. APPROPRIATIONS

Appropriations are primarily determined each year with the passage of the two major appropriation bills. Alabama's annual Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund (ETF) and other budgeted funds. State agencies may not spend more than the amount appropriated by the Legislature. An agency also may receive a supplemental appropriation through a separate appropriation bill.

Appropriations--the authorization for an agency to make expenditures and to incur obligations for specific purposes--are made at a program level. In the STAARS Budgeting system, these programmatic appropriations are captured through an appropriation class. The EBO is responsible for administering the appropriations. Prior to the beginning of each fiscal year, EBO will enter the appropriation amounts into the STAARS Budgeting system by fund, department, and appropriation class, and in some cases appropriation unit for each agency.

C. ALLOTMENTS

An allotment is a quarterly division of the agency's appropriation into amounts that may be encumbered or expended during a fiscal quarter. Agencies may not spend more than the year-to-date allotment amount for each fund, department, appropriation class, and in some cases appropriation unit. Allotments are determined from the budgeted quarterly amount on the agency's operations plan as approved by the EBO. If an agency does not spend all of the allotment in a quarter, the unused allotment amount will carry over and will be available for expenditure in the next quarter, but only within the same fiscal year.

At any point in the year, the amount available for expenditure is determined by the year-to-date allotment amount minus year-to-date expenditures and encumbrances. Encumbrances are an obligation of state funds and encumber or reserve a portion of the annual appropriation and allotments.

D. OPERATIONS PLANS AND EXPENSE BUDGETS

1. OPERATIONS PLANS

After the passage of the appropriation bills, each state agency is required to prepare an annual plan for the operation of each of its authorized programs. The purpose of the Operations Plan is to ensure that the objectives of the Legislature's appropriations are met. The fulfillment of these intentions is monitored by the preparation of quarterly budgets based on Legislative appropriations. In accordance with the Budget Management Act, *Code of Alabama 1975, §*41-19-1 through 41-19-12, as amended, the EBO Staff reviews and analyzes each agency Operations Plan. The purposes of the review are to determine that it is consistent with policy decisions of the Governor and appropriations made by the Legislature; to ensure that it reflects proper planning and efficient management methods; and to ensure that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year.

Each agency must prepare an Operations Plan; budgeting expenditures by quarter for each fund, appropriation class and in some cases appropriation unit, function and by major object code of expenditure. The Operations Plans provide the foundation for establishing budgetary control in STAARS through original appropriations, quarterly allotments, and expense budgets.

An Operations Plan for each fund, appropriation class, and in some cases appropriation unit, and function, must be approved by the agency head and compiled into an agency Operations Plan representing the annual operating budget for the fiscal year. The Operations Plan identifies the personnel costs, employee benefits, travel, supplies, equipment purchases, and other expenditures by major object. Expenditures and encumbrances in any major object code shall not exceed the total annual amount budgeted on the Operations Plan for that major object, fund, and appropriation class, and in some cases appropriation unit. A Budget Management Report (AFIN-BUD-004) is made available to each agency. This report shows the variance between year-to-date expenditures and amounts budgeted by the agency in the Operations Plan.

The Department of Finance approves the Operations Plan when the plan meets the above requirements. Otherwise, the Finance Department will require a revision of the plan in whole or in part. The Director of Finance may also modify or withhold the planned expenditures at any time during the appropriation period if it is determined that the expenditures are greater than necessary to execute programs at the level authorized by the Governor and the Legislature, or that the revenues and resources will be insufficient to meet the authorized expenditure levels. The Department of Finance allots funds quarterly based upon the Operations Plan; therefore, emphasis is placed on estimating the quarterly allotment needs of each agency by fund, and appropriation class, and in some cases appropriation unit.

2. DEVELOPMENT OF AGENCY OPERATIONS PLANS

Annually, a set of instructions from the EBO for preparing Operations Plans and Performance Reports are posted to the EBO website at https://budget.alabama.gov/. A memo notice is provided when the updates are available. The agency head will allocate appropriations to each function in the agency based on the amount appropriated by the Legislature for each program (appropriation class). An Operations Plan must be submitted for every appropriation class, function, and fund, and in some cases appropriation unit utilized by the agency.

The agency must complete the following forms. An example of each of the forms is included in Section 2-6.

-Operations Plan - EBO Form 8
-Employee Staffing Plan - EBO Form 9

3. EXPENSE BUDGETS

STAARS Financial uses expense budgets, which control spending against the approved appropriation (program) amount by major object code. The annual amount budgeted on the Operations Plan for each major object code within an agency, fund, and appropriation class, and in some cases appropriation unit comprises an expense budget line in STAARS Financial. The sum of the annual major object code amounts (expense budget lines) will equal the appropriation amount.

As transactions are processed throughout the year, the total of expenditures and encumbrances may not exceed the expense budget line in STAARS Financial. For example, if an agency budgeted $600 for object code 0500 (Repairs and Maintenance) and has expended $500 against object code 0500, an encumbrance or expenditure exceeding $100 against object code 0500 will not be processed because of insufficient budget authority.

The obligated amount may not exceed the amount of budget authority at the major object code level. The obligated amount is defined as:

OBLIGATED AMOUNT = EXPENDED AMOUNT + ENCUMBERED AMOUNT

The expended amount is the total of transactions (payment vouchers, journal vouchers, etc.) that have been processed in STAARS Financial for the budget fiscal year. The encumbered amount is the total amount of all outstanding purchase orders (PO), and other encumbrance related documents.

NOTE: The pre-encumbered amount is the total amount of all outstanding requisition amounts and does not obligate budget authority.

4. APPROPRIATION, ALLOTMENT AND OPERATIONS PLAN REVISIONS

Revisions are necessary when:

a) Additional dollars are received during the fiscal year, which were not included in the original Operations Plan, but the agency has a need to spend (for example, additional federal grant monies).

b) Additional allotment is needed in the current or a subsequent quarter in addition to what was included in the original Operations Plan.

c) Adjustments between line items of major object codes are necessary to better reflect expenditures. This type of revision affects the Operations Plan.

d) A reduction in appropriation and allotment is necessary due to proration or a shortfall in receipts.

e) An appropriation class (program) change is requested by the agency and approved by the Governor.

The Department of Finance, with the approval of the Governor, may revise an appropriation either upon the written request of an agency or upon the initiative of the Department of Finance or the Governor. Appropriation revisions must be documented using an Allotment/Appropriation Revision (EBO Form 101) signed by the department head. After approval by the Governor, the current appropriation in STAARS Financial will be modified to include the increase or decrease. Any change in an appropriation amount also requires a revision to the agency Operations Plan (EBO Form 8).

Allotments may be revised during the fiscal year. A revision to an allotment requires a modification to the Operations Plan (EBO Form 8) and an Allotment/Appropriation Revision (EBO Form 101).

Operations Plan revisions may be made only in the current and/or remaining quarters. No revisions will be accepted for prior quarters. Operations Plan revisions should be prepared on EBO Form 8 and submitted to the EBO with an indication in the upper left corner that the form is a revision. Revisions should be numbered sequentially and dated, with number one indicating the first requested revision after the submission of the original Operations Plan. An updated Operations Plan will be available to the department and is assessable at any time through InfoAdvantage (AFIN-BUD-013).

The EBO Form 8 revision must reflect only the amount of change, not the revised numbers. All totals must balance. Any change that reduces a previous amount should be shown in brackets. Changes, which affect “Total Expenditures”, must also balance with changes to the "Source of Funds." The following information should be provided: fiscal year, agency name, agency number, fund name, fund number, appropriation class name, appropriation class number, function name, function number, and in some cases appropriation unit name and number, and the reason for the revision.

5. PERFORMANCE REPORT

The Budget Management Act (*Code of Alabama 1975*, §41-19-10, as amended) mandates that the Department of Finance reports quarterly to the Governor and the Legislature on the operations of each state agency relating actual accomplishments to those planned. Therefore, the Department of Finance requires a quarterly list of agency performance indicators in conjunction with the Operations Plan. At the end of each quarter, every agency will submit the Quarterly Performance Report to the Executive Budget Office to report actual completed performance for each of the indicators.

E. UNLAWFUL USE OF APPROPRIATIONS

It is unlawful for any trustee, commissioner, director, manager, building committee, or other officer or person connected with any department, institution, bureau, board, commission, or other state agency to expend any appropriation for any purpose other than that for which the money was appropriated, budgeted, and allotted.

If the Governor determines that any department or other state agency has used appropriations for any purpose other than that for which the money was appropriated, budgeted, and allotted, the Governor has the power and authority to suspend all appropriations and allotments. This suspension may remain in effect until the diverted or wrongfully expended funds have been replaced (*Code of Alabama 1975*, §41-4-95, as amended).

F. EMERGENCY APPROPRIATIONS

The General Appropriation Bills contain a specific sum (not to exceed two percent of the total appropriation bill) for emergency appropriations. If a department or agency makes a request for an allotment to be made to the department from the Departmental Emergency Fund, this request must be in writing to the Director of Finance. These allotments may be made only for authorized purposes for which no specific appropriation has been made or for which an insufficient appropriation was inadvertently made (*Code of Alabama 1975, §*41-4-94, as amended).

G. USE OF DEPARTMENT AND INSTITUTION RECEIPTS

All fees, receipts, and income collected or received by a department, board, bureau, commission, agency, office, or institution of the State are to be deposited into the State Treasury unless exempted by statute. These funds are deposited to the credit of the General Fund or other fund as required by law. These funds are not subject to withdrawal by the department except as appropriated and allotted (*Code of Alabama 1975*, §41-4-92, as amended).

A department or agency may not increase its appropriation to expend any revenue derived from the sale, trade-in, or exchange of personal property, unless appropriation authority is specifically authorized.

H. APPROPRIATION TRANSFERS

Changes between programs (appropriation class) by an agency or department may only be made by the Governor. These transfers and changes are reported to the Legislature quarterly (*Code of Alabama 1975, §*41-19-10, as amended). A department or agency requesting a program transfer must make a written request to the Governor through the Director of Finance. The request for transfer should be accompanied by an Operations Plan Revision as described above in Section 2-2, D4.

2-3 REVERSIONS

By statute, all unencumbered balances of all appropriations revert to the State Treasury at the end of each fiscal year and are credited to the General Fund or the special fund from which the appropriations were made. The exceptions to this are: appropriations for the purchase of land or the erection of buildings and new construction or maintenance of roads and bridges in the state highway system. These appropriations continue in effect until completion of the project for which the appropriations were made (*Code of Alabama 1975*, §41-4-93, as amended). Encumbered balances revert to the fund from which the appropriation was originally made one year following the close of the fiscal year the encumbrance was made in, except capital outlay appropriations.

A. YEAR-END ENCUMBRANCE PROCEDURES

On September 30 of each fiscal year, all unencumbered monies will revert to the General Fund or other fund from which the appropriation was made. During the last quarter of the fiscal year, departments should review the Encumbrance and Liquidation Report for open purchase orders that should be closed and for other adjustments. This report will be used to determine the up-to-date encumbered and unencumbered balances by fund. An encumbrance is an account used to record the amount of purchase orders and contracts that are chargeable to an appropriation. Encumbrances are obligations related to unperformed contracts and do not include unenforceable commitments or intentions to spend. Therefore, requisitions and other intentions to spend money are not to be included as part of the encumbered fund balance at year end.

The Division of Procurement will establish a deadline for accepting requisitions for the current fiscal year. The Division of Procurement will also establish a date in September on which all existing requisitions must be modified and/or converted to purchase orders and revisions sent to the Division of Procurement for processing.

B. YEAR-END ACCOUNTS PAYABLE

Prior to September 30, all agencies will provide a list of accounts payable to the Comptroller's Office. Accounts payables represent a liability of the state for goods and services received but not paid for by the end of the fiscal year. Accounts payable, which are charged by agency, fund, and appropriation class, and major object code, will reserve a portion of the fund balance to adequately cover these liabilities.

C. THE THIRTEENTH ACCOUNTING PERIOD

The State's accounting records remain open for approximately two-months following September 30. The purpose of this period, termed the thirteenth accounting period, is to allow the payment of outstanding obligations at year-end and to permit other accounting adjustments before the issuance of state-level financial statements.

D. ACCURACY OF REVERSIONS

The head of each department is responsible for the accuracy of the amount of money to be reverted. The Examiners of Public Accounts will audit each department as to the accuracy of the reversion amount and the validity of the encumbrance amounts and year-end accounts payable.

2-4 MANAGEMENT REPORTS

A monthly Budget Management Report (AFIN-BUD-004) can be generated by each department through InfoAdvantage. This report shows the variance between year-to-date total expenditures plus encumbrances and amounts budgeted by the agency. The report also shows the amount of pre-encumbrances, which, added to expenditures and encumbrances, equals commitments. The variance between year-to-date commitments and budgeted amounts is also shown.

2-5 TABLE LOOK-UP

A. BUDGET QUERY STRUCTURE 1 LEVEL 1 (BQ1LV1)

On-line inquiry of appropriations is available through the Budget Query Tables in STAARS. The individual appropriation budgets for each agency, fund and appropriation (identified as appropriation category in STAARS) are recorded in the BQ1LV1 table. This table captures all budgetary and expenditure transactions that occur against an appropriation. This includes the original appropriation amount, modified appropriation amount, allotment and expense budget amounts, encumbered amounts, and expended amounts against each appropriation. A link at the bottom of the page will provide allotment information.

The individual allotment amounts for each agency, fund, and appropriation are also recorded in the table through a link at the bottom the page. This table captures the expended, encumbered, and pre-encumbered amounts against each allotment by fund, department and appropriation.

B. BUDGET QUERY STRUCTURE 1 LEVEL 3 (BQ1LV3)

On-line inquiry of individual expense budget lines is available through the BQ1LV3 Table. This table captures all budgetary and expenditure transactions that occur against the expense budget line as defined as the object category.

C. OBPL - OBLIGATION PLAN REPORT (AFIN-BUD-013)

The Operations Plan is available through an InfoAdvantage report (AFIN-BUD-013). This report includes the Operations Plan for each department by fund, appropriation class and sometimes appropriation unit, and function.

2-6 BUDGETING FORMS

Agencies should use the forms and detailed instructions provided annually by the Executive Budget Office to prepare and to revise the Operations Plan. Instructions can be found on the EBO website at https://budget.alabama.gov/.

CHAPTER 3
RECEIPTS

3-1 STATUTORY REQUIREMENTS

All fees, receipts and income collected or received by any State department or agency are deposited into the State Treasury or an approved state depository to the credit of a special fund as required by law (*Code of Alabama 1975*, §41-4-92, as amended). The State of Alabama Department of Finance, Division of Control and Accounts, also known as the State Comptroller's Office, is charged with controlling and recording all payments into and out of the State Treasury and each special fund and account. The Comptroller's Office also audits receipts and receivables (*Code of Alabama 1975*, §41-4-50, as amended).

3-2 DOCUMENT FLOW OF CASH RECEIPTS

The department or agency will deposit funds received into a State Treasury bank account. Agencies will record the centralized and decentralized chart of account elements of these funds using a cash receipt document in STAARS. The deposit documentation/slip should be attached to the STAARS cash receipt document. Funds may be deposited into a State Treasury bank account, but no deposit slip is available such as with wire transfers in. State Treasury is provided with documentation of this type of deposit. These uncertified deposits are commonly called "board items." When these deposits are to be certified by the Treasury, the department or agency will complete the Cash Receipt document and submit to the State Treasurer's Office. The Treasurer's Office will verify that the amount deposited (or previously deposited for "board items") agrees with the stated amount on the Cash Receipt document.

The Receipts Section of the Comptroller's Office will review certain Cash Receipt documents for valid account coding and overall completeness.

For any errors encountered, the Receipts Section will reject the document back to the agency requesting the necessary corrections be made to fix the errors. Once the cash receipt document has been corrected, the document may be resubmitted into STAARS workflow for approval.

3-3 TYPES OF CASH RECEIPTS AND ACCOUNTING EFFECTS

A. GENERAL

Cash receipt (CR) documents are used in STAARS to record all receipts collected by departments and agencies. CR documents are used to record revenues and other financing sources such as bond proceeds as well as, recording balance sheet receipts and refunds of disbursements.

Note: Manual Agencies can use this link to access instructions for filling out the Cash Receipt Form.

B. TYPES OF RECEIPTS

Receipts are categorized into three main types: revenues and other financing sources, balance sheet receipts, and refunds of disbursements.

1. REVENUE AND OTHER SOURCES

a. Revenues

Deposits of revenues include taxes, fees, fines, interest, rent, grants, and federal funds. The required codes for revenues are event type, fund, department, unit, and revenue source code. If deposits are being made to the General Fund or the Education Trust Fund (ETF), the fund number should be Fund 0100 for the General Fund and Fund 0200 for the ETF. If the revenue is a county receipt, the location code must be entered to show the collecting city, county, or county agent. Detailed use of location codes is described in Section C.

The accounting effects of depositing revenue are a debit to the Cash account and a credit to the Collected Revenues account.

b. Other Financing Sources - Bond Proceeds

The proceeds from bond issues are not revenues but are other financing sources for the department. The required codes are event type, fund, department, unit, and the appropriate revenue source code (0750 – 0756).

The accounting effects of the deposit are debit to Cash account and credit to Bond Proceeds account.

c. Refunds of Prior Year Disbursements

If a department receives a refund of monies disbursed in error in a prior year or during the 13th accounting period but received after the 13th accounting period for that year has closed, the deposit will be coded as a refund of prior year disbursements. The required codes are event type, fund, department, unit, and revenue source code 0684. The accounting effects of the deposit are a debit to the Cash account and a credit to the Prior Year Refunds account. If the prior year refund involves federal money, see Chapter 8, Section 8-8, D Grant Accounting. Refunds of prior year disbursements received while the 13th accounting period for that year is open should be coded as shown in Section 3-3, B3.

2. BALANCE SHEET RECEIPTS

Cash receipts that involve a balance sheet account are not revenue. The proceeds from the liquidation of investments and agency fund receipts are two examples of balance sheet receipts.

a. Investment Proceeds

To deposit the proceeds of an investment liquidation, the required codes are event type, fund, department, unit, and balance sheet account. The accounting effects of the deposit are a debit to the Cash account and a credit to the Investments account.

b. Agency Fund Receipts

Custodial Fund types account for assets held for other funds, governments, or individuals. Custodial funds have no revenues, expenditures, or fund balances. The required codes are event type, fund, department, unit, and balance sheet liability account. For example, if sales taxes are deposited to a Custodial fund, the liability account Sales Tax Collections (7080) should be entered as the balance sheet code. The accounting effects of the deposit are a debit to the Cash account and a credit to the Sales Tax Collections account.

c. Refunds of Salary Overpayments

If an employee is incorrectly overpaid, the employee may refund the money to the state. The department will deposit the refund by completing the cash receipt document and including the following codes: event type, fund, department, unit, and balance sheet account - Salary Refunds Payable, 9050.

NOTE: For prior calendar year overpayments only

BEFORE collecting the amount due from an employee, it is imperative that the departmental payroll/personnel contact the GHRS Hotline (334) 242-2188.

The department must also complete a Salary Overpayment Refunds Form FRMS-25 and attach it to the Cash Receipt (CR) document in STAARS. See Section 7-9, C for detailed instructions.

The accounting effects of the deposit to the Payroll Fund are a debit to the Cash account and a credit to the Salary Refunds Payable account.

3. REFUNDS OF DISBURSEMENTS

a. Disbursed and Refunded in Current Year

If a department receives a refund of monies disbursed in error during the current fiscal year and charged to the current budget year, such as an overpayment to a vendor, the cash receipt document must be coded exactly as the original disbursement and include event type, fund, department, unit, appropriation, function, expenditure object, and vendor code.

The accounting effects of the deposit are a debit to the Cash account and a credit to the Expenditures account.

b. Disbursed in Prior Year with Related 13th Accounting Period Still Open, Refunded in 13th Accounting Period

If a department receives a refund of monies disbursed in error in the prior year but received in the current year while the 13th accounting period is open, the following cash receipt will be required. The first two lines of the cash receipt should be coded (along with other required codes) to the 13th accounting period as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

LINE	EXP OBJ	BALANCE SHEET	AMOUNT	
01		1200 (or 1205 or 1203)	-XX.XX	
02	XXXX		XX.XX	
			TOTAL DEPOSIT	$0.00

The resulting accounting entry is as follows:

Dr Accounts Receivable (BS Account 1200)
Cr Expenditure

The 3rd line of the cash receipt should be as follows (leave Budget FY, Fiscal Year, and accounting period blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

LINE	FUND	Department	BALANCE SHEET	AMOUNT
03	XXXX	XXX	1200 (or 1205 or 1203)	XX.XX
			TOTAL DEPOSIT	XX.XX

The resulting accounting entry is as follows:

Dr Cash (BS Account 1001)
Cr Accounts Receivable (BS Account 1200)

The net effect of this receipt is to decrease the original prior year expenditure and to increase cash in the current fiscal year. The above coding should only be used when the 13th accounting period is open. When closed, the refund should be coded as a refund of prior year disbursements. (See Section 3-3, B1c.) If the prior year refund involves federal money, see Section 8-8, D.

c. Disbursed and Refunded in 13th Accounting Period

If, during the 13th accounting period, a department receives a refund of monies disbursed in error during the current year but charged to the 13th accounting period, the following cash receipt will be required. The first two lines of the cash receipt should be coded (along with other required codes) to the 13th accounting period as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

LINE	EXP OBJ	BALANCE SHEET	AMOUNT	
01		2901	-XX.XX	
02	XXXX		XX.XX	
			TOTAL DEPOSIT	$0.00

The resulting accounting entry is as follows:

Dr Vouchers Payable Adjustments (BS Account 2901)
Cr Expenditure

The 3rd line of the cash receipt should be as follows (leave accounting period and budget fiscal year blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

LINE	FUND	Department	BALANCE SHEET	AMOUNT
03	XXXX	XXX	2901	XX.XX
			TOTAL DEPOSIT	XX.XX

The resulting accounting entry is as follows:

Dr Cash (BS Account 1001)
Cr Vouchers Payable Adjustments (BS Account 2901)

The net effect of this receipt is to decrease the original 13th accounting period expenditure and to increase cash in the current fiscal year. The above coding should only be used when the 13th accounting period is open. When closed, the refund should be coded as a refund of prior year disbursements. (See Section 3-3, B1c.) If the prior year refund involves federal money, see Section 8-8, D.

C. USE OF THE LOCATION CODE

If a city, county, or county agent collects the monies being deposited, the cash receipt document should include a location code to indicate the collecting entity.

If a county is the collecting entity, the four-digit code assigned to each county beginning with the letter C will be used. For example, Autauga County's code is CY01.

If a city is the collecting entity, the four-digit code assigned to each city beginning with the letter M will be used. For example, the city of Bay Minette's code is M116.

If a county agent is the collecting entity, the four-digit code assigned to each county agent will be used. Examples of county agents include probate judges, tax collectors, and court clerks. For example, the Tax Collector for Autauga County is coded as C011.

The location codes that have been assigned by the Comptroller's Office can be viewed on-line. These codes are found in STAARS in the Location Table (LOC).

D. CORRECTING OR MODIFYING A CASH RECEIPT

1. GENERAL INSTRUCTIONS

Cash receipt modifications are used to correct or modify chart of account elements on original Cash Receipt documents. A modification to the original cash receipt document should be completed for each certificate being corrected or modified. Corrections or modifications must not be entered on a new document used to record a new deposit. A Reason Code must be entered on all accounting lines which are being corrected on a Modification document.

NOTE: Once a deposit has been reconciled in STAARS you will **NOT** be able to modify the total dollar amount of the Cash Receipt document. Only corrections to chart of accounts elements or a net effect of $0.00 change to the Document Total can be made. Please contact the Cash Management division of the Treasurer's Office to confirm if the deposit has been reconciled prior to attempting to modify a deposit amount.

The instructions for making a deposit also apply to correcting or modifying a deposit with the following additions. The account codes and line number used on the original deposit must be included. The dollar amount to be entered on a line should be the corrected amount, not the increase or the decrease amount. The total new deposit amount should be entered in the Document Total Field.

If the deposit correction is to reclassify the deposit from one fund to another fund, the total deposit amount for the correction will be zero dollars. For example, the following deposit entry was made to Fund 0100 and should have been made to Fund 0200. The original incorrect entry was made on line 03. Therefore, the correction must also reference line 03. The correct deposit entry should be entered on line 3 as shown in this example.

Line	Fund	Department	Revenue Source	Line Amount	Total Deposit Amount
The original entry:					
03	0100	010	0684	1,000.00	4,000.00
To modify/correct the entry:					
03	0200	010	0684	1,000.00	4,000.00

2. CORRECTION OF PRIOR YEAR RECEIPTS

A cash receipt modification may be used to correct a prior year Cash Receipt while the 13th accounting period is open.

- Modifications that do not add or remove cash to or from a fund should be coded to the 13th accounting period. Examples of this would include corrections of revenue sources, disbursement objects, and function codes.

- Modifications involving revenues and balance sheet accounts that reclassify a deposit from one fund to another fund should be coded to the prior budget year only. Leave the fiscal year and accounting period blank.

- Corrections involving expenditures that reclassify a deposit from one fund to another should be coded to the 13th accounting period and submitted on a new cash receipt document and reference the original Cash Receipt document number on the header in the document description field. Additional cash receipt lines will also be required with the accounting period and budget fiscal year left blank.

Assume that a cash receipt for $100.00 was certified in September 20XX to Fund 0100 and was coded to object 0902 – Office Supplies. The department determines in October 20XX that an error was made and the correct fund was 0200.

A new cash receipt document is required to correct this error. The first four lines of the cash receipt is a zero dollar cash receipt entry and should be coded as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

Fund	Department	Object	Balance Sheet	Amount	Total Deposit Amount
0100	910	0902		-100.00	
0100	910		2003	100.00	
0200	910		1203	-100.00	
0200	910	0902		100.00	
					0.00

The resulting accounting entry is as follows:

Dr Fund 0100 Expenditure (Object Code 0902)	100.00	
Cr Fund 0100 Due to Other Funds (BS Account 2003)		100.00
Dr Fund 0200 Due From Other Funds (BS Account 1203)	100.00	
Cr Fund 0200 Expenditure (Object Code 0902)		100.00

The effect of the above entry is to increase expenditures and record a liability for Fund 0100 and to decrease expenditures and record a receivable for fund 0200.The 5th and 6th lines of the cash receipt document should be coded as follows (leave accounting period, Fiscal Year, and budget fiscal year blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

Fund	Department	Balance Sheet	Amount	I/D	Total Deposit Amount
0100	910	2003	-100.00		
0200	910	1203	100.00		
					0.00

The resulting accounting entry is as follows:

Dr Fund 0100 Due to Other Funds (BS Account 2003)	100.00	
Cr Fund 0100 Cash (BS Account 1001)		100.00
Dr Fund 0200 Cash (BS Account 1001)	100.00	
Cr Fund 0200 Due From Other Funds (BS Account 1203)		100.00

The effect of the above entry is to reverse the balances in BS accounts 2003 and 1203 created by the first four accounting lines of the cash receipt document, increase cash in fund 0200 and decrease cash in fund 0100 in the current fiscal year.

3. BAD CHECKS

a. Checks Deposited and Returned during Current Fiscal Year

Checks deposited that have been returned by the bank for insufficient funds during the current fiscal year will require a single NSF1 document to be prepared for each bad check returned by the Treasurer's Office. The accounting lines of the NSF1 document will be for a negative amount using the same chart of accounts coding that the bad check was certified into STAARS with on the original Cash Receipt document. Assume a $100 bad check was originally deposited to Fund 0346, Revenue Source 0525 by department 053. The accounting line of the NSF1 document will be coded as follows:

Budget FY: ____ Fiscal Year: ____ Period: ____

Fund	Department	Event Type	Rev Source	Amount	Total Deposit Amount
0346	053	AR02	0525	-100.00	(100.00)

The resulting accounting entry is as follows:

Dr. Revenue (Rev. Source Code 0525)	100.00	
Cr. Cash (BS Account 1001)		100.00

The NSF1 document will update STAARS and will remove cash from the agency's fund.

b. Checks Deposited in Prior Fiscal Year but Returned during 13th Accounting Period

If checks deposited in the prior fiscal year that have been returned by the bank for insufficient funds during the 13th accounting period, the following NSF1 document will be required. The first line of the NSF1 document will be for a negative amount and use the balance sheet account 1006 (Cash–Reductions for Bad Checks). Assume a $50.00 bad check was originally deposited to Fund 0346, Revenue Source 0679 by department 053 in the prior fiscal year but was returned by the bank in the 13th accounting period. The first line of the NSF1 document will be coded as follows (accounting period, fiscal year, and budget fiscal year left blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

Fund	Department	Event Type	Balance Sheet	Amount
0346	053	AR51	1006	-50.00

The resulting accounting entry is as follows:

Dr.	Cash-Reductions for Bad Checks (BS Account 1006)	50.00	
	Cr. Cash (BS Account 1001)		50.00

The second line of the NSF1 document should indicate the original account coding of the bad check. The third line should reverse balance sheet account 1006. This will also correct the overstatement of revenue in the prior year due to the deposit of the bad check. The second and third lines of the NSF1 document should be coded to the 13th accounting period as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

Fund	Department	Event Type	Revenue Source	Balance Sheet	Amount	Total Deposit Amount
0346	053	AR02	0679		-50.00	
0346	053	AR51		1006	50.00	
						-50.00

The resulting accounting entry is as follows:

Dr.	Revenue (Rev. Source Code 0679)	50.00	
	Cr. Cash-Reductions for Bad Checks (BS Account 1006)		50.00

The above correction should be submitted before the end of the 13th accounting period. **The increases and decreases must be to the same fund.** The fund used on all lines should be the fund used when the bad check was originally deposited in the prior year.

4. ADJUSTMENTS TO PRIOR YEAR CASH IN THE 13TH ACCOUNTING PERIOD

After the end of the fiscal year, no adjustment can be made to cash (Balance Sheet Account 1001) in the 13th accounting period for an overstatement or understatement of cash in the prior year that is due to an error made in the amount of the original certification. However, during the 13th accounting period, this overstatement or understatement of cash in the prior year should be corrected as follows:

Assume that a cash receipt for $100.00 was certified in September 20XX to Fund 0100 and was coded to revenue source 0402 – Miscellaneous Tags. The department is notified by the Treasurer's Office in October 20XX that, due to an error in the addition of the checks that made up the deposit, the actual amount deposited in the bank was only $90.00.

A cash receipt document is required to record this $10.00 decrease in cash. The original Cash Receipt document number should be referenced on the document Header in the Document Description field. The first two lines of the cash receipt should be coded as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

Fund	Department	Event Type	Revenue Source	Balance Sheet	Amount
0100	910	AR02	0402		-10.00
0100	910	AR51		1005	10.00

The resulting accounting entry is as follows:

Dr	Revenue (Rev Source Code 0402)	10.00	
	Cr Cash-Corrections to Treasury Cash (BS Account 1005)		10.00

The effect of the above entry is to reduce revenues and cash (BS Account 1005) for the prior fiscal year.

The 3rd line of the cash receipt should be coded as follows (leave accounting period and budget fiscal year blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

Fund	Department	Event Type	Balance Sheet	Amount	Total Deposit Amount
0100	910	AR51	1005	-10.00	(10.00)

The resulting accounting entry is as follows:

Dr Cash-Corrections to Treasury Cash (BS Account 1005)		10.00	
	Cr Cash (BS Account 1001)		10.00

The effect of the above entry is to reverse the credit amount in BS Account 1005 created by the second line of the cash receipt document and decrease cash (BS Account 1001) in the current fiscal year.

If, in the example above, the actual amount of the bank deposit was $110.00, a cash receipt would be required to record this $10.00 increase in cash. The original Cash Receipt document number should be referenced on the document Header in the Document Description field. The first two lines of the cash receipt should be coded as follows:

Budget FY: 20XX Fiscal Year: 20XX Period: 13

Fund	Department	Event Type	Revenue Source	Balance Sheet	Amount
0100	910	AR51		1005	-10.00
0100	910	AR02	0402		10.00

The resulting accounting entry is as follows:

Dr Cash-Corrections to Treasury Cash (BS Account 1005) 10.00
Cr Revenue (Rev Source Code 0402) 10.00

The effect of the above entry is to increase revenues and cash (BS Account 1005) for the prior fiscal year.

The 3rd line of the cash receipt should be coded as follows (leave accounting period and budget fiscal year blank):

Budget FY: ____ Fiscal Year: ____ Period: ____

Fund	Department	Event Type	Balance Sheet	Amount	Total Deposit Amount
0100	910	AR51	1005	10.00	10.00

The resulting accounting entry is as follows:

Dr Cash- (BS Account 1001) 10.00
Cr Cash-Corrections to Treasury Cash (BS Account 1005) 10.00

The effect of the above entry is to reverse the debit amount in BS Account 1005 created by the first line of the cash receipt document and increase cash (BS Account 1001) in the current fiscal year.

The above correction should be submitted before the end of the 13th accounting period. **The increases and decreases must be to the same fund.** The fund used on all lines should be the fund used when the deposit was originally certified in the prior year.

3-4 MANAGEMENT REPORTS AND PAGE LOOK UP

A. REVENUE SUMMARY REPORT BY ACCOUNTING PERIOD (AFIN-AR-001A)

An InfoAdvantage report - Revenue Summary Report by Accounting Period (AFIN-AR-001A) – is available to each department and lists revenues recognized and cash collected for the current period and the fiscal year-to-date.

B. BALANCE SHEET REPORT (AFIN-GA-002)

An InfoAdvantage report - Summary of Balance Sheet Account types sectioned by Fund based on Fiscal year and Accounting Period from Prompt.

C. DOCUMENT CATALOG

Using the document catalog allows the agency to view each cash receipt that has been entered by that agency. The agency can open the cash receipt document to review all accounting related information. The document catalog also provides a line-by-line display of the accounting codes for each cash receipt number used by the agency. This is useful in reviewing the accounting codes used on a specific cash receipt. For example, if a cash receipt modification is required to correct errors in accounting codes, the original document may be viewed to determine how the original cash receipt was coded. After a cash receipt modification has updated, the revised coding will be reflected as a modification to the document.

D. CASH BALANCE PAGE (CBALSM)

This page presents the cash balance in the Treasury, accrued vouchers payable, interfund vouchers receivable, interfund vouchers payable and the available cash balance (cash balance plus interfund vouchers receivable less accrued vouchers payable and interfund vouchers payable) for each fund.

E. LOCATION TABLE (LOC)

This table provides the codes and names of cities, counties, and county agents that collect revenues for the State.

F. REVENUE SUMMARY (BQ13LV2)

This table provides a summary for each fund and agency of the total revenue recognized for the budget fiscal year by revenue source code.

3-5 QUICK REFERENCE FOR CODING REVENUES AND RECEIPTS

R=Required O=Optional B=Leave Blank A=If Applicable

		Revenue and Other Sources	Balance Sheet Receipts	Refunds of Current Year Disbursements
Header – General Information				
1.	Document Name	O	O	O
2.	Record Date	O	O	O
3.	Document Description	O	O	O
4.	Document Total	R	R	R
5.	Bank Account	R	R	R
6.	Deposit Ticket Number	R	R	R
7.	Deposit Date	R	R	R
Vendor – General Information				
1.	Vendor Customer	B	B	R
2.	Address Code	B	B	R
3.	Line Amount	R	R	R
Accounting – General Information				
1.	Event Type	R	R	R
2.	Line Amount	R	R	R
3.	Budget Fiscal Year***	*	*	*
4.	Fiscal Year***	*	*	*
5.	Accounting Period***	*	*	*
Accounting – Fund Accounting				
1.	Fund	R	R	R
2.	Object	B	B	R
3.	Revenue	R	B	B
4.	Department	R	R	R
5.	Unit	R	R	R
6.	Appropriation Unit	B	B	R
7.	Balance Sheet Account	B	R	B
Accounting – Detail Accounting				
1.	Location Code	O	O	O
2.	Function	B	B	R

*** Refer to Section 3-3, B3 and Section 3-3, D for deposits that should be coded to the 13th accounting period or prior budget fiscal year.

CHAPTER 4
PURCHASING

4-1 AUTHORITY AND RESPONSIBILITY

The Department of Finance, Division of Procurement (formerly, the Division of Purchasing), is established by statute (*Code of Alabama 1975*, §41-4-110 through 115, as amended) and is under the direction of the Chief Procurement Officer (CPO). The CPO procures all supplies and services, except as delegated by the CPO or through statutory exceptions, for all State departments, boards, bureaus, commissions, agencies, offices, and institutions, as well as executing and supervising the performance of all contracts and leases for the use and acquisition of any supplies and services.

Before an agency can begin the procurement process, regardless of whether the purchase will be made from state contract or procured by submitting a requisition, the agency must verify that authority exists to make the purchase of all supplies and/or services that are submitted to the Department of Finance. This authority should be readily available to present, upon request, during the procurement and/or payment processes. Any purchase requests submitted through the procurement and/or payment processes, where express legal authority for the purchase to be made does not exist, will have to go through the Board of Adjustment for processing. The most common examples of items that may be available on contract but are not allowable purchases without agency specific authority include, but not limited to, the following: bottled water, uniforms/clothing items, janitorial services, kitchen and food serving items, resale items, etc.

4-2 THE PURCHASING PROCESS

The purchasing process, with the exception of goods or services procured via Requests for Proposals (RFPs), begins with the submission of a requisition to the Division of Procurement through the Alabama Buys system. Requisitions will be converted to purchase orders and issued to suppliers with the accounting component verifying the availability of budgetary authority through encumbrance accounting. See Chapter 5 for information on RFPs. State departments, boards, bureaus, commissions, agencies, offices, and institutions functioning outside the Treasury will have a workflow route that bypasses the encumbrance process.

4-3 ACCOUNTING AND BUDGETARY EFFECTS

The requisition is submitted for approval through the agency and other approval authorities, including the Division of Procurement. When the process is completed and a purchase order is created, a copy is e-mailed to the supplier. The process of creating a purchase order creates an encumbrance of the department's funds. The department's appropriation and allotment balances must be adequate to cover the amount of the purchase order. The purchase order will obligate the department's appropriation and allotment by this amount. State departments, boards, bureaus, commissions, agencies, offices, and institutions functioning outside the Treasury will have a workflow route that bypasses the encumbrance process and normal budgetary verifications.

4-4 CLASSIFICATION OF PURCHASES

There are two classifications of purchases: Supplies and Services.

Note: If an agency is unsure of the proper method to procure a certain good or service, please contact the Division of Procurement to determine requirements in advance of the purchase.

A. EXEMPTIONS

The following purchases **do not** require requisitions or purchase orders:

Postage
Insurance
Membership Dues
Building Contracts
Real Estate Rental
Salaries and Wages
Post Office Box Rental
Bonds of Officials or Employees
Department of Transportation Construction Contracts
Utility Services (*gas, water, electricity, telephone*)
Expense Accounts (*transportation, meals, lodging*)
Interdepartmental Purchase of Materials or Services
Subscriptions, one-time payment less than $5,000 (*periodicals, magazines, books*)

B. PURCHASES OF SUPPLIES OVER $5,000

The following purchases must be procured through the Division of Procurement:

Supplies
Materials
Equipment, Furniture and Fixtures
Subscriptions (*periodicals, magazines*)

C. PURCHASES OF SERVICES OVER $5,000

Purchases of nonprofessional services, other than those excepted by statute, must be procured through the Division of Procurement. These purchases include but are not limited to:

Repairs
Maintenance
Equipment Rental
Recurring services such as Janitorial Service, Pest Control, Garbage Service, etc.

D. PURCHASES OF PROFESSIONAL SERVICES

Purchases of professional services, other than those excepted by statute, must be procured under the authority of the CPO in accordance with established guidelines. See Chapter 5 for information on establishing professional services contracts.

4-5 PURCHASE REQUIREMENTS

A. SMALL PURCHASES UP TO $5,000.00 (Ala. Admin. Code § 355-4-3-.05(5))

Alabama Buys permits small purchases, including freight charges, up to $5,000.00 of non-contract supplies and services, as delegated by the CPO, **except weapons.** The agency shall procure with adequate and reasonable competition.

The threshold of $5,000 applies to an agency's cumulative purchases of **like or similar items or services** for the fiscal year, unless granted an exception by the CPO.

If the agency inadvertently exceeds its authority by the purchase of like or similar items during a fiscal year, a letter must be written to the CPO for approval explaining the nature and/or circumstances of the purchase(s).

B. SMALL PURCHASES GREATER THAN $5,000 AND LESS THAN $25,000 (Ala. Admin. Code § 355-4-3-.05(3))

1. QUICK QUOTES

The Office of the Division of Procurement requires the execution of an electronic Quick Quote in Alabama Buys to obtain valid supplier quotes. The Quick Quote is an informal competitive bid process which must be sent to all suppliers registered under the commodity or commodities used on the requisition. Award must be made to the lowest quote meeting all published specifications and requirements. Manual quotes may be entered by the agency as long as they are received PRIOR to the Quick Quote End Date. The quote must be current (within 60 days) and be electronically time/date stamped to show receipt prior to bid opening. The quote must include the supplier's name with contact information, date, amount, and item description sufficiently demonstrating the goods/services being quoted match what was requested on the Quick Quote Solicitation. When the agency reaches the bid threshold of **like or similar items or services** (up to $25,000), the agency must procure through a formal competitive process through the Division of Procurement, unless granted an exception by the CPO.

2. PRIORITY AUTHORIZATIONS

Priority Authorizations are allowed in Alabama Buys for emergency/critical situations (for additional information on Priority Authorizations see https://purchasing.alabama.gov/emergency-procurement/).

C. PURCHASES GREATER THAN $25,000.00

All contracts or purchase orders for supplies and services of more than $25,000.00 by any state department, board, bureau, commission, committee, institution, corporation, authority, or office must be let by free and open competitive solicitation through the Division of Procurement *(Code of Alabama 1975,* §41-4-124, as amended).

Competitive bids are not required in specific situations. Those exemptions include, but are not limited to the following *(Code of Alabama 1975*, *§*41-4-126, as amended):

1. Works of art for museum and public display.
2. Published books in any format such as digital, audio, or hardcopy; maps; periodicals; and technical pamphlets.
3. Utility services where no competition exists or where rates are fixed by law This includes services such as power, gas, and water. Telephone services do not fall under this category since multiple vendors can provide services for the same area.
4. Purchases of alcoholic beverages by the Alcoholic Beverage Control Board.
5. Purchases of products made, provided, or manufactured by the blind or visually handicapped under the direction or supervision of the Alabama Institute for Deaf and Blind in accordance with *Code of Alabama 1975*, *§* 21-2-1 to 21-2-4, as amended.
6. Purchases of products produced or manufactured by Alabama Correctional Industries (*Code of Alabama 1975*, § 14-7-13, as amended).
7. Photographs purchased from a federal agency.
8. Barter transactions by the Department of Corrections.
9. The purchase of insurance and supplies or services related to the purchase of insurance.

D. ADVERTISEMENT OF SOLICITATIONS

The CPO is required to advertise for solicitations on all purchases greater than $25,000.00. Under the direction of the CPO, notice of solicitations will be provided to all persons, firms, corporations, and others the CPO deems necessary to insure competition. No purchase or contract involving an amount greater than $25,000 may be divided into parts to avoid the requirements of this article (*Code of Alabama 1975*, §41-4-134, as amended).

E. AWARD OF CONTRACTS

Purchases made through competitive bidding will be awarded to the lowest responsible bidder, in accordance with Administrative Code 355-4-3-.02(12). Multiple awards may be issued if notice is contained within the competitive bid. All state agencies are required to use established statewide contracts (Master Agreements).

F. ASSIGNMENT OF CONTRACTS

An awarded contract is not assignable by the bidder without written consent of the awarding authority and the requisitioning agency. A contract cannot be assigned to a bidder whose bid was rejected.

G. PRODUCTS BY ALABAMA INSTITUTE FOR THE DEAF AND BLIND (AIDB)

Whenever products made or manufactured by the AIDB meet the requirements of the department or agency in terms of quality and quantity, then these products will have preference. These products do not take priority over products produced or manufactured by Alabama Correctional Industries (*Code of Alabama 1975*, §§41-4-126, 21-2-2, and 14-7-13, as amended).

H. EMERGENCY PROCUREMENTS

Under *Code of Alabama 1975*, §41-4-136, as amended, where there is a threat to public health, welfare, or safety under emergency conditions, as defined by rule, any procurement to address the emergency must be made under the authority, and with the approval, of the Chief Procurement Officer. The emergency must fall within the guidelines set forth in Administrative Code (355-4-3-.07). When an emergency occurs that meets the conditions set forth in the Administrative Code, the procedures referenced below must be followed and procurements made under this section shall be made with as much competition as is practicable under the circumstances.

For current procedures in handling emergency procurements see https://purchasing.alabama.gov/emergency-procurement/.

I. SOLE SOURCE

For a product or service to be purchased via a sole source declaration (*Code of Alabama 1975*, §41-4-135, as amended, and Administrative Code 355-4-3-.06), the law requires there to be only one source for the required supply or service, therefore the agency must establish that no other products or services can meet its needs and that no other supplier offers substantially equivalent products or services that can accomplish the purpose for which they are required. The agency must submit a signed letter, attached to the requisition in Alabama Buys, to the CPO, on agency letterhead, attesting to the above along with a letter from the supplier declaring their sole source status and a quote for the products or services. Except for professional services sole source, sole source procurements must conduct a Quick Quote through Alabama Buys.

J. SERVICE BY AMOUNT REQUIREMENTS

Service by amount POs will only be processed by the Division of Procurement under the following circumstances:

1. For services (such as pest control, garbage, cell phones, temporary IT personnel services, etc.) agencies will establish the PO with an amount of money and modify the amount as needed to cover invoices.
2. For items used in the maintenance or repair of facilities/physical infrastructure where the need cannot be planned or predicted, agencies will establish the PO with an amount of money and modify the amount as needed to cover invoices.

Other situations will be considered on a case-by-case basis with a letter of justification submitted to the CPO.

K. PURCHASE NEGOTIATIONS

All negotiations pertaining to the purchase of supplies and services are to be handled only by or with the knowledge and consent of the Chief Procurement Officer.

L. CANCELLING A CONTRACT

Any contract cancellation must be performed by the CPO, except as otherwise provided by law.

CHAPTER 5
CONTRACTS

5-1 INTRODUCTION

The major purpose of this section of the Manual is to provide procedures for the review, approval, establishment, and modification of personal and professional services contracts. However, other kinds of contracts—for example, purchase agreements, public works contracts, leases, grants, etc.— have certain legal requirements that must be met as well.

These instructions are intended to highlight frequently encountered contracting requirements, with a special focus on personal and professional services contracts. They are not intended to be all-inclusive, and any omissions or exclusions are not to be regarded as an exemption from the law or regulations. The Chief Procurement Officer is required by law to ensure state agencies comply with the state's procurement code; questions regarding the procurement process should be directed to the Department of Finance, Division of Procurement.

5-2 STATUTORY/APPROVAL REQUIREMENTS

A. DISCLOSURE STATEMENT

A Disclosure Statement is required to be filed with all proposals, bids, contracts, or grant proposals to the State of Alabama in excess of $5,000.00. In circumstances where a contract is awarded by competitive bid, the Disclosure Statement is required only from the successful bidder and must be submitted within ten days after award (*Code of Alabama 1975*, §41-16-80 through 88, as amended).

B. REVIEW BY THE CONTRACT REVIEW PERMANENT LEGISLATIVE OVERSIGHT COMMITTEE

Contracts for personal and professional services, $1,500 and greater, must be reviewed by the Contract Review Committee within a reasonable time not to exceed 45 days after it has been submitted by the department (*Code of Alabama 1975*, §29-2-40 through 41.6, as amended). Additional information concerning this review can be found in Section 5-4C of this manual.

C. GOVERNOR'S APPROVAL OF CONTRACTS

As required by Executive Order No. 726, ¶ 3.a, all contracts for personal or professional services with private entities or individuals must be approved in writing by the Governor. Emergency contracts for personal or professional services require governor approval as determined by the Chief Procurement Officer.

Executive Order No. 726, ¶ 3.a also sets out other types of contracts and grant agreements that require approval by the Governor.

D. ASSIGNMENT OF CONTRACTS

A professional service contract cannot be transferred or assigned to a third party unless approved by the Chief Procurement Officer.

E. CONTRACTS/INTERAGENCY AGREEMENTS BETWEEN GOVERNMENTAL ENTITIES

Contracts/Interagency Agreements between governmental entities must be entered into STAARS or the appropriate electronic document system.

F. EMERGENCY CONTRACTS FOR PERSONAL AND PROFESSIONAL SERVICES

1. BACKGROUND/LAW

If an agency faces an emergency affecting public health, welfare, or safety and the emergency creates an immediate and serious need that cannot be met through normal procurement methods, a contract may be let while allowing for as much competition as practical under the emergency circumstances. (*Code of Alabama 1975,* § 41-4-136, as amended)

Emergency contracts are generally not subject to review by the Contract Review Permanent Legislative Oversight Committee ("LOC"). (*Code of Alabama 1975*, §29-2-41.1, as amended). However, any contract involving an emergency adversely affecting the "public welfare" of the state may be let for a period of not more than 60 days during which time the LOC shall review a contract for a longer period of time if such services are required beyond the initial 60 days.

2. PROCEDURES

Under *Code of Alabama 1975*, §41-4-136, as amended, where there is a threat to public health, welfare, or safety under emergency conditions, as defined by rule, any procurement to address the emergency must be made under the authority, and with the approval, of the Chief Procurement Officer. The emergency must fall within the guidelines set forth in the Administrative Code Rule 355-4-3-.07. When an emergency occurs that meets the conditions set forth in the Administrative Code, the procedures referenced below must be followed and procurements made under this section shall be made with as much competition as is practicable under the circumstances.

For current procedures in handling emergency procurements see the link below:
https://purchasing.alabama.gov/emergency-procurement/.

G. ADDITIONAL LAWS GOVERNING CONTRACTS

In addition to all general laws regulating the execution of contracts for the State, the specific provisions of the Procurement Law, the Public Works Law, and the Minimum Wage Law must be complied with in the execution of all state contracts.

H. VERIFICATION OF EMPLOYMENT ELIGIBILITY BY EMPLOYER SEEKING ECONOMIC INCENTIVES (E-VERIFY)

Pursuant to *Code of Alabama 1975*, §31-13-9(a), as amended, "As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or any state-funded entity to a business entity or employer that employs one or more employees, the business entity or employer shall not knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama."

Pursuant to *Code of Alabama 1975,* §31-13-9(b), as amended, "As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or any state-funded entity to a business entity or employer that employs one or more employees within the State of Alabama, the business entity or employer shall provide documentation establishing that the business entity or employer is enrolled in the E-Verify program. During the performance of the contract, the business entity or employer shall participate

in the E- Verify program and shall verify every employee that is required to be verified according to the applicable federal rules and regulations."

All contracts or agreements to which the state, a political subdivision, or state-funded entity are a party shall include the following clause:

"By signing this contract, the contracting parties affirm, for the duration of the agreement, that they will not violate federal immigration law or knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama. Furthermore, a contracting party found to be in violation of this provision shall be deemed in breach of the agreement and shall be responsible for all damages resulting therefrom."

Criteria for contracts that require the E-Verify MOU:

Code of Alabama 1975, §31-13-9(l), as amended, states that "For purposes of this section, "contract" shall mean a contract awarded by the state, any political subdivision thereof, or any state-funded entity that was competitively bid or would, if entered into by the state or an agency thereof, be required to be submitted to the Contract Review Permanent Legislative Oversight Committee."

Required attachment to contract:

The E-Verify MOU first page, the signature page, the page that includes the TIN number, and any Company profile pages that may be applicable must be attached to the contract or agreement with signatures in ink and/or legally proper electronic signatures. The Company ID number on each page cannot be written. It will be imprinted on the E-Verify MOU when printed after the US Department of Homeland Security has verified the information.

If a company is exempt from, or does not qualify for, enrolling in the E-Verify Program and therefore cannot supply an E-Verify MOU, they should complete a Certificate of Compliance to indicate this exemption. The Certificate of Compliance form should be included if an E-Verify MOU is not applicable.

5-3 METHODS OF PROCUREMENT AND TYPES OF CONTRACTS

There are specific laws authorizing and governing the following methods of procurement and contract types.

A. METHODS OF PROCUREMENT

Under the Procurement Law, the authorized methods of procurement are as follows:

- Competitive Sealed Bidding (Code of Alabama 1975, §41-4-132, as amended, and Rule 355-4-3.02)
- Competitive Sealed Proposals (*Code of Alabama 1975*, §41-4-133, as amended, and Rule 355-4-3-.03), including Qualifications Based Selection (*Code of Alabama 1975*, §41-4-133(j) and Rule 355-4-3-.04)
- Small Purchases (*Code of Alabama 1975*, §41-4-134, as amended, and Rule 355-4-3-.045)
- Sole Source Procurement (*Code of Alabama 1975*, §41-4-135, as amended and Rule 355-4-3-.06)
- Emergency Procurements (*Code of Alabama1975*, §41-4-136, as amended, and Rule 355-4-3-.07)
- Special Procurements (*Code of Alabama 1975*, §41-4-137, as amended, and Rule 355-4-3-.08).

Other procurement methods (e.g., the Title 39 Public Works Law) may be authorized elsewhere in the Alabama Code.

B. CONTRACT TYPES

Generally, all types of contracts are permitted; examples include fixed-price contracts, incentive-fee contracts, definite- or indefinite-quantity contracts, and time-and-materials contracts. However, cost-plus-a-percentage-of-cost contracts are prohibited. In addition, a cost-reimbursement contract may be used only following a written determination that the contract would be less costly to the State than any other type of contract and that it would be impracticable to obtain the supplies or services except through a cost-reimbursement contract. (*Code of Alabama 1975*, §41-4-143, as amended).

Factors to be considered when determining contract type include the type and complexity of the supply or service, the difficulty of estimating performance costs, the administrative costs, the degree to which the State must provide technical coordination, the effect of the choice of contract type on the amount of competition expected, the stability of material or commodity market prices/wage levels, the urgency of the requirement, and the length of contract performance. (Rule 355-4-3-.12)

5-4 PERSONAL AND PROFESSIONAL SERVICES CONTRACTS

The sections that follow provide guidelines to determine and define personal and professional services contracts between the State of Alabama and contractors. Specific contract information is required as well as the review and approval process prior to the execution of the contract. These guidelines define the areas of responsibility and establish a workable contract review, audit, and reporting system to ensure legal compliance and accountability.

The department or agency must determine whether each contract is for personal services (employer/employee relationship) or professional services (independent contractor). Each contract will be classified using the criteria in Section A below. If the contract is for personal services, the department is liable for the employer's share of employment taxes. In budgeting for the contract, the department should allow for this additional cost.

A. INDEPENDENT CONTRACTOR VERSUS EMPLOYEE

The Internal Revenue Service and the courts have considered many facts in deciding whether a worker is an independent contractor or an employee. These facts fall into three main categories.

Behavioral Control
Financial Control
Relationship of the Parties

Professional services are defined as “[t]he services of physicians, architects, engineers, landscape architects, land surveyors, geo scientists, attorneys, teachers, artists, appraisers, and other individuals or business entities offering the services of those individuals, who possess a high degree of scientific or specialize skill and knowledge where the experience and professional qualifications of the service provider are particularly relevant to the provision of the required service. (*Code of Alabama 1975*, §41-4-114(21), as amended) The State Comptroller uses a list of 20 factors as guidelines to determine whether an individual is considered an employee. The presence of any of the 20 factors may indicate a possible employer/employee relationship depending on the occupation and the context in which services are performed. Under common- law rules, every individual who performs services subject to the will and control of an employer, as to both what must be done and how it must be done, is an employee. It does not matter that the employer allows the employee discretion and freedom of action, as long as the employer has the legal right to control both the method and the result of the services. If an employer/employee relationship exists, it makes no difference how it is described. It does not matter if the employee is called an employee, partner, agent, or independent contractor. The 20 factors are:

1. Instructions - A worker who must comply with another's instructions about when, where and how to work is ordinarily an employee.

2. Training - If the worker is required to receive training to learn how to do the work, an employment relationship is likely.

3. Integration - The more the worker is integrated into the business operations, the more likely he is an employee.

4. Services Rendered Personally - An employee renders service personally. This shows that the employer is interested in the methods used, as well as the results, and an employment relationship exists.

5. Hiring, Supervising, and Paying Assistants - If the worker is responsible for his assistants, this is indicative of independent contractor status.

6. Continuing Relationship - A continuing or recurring nature of work suggests employment.

7. Set Hours of Work - If hours are established by the business, this tends to indicate employment.

8. Full Time Required - An independent contractor has more freedom as to when and for whom he will work than a worker who is required to devote substantially full time to the business.

9. Doing Work on Business Premises - If required, it suggests control by the employer.

10. Order or Sequence Set - If the business (State) sets the order or sequence of work, this tends to indicate employment.

11. Reporting - The more the worker must report, the greater the control, indicating employment.

12. Payment by Time, not Job - Independent contractors are more often paid by the job. Employees are usually paid by the hour, week or month.

13. Payment of Traveling Expenses - An employer generally retains the right to regulate the employee's business activities and expenses.

14. Furnishing of Tools - Independent contractors more often furnish their own tools and materials.

15. Significant Investment - Independent contractors more often invest in facilities that are used in performing services.

16. Realization of Profit or Loss - A worker who can realize a profit or loss from his services is generally an independent contractor.

17. Working for More Than One Firm at a Time - An independent contractor will often perform services for more than one business at a time.

18. Making Service Available to the Public - An independent contractor makes services available to the general public.

19. Right to Discharge - An independent contractor cannot be fired so long as he produces a result that meets contract specifications.

20. Right to Terminate - If the worker can terminate services without liability, this indicates an employment relationship.

If the determination is made that an employer/employee relationship exists, the contract must be approved and processed as personal services through the Personnel Department (see Section 5-5 below). Payments must be processed through the Government Human Resources System (GHRS) and will be subject to withholding taxes. The contractor will not be eligible for coverage under health insurance, retirement, or longevity but the department will be liable for employer's share of employment taxes. If the determination is made that an employer/employee relationship does not exist, the contract must be approved and processed as professional services, funds will be encumbered (see Section 5-6) and payments will be made through STAARS.

B. REQUIRED CONTRACT INFORMATION

Personal and professional service contracts must include the following information:

1. Name - to include contracting department and contractor (**contractor name must match tax identification number as it appears on the contractor's Form W-9**). A contract cannot be established with multiple vendors. A separate contract must be negotiated for each contractor.

2. Contract Number - for personal services contracts, the department is not required to assign a contract number. The department should designate "CONTRACT EMPLOYEE" in place of a contract number on the contract documents. For professional service contracts, a 9- digit contract number should be issued by the department as follows until such time that professional services contracts are created in the State's eProcurement system and auto-numbered accordingly:

C __ __ __ __ __ __ __ __ __

   a. The first digit will be a "C" indicating a contract.
   b. The second and third digits will be a number to designate the applicable fiscal year (22 for budget fiscal year 2022, 23 for budget fiscal year 2023, etc.).
   c. The fourth through the sixth digits will be your department's agency number.
   d. The seventh through the eleventh digits will be a sequential number assigned by the department.

3. Scope of contract - what is to be done, the purpose, goal, job, etc. Per Executive Order No. 726, ¶ 3.c, contracts for nonlitigation legal services shall describe the scope of services with reasonable particularity; descriptions such as "general legal services" will not be approved.

4. Term of Contract - The beginning and ending dates must be specified in the contract. The effective date of the contract must be a date that is after the date the contract is approved by the Governor. No retroactive approval will be granted.

5. Total Contract Amount - The method of payment (hourly, bi-weekly, monthly, by the job, etc.) as well as the maximum amount to be paid must be specified in the contract. If the contract covers expenses, there should be a statement about the kind of expenses to be paid. Unless

otherwise specified, travel expenses are to be paid in accordance with state regulations (see Section 6-5F on travel reimbursement). The contract must include a maximum amount to be paid for expenses. The contract must include the total dollar amount over which the contract may not exceed (compensation plus expenses).

6. Termination Clause - The contract must contain a statement allowing for the termination of the contract by either party within a specified period of time.

7. Alternative Dispute Resolution Clause - All contracts must include the following clause:

In the event of any dispute between the parties, senior officials of both parties shall meet and engage in a good faith attempt to resolve the dispute. Should that effort fail and the dispute involves the payment of money, a party's sole remedy is the filing of a claim with the Board of Adjustment of the State of Alabama.

For any and all other disputes arising under the terms of this contract which are not resolved by negotiation, the parties agree to utilize appropriate forms of non-binding alternative dispute resolution including, but not limited to, mediation. Such dispute resolution shall occur in Montgomery, Alabama, utilizing where appropriate, mediators selected from the roster of mediators maintained by the Center for Dispute Resolution of the Alabama State Bar.

8. Merit System Exclusion Clause - The contract must contain a clause stating that the contractor is not to be considered a merit system employee and is not entitled to any benefits of the State Merit System.

9. Federal Employer Identification Number or Social Security Number - The department must attach a copy of the contractor's Form W-9 to ensure that the contractor's name matches the tax identification number. If the contractor is registered through the STAARS Vendor Self Service, there is a substitute W-9 that can be used. Otherwise, a blank Form W-9 can be downloaded through the IRS.gov website.

10. Signatures - The following signatures are required prior to submission to the Contract Review Committee:

    a. Contractor
    b. Department Head
    c. Attorney General, if contract is for litigation services.
    d. Office of Information Technology, if contract is for information technology supplies and services. (*Code of Alabama 1975*, §41-4-221, 41-4-285, and 41-28-4, as amended.)
    e. Chief Procurement Officer or designee

    Note: If the contract is for personal services, the signature of the State Personnel Director is required in lieu of the Chief Procurement Officer. This signature is obtained after review by the Legislative Contract Review Oversight Committee but prior to submission to the Governor's Office.

11. Resume - The department must obtain and attach to the contract a

resume or description of company credentials to document the expertise that the individual or contractor possesses to perform the contractual services.

12. Disclosure Statement - A Disclosure Statement is required to be filed with all proposals, bids, contracts or grant proposals to the State of Alabama in excess of $5,000.00. In circumstances where a contract is awarded by competitive bid, the Disclosure Statement is required only from the successful bidder and must be submitted within ten days after award. (*Code of Alabama 1975*, §41-16-80 et seq., as amended)

13. Entry in STAARS - **ALL** professional service contracts, interagency service agreements, or emergency contracts must be entered in STAARS or appropriate electronic document system. Although contracts less than $1,500.00 do not need Legislative oversight review, they **must be entered** in STAARS or appropriate electronic document system.

14. Immigration Clause - All contracts or agreements to which the state, a political subdivision, or state-funded entity is a party shall include the following clause:

    By signing this contract, the contracting parties affirm, for the duration of the agreement, that they will not violate federal immigration law or knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama. Furthermore, a contracting party found to be in violation of this provision shall be deemed in breach of the agreement and shall be responsible for all damages resulting therefrom.

15. E-Verify Attachment - The E-Verify MOU first page, the signature page, the page that includes the TIN number, and any Company profile pages that may be applicable must be attached to the contract or agreement with signatures in ink and/or legally proper electronic signatures. The Company ID number on each page cannot be written. It will be imprinted on the E-Verify MOU after the US Department of Homeland Security has verified the information.

16. Act 2016-312 - All contracts shall include the following clause:

    In compliance with Act 2016-312, the contractor hereby certifies that it is not currently engaged in, and will not engage in, the boycott of a person or an entity based in or doing business with a jurisdiction with which this state can enjoy open trade.

17. Act 2023-409 - Unless otherwise provided for in the Act, all contracts shall include the following clause:

    In compliance with Act 2023-409, by signing this contract, Contractor provides written verification that Contractor, without violating controlling law or regulation, does not and will not, during the term of the contract engage in economic boycotts as the term "economic boycott" is defined in Section 41-16-160, Code of Alabama 1975.

This requirement applies to contracts entered into on or after October 1, 2023, if Supplier employs 10 or more employees and the contract would exceed $15,000 over the term of the contract. Under Section 41-16-161(d), the written verification may be waived if the contracting governmental entity determines based on cost and quality factors that such a waiver is clearly in the best interest of the public. Such determination must be documented and posted as required in 41-4-161(d).

18. Non-appropriation and Proration (Section 41-4-144(c)) - All contracts shall include the following clause:

When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract shall be cancelled, and, to the extent permissible by law, the supplier shall be reimbursed for the reasonable value of any non-recurring costs incurred but not amortized in the price of the supplies or services delivered under the contract. To the extent permissible by law, this cost of cancellation may be paid from any appropriations available for that purpose.

In the event that proration of appropriated funds from which the State is to pay the supplier is declared by the Governor pursuant to Section 41-4-90 of the Code of Alabama, the contractor shall have the option, in addition to the other remedies of the contract, of renegotiating the contract to extend or change payment terms or amounts, or terminating the contract. In all circumstances, it is agreed that the terms and commitments of this contract shall not constitute a debt of the State of Alabama in violation of Section 213 of the Constitution of Alabama, as amended.

19. Administrative Services Contracts – Per Executive Order 726, ¶ 4, all contracts for administrative services (i.e., allowing an independent contractor to serve as an agency head) shall include the following clause:

Supplier agrees to comply with the Alabama Ethics Law in Chapter 25 of Title 36, Code of Alabama 1975, and the nepotism law in Section 41-1-5, Code of Alabama 1975, as if Supplier were a full-time agency head and public employee of the State of Alabama. To that end, and without limiting the duty set forth in the preceding sentence:

(1) Supplier agrees to participate in the "online educational review" of the Alabama Ethics Law offered by the Ethics Commission pursuant to Section 36-25-4.2(e), Code of Alabama 1975, within 30 days of the effective date of this contract unless Supplier has previously participated in the review within the preceding two years. Thereafter, Supplier agrees to participate in the online training at least once every two years while the contract is in effect. Supplier shall maintain evidence of completion of the review in the Board's files while this contract is in effect.

(2) Supplier agrees to file a statement of economic interests pursuant to Section 36-25-14, Code of Alabama 1975, as if Supplier were a full-time public employee serving as a supervisor.

(3) Supplier agrees and acknowledges that this contract may be terminated immediately upon a finding by the Board that it reasonably appears the Supplier violated the requirements in this paragraph. Supplier agrees to pay liquidated damages to the Board in the amount of $2,000 per violation for each actual violation of the requirements in this paragraph.

20. Prohibited Contract Clauses – A contract shall not include any of the following clauses:

- The contract shall not contain a waiver of sovereign immunity (Ala. Const. art. I, § 14).
- The contract shall not require the state to indemnify the contractor (Ala. Const. art. XI, § 213).
- The contract shall not, under color of state law, include a provision imposing any duty or obligation on a private party with respect to the COVID-19 vaccination status of the party or any of its officers, employees, or agents. To the extent the state entity is required or compelled to include such a contract provision as a result of federal law, the state entity shall take all practical steps to notify the affected business or individual that the State of Alabama does not approve, condone, or otherwise endorse the inclusion of the provision. (Executive Order 724, ¶ 4.)

B. THE LEGISLATIVE CONTRACT REVIEW OVERSIGHT COMMITTEE

After all required signatures have been obtained, an electronic copy and the original must be forwarded to the Legislative Contract Review Oversight Committee. All contracts for personal or professional services with private entities or individuals must be reviewed by the Committee (*Code of Alabama 1975*, §29-2-41, as amended) **except**:

- Contracts for insurance
- Contracts let by competitive bid
- Contracts entered into by public corporations and authorities
- Contracts for a total amount of less than $1,500, including compensation and reimbursement of expenses
- Certain emergency contracts as outlined in Section 5-2F above

The Committee must review and comment on a contract or a letter of intent to contract within a reasonable time not to exceed 45 days after it has been submitted to the Committee. If the Committee fails to review and comment on any contract or letter of intent to contract within this time frame, the contract will be deemed to have been reviewed. Any contract made by the state, or any of its agencies, which has not been submitted for review by the Committee will be voided.

The Committee generally meets the first Thursday of each month. All contracts to be reviewed must be accompanied by the Contract Review Report Form or Legal Services Contract Review Report Form and the Governor's Additional Contract Questions Form. All contracts to be reviewed must be received no later than 10 days prior to the Thursday meeting date to be placed on the agenda. The Committee requires at least one original contract and one copy. The Governor's Office does not submit contracts to the Committee on behalf of agencies.

If only one agency will use the contract for professional or personal services, that agency will be responsible for submitting and presenting the contract to the Committee. If multiple agencies will use the contract, the Chief Procurement Officer will determine which agency will be responsible for submitting and presenting the contract to the Committee. See Ala. Admin. Code r. 355-4-3-.03(16).

C. APPROVAL BY THE GOVERNOR

All personal and professional services contracts will be forwarded to the Governor's Office after review by the Contract Review Committee and approval by the Personnel Director if for personal services. The Governor's Office will return the contracts to the Chief Procurement Officer and/or Head of the Purchasing Agency after the Governor's approval.

Certain types of contracts or agreements may require approval by the Governor even if not subject to review by the Contract Review Committee. For more information, see Executive Order No. 726, ¶ 4.

The following sections provide additional instructions for personal services and professional service contracts.

5-5 ADMINISTRATION OF PERSONAL SERVICES CONTRACTS

A. SUBMISSION TO STATE PERSONNEL DEPARTMENT

Among the criteria used for State Personnel's decision to support or oppose a contract include: (1) whether or not the job is appropriate for merit system employment, (2) if the rate of pay is commensurate with the qualifications of the individual and appropriate for the work to be done, (3) consideration of the duration of work to be performed, and (4) whether the individual will be considered in full-time or part-time employment status.

Occasionally an agency must engage the services of individuals outside the merit system. An electronic copy and the original of all personal service contracts, $1,500 and above must be submitted to the Legislative Contract Review Oversight Committee for their review. An original and one copy of all personal service contracts, under $1,500, must be submitted directly to the State Personnel Department for their approval. Contracts under $15,000 may be approved by the Personnel Director.

B. SIGNATURES/APPROVALS

Contracts of $15,000 or more must be presented to the Personnel Board. To be included on the Board agenda, the contract MUST be submitted no later than 15 days prior to the date of the Board meeting. The contract must meet all requirements to be placed on the Board agenda. All personal services contracts require the signature of the State Finance Director.

C. PAYMENTS TO CONTRACT EMPLOYEES

Payments for services rendered under personal services contracts will be processed through the payroll/personnel system (GHRS) as contract employees.

5-6 ADMINISTRATION OF PROFESSIONAL SERVICES CONTRACTS

A. SUBMISSION TO THE CHIEF PROCUREMENT OFFICER

Professional services must be procured by competitive sealed proposals or small purchase procedures unless determined otherwise by the Chief Procurement Officer. (Rule 355-4-3-.03(1)(c)). In order to record and monitor all professional service contracts (independent contractors), basic contract data and accounting information will be entered into STAARS or the appropriate electronic document system by the department. The department should complete FRMS Form 50, Contract Cover Sheet, attach all contract documents with required approvals, and submit to the Division of Procurement through STAARS or the appropriate electronic document system for review and processing. Departments that do not have automated accounting systems will forward the completed contract documents to the Comptroller's Office where they will be audited, approved, and entered into STAARS by the Shared Services Section of the State Comptroller's Office. Non-automated Departments must include the appropriate accounting information on the contract cover sheet.

FRMS Form 50, Contract Cover Sheet, requires basic information about the contract including the contract number, contractor name, address, effective and expiration dates, supplier number (federal tax identification number or social security number), and total contract amount (for all new contracts) or revision amount.

The procurement types are defined as follows:

6 - Professional Service – Standard
7 - Professional Service – Sole Source
8 - Professional Service – Legal or Medical
9 - Interagency Agreements (All Types) – Quasi Governmental not State Agencies
10 - Construction
15 - Professional Service – Emergency

The procurement types for IT related professional services contracts, which carry a specific document type, are as follows:

6 - Professional Service – Standard
9 - Interagency Agreements (All Types) – Quasi Governmental not State Agencies

B. RFP PROCESS

Professional services must be procured by competitive sealed proposal or small purchase procedures, unless determined otherwise by the Chief Procurement Officer. (Rule 355-4-3-.03(1)(c)). For information on roles and responsibilities related to the RFP process please see https://purchasing.alabama.gov/RFP

C. NEW/ORIGINAL CONTRACTS

New contracts are entered into STAARS for professional services by entering a MAP1 document, for Architects and Engineers approved by the Division of Construction Management, by entering a MAPBC document, and for information technology services, by entering a MAPIT. These documents do not have any chart of account elements on them. The Division of Procurement will review the contract documents and information on the MAP1, MAPBC, and MAPIT and approve these documents in STAARS. If any of these contract types are transitioned to another document system, that will be communicated to the agencies involved.

D. NEW/ORIGINAL INTERAGENCY SERVICE AGREEMENTS (AGREEMENTS BETWEEN TWO STATE AGENCIES)

To record and monitor all interagency service agreements (those agreements between two state agencies), basic contract data and accounting information will be entered into STAARS by the department. The agency will enter an ISA1 document in STAARS. The Comptroller's Office will set up a Cited Authority record on the CAUTH table to facilitate the beginning and ending dates on these agreements. The format is agency + document number and must be used on the encumbrance document (ISE1) for these agreements. The department should complete FRMS Form 50, Contract Cover Sheet, attach all contract documents with required approvals, and submit to Comptroller's Office through STAARS for review and processing.

E. CONTRACT ENCUMBRANCES

All professional service type encumbrances that reference a MAP* document are done by entering a DOP* document in STAARS. These documents are used to encumber funds and to change any chart of account elements for the expenditure of these funds. DOP1 documents require the audit and approval of the Comptroller's Office.

All Interagency Service Agreements that reference an ISA1 document are done by entering an ISE1 document in STAARS. An ISE1 encumbrance requires a Cited Authority reference which is set up by the Comptroller staff with the following format: agency + document ID. The cited authority reference must be entered on the ISE1 document. These documents require the audit and approval of the Comptroller's Office.

F. THE ACCOUNTING EFFECTS OF CONTRACT TRANSACTIONS

An encumbrance for current quarter amounts is generated from all DOP* and ISE1 transactions. The encumbrance reserves a portion of the department's appropriation, allotment, and expense budget, but does not reserve the department's cash. When a purchase order is created, there is a debit to the Encumbrances account and a credit to the Reserve for Encumbrances. In each subsequent quarter agencies will need to modify each DOP* and ISE1 documents to encumber funds.

G. CONTRACT MODIFICATIONS/AMENDMENTS

A contract modification/amendment is used for any change on a contract document in STAARS, with the most common changes being increases or decreases to the total contract amount and/or changes in the expiration date. Contract modifications/amendments are required to be entered in STAARS or appropriate electronic document system. These changes require approval from the Division of Procurement before the system will process the transaction. Date changes and total contract amount changes require a legally negotiated change (an amendment) to the original contract and the contracting agency must obtain all the required signatures and reviews. Contract modification/amendments may also be used during the 13th accounting period to make changes between multi-year contracts. The contracting agency must enter an explanation in the document description on the MAP* document. The Division of Purchasing will approve the transactions upon receipt and audit all contract modifications/amendments.

H. MULTI-YEAR CONTRACTS

MAP* and ISA1 documents with an expiration date that exceeds September 30th of the current year will be allowed to encumber funds on a new DOP* for the succeeding fiscal year. This will keep the integrity of the MAP* and ISA1 for the life of the contract/agreement.

1. Current FY contracts/agreements with expiration dates that exceed September 30th of the current year will remain in STAARS as active.

2. During the 13th accounting period, agencies will be allowed to decrease or increase a prior year encumbrance. Increases may only be made if there is available allotment for the prior year. Increases may only be done until the 13th accounting period closes. Decreases may be done throughout the fiscal year up until the encumbrances are closed.

3. **IMPORTANT**: If there is an unexpended balance left on a prior year encumbrance (DOP* or ISA1) and there are no other obligations for that budget fiscal year, you must unencumber that balance. This is necessary to avoid losing the total spending authority for a particular contract. However, you must use caution when doing this. If you make an error and the 13th accounting period is closed, you cannot encumber those funds again.

I. PAYMENTS TO CONTRACTORS

Payments to independent contractors will be processed through the Comptroller's Office via STAARS by referencing the delivery order number on a payment request document.

J. REPORTS

The departments may review the status of contracts on the monthly Encumbrance and Liquidation Report (AFIN-AP-006 Encumbrance and Liquidation Report).

The AFIN-AP-007 Professional Service Contracts Balance Report provides the total contract amount, total ordered amount, total expended amount and total remaining amount available.

CHAPTER 6
EXPENDITURES AND DISBURSEMENTS

6-1 STATUTORY REQUIREMENTS

The State Comptroller must determine that certain statutory requirements are met, and that sufficient funds and budgetary authority exist, before honoring a claim or an account against the State. The payment request document and the required supporting documentation are audited to determine that the claim is legal and accurate. STAARS verifies the department's available cash, appropriation, allotment, and expense budget balances before warrants are processed. Some of the specific code sections are referenced below which address legal requirements for specific types of payments.

Finance Rules and Regulations (Fiscal Procedures)
§41-4-35

Comptroller Duties
§41-4-50

Accounts Against State To Be Itemized
§41-4-54

Purchasing Procedures
§41-4-110 through 178

Allotment of Appropriated Funds
§41-4-90

Travel Expense
§36-7-20 through 25
§41-4-57

6-2 FLOW OF DOCUMENT PROCESSING

A. PROCESSING PROCEDURES

Disbursements from the State Treasury are made in the form of expenditure warrants, payroll warrants, interface warrants, and electronic funds transfer.

To process a payment request, appropriate documentation is necessary. The documentation must include:

1. A properly entered payment request approved by the agency/department head or authorized designee, as supported by the agency's signature authority letter on file at the Comptroller's Office

2. Invoice

3. Other documentation as required on specific types of payments, ex. material receipt, preapproval form, etc.

All supporting documentation should be uploaded to the payment request document on the Header tab in a pdf format. The invoice(s) should be paid in full on a single payment request and all documentation should be assembled such that all information is visible and easy to read, preferably in the order of the accounting lines for multiple documents. If this requirement cannot be met, please reach out to the Accounts Payable Section prior to submission for more guidance.

Board of Adjustment Orders should be entered on GAXB, ITAB, GAXTB type payment documents, payable to the Claimant as instructed on the Order. The vendor invoice date and vendor invoice number from the original invoice should be entered on the payment request document in the applicable fields. These details are a requirement in STAARS to prevent duplicate payments. The BOA Order and the original vendor invoice must be provided as support on the payment document.

Per Act 2023-500, the State Comptroller and State Finance Director may approve expenses related to a prior fiscal year, if the State Comptroller finds that the vendor is entitled to the funds. These approved claims should be entered on GAXB, ITAB, GAXTB type payment documents. The Document Description field of the Header tab of the payment document should reference "ACT 2023-500" for processing. The approved claim must also be attached to the payment document with the accompanying vendor invoice. The form can be found here: Act 2023-500 Claim Form

B. DEPARTMENT RESPONSIBILITIES

Departments should process the payment requests with the proper accounting distribution. It is the responsibility of the department to ensure sufficient cash, appropriation, allotment, expense budget, purchase order or contract balances exist, and the proper vendor code is used. Failure to adhere to these requirements by the agency may cause a delay in payment and an unnecessary waste of time and effort.

It is the department's responsibility to ensure that all appropriate signatures and approvals are applied to each document and the related supporting information. Appropriate signatures are considered a handwritten signature or an acceptable electronic signature. The Alabama Uniform Electronic Transactions Act is codified at 8-1A-1 through 8-1A-20, *Code of Alabama 1975*, as amended. This office relies on agency representation that the electronic signature is the employee's and/or agency approval intent to sign/approve the document (record). An example of a commonly accepted electronic signature this office allows is represented as follows:

/s/ John Doe

The departmental auditor is required to audit payment requests for completeness and proper authorizations. The departmental auditor is required to review vendor invoices and compare them to encumbrance documents to ensure the department is being properly billed for the goods or services ordered and received. The departmental auditor is required to verify the item, unit price, discount, freight, and other charges. The department head or designated individuals must approve the payment requests in STAARS. A letter of authorization must be on file in the Comptroller's Office. It is the agency's responsibility to keep this authorization up to date.

C. PRE-AUDIT RESPONSIBILITY

Payment Requests submitted for payment to the Comptroller's Office will be audited for accuracy, legality, proper supporting documentation, authorized signatures, and for compliance with state laws as well as fiscal policy and procedures. If the requests are incorrect or incomplete, the payment requests will be rejected back to the department for correction. A "Green Slip" rejection comment with an explanation will be attached to the payment request. Necessary changes should be made to the existing document and resubmitted to the Comptroller's Office when complete.

The agency is required to send an email to the appropriate auditor from the Comptroller's Office when a "green slipped" payment request has been resubmitted.

Some of the most common reasons for a rejected payment document include, but are not limited to the following:

1. Information (data) does not match (ex: invoice date, invoice number, vendor name and address, etc.). The invoice date and invoice number referenced on the vendor invoice must be entered in the applicable fields on the payment document or IN document in STAARS. The vendor name and remit information used on the payment document must match the remit information on the vendor invoice exactly. This information should never be altered on the invoice by white out, handwritten, typewriter, or sticker changes.

2. Documentation that is provided is not complete. Make sure an invoice or proper form is attached with signatures, receipts, etc. when necessary. Also be sure to provide property numbers or lease numbers when required. If the payment request is related to a Board of Adjustments claim, the BOA Order and the vendor invoice must be provided as support.

3. Service Periods must fall in the current fiscal year. Current year revenues should be used to cover current year expenditures (GASB Concept Statement 4 – Interperiod Equity) therefore purchases should be coded to the year in which they are performed and not in a future or previous fiscal year. Agencies should make sure that all payment requests are for goods and/or services that are being purchased for the budget fiscal year referenced on the payment document. Credits resulting from prior years must be recorded as a prior year revenue.

4. Coding errors. The chart of accounts is located on the Comptroller's website. For questions related to proper coding, please reach out to your agency's central accounting office, or forward the question to ap@comptroller.alabama.gov for assistance. If the proper object code is not available on the commodity needed for a purchase made in Alabama Buys, a request to add must be made by contacting Financial Systems Support through the Service Now portal.

5. Proper signature authority. All agencies must have proper signature authority on file at the Comptroller's Office. This authority given by the agency head allows specific employees to final approve STAARS documents at the agency level, sign off on manual pre-approval travel forms and apply final approvals on Requests/Expense Reports in the Concur travel system. This information is held at the Comptroller's Office.

6. Lack of information. Please provide all pertinent information related to the payment document before it is submitted to the Comptroller's Office. Our office may be required to ask questions to determine the validity of transactions.

7. Legal authority. If your agency has unique authority (*Code of Alabama 1975*, as amended, AG Opinion, etc.) to purchase certain goods/services, please provide the reference to that authority along with the payment document. Each agency is set up differently based on the service they provide, so an allowable expense for one agency may not be allowable for another. If the purchase is not supported and is out of the ordinary for State business, the Comptroller's Office will question the legality.

8. STAARS errors. A majority of the STAARS errors cause rejects prior to document submission or may occur during the nightly processing cycle. If you receive a rejected document without comments, be sure to open the document for visible STAARS error notifications. Most errors should provide the reason for the reject, but if you are unable to resolve the error, please contact Financial Systems Support through the Service Now portal for assistance. The agency should contact ap@comptroller.alabama.gov when these documents are corrected and resubmitted.

Before an agency makes a purchase, regardless if it is initiated through the Division of Procurement, the agency must verify that authority exists to make the purchase of all goods and/or services that are submitted to the Department of Finance. This authority should be readily available to present, upon request, during the procurement and/or payment processes. Any purchase requests submitted through the procurement and/or payment processes, where expressed legal authority for the purchase to be made does not exist, will have to go through the Board of Adjustments for processing. The most common examples of items that may be available on contract but are not allowable purchases without agency specific authority include, but not limited to, the following: bottled water, uniforms/clothing items, janitorial services, promotional items, kitchen and food serving items, resale items, etc.

6-3 TYPES OF WARRANTS AND ELECTRONIC FUNDS TRANFERS (EFT)

A. ISSUANCE OF PAYROLL WARRANTS/EFT

The processing and documentation of payroll warrants and EFT are discussed in Chapter 7 Payroll/Personnel of this Manual.

B. ISSUANCE OF INTERFACE WARRANTS/EFT

The departments authorized to submit interface warrant and EFT files are the Department of Human Resources, Department of Revenue, Retirement Systems of Alabama, Division of Risk Management, and the Alabama Peace Officers' Annuity and Benefit Fund. Specific procedures apply for the issuance of each warrant/EFT type.

C. ISSUANCE OF EXPENSE WARRANTS/EFT

As an internal control over expenditure warrants/EFT, payment requests are required before the issuance of a warrant or EFT. The payment request is required to have invoices, receipts, and other evidence of obligation attached, showing the authority for payment and the accounts to be charged. Generally, the State does not allow prepayment for goods or services unless there is authorizing statute.

6-4 ACCOUNTING EFFECTS OF EXPENDITURE TRANSACTIONS

There are four basic types of payments made on a payment request document: those that reference an encumbrance document with an expenditure object, those that do not reference an encumbrance document but reference an expenditure object, refunds of revenues, and distributions from balance sheet accounts.

To liquidate an encumbrance document, the encumbrance document must be referenced on the payment request. The accounting entry made when processing a payment request that references an encumbrance document is:

Accrued Expenditure
    Disbursements Payable

Reserve for Encumbrances
    Encumbrances

Payment requests that do not reference an encumbrance document are recorded as direct disbursements; they increase the amount expended against the department's appropriation and allotment. The accounting entry made at the time of the transaction is:

Accrued Expenditure
    Disbursements Payable

When an entity has overpaid the State, a refund of revenues should be made to the entity. The payment request must include the revenue source code originally used to record the revenue. The accounting entry for the transaction is:

Revenue
    Disbursements Payable

Distributions made by the State from a Balance Sheet account should have the Balance Sheet account referenced on the payment request (care should be taken that the distribution is made from the fund and balance sheet account to which the deposit was made). The accounting entry for the transaction is:

Balance Sheet
    Disbursements Payable

6-5 PAYMENT TYPES

Certain types of payments have additional documentation requirements, payment limits, and other conditions that must be met before payments are processed. They include:

A. Purchases with a purchase order

B. Goods and services purchased without a purchase order

C. Non-purchasing contracts

D. Non-commodity purchases

E. Interfund purchases

F. Travel reimbursement for in-state and out-of-state travel

G. Contract travel for group functions

H. Advance travel/prepaid travel expenses

I. Applicant's travel expenses for recruitment purposes

J Reimbursement of employee moving expenses

K. Reimbursement of employee training and related expenses

L. Professional services contracts

M. Payment of refunds

N. Disbursements charged to balance sheet accounts

O. Employee Related Expenses

P. Pcard and Travel Card Expenses

A. PAYMENT FOR PURCHASES WITH A PURCHASE ORDER

1. MATERIAL RECEIPT FORM

When a department receives the shipment of materials purchased, the individual that accepts delivery of the goods must sign off on the receipt through either a material receipt form, material receipt statement on the invoice or a Receiver (RC) document in STAARS. The individual signs or submits the material receipt certifying that the goods were received, noting any shortages or damaged goods. The certification should include the date the goods were received, not the date the invoice was received, if they differ. If the manual material receipt stamp/sticker is used to certify invoices, make sure it is not placed over the invoice details. If invoice details are not visible, the payment document will be rejected back to the agency for correction.

The department purchasing the goods will receive an invoice from the vendor. The material receipt should be compared to the vendor invoice for accuracy. If the department has been billed in error or if there are shortages, a notation should be made on the invoice or a Vendor Invoice Correction Form can be provided. Please see Section 6-7 of the Manual for more clarification on invoice corrections. The vendor invoice, the material receipt, and a copy of the Vendor Invoice Correction Form, if applicable, should be submitted to the State Comptroller's Office with the payment request as supporting documentation. The encumbrance document must be referenced on the payment request to liquidate the encumbrance. The property inventory numbers should be identified as such and be noted on the Accounting line on a GAX or the extended description on a PRC for all equipment items costing $500.00 or more and all purchases of weapons, or for items coded as a betterment to a general fixed asset. Please refer to Chapter 8 Section 5A for proper formatting of property numbers.

2. COST OVERRUNS ON PURCHASE ORDERS

Departments will be required to submit a modification to the encumbrance document to the Division of Procurement through Alabama Buys if the cost overrun exceeds 1%. All freight charges (prepaid or added by vendor) must reference the encumbrance document on the document and should be coded along with the product being purchased.

Any cost overrun of less than 1% per encumbrance document should be liquidated by referencing the proper encumbrance document on the payment request. However, after the close of the 13th accounting period, cost overruns to prior year encumbrance documents cannot be paid. It is imperative that each agency increase the encumbrance amount relating to cost overruns in shipment or freight charges before the close of the 13th accounting period. After the close of the 13th accounting period, the vendor will be required to file a claim with the Board of Adjustment to cover any amount not on the encumbrance document.

3. COSTS ARE LESS THAN PURCHASE ORDERS

If the final cost is less than the encumbrance, the encumbrance can be closed by selecting Final in the Ref Type field of the payment request. Once an encumbrance is closed, it cannot be opened after the end of the fiscal year.

B. PAYMENT FOR GOODS AND SERVICES PURCHASED WITHOUT A PURCHASE ORDER

1. PURCHASES UP TO $5,000 (ALA. ADMIN. CODE §355-4-3-.05(5))

A department has the authority to purchase non-contract goods and services of an **emergency or non-recurring** nature, except weapons, without prior approval from the Division of Procurement for purchases, including freight charges, up to $5,000. The threshold of $5,000 applies to an agency's cumulative purchases of **like or similar items or services** for the fiscal year. If the agency inadvertently exceeds its

authority by the purchase of **like or similar items or services** during a fiscal year, a letter must be written to the Chief Procurement Officer (CPO) for approval explaining the nature and/or circumstances of the purchase(s).

Upon receipt of the goods or services and the vendor invoice, a payment request should be prepared and submitted to the Comptroller's Office. The vendor invoice must be attached to the payment request. The payment request may be submitted by the departmental auditor. The department head or designee must approve the payment request. Under no circumstances may an employee pay for goods or services with their personal funds.

2. EMERGENCY PURCHASES GREATER THAN $5,000.00 AND UP TO $25,000 (ALA. ADMIN. CODE §355-4-3-.04(3))

A Priority Authorization must be obtained from the Division of Procurement in Alabama Buys to purchase goods or services from $5,000 to $25,000 for emergency/critical situations. For additional information on Priority Authorizations, see https://purchasing.alabama.gov/emergency-procurement/. When the agency reaches the bid threshold of **like or similar items or services** (up to $25,000), the agency must procure through a formal competitive process through the Division of Procurement.

3. EMERGENCY PURCHASES GREATER THAN $25,000

For emergency purchases greater than $25,000, see https://purchasing.alabama.gov/emergency-procurement/ for details regarding the necessary steps needed to verify the situation meets the definition of an emergency as stated in the Administrative Code (355-4-3-.06). Additional instructions are also provided for submitting an approval request letter to the Division of Procurement.

C. PAYMENT OF NON-PURCHASING CONTRACTS

Generally, the approval of the Division of Procurement is required for commodities and for routine services such as pest control. Non-commodity purchases may require the approval of different authorities as listed below:

Building Contracts and Architectural Services (requires Construction Management's approval)

Real Estate Rental and Leases (requires Leasing Management's approval)

Salaries and Wages and Temporary Personnel Contracts (requires State Personnel's approval)

Professional Services Contracts (may require approval by the Legislative Contract Review Committee and the Governor's signature)

Bonds of Officials or Employees and Insurance (requires Risk Management's approval; some require Governor approval)

Attorneys providing litigation services to the State of Alabama must first obtain a Deputy Attorney General appointment from the Attorney General before performing litigation services for any state agency. In addition, the Governor must approve the hourly rate for *all* attorneys providing legal services, litigation and nonlitigation services alike. A copy of the appointment letter or approval by the Attorney General, and the hourly rate approval letter by the Governor, should be attached with the legal services invoice as supporting documentation for the payment request. (Code of Alabama 1975, § 41-4-125.) Also, per Executive Order, the default maximum hourly rate for state-agency legal services is $195 per hour for attorneys and $65 per hour for paralegals. In exceptional circumstances as demonstrated by a compelling written justification letter, the Governor may approve hourly rates greater than the default maximum rates on a case-by-case basis. For information concerning the Governor's considerations in approving outside counsel, see Executive Order No. 726, ¶ 3.b. Per Executive Order No. 726, ¶ 3.c, contracts for nonlitigation legal services

shall describe the scope of services with reasonable particularity; descriptions such as “general legal services” will not be approved.

It is the department's responsibility to obtain all of the necessary approvals prior to submitting the payment request. The department should audit the vendor invoice and make corrections on the face of the invoice, where necessary.

The vendor invoice should be used to prepare a payment request for submission to the State Comptroller's Office. The department should not approve the final payment of a contract unless all work has been completed and the completion has been advertised as required by law (*Code of Alabama 1975*, §39-2-12, as amended). The invoice should be attached to the payment request and submitted to the Comptroller's Office for processing. If the contract has an assigned contract number on the professional service contract system, that number must be referenced on the payment request to liquidate the proper encumbrance account. (See Chapter Five for detailed information on contracts.)

D. PAYMENT OF NON-COMMODITY PURCHASES

The following items do not require the use of a purchase requisition, purchase order, encumbrance document or any required approvals from the Division of Procurement:

Utility Services, such as gas, water, and electricity

Insurance (requires Risk Management’s approval)

Real Estate Rental (requires Leasing Management’s approval and Lease/Debt ID reference)

Postage, Post Office box rental, postal permits (Agencies located in downtown Montgomery are required to use Central Mail and Supply unless they have approval from the Finance Director to use other methods.)

Membership Dues

Freight (directly paid to a regulated motor carrier, delivery service, or other courier service)

E. PAYMENT OF INTERFUND PURCHASES

When a department purchases goods or services from another state agency, the state agency providing the goods or services invoices the department that benefited from those goods or services. These interdepartmental transactions must be paid using ITI/ITA documents in STAARS. External transactions via warrant or credit card payment are not allowable unless the seller agency is outside of State Treasury. The invoice is keyed in as an ITI document by the seller agency, in order for the buying agency to create the ITA document. The ITA will reference the ITI Document Number, which should also be the invoice number on the support. This control is in place to prevent duplicate payments in STAARS. Approval from the Division of Procurement is not required for purchases made from another state agency. Professional Services are required, however, to be on the database with Fiscal Management. Each agency that provides goods or services is assigned an **AGCY** vendor number in the vendor/customer file. The AGCY number must be used for all interfund payments and receivables for state agencies.

Interfund Transfer Initiations and Interfund Transfer Agreements must utilize the ITI2 and ITA2 documents in STAARS when interfund transfer objects or transferrable revenue sources are used. This process is to ensure that all transfers are balanced.

Interfund Transfer Objects: 0821, 0845, 0998, 1108, 1148, 1604, 1605, 1640, 1641, 1644, 1650, 1653.

Transferrable Revenue Sources: 0588, 0629, 0666, 0667, 0668, 0766, 0790, 0800, 0810, 0814, 0825, 0900, 0949, 0950.

F. PAYMENT FOR REIMBURSEMENT OF TRAVEL EXPENSES

This section details the policies and procedures for the pre-approval and reimbursement of travel expenses of persons traveling on official business for the state or any of its departments, institutions, boards, bureaus, commissions, councils, committees, or other like agencies. Travel approvals and reimbursements shall be on the basis of a per diem (for in-state travel) or actual and necessary incurred expenses (for either in-state travel or out-of-state travel). Guidance for in-state per diem travel reimbursement may be found below in Section 1. Actual and necessary reimbursements are allowed for out-of-state travel or for in-state travel as detailed below in Section 2. The method of reimbursement for in-state travel may be selected by the employee's agency; however, no person is entitled to reimbursement under both methods for any travel segment.

1. PER DIEM REIMBURSEMENT – IN-STATE TRAVEL

Employees who travel in state should submit travel claims to the department within 60 days of the conclusion of travel. Expenses should be itemized on an in-state travel Form FRMS-6. Current versions of this form are located on the Comptroller website. The expense form must be signed by the traveler by either original or acceptable electronic signature. The Comptroller's Office requires that the points of travel be shown for reimbursement of mileage. The points of travel must be notated as the city. In addition, the hour of departure from and the hour of return to base must be shown on the travel expense form, when the employee is away from base for six consecutive hours or more and is entitled to per diem. These times should be notated in the standard time format, not military time. All dates should be entered in a format that includes the year. For travel related expenses, your base is defined as a city or town. Emergency and necessary expenditures incurred in connection with travel require supporting documentation and should be held to a minimum. Any expenses not related to travel should be submitted on a General Reimbursement Form and not on a travel form.

a. Per Diem Allowance and Providing Meals with Public Funds

Alabama law gives authority to the Governor to fix the per diem amount allowable to a person traveling in-state in service of the state at not less than $75 per day. *Code of Alabama 1975*, § 36-7-20(a), as amended. However, Internal Revenue Service rules provide that this amount will be treated as taxable wages for the employee if it exceeds the allowable federal per diem rate.

Overnight Travel

The current allowance for overnight per diem is $100.00 or $130.00 per day, depending on the length of the trip. This is the maximum per diem that can be claimed for a single day. For travel requiring one overnight stay, the traveler will be paid $100.00 per day. For travel requiring stays of two or more nights, the traveler will be paid $130.00 per day. All related dates of the travel event should be submitted on the same travel claim so the appropriate per diem rate can be confirmed. A traveler must be paid per diem unless the traveler agrees to waive per diem or the traveler's agency elects to reimburse actual and necessary expenses. If the traveler waives reimbursement, a signed waiver must be present on the travel claim form.

The term overnight, as used in *Code of Alabama 1975*, § 36-7-20, as amended, will be given its plain meaning. The common law meaning of night usually means the period between sunset and sunrise. "Overnight" means that a period of rest is needed to meet the demands of work while away from home. Employees within reasonable travel distance from their home or base are expected to return to their home or base. For travel related expenses, your base is defined as a city or town.

The per diem is not to be paid to an employee stationed at the same place in the State for a period in excess of two consecutive months. After two consecutive months, the per diem is reduced to $97.50 per day (75% of daily rate for trips lasting two nights/three days or longer). The per diem includes all charges for meals, lodging, fees, and tips. Attorney General's Opinion issued September 8, 1952, vol. 68, p.63.

An overnight travel allowance is not allowable if the traveler remains in his or her official station or base or primary residence. Justification from the agency head is required for any exceptions to this policy. For travel related expenses, your base is defined as a city or town. If state business requires the traveler to be away from the base or official station on weekends or holidays, the traveler will be entitled to reimbursement for travel for those days.

If the individual's travel is interrupted for personal convenience or through the taking of leave, the travel allowance may not exceed the costs that would have been incurred for authorized uninterrupted travel. This applies to mileage and per diem. AG Opinion 89-00371. The mileage claimed can only be the amount claimed had the traveler left and returned to their base.

Non-Overnight Travel

No travel allowance shall be paid for a trip of less than six hours' duration. For travel that does not require an overnight stay, the traveler shall be paid a meal allowance of $15.00 (15% of the regular per diem rate of $100.00) for a trip of six to twelve consecutive hours' duration. For travel in excess of twelve consecutive hours' duration, the traveler shall be paid $40.00, which represents one meal allowance and one-fourth of the per diem allowance. A traveler must be paid per diem unless the traveler agrees to waive per diem or the traveler's agency elects to reimburse actual and necessary expenses. If the traveler waives reimbursement, a signed waiver must be present on the travel claim form. Non-overnight per diem is considered a fringe benefit and is taxable to the employee. The taxable object code 0309 must be used in STAARS.

No meal allowance will be paid if the traveler remains in the city where his/her home or base is located. For travel related expenses, your base is defined as a city or town.

Meals for State Employees

The general rule is that the State may not purchase meals for state employees using public funds. However, there are limited exceptions to the general rule. The state may provide meals when an employee is required to attend training sessions, seminars, or other like group functions or when an employee is required to remain at their duty station to prepare for or respond to an emergency event. *Code of Alabama 1975*, 36-7-20(e), as amended; AG Opinion 2014-054. Public funds may also be used to pay for meals and refreshments served at a business meeting when the meeting lasts all day and the participants work through lunch. AG Opinion 2014-072. Food may be provided for shorter meetings when the employee would otherwise be entitled to a per diem allowance. AG Opinion 2014-072. If a meal is provided, the state employee may not claim a meal allowance and the cost of the meals and refreshments provided throughout the day may not exceed the amount allowable to an individual employee for in-state travel. AG Opinions 88-00340; 2001-168. For questions regarding when these specific, limited exceptions might apply, please contact the Department of Finance, Legal Division at (334) 242-4220.

b. Reimbursement for Mileage Expenses

Persons traveling on official business for the state or any of its departments, institutions, boards, bureaus, commissions, councils, committees, or other like agencies in privately owned vehicles shall be reimbursed for mileage expenses based on the IRS rate in lieu of their actual expenses for transportation. Officers and employees of the state are entitled to mileage allowance from their base to destination and return or for miles actually traveled from home to destination and return, whichever is less. For travel-related expenses, your base is defined as a city or town.

Mileage is to be reported in whole miles. To calculate the amount to be reimbursed, all mileage listed on the in-state travel form must be totaled and then multiplied by the applicable rate. The reimbursement rate for mileage expenses is equal to the mileage rate allowed by the Internal Revenue Code for income tax deductions.

If the employee leaves from or returns to their home, they cannot be reimbursed for miles greater than the number of miles from their base to destination and return. Per the IRS, commuting is defined as travel between home and work and is considered an employee's personal expense. Travelers leaving from their home base as opposed to their work base must certify that it is because the destination was closer and no commute miles are being claimed. AG Opinion 80-00144.

An employee who is either called in after hours or required to work on scheduled off days, due to an emergency or other exceptional duty, is entitled to reimbursement for necessary mileage incurred in the performance of that duty. AG Opinion 81-00345. When this occurs, it should be notated on the travel form so that it is verified that only "allowable" commute miles are being claimed.

If the individual's travel is interrupted for personal convenience or through the taking of leave, the travel allowance may not exceed the costs that would have been incurred for authorized uninterrupted travel. This applies to mileage and per diem. AG Opinion 89-00371.

c. Required Receipts

Receipts and/or proof of payment are required to support the following expenses, except when the disclosure of the identity of the traveler would be detrimental to the State's interest:

Registration fees - include itemized breakdown, if applicable.

Operating expenses of state-owned vehicles, such as gasoline and oil, emergency repairs or expenses of these vehicles, such as punctures, parts, etc. should be paid with the agency's WEX card. If the vendor does not accept the WEX card, the traveler must keep a copy of the receipt for reimbursement. Receipts for repairs must be itemized and conform to the requirements of the Division of Procurement (Section 6-5B). The State tag number must also be referenced on the receipt.

Travel related fees such as parking, toll and/or taxi fees with notation of "to" and "from."

Miscellaneous expenses. Receipts must be itemized and conform to the requirements of the Division of Procurement (Section 6-5B).

2. ACTUAL AND NECESSARY EXPENSE REIMBURSMENT – IN-STATE OR OUT-OF-STATE TRAVEL

a. General Guidance

The guiding principle behind the policies and procedures governing travel is to travel responsibly. The word "responsibly" means that the traveler exercises the same care in incurring expenses for travel in service of the state that a prudent person would exercise if traveling at personal expense.

Traveler Responsibility. An individual traveling in service of the state is responsible for 1) obtaining authorization and any required certifications from the head of his or her agency prior to traveling; 2) incurring only those costs that are reasonable and necessary for carrying out service to the state; and 3) seeking reimbursement for qualifying expenses in accordance with the procedures outlined below. A traveler must submit a request for reimbursement within sixty (60) days of the conclusion of travel.

Agency Head Responsibility. Agency heads are expected to exercise good judgment and sound fiscal policy when approving travel. The traveler's agency head must authorize, in writing, any travel for which a traveler intends to seek reimbursement from the state. The written authorization must contain the agency head's certification that the traveler's estimated reimbursable travel expenses have been reviewed and approved by the agency head as being necessary.

The Agency Head shall be responsible for recovering public funds paid to a traveler in the event 1) duplicate expenses are claimed and reimbursed; or 2) expenses are claimed as personal, but the State was billed directly. Should the Agency Head be unable to recover funds owed to the State, he or she shall immediately notify the Comptroller and the Attorney General so that appropriate legal action may be instituted to recover public funds owed under this chapter. (*Code of Alabama 1975*, §41-5A-20(b)(1), as amended)

Deviations from Pre-Authorized Travel. There are situations beyond a traveler's control which may cause the amount of actual expenses to exceed the amount of pre-authorized travel expenses. For example, a flight may be delayed or canceled, requiring a traveler to return to base a day later than expected and causing the traveler to incur additional travel expenses, such as an extra night in a hotel. In order for such unforeseen expenses to be reimbursed, a traveler should provide receipts along with an explanation of the circumstances when submitting a request for reimbursement. Additionally, the agency head should certify the increased expense as necessary.

b. Advance Authorization

Act 2018-203 amended *Code of Alabama 1975,* §36-7-21 to require agency heads to pre-approve travel for which a traveler intends to seek reimbursement of actual and necessary expenses. Travel by agency heads will continue to require the Governor's approval prior to departure.

State employees seeking pre-approval from their agency head will utilize the website oos.alabama.gov unless the agency utilizes the Concur Travel System. Agencies utilizing the Concur Travel System will approve their travel requests in Concur.

Travel reimbursement is not allowable if the traveler remains in his or her official station or base or primary residence. Justification from the agency head is required for any exceptions to this policy. For travel related expenses, your base is defined as a city or town.

Travel accommodations should be booked directly with the hotel merchant or air carrier. Online booking sites or agencies should not be utilized as they do not provide detailed booking/payment information that is required for reimbursement. Agencies using the Concur Travel System should make all bookings through that system, unless there is a conference room block that needs to be secured directly with the hotel.

Any existing travel exemptions must be resubmitted and approved by the Finance Director for the time frame of one fiscal year (October 1 – September 30) and should be limited in scope.

c. Travel Expenses

Individuals seeking reimbursement for actual and necessary expenses will utilize travel forms FRMS-6D and FRMS-6A, respectively, to submit reimbursement requests. Current versions of these forms are located on the Comptroller website. If the traveler's employing agency uses the Concur Travel System, reimbursement requests will be submitted through that system. All dates should be entered using a format that includes the year. Requests for reimbursement should include all required forms, receipts, itineraries, agendas, certifications and other required documentation. This information should be attached to the payment request document and audited by the employee's department before submission to the Comptroller's Office.

Meals and Incidental Expenses

Individuals traveling under this section will generally receive reimbursement for meals and incidental expenses (M&IE) based upon the location (city) of duty in an amount that corresponds with the U.S. General Services Administration M&IE rates for the continental United States ("CONUS"). Current CONUS M&IE rates can be found at https://www.gsa.gov/travel/plan-book/per-diem-rates. A traveler will not be required to submit receipts for these items, nor will they be allowed to claim any extra expense related to them.

There are two exceptions to this policy: 1) The employee may receive more than the CONUS rate if the agency submits a detailed written explanation signed by the agency head showing that the traveler actually incurred meal and incidental expenses in some amount other than the CONUS rate and that those other amounts were necessarily incurred for business reasons; or 2) the employee may receive less than the CONUS rate, at the discretion of his or her agency, if his or her actual expenses are lower than the CONUS rate.

Incidental expenses include tips and service charges related to lodging and baggage.

Overnight Travel

On travel days, the traveler will be entitled to M&IE reimbursement at a rate of seventy-five percent (75%) of the daily CONUS rate. For all other days for which the individual is traveling, full CONUS reimbursement for M&IE will be paid. M&IE will not be paid for personal days.

The M&IE rate must be adjusted for meals furnished by the government, including meals purchased through a registration fee. The M&IE rate breakdown on gsa.gov includes separate amounts for meals (breakfast, lunch and dinner) and incidentals and those amounts will need to be used to reduce the allowable M&IE rate claimed on each travel statement. For meals provided on the day of departure and the last day of travel, you must deduct the entire allocated meal cost from the decreased M&IE rate. Agencies/Travelers that currently use the Concur Travel System will have a screen within the expense report to check off meals that are provided so that the allowable rate calculates. Agencies/Travelers that do not use the Concur Travel System will need to provide the gsa.gov printout to support the deducted amounts. All travelers are required to provide the conference or meeting agendas to document which meals were provided with the registration fee or other payment made by the state so agency staff and the Comptroller Office can determine that the correct M&IE rate is being claimed based on meals provided. If all meals are provided, the traveler is still entitled to the $5 Incidental Rate for each day of travel to cover incidental expenses.

Travel-related expenses other than meals and incidental expenses require a receipt for reimbursement of actual expenses.

Non-Overnight Travel

Day trips qualify for 75% of CONUS if the trip is more than 12 hours. If the trip is from 6 to 12 hours, the CONUS M&IE rates do not contemplate reimbursement; reimbursement claims under section 36-7-21 for trips of this length are thus limited to meal and incidental expenses actually incurred by the traveler and approved as necessary by the agency head (or, in the case of an agency head, by the Governor). Trips less than 6 hours do not qualify for reimbursement. All meal reimbursements made for non-overnight trips are considered fringe benefits and are taxable to the employee. The respective taxable object code, 0309 for in-state or 0409 for out-of-state, must be used in STAARS.

International Travel and Travel Outside the Continental US

International travel and travel outside the continental U.S. will be reimbursed the daily per diem for meals and incidental expenses. The Department of Defense sets rates for Alaska, Hawaii, and other US Territories (OCONUS rates). Travelers will use the Local Meals rate plus the Local Incidental rate for each day of travel, with the first and last day of travel calculated at 75% of the daily rate. The State Department sets Foreign Rates. The M&IE rate on this site includes the incidental rate. These daily rates must be adjusted for meals furnished by the government, including meals purchased through a registration fee. The meal breakdown to be used in these travel scenarios can be found in Appendix B (Breakdown of Foreign Meals/Incidentals Portion) of the Federal Travel Regulation. This breakdown should be used for all international travel and travel outside the continental US.

Departure and Return

An individual traveling under this section will be allowed to depart home base one day before the event for which the individual is traveling begins and return to home base one day after the event concludes, regardless of the event start time or end time if it is determined by the agency head to be necessary. Agency heads are expected to exercise good judgment and sound fiscal policy when approving travel departure and return dates. The Comptroller's Office may require written justification in cases where departure and return dates appear excessive.

Social Events and Activities

Individuals traveling under this section will be allowed to participate in social events or activities that are part of the event for which the individual is traveling (i.e. a conference sightseeing activity) so long as the cost of the social event or activity is included in the overall cost of the conference (i.e. registration fee). The State will not pay additional fees for a traveler to attend such events. Additionally, if the social event or activity requires additional time away from home base that would not occur but for the social event or activity, the travel pre-approval must include written justification from the agency head.

Baggage

For travel under this section, the state will reimburse baggage fees charged by commercial carriers based upon the duration of travel. For trips that last two nights/three days, the state will reimburse a traveler the actual cost for one checked bag. For trips that last three nights/four days to six nights/seven days, the state will reimburse a traveler the actual cost for two checked bags. For trips that last longer than seven days, the state will reimburse a traveler the actual cost for two checked bags plus the actual cost of laundry service.

A traveler will be required to submit receipts for the cost of checked baggage and laundry service, if applicable, to be reimbursed.

If a traveler is entitled to reimbursement for two checked bags (i.e. if a trip lasts three nights/four days or longer), but instead chooses to check one overweight bag, the state will reimburse the actual cost of the overweight fee provided that it does not exceed the cost of checking a second bag. Receipts for the cost of overweight baggage are required for reimbursement.

Tips for skycaps or baggage handlers are included in per diem for M&IE and will not be reimbursed as a travel-related expense.

Transportation

The traveler is responsible for selecting the mode of transportation, preferably the least costly to the State, and obtaining approval from agency head. The traveler is entitled to reimbursement for actual and necessary expenses incurred based on the authorized mode of transportation. Below are policies and procedures regarding transportation. If a travel scenario exists that is not specifically addressed in the following policies and procedures, agency heads will use discretion in deciding whether to approve a mode of transportation considering the best interest of the state and sound fiscal judgment.

When booking travel arrangements, a traveler must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. Therefore, each traveler is required to use the least expensive class of accommodations available when traveling in service of the State.

For short-distance travel (i.e. less than 8 hours travel time via vehicle), an agency-owned, leased or rented vehicle, or a rental car procured through the state contract, is preferred over the traveler's personal vehicle. Commercial airfare may be utilized for long distance trips. Main cabin seating should be utilized unless traveling outside the continental US. For flights outside the continental U.S., alternate seating may be used as described below.

For purposes of determining approval of alternate seating arrangements, seating accommodations are categorized into four "tiers" as follows (airline equivalents are noted for comparative purposes only—no endorsement of any particular airline is implied):

Airline	Tier I	Tier II	Tier III	Tier IV
American Airlines	Main	Premium Economy	Premium	
Delta Airlines	Main	Comfort +	Premium Select	Delta One
United	Economy	Premium Economy	Business Class	
Air France	Economy	Premium Economy	Business Class	La Premiere
KLM	Economy	Premium Comfort	Business Class	

1. Tier I accommodations are required unless another tier is authorized below.
2. Tier II accommodations may be approved for either of the following reasons:
    a. The flight is over eight hours total travel time, including stopovers and change of planes, and excluding ground transportation.
    b. No space is available in Tier I accommodations that allows the traveler to arrive in time and no other flight is available with Tier I accommodations that will arrive in time.
3. Tier III accommodations may be approved for any of the following reasons:
    a. The flight is over 14 hours total travel time, including stopovers and change of planes, and excluding ground transportation.
    b. No space is available in Tier I or Tier II accommodations that allows the traveler to arrive in time and no other flight with Tier I or Tier II accommodations which will arrive in time is available.
    c. Your agency has determined that travel requires an overnight flight and a rest period en route to the destination is necessary.
4. Tier IV accommodations may be approved only when no Tier I, Tier II, or Tier III accommodations are reasonably available. "Reasonably available" means available on a common carrier that is scheduled to leave within 24 hours of the proposed departure time or scheduled to arrive within 24 hours of the proposed arrival time.
5. Deviations from this policy are only allowed under extreme or extraordinary circumstances AND must be approved prior to booking by the Director of Finance upon written request and justification from the traveler's agency.

Information derived in conjunction with Code of Federal Regulations Title 41 Part 301-10.

Travelers should refrain from utilizing online booking sites or agencies for their airline bookings. These vendors are unable to provide detailed booking information and itemized receipts, which is a requirement for reimbursement.

The use of personal frequent flyer miles or flight credits are not reimbursable. Per the IRS and the Federal GSA guidance, a reimbursement of an expenditure requires the exchange of cash or cash like instrument.

An agency head may pre-approve up to $150 for a traveler to utilize local transit such as taxi or subway service while at the travel location. A traveler must submit receipts for local transit in order to qualify for reimbursement. A traveler who spends more than $150 on local transportation may be reimbursed for actual expenses in excess of $150 by providing receipts and additional written justification for the local transit in excess of the pre-approved amount.

If a traveler has an agency-owned vehicle or a personal vehicle at the travel site, the traveler may still be authorized by the agency head to utilize local transit during the travel provided that the use of local transit is work-related, reasonable and not excessive. For example, going to dinner while in travel status or to an off-site conference-sponsored event will qualify for reimbursement; going out for entertainment or sightseeing will not qualify for reimbursement. In cases that qualify for reimbursement, a traveler will be expected to provide an explanation for the expenditure, provide receipts, and will be reimbursed for actual expenses incurred. This is intended to provide flexibility to travelers who are working in a location where driving or parking is particularly difficult or onerous.

The State will reimburse reasonable parking fees. An agency head should only authorize self-parking unless valet parking is 1) the only option available; 2) no more costly than self-parking; or 3) medical, safety or other reasons justify paying for alternative parking options. If something other than self-parking is authorized, the reimbursement should contain an explanation and justification for incurring a greater expense for parking.

Mileage Expenses

Reimbursement for mileage expenses for persons traveling in privately owned vehicles is covered by *Code of Alabama 1975*, §36-7-22, as amended. The mileage reimbursement is based on the IRS rate. The approved electronic map with mileage calculation must be attached supporting the main points of travel. Mileage reimbursement must be approved by the agency head on the Request for Out-of-State Travel. Employees who are authorized to travel in either a State or privately-owned vehicle shall be reimbursed for the amount of parking paid while on travel status. Attorney General's Opinion issued September 8, 1952.

Mileage is to be reported in whole miles. The total number of miles is to be calculated and then multiplied by the current mileage rate for the entire travel statement.

Lodging

A traveler should stay at the hotel that is hosting the conference or event for which travel occurred and obtain the government or conference lodging rate. A traveler may choose a less-expensive hotel provided that the choice of hotel will not substantially increase transportation costs. Incurring lodging costs that exceed the conference or government rate must be justified in writing and approved by the agency head prior to travel. The government rate is set by the U.S. General Services Administration and is based upon the location (city) of duty. Current daily lodging rates by city can be found at https://www.gsa.gov/travel/plan-book/per-diem-rates.

For the safety of our employees, the lodging facility must be a commercial lodging facility and cannot be a vacation/residential facility (i.e. AirBNB, VRBO, Homeaway, etc.). Using similar federal guidance, these nonconventional rental properties will no longer be allowed for in-state actual or out-of-state travel reimbursement bookings. The State is prohibiting these sites as the facilities are not subject to the same safety regulations as hotels, therefore may not be compliant with US Fire Administration guidelines and/or may not be inspected by the Federal Emergency Management Agency for safety. It is recommended that lodging is booked with a business that offers accommodations to the general public, such as hotels and/or motels, not a private residence. Travelers should also refrain from utilizing online travel sites or agencies for their lodging bookings. These vendors are unable to provide detailed booking information and itemized receipts, which is a requirement for reimbursement.

Tips for bellhop and housekeeping services are included in per diem for M&IE and will not be reimbursed as a travel-related expense.

Annual Leave or Personal Time

Individuals traveling under this section may desire to take annual leave or personal time before or after official travel. In such cases, the State will reimburse a traveler for costs incurred as if the personal time were not included. For example, a traveler attends a conference in service of the state in Scottsdale, Arizona. The conference begins on Monday and concludes on Friday. The traveler desires to spend the weekend sightseeing in Scottsdale and returns to Montgomery on Sunday. The State will reimburse the traveler the lesser of 1) actual costs of airfare; or 2) for the cost of a round-trip airline ticket as if the traveler departed on Sunday before the conference and returned to Montgomery on Saturday following the conference. The traveler will not be entitled to reimbursement for any expenses incurred following the official travel day. In the hypothetical involving travel to Scottsdale, the traveler would be entitled to reimbursement for lodging costs on Friday night, and partial per diem for Saturday (the official return travel day), but no other expenses would be reimbursed.

Receipts Required

Receipts will be required for the following expenditures, except where the disclosure of the identity of the traveler would be detrimental to the State's interest:

- Commercial Air Transportation (economy fare),
- Vehicle Rental (Economy or Intermediate size, the State does not pay for rental insurance),
- Rental Car Fuel (purchase to be made at fuel station, not as an added cost by Rental Car vendor),
- Motel / Hotel lodging (single rate only),
- Registration fees with itemized breakdown,
- Operating expenses of state-owned vehicles, such as gasoline, oil, and emergency repairs should be paid with the agency's WEX card. If the vendor does not accept the WEX card, the traveler must keep a copy of the receipt for reimbursement. Receipts must be itemized and conform to the requirements of the Division of Procurement (Section 6-5B), and
- Travel related fees such as parking, toll and/or taxi fees and miscellaneous expenses. Receipts must be itemized. Miscellaneous expenses must conform to the requirements of the Division of Procurement (Section 6-5B).

Completing the Payment Request

The Comptroller's Office requires that the hour of departure from and the hour of return to base be shown on the itemized travel form for audit purposes. The approved travel request, pre-authorization, and any required receipts should be attached to requests for reimbursement. If the official travel is attendance at a conference or other planned event, attach a copy of the itinerary or conference agenda.

All forms required to complete the payment request are located on the Comptroller's Office website. Agencies needing a specialized form must have approval by the Comptroller before being used.

G. CONTRACT TRAVEL FOR GROUP FUNCTIONS (IN-STATE)

Code of Alabama 1975, §36-7-20, as amended, provides that a department may contract with a facility whereby expenses for meals and lodging are paid by such contract on behalf of the employees who are required to attend training sessions, schools, seminars, or other group functions. This provision is also allowed in instances when employees are assigned to assist in suppressing on-going natural disaster situations or other emergencies.

The department may pay the cost of room and board directly to the facility providing the services. Employees who travel a distance that would require a meal while in route will be allowed a meal allowance based on the amount of time required for the commute. In no case can the cost of these services, including any meal allowances, exceed the amount allowed an individual employee for per diem for in-state travel.

When submitting a payment request to the Comptroller's Office for payment of Contract Travel, an itemized invoice will be required, as well as the following:

- Purpose of seminar
- Location and Date(s) of meeting
- List of individual names attending
- The number of nights lodging and room cost for each individual
- The number of meals served and meal cost for each individual
- The total cost for each individual

If an employee is filing for mileage reimbursement, the name and the location of the training session or seminar must be indicated on the travel claim form. Also, the date and time of departure and return to base, and each day's attendance at the session must be shown on the FRMS-6, even though no per diem is due. If a meal is being claimed while in route the travel claim must indicate the time the contract travel takes effect. It should be noted on the FRMS-6 that no per diem is claimed due to contract travel status. If no mileage and/or meal allowance is claimed, no travel claim should be filed.

H. ADVANCE TRAVEL/PREPAID TRAVEL

Code of Alabama 1975, §36-7-24 and 36-7-25, as amended, authorizes advances for travel and prepayment of travel expenses for officers and employees of the state when traveling within or outside of the state on official business. Travel advances are defined as payments made directly to the traveler prior to the travel event. Prepayment of travel expenses is defined as payments made directly to a vendor or to an employee prior to the travel event. It is the department's responsibility to maintain detail accounting records of travel advances and prepaid travel expenses for audit purposes.

The purchase of an airline ticket, hotel deposit and/or conference registration can be made in the last two months of the current fiscal year for travel in the next fiscal year. For conference registration fees, the following guidelines should be used in determining if payment can be made outside fiscal years:

- There must be an immediate need – There is limited space and if the conference isn't paid for at that moment then all spots will fill up.
- Payment scheduling is out of the control of the agency – If the due date for all registrants is set prior to the event and falls in the current fiscal year
  NOTE: An early bird special is not an exception to these guidelines.

Prepayment of expenses should not be made more than sixty (60) days out from the travel event. Payment requests related to advance travel or prepayment of travel expenses should be processed in the fiscal year that the trip occurs or in the thirteenth accounting period for that fiscal year. Cash receipts for refunds of advance travel received after the end of the fiscal year, but during the 13th Accounting Period, will be coded to the current fiscal year and prior budget year.

The following guidelines govern eligibility and the processes required for advanced travel and prepayment of travel expenses.

1. ELIGIBILITY FOR ADVANCE TRAVEL AND PREPAYMENT OF TRAVEL EXPENSES

The individual must be an officer or a full-time employee of the State (contract individuals are not eligible for advance travel).

No individual may have more than one travel advance outstanding at any time. A transaction in process at the Comptroller's Office will not be considered outstanding.

The maximum advance for any individual shall be the lesser of the individual's semi-monthly salary or the estimated cost of the trip (the amount on form FRMS-4), except with written approval of the Director of Finance.

The prepayment request must be within sixty (60) days of the travel event to be considered eligible.

Individuals who have obtained travel credit cards through the State should not need an advance for travel expenses.

An out-of-state travel request, signed and approved by the appropriate authority, must be submitted with the FRMS-4 for travel outside the state.

2. APPLYING FOR ADVANCE TRAVEL OR PREPAYMENT OF EXPENSES

The traveler should complete form FRMS-4, and it must be signed by the traveler, and be approved by the department head. Advance travel and prepayment of travel expenses are allowed at the discretion of the department head. The dollar amount to be advanced and/or prepaid must be indicated on the form in the proper column. The amount advanced and/or prepaid may not exceed the amount on form FRMS-4. The employee and the department head must initial any alterations on the form. A trip requiring both advance travel and prepayment of travel expenses should be submitted separately to prevent the prepayment being delayed based on the requirements for travel advances.

When making advance payments or prepaid expenses for promotional expenses, all applicable procedures for promotional expense in the *State of Alabama Fiscal Policy and Procedures Manual* must be followed. Also, form FRMS-6C in addition to form FRMS-4 must be properly completed and attached when processing payment requests.

3. PROCESSING THE INITIAL PAYMENT REQUEST

When making an advance to the employee, object code 0313 for in-state and 0413 for out-of-state should be used. The advance may not be made to the traveler **more than seven working days** prior to the trip. The traveler’s vendor number is to be used when processing payment requests or certificates of deposit. When processing a payment request for prepaid expenses, the expenditure object code relating to that expenditure should be used (i.e., conference registration should be 0916, etc.). A properly completed and signed form FRMS-4 is to be attached for each employee for whom prepaid expenses are being made.

4. PROCESSING PAYMENT REQUEST AFTER TRAVEL IS COMPLETE

When a travel advance is made to an individual, a second payment request must be processed after the trip has been completed to properly record the expenditure. All documentation required by this Chapter, and a reference to the initial payment request, must be attached. The traveler is to complete and provide to the department a travel form within seven days of completion of the trip.

If the allowable expense of a trip exceeds the advance, the payment request will have a line to decrease the amount advanced using object code 0313 (0413 for out-of-state) with additional lines to record the allowable expenses under the proper object codes (ex: mileage 0301). The net amount of the request will be the amount owed the traveler. The decrease to object code 0313 (0413 for out-of-state) must be made from the funding line the original payment for the advance was made.

If the advance exceeds the expense of the trip, a zero payment request should be processed to charge the expenses to the proper object code and to decrease object code 0313 (0413 for out-of-state) by the total amount of the allowable expenses. The payment request total must never be negative. The employee must remit the balance of any unused travel advance to the department. A certificate of deposit will be prepared for the amount advanced to the traveler that exceeds the allowable expenses. The deposit must be made to the funding line from which the original advance was made as a refund against expenditures, referencing the accounting distribution used on the original payment request (object code 0313 or 0413) The traveler's vendor number must be used.

It shall be the responsibility of the department director to recover public funds paid as travel advances or prepaid travel expenses from the person to whom or on whose behalf such payments were made should any of the following events occur:

- The travel for which payments were made did not take place, except prepaid travel expenses where situations beyond the individual's control (business conflicts, family emergency, illness, etc.) prevents the trip from being made.
- Funds advanced exceed the amount owed the traveler pursuant to a properly submitted travel request.
- The person to whom funds were advanced, or on whose behalf expenses were prepaid, fails or refuses to submit a travel request.

Should the department director be unable to recover funds owed to the State, he or she shall immediately notify the Comptroller and the Attorney General so that appropriate legal action may be instituted to recover public funds owed under this chapter. (*Code of Alabama 1975*, §41-5A-20(b)(1), as amended)

I. APPLICANT'S TRAVEL EXPENSES FOR RECRUITMENT PURPOSES

Travel expenses may be reimbursed to certain applicants of state jobs, in which recruitment exist. The following guidelines must be adhered in order to reimburse the job applicant.

1. Form FRMS-8 Applicant's Travel Expense for Recruitment Purposes must be completed by the department and submitted to the Governor for approval.

2. The applicant must provide to the department either a state travel form or an itemized invoice (request for reimbursement).

3. Supporting documents will be required as follows:

    a. Receipt for transportation (if by air, a copy of the airline ticket - tourist rate airfare only). If travel is by automobile, reimbursement will be at the standard mileage rate for state employees.

    b. Paid lodging receipt.

    c. Receipts for meals and other miscellaneous charges (rental car, parking, etc.).

    d. A copy of the approved travel reimbursement form.

4. A payment request must be submitted by the department to the Comptroller's Office for payment.

J. REIMBURSEMENT FOR EMPLOYEE MOVING EXPENSES

A permanent employee that moves from one community to another within the state, **at the request of the department**, is entitled to reimbursement for actual moving expenses incurred in moving household goods, not to exceed $1,250. Reimbursement will not be allowed when the transfer is made at the request of the employee (*Code of Alabama 1975*, §36-7-40, as amended). The State cannot be held liable for any damages to persons or property that may result from the moving of household goods (*Code of Alabama 1975*, §36-7-42, as amended).

No travel expense (per diem, mileage, or meals) may be claimed as moving expense. Transfers can only be for full-time permanent departmental employees and does not apply for transfers between state agencies. Only reimbursement for moving expenses of household goods will be paid to the employee. Household goods are generally considered to be the contents of a dwelling other than fixtures. It includes articles commonly used by a household. If an employee moves a mobile home rather than household goods, the employee may be reimbursed. However, the employee will not be reimbursed for the cost of disconnection or reconnection of any utility service or plumbing, anchoring, tying down, or leveling of the mobile home. When processing the payment request a copy of the transfer orders, signed by the department head, and the paid receipt for moving expenses must be attached.

The department head is authorized to establish rules to determine the eligibility of the employee for reimbursement of actual moving expenses and amount to be paid, not to exceed the amount permitted under *Code of Alabama 1975,* §36-7-40, as amended. Such rules may be amended or changed at the discretion of the department head in keeping with the needs of the department. Reimbursement may be made upon approval of the department head after submission of documented expenses by the employee, as required by departmental rules (*Code of Alabama 1975*, §36-7-41, as amended).

K. PAYMENT FOR PROFESSIONAL LICENSES, CERTIFICATION, TRAINING, AND MEMBERSHIP DUES

Under certain circumstances, a Department, Board, Commission, or Agency may pay or reimburse employees for the cost of a professional license, certification, training, or organization membership. If licensure, certification, or organization membership is required for an employee to carry out his or her duties, the State will pay or reimburse an employee for such expenditures. One example is the cost of an attorney's license and membership dues with the Alabama State Bar Association because both are required to carry out the duties of a full-time attorney employed by the State. Another example is when a commercial driver license (CDL) is a job requirement, the State will pay the cost for obtaining a CDL, including the cost of examination, and subsequent CDL renewal fees above and beyond the cost of a non-commercial driver license. These are just two examples; there may be other scenarios that meet the criteria. Training that is eligible for payment or reimbursement includes, but is not limited to, continuing professional education required to maintain a professional license or certification that is required for an employee's job duties.

If a professional license, certification, training, membership dues, or other related expenses are desired, but not required for an employee to carry out the duties of his or her job, a Department, Board, or Agency may pay or reimburse an employee for such expenses if the following criteria are met: 1) the expenditure is necessary, related, or beneficial to the employee's duties; and 2) the agency has determined, based on the individual facts related to the employee and the specific expenditure, that the expenditure serves a public purpose. In other words, the expenditure must benefit both the employee and the employing Department, Board, Commission, or Agency. Training leading to certification may qualify. For example, in one instance, an agency properly paid for an employee to attend training on two areas of the Certified Public Accountant examination, and both areas—accounting practice and business law—directly related to the employee's official duties, thus benefiting the agency. AG Opinion No. 82-00183.

Absent express legal authority, a Department, Board, Commission, or Agency may not pay for an employee to pursue higher education (i.e. no tuition reimbursement or tuition assistance programs); for the examination or fees associated with obtaining a professional certification; or for review or refresher courses that do not constitute training as outlined in the preceding paragraph.

In order for the Comptroller to approve payments outlined in this section, written certification is required from the Director or Head of an Agency detailing how the expenditure or reimbursement is necessary, related, or beneficial to the named employee's duties and how it serves a public purpose.

For questions relating to specific scenarios within your agency, please contact the Department of Finance, Legal Division, at (334) 242-4220.

L. PAYMENTS TO CONTRACTORS FOR PROFESSIONAL SERVICES

The department will receive an invoice for payment of a contract for professional services. The department should audit the vendor invoice to ensure the invoice matches the contract. Similar to payment of a purchase order, the document must include the contract delivery order number on the payment request to liquidate the encumbrance established for that contract.

Chapter 5, Contracts, of this manual includes the requirements for approval and establishment of a professional service contract by the Division of Procurement. The contractor must be established as a vendor on the vendor database in order for the contract to be established and payment to be made.

M. PAYMENT OF REFUNDS

In situations where an entity has overpaid the State, the department will determine that a refund should be issued to the entity. The department will complete the payment request and attach the appropriate supporting documentation (memorandum requesting a refund, a copy of the cash receipt form, or other documents). The payment request should be completed on the GAX1 document in STAARS using the accounting code distribution used in the deposit of the revenue, including fund number, agency code, and revenue source code.

N. DISBURSEMENTS CHARGED TO BALANCE SHEET ACCOUNTS

There are several instances where a balance sheet account could be used on a payment document.

1. A payment document may be used to issue a refund or to make a distribution from a non-revenue or liability account. In these cases, the document must include the account credited at the time of deposit. The accounting entry at the time of the transaction debits the balance sheet account and credits the Vouchers Payable account.

   An example of this type payment may be when the state receive pass through funds that need to be disbursed to a local government. The funds may be deposited into balance sheet account 2004 – Due to other governments. Once the payment is made to the local government the payment document would be coded to balance sheet account 2004 instead of using a traditional object code.

2. A payment document may also be used to post accounting entries that recognize the purchase of an investment asset at the time of payment. In this case, a balance sheet account code will be used to reflect the purchase of the investment asset. The accounting entry made at the time the transaction is processed, debits the investment account and credits the Vouchers Payable account.

   An example of this type of payment would be transferring funds from a standard bank account to an interest-bearing money market account. In this case the payment document will be coded to balance sheet 1116 to reclassify the asset from Cash to Money market funds.

3. A payment document may also be used for health insurance refunds to the employee. Agencies should follow guidelines in Chapter 7-9D of this manual as to which balance sheet account to use. Suppress the employee's social security number in all situations and attach a copy of the journal voucher reflecting the deposit into the balance sheet account.

O. EMPLOYEE RELATED EXPENSES

Generally, the State should not buy personal use items for their employees.

This includes, but not limited to:

- Personal use items such as coffee, food, plates, cups, etc. (AG Opinion No. 97-00154)
- Greeting cards, flowers, parties, picnics, employee appreciation gifts (AG Opinion No. 93-00294) The only exception is for a retirement or recognition award which is governed by *Code of Alabama 1975*, §22-22B-5, as amended and is limited to $25.
- Uniforms and clothing allowances can only be purchased and/or utilized by those state agencies that have statutory authority to do so. The only exception to this is for employees whose position requires them to be readily identified outside of the office, for the safety and security of the employee. An example would be an OIT employee that must visit other state offices to assist with technical needs or an ABC license officer that must validate local area liquor licenses.

P. PCARD AND TRAVEL CARD EXPENSES

The Pcard and Travel Card Program is governed by the *Code of Alabama 1975,* §41-4-122.4(d), as amended. Pcards may be used to purchase goods and services. State procurement policies must still be followed when making purchases on the pcard. Use of the pcard is considered another form of payment, in lieu of issuing the vendor a warrant/eft.

Travel cards should only be used for travel events approved for actual and necessary expense reimbursement as provided in Section 5-F-2 above. The travel cards should not be used for travel related to in state per diem events.

Both card programs are reconciled in the Concur System, so all documentation and chart of account elements must be added to support the charge. Reconciling in this system will initiate payment to the bank that is supporting the card programs.

Reference the PCard and Travel Card Policy Manuals located on the Comptroller's Office website for specific details regarding the card programs and proper use of the cards. Misuse of the cards must be reported to the agency head and State Comptroller by completing the Card Violation Form located on the Comptroller's Office website. Employees that have repeat offenses may have their card access terminated, as well as other disciplinary actions depending on the severity of the misuse.

Q. PROMOTIONAL ITEMS

Agencies which do not have specific statutory authority to purchase promotional items may, as outlined below, expend public funds on promotional items if the agency determines that the purchase furthers a public purpose within the scope of the agency's powers and duties. See AG Opinion 2023-006.

Promotional items for distribution to agency personnel or members of the public must be of nominal value bestowing only a de minimis benefit to the recipient in order to ensure that the primary purpose of the item is for the public as opposed to an individual or private benefit. "De minimis" value is defined the same as the Alabama Ethics law at *Code of Alabama 1975*, §36-25-1(11). Agencies should be aware that under 26 CFR § 1.132-6, items which exceed the federal definition of a "de minimis fringe" benefit are taxable as gross income. Providing fringe benefits exceeding the de minimis threshold to employees, including coffee, soft drinks, doughnuts, or other food and drink items, would be considered taxable income. A notable exception to that rule is the situation in which employees attend a meeting lasting longer than six hours, as discussed in Section 6-5(F)(1)(a).

Promotional items for agency use but not for distribution must be of a value below the threshold for Agency Authority in Section 4-5, except as otherwise determined in writing by the Chief Procurement Officer.

6-6 HOW TO COMPLETE THE PAYMENT REQUEST DOCUMENT

To obtain payment of an invoice, a completed payment request document must be submitted to the State Comptroller's Office. Departments without an automated accounting system will complete the voucher form and submit it to the State Comptroller's Office for audit and processing. Please see the Manual Agency Manual for more information on this process. Departments that have access to STAARS will enter payment data depending on the particular transaction that is being made. Below is a list of the most commonly used Payment Request Documents, along with a link to the applicable Job Aid. For a full list of Payment Request Documents, please see the STAARS Web Portal.

Create a General Accounting Expenditure (GAX)

Create an In-state Employee Travel Payment (GAXT1)

Create an Actual Employee and Nonemployee Travel (GAXT2)

Create an Invoice (IN)

Copy Forward from an IN to a PRC

Create a Standalone Commodity Based Payment Request (PRC)

Create an Internal Transaction Agreement (ITA)

6-7 USE OF VENDOR INVOICE CORRECTIONS

A department may need to adjust the amount on the vendor invoice. Changes that need to be made for non-allowable charges such as late fees and tax may be marked through on the invoice with a simple notation. If the unit price needs to be adjusted per the contract, that may also be notated on the face of the invoice with a simple explanation. An Invoice Correction Notice may be supplied for further clarification, but not required. The changes to the invoice should be limited to quantities received, unit price, or other non-allowable amounts. Changes to dates, invoice numbers, vendor name and/or address are not allowed and will be considered altering the original invoice. It is never allowed for white out or labels to be used to cover over original information provided on the vendor invoice. Altering critical information on a vendor invoice such as the date, amount, vendor, etc. is considered fraud and may result in disciplinary actions.

6-8 CASH DISCOUNTS

All cash discounts, according to the terms stated on the purchase order, must be taken at the time of payment, regardless of the date of payment. Cash discounts, offered in addition to the terms of the purchase order, are to be taken only when the terms of the discount have been met. Departments should expedite all vouchers that include discounts to ensure payment is made within the effective dates of the discount. Disputes over discounts are to be settled after a complete investigation of the reason for delayed payment.

6-9 DISTRIBUTION OF WARRANTS AND ELECTRONIC FUNDS

After payment requests have been audited and approved, the Comptroller's Office will process them for payment.

Before warrants and/or EFT's can be issued, a department must have sufficient cash and budget authority in the fund for the amount of the payment requests. If there is insufficient cash or budget authority, the warrants and/or EFT's will not be issued. Departments will be contacted concerning inadequate funds. When there is sufficient cash and budget authority for the amount of the payment requests, warrants and/or EFT's will be issued. Warrants are sorted by department and payment request sequence.

The Agency Distribution Section of the Comptroller's Office is responsible for daily distribution of warrants to all departments/agencies. Warrant registers are verified daily to ensure accuracy of each warrant produced. If an error is detected, the initiating department/agency is notified to begin the appropriate cancellation process.

After the verification process is completed for a department/agency, warrants are placed in the agency's mailbox for pickup. Warrants are mailed to those agencies without an assigned mailbox. Agencies then distribute warrants to their vendors.

6-10 WARRANT CANCELLATION

A. EXPENSE WARRANTS FOR MANUAL AGENCY (ONLY)

An expense warrant can be cancelled by submitting the warrant and a Warrant Cancellation Request Form (FRMS-52) to the Comptroller's Office. The warrant must accompany the Request. The following occurs upon cancellation:

- All accounting entries created by the original warrant issue are reversed.
- The PDCHK, Paid Check, table will be updated to indicate a status of "Cancelled". The original issue amount of the warrant will remain on the CHREC table.

FRMS-52 Warrant Cancellation Form for Manuals

B. EXPENSE WARRANTS FOR STAARS AGENCIES

The original issuing Department/Agency must initiate the Request for a Warrant Cancellation document in STAARS by discarding the AD document that begins with CHK*. The document workflows directly to the Comptroller's Office for final approval. Please use the "Cancel a Check Issued in Error" job aid listed below to accomplish this task.

No form is required.

Cancel a Check Issued in Error

A warrant over one year from issue date is expired and cannot be cancelled. The expired warrants are turned over to the Unclaimed Property Division of the State Treasurer's Office. The vendor may request payment from the Treasurer's Office.

Note: If the warrant to be cancelled came from a multi-vendor payment document (GAX, PRC, ETC.), the warrant must be receipted into STAARS. An AD cancellation with cancellation type "PR Cancellation" is not valid for a multi-vendor payment document.

C. 13TH ACCOUNTING PERIOD CANCELLATIONS

An expense warrant issued in a prior fiscal year can be cancelled only if the thirteenth accounting period is open. The normal cancellation process is used; however, some additional information must be input. Go into the AD document that begins with CHK* as if you were doing a regular cancellation. In the Header line, tab over to **CANCELLATION**. The Cancellation type should be **"HOLD"** instead of **"PR CANCELLATION"**. You still enter the cancellation reason and any comments as normal. Tab over to the **HOLD TYPE** and use the pic line to click **"USER01"** as the type. In the Hold Request Description box type **13th APD PR Cancellation**. The **Payment Type Hold Department** should show **ALL**, and the **Payment Hold Type Unit** should show **ALL**. The final step is to validate and submit the document, which will workflow to the Comptroller's Office.

If the thirteenth accounting period is closed, the warrant must be deposited on a cash receipt form as instructed in Chapter 3, Revenues and Receipts, of this manual.

D. OT INTERFACED WARRANTS

Interface warrants are cancelled by an interface file that is electronically submitted to the Comptroller's Office. The warrants to be cancelled must accompany the cancellation register. Only current fiscal year warrants can be cancelled through this process. Prior fiscal year warrants must be deposited on a cash receipt form as instructed in Chapter 3, Revenues and Receipts, of this manual.

E. EFT ISSUED FROM STAARS

If a situation arises that requires an EFT to be canceled, the Comptroller's Office will work with the State Treasurer's Office to begin the stop payment process. This process can take up to 72 hours for the amount to be credited back to the State of Alabama, and it should be initiated within the two-day window between the "issue" date and the "cleared" date.

If the State Treasurer's Office confirms that the reversal has been completed, The Comptroller's Office will initiate an EFT Cancellation in STAARS. Once this has taken place, the original issuing Department/Agency will be notified to begin their next appropriate internal processes.

If the State Treasurer's Office confirms that the reversal was unsuccessful, the original issuing Department/Agency will have to collect the money from the vendor and receipt it back in. In this instance, please contact the Cash Receipt's Section. However, if the vendor is routinely used then the agency may be able to use the amount as credit towards a future purchase as long as it stays within the same fiscal year.

6-11 REQUEST FOR DUPLICATE WARRANT

Duplicate warrants issued to replace warrants which have been lost, mutilated or destroyed shall be deemed to be original warrants" (*Code of Alabama 1975*, §35-12-51, as amended).

A. OTHER WARRANTS (OT) AGENCIES AND MANUAL AGENCIES

Departments that utilize the OT warrant type and manual agencies must submit an original, Request for Duplicate Warrant (Form FRMS–54) to the Comptroller's Office. This form should bear the original signature of the payee certifying that the original warrant was lost, destroyed or mutilated. An agency official may sign in lieu of the payee if the original warrant has been lost or destroyed, and a letter stating the agency is signing on behalf of the payee, with pertinent information, is attached to the Request for Duplicate Warrant form.

The request will be reviewed to verify that the information is correct and that the warrant is outstanding. A

stop-payment will be issued against the original warrant by the Treasurer's Office. A duplicate warrant will be issued using the next available warrant in the warrant sequence. The warrant will bear the same payee name and date of issue as the original warrant. The duplicate warrant will be marked "DUPLICATE", on the warrant stub, and sent to the department for distribution to the payee.

A duplicate warrant will not be issued for a warrant that will expire within ten (10) working days of receipt of Request. Expired warrants can be redeemed through the Unclaimed Property Division of the State Treasury.

FRMS-54 Request for Duplicate Warrant

B. STAARS AGENCIES

The original issuing Department/Agency must initiate the Request for Duplicate Warrant document in STAARS by discarding the AD document that begins with CHK*. The document workflows directly to the Treasurer's Office. The Treasurer's Office will confirm the warrant is not marked "paid" at the clearing bank. Once approved by the Treasurer's Office, the document workflows to the Comptroller's Office to print the duplicate warrant for distribution next day. Please use the "Request a Duplicate Check" job aid listed below to accomplish this task.

Request for a Duplicate Check

No form is required.

6-12 WARRANT EXPIRATION

All warrants expire one year from issue date. Duplicate warrants will expire one year from the original warrant issue date regardless of when the duplicate warrant is issued.

Warrants that have expired will be shown on the paid check table (PDCHK) with a status of "ESCHEAT".

Information on recovering funds from expired warrants is available at the State Treasurer's website at www.treasury.alabama.gov under Unclaimed Property.

6-13 COMMON VENDOR TABLE

A. VENDOR CODE NUMBER

One common vendor database (VCUST) is shared by STAARS and Government Human Resource System (GHRS). The vendor code number will have a prefix of VC for vendor loaded during conversion or loaded directly into STAARS, VS for those vendors registered through VSS, VI for vendors registered through Alabama Buys, and AGCYXXX (where XXX is the agency number) for the interfund vendors. The remaining digits are sequential. All vendors must have a federal identification number. There are two situations when a valid TIN is not required: (1) foreign entities and (2) agencies of the State of Alabama. For assistance in adding foreign vendors or state agencies to the vendor file, contact Financial Systems Support. When making payments to other state agencies, the AGCY number established on the vendor file for that agency should be used. The agency's vendor code should be AGCY followed by the agency's three-digit agency number. The remainder of the number will vary depending on the department. The three- digit agency number can be found on the Comptroller's Website under Chart of Accounts.

B. FORM 1099-MISC REPORTING

The Internal Revenue Service (IRS) requires the State of Alabama to file information returns, form 1099-MISC., 1099-NEC, 1099-G, 1099-I, and 1099-R. The 1099's are issued each year in accordance with IRS regulations. IRS regulations require the State to request and provide the entities TIN on those returns. Instructions for requesting the entities TIN is covered in Section C below.

Two sources are used to accumulate information for 1099-MISC reporting (1) the entity type and (2) the payment type. The entity type determines whether an entity is a reportable or non-reportable entity (see chart in Section F, Setting the Vendor Flag, for general guidelines on reportable/non-reportable entities). The expenditure object code on transactions is used to determine if the payment is a reportable payment. Information is accumulated on a calendar year basis and reported for all payments processed through the State Comptroller's Office.

Payments made from outside checking accounts or other warrant processing will not be included on the 1099's issued by the Comptroller's office. Departments with outside checking accounts are responsible for issuing 1099's for these payments.

Note: The State is also responsible for reporting Form 1098-F, Fines, Penalties and Other Amounts.

C. REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)

The IRS requires the State to obtain the TIN of all entities to which we make payments. Each agency is required to obtain the TIN information from the vendors that the agency makes payments to, except in cases where the information is already on the common vendor file. Use IRS form W-9, Request for Taxpayer Identification Number and Certification, to obtain TIN and entity name. You may use a substitute Form W-9 (your own version) as long as it is substantially similar to the official Form W-9 and conforms to Temporary Regulation section 35a-9999-1, Q/A-36. Also, you may use a substitute Form W-9 that is generated from the STAARS Vendor Self Service (VSS) portal. If the agency has a foreign vendor, then the W-8 Form is required.

IRS Form W-9

IRS W-8BEN Form for Foreign Vendors

D. ADDING VENDORS TO THE STAARS COMMON VENDOR TABLE

In certain situations, a department may have to enter a vendor into STAARS. These situations are required to be approved by the Comptroller's Office before entering.

Create a Vendor/Customer (VCC)

Create A Customer Without a Tax ID (VCC)

E. HOW TO ADD OR CHANGE VENDOR INFORMATION ON THE STAARS COMMON VENDOR TABLE

Vendors should register through the STAARS Vendor Self Service (VSS) Portal if they will not be pursuing procurement activities. If vendors will be involved in procurement activities, they will need to register within Alabama Buys, the State's procurement system. Vendors are able to maintain their information through the appropriate sites which they registered through. In the rare instance where a vendor, not registered through Alabama Buys, needs to be added or changed directly in STAARS a Vendor Customer Creation (VCC) or Vendor Customer Modification (VCM) document must be used. Please use the appropriate VCC or VCM job aid listed below to accomplish this task. If the vendor is registered in Alabama Buys, the vendor must make the change within that system. These situations are required to be approved by the Comptroller's Office through the standard workflow operations process.

Create a Vendor/Customer (VCC)

Create a Customer Without a Tax ID (VCC)

Add a Vendor Address (VCM)

Change All Vendor Addresses for One Address ID (VCM)

Change a Vendor Name (VCM)

Activate a Vendor as Customer (VCM)

F. SETTING THE 1099 FLAG

When adding a vendor to VSS, Alabama Buys, or the Common Vendor Table (VCUST), the 1099 indicator box should be "checked" for reportable vendors or left "unchecked" for non-reportable vendors. The following chart lists general guidelines used to determine if a vendor is a reportable or non-reportable entity. If unsure, please contact the Agency Distribution Section within the Comptroller's Office.

ENTITY TYPE	TIN TO USE	1099 Box
Individual	Social Security Number	Checked
Professional Association, LLC filing as Sole Proprietor/Partnership, or Corporation providing medical or legal services	Federal Identification Number (EIN)	Checked
Corporation Other than Medical or Attorneys	Federal Identification Number (EIN)	Unchecked
Non-profit Entities	Federal Identification Number (EIN)	Unchecked
Governmental Entities	Federal Identification Number (EIN)	Unchecked
Foreign Entities Individual or Corporation	Federal Identification or Social Security Number if Available *	Unchecked

*For foreign entities, contact Financial Systems Support.

G. VENDOR MAINTENANCE

Periodically vendors are inactivated on the common vendor file. Maintenance to correct vendor names, numbers, and/or addresses are performed on a daily or as-needed basis.

CHAPTER 7
PAYROLL/PERSONNEL

7-1 INTRODUCTION

The Government Human Resource System (GHRS) is the integrated payroll/personnel system for the State of Alabama. GHRS was first implemented for the Department of Revenue in 1989. All state agencies paid by the State Comptroller were converted by September 1992. On March 27, 1999, GHRS was upgraded to be year 2000 compliant.

The purpose of this section is to provide guidance to authorized agency personnel who use GHRS to process payroll and personnel transactions.

The payroll office is located in Suite 282; 100 North Union Street; Montgomery, Alabama 36130. Additional contact information is as follows:

GHRS Hotline	334-242-2188
Payroll Fax Number	334-242-3905
Garnishment Fax Number	334-353-5494
Hand Mail Address:	2602 FINANCE - COMPTROLLER
PO Box Mailing Address:	GHRS Suite 282 PO Box 302602 Montgomery, Alabama 36130
Website:	www.comptroller.alabama.gov

Quick Reference:

Additional information regarding taxes, retirement, deferred compensation, employee injury and flexible benefits may be found by following the links below:

http://www.alseib.org	State Employee's Insurance Board
http://www.rsa-al.gov	Retirement Systems of Alabama
https://ess.rsa-al.gov/ (Use for TIER I **or** II determination only)	Retirement Systems of Alabama
https://revenue.alabama.gov/audience/individuals/	Alabama Department of Revenue
https://www.irs.gov/	Internal Revenue Service
https://riskmgt.alabama.gov/	Department of Risk Management
http://www.gwrs.com/login.do	Great-West Retirement Services /Empower Retirement

7-2 STATUTORY REQUIREMENTS

As authorized under the *Code of Alabama 1975 (Code)*, §36-6-1, as amended, most employees are paid one payday in arrears on a semi-monthly basis. Employees who are paid on a semi-monthly arrears basis will usually receive their pay on the 1st and 16th of each month; however, there are exceptions in the Code that deal with months where those dates fall on a holiday or weekend or October 1st.

A pay calendar will be published each year and will be available on the Comptroller's website for review https://comptroller.alabama.gov/online-forms/#payroll.

Employees whose pay is based on an annual salary are paid in twenty-four equal semi-monthly installments on the 15th and the last day of the month. Employees who are paid monthly are paid on the last day of the month. If the payday falls on a holiday or weekend, the last working day preceding such day is the date of payment.

The *Code of Alabama 1975*, §36-26-13, as amended, requires the director of the State Personnel Department to certify that the person or persons on a merit system agency's payroll are employees of the state and are legally entitled to receive the compensation stated on the payroll. The director of a non-merit system agency must assume this responsibility for employees in his agency.

Agency personnel, in both merit and non-merit agencies, are responsible for certifying that funds are available to pay all employees. To assist in this certification effort, a Certification Statement (see Exhibit 7-2-1) is incorporated into the Payroll Register. This Certification Statement authorizes the payments shown on the Payroll Register. Authorized personnel have access to this and other payroll reports from the FRMS website. Go to the Comptroller's website at https://comptroller.alabama.gov/ and select "MONTHLY REPORTS." Log on using an authorized user ID and Password to access all payroll reports for the agency. Note: The actual payroll numbers are inserted where XXXX is shown in Exhibit 7-2-1, and the Pay Period End date and Warrant/Deposit date will be inserted where Month Day, YYYY is shown in this exhibit.

EXHIBIT 7-2-1
CERTIFICATION STATEMENT

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THE EMPLOYEES ASSIGNED TO PAYROLL NUMBER XXXX FOR THE PAY PERIOD ENDING Month Day, YYYY ARE ENTITLED TO RECEIVE PAYMENT ON Month Day, YYYY. THE FUND AND APPROPRIATION ACCOUNTS INDICATED ON INDIVIDUAL EMPLOYEE RECORDS ARE THE APPROPRIATE ACCOUNTS TO CHARGE AND THE STATE COMPTROLLER IS AUTHORIZED TO CHARGE THOSE ACCOUNTS BASED ON THE ELECTRONIC APPROVALS AFFIXED BY THE DEPARTMENT (WRITTEN AUTHORIZATION FOR ELECTRONIC APPROVALS IS ON FILE IN THE STATE COMPTROLLER'S OFFICE).

THE PAYROLL HAS BEEN CERTIFIED BY THE DIRECTOR OF STATE PERSONNEL IN ACCORDANCE WITH SECTION 36-26-13, CODE OF ALABAMA 1975, AND THE EMPLOYEES ARE ENTITLED TO BE PAID UNDER PROVISIONS OF THE MERIT SYSTEM ACT. THIS CERTIFICATION IS BASED ON ELECTRONIC APPROVALS AFFIXED BY THOSE AUTHORIZED BY THE PERSONNEL DIRECTOR (WRITTEN AUTHORIZATION FOR ELECTRONIC APPROVALS IS ON FILE IN STATE COMPTROLLER'S OFFICE).

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7-3 DEPARTMENTAL

During the pay period, authorized agency personnel are responsible for completing the tasks outlined in the following steps within the timeframes established by the Comptroller's office and the State Personnel Department. These timelines are set forth in the GHRS production calendar to ensure employees are paid both timely and accurately.

1. Completing any applicable Form-11 to initiate personnel actions such as new hires, rehires, promotions and dismissals.

2. Completing the New Employee screen (NEMP) and the Employee Status Maintenance screen (ESMT) and applying the first two levels of approval if the agency falls within the State Personnel Department's jurisdiction. If the agency is not under the State Personnel Department's jurisdiction, agency personnel enter all levels of approval.

3. Completing the following employee screens: Agency Specific Data screen (AGYS), Address screen (ADDR), Miscellaneous Deductions screen (MISC), Pension screen (PENS), and Tax screen (TAX). NOTE to Pension screen (PENS): Act 2012 377 created the TIER II benefit plan for employees who become a member of the RSA on or after January 1, 2013. Prior to entering ANY retirement deduction codes on the PENS screen, agency payroll/personnel MUST go to https://ess.rsa-al.gov/ to determine TIER I or II status. (Also reference Section 7-11, paragraph C)

4. Entering all hours worked for **positive pay** employees. GHRS automatically generates hours worked for exception pay employees. Hourly and contract pay employees are paid on a positive pay basis. Note: for agencies on ESTART, time and leave are interfaced from KRONOS to GHRS. Agencies not on E-Start will enter leave directly into GHRS.

5. Entering appropriate leave events and pay events (i.e., subsistence, overtime, etc.) for positive **and** exception pay employees. Note: for agencies on ESTART, time and leave are interfaced from KRONOS to GHRS. Agencies not on E-Start will enter leave directly into GHRS.

6. Manually accruing leave for all hourly employees and all part-time employees who are .25 FTE. GHRS automatically accrues leave for .5 FTE and .75 FTE employees.

7. Ensuring that all newly hired employees have completed the IRS Employee's Withholding Allowance Certificate (W-4) and a State of Alabama Employee's Withholding Exemption Certificate (A-4). Completed Withholding Certificates should be submitted by the employee to a designated representative in the agency and maintained on file in the agency. Federal and state income taxes will be withheld based on the entry of information from these forms into the TAX screen in GHRS and will remain in effect until the employee completes a new form.

   A Form W-4 may be obtained from the Internal Revenue Service at: http://www.irs.gov/pub W-4. If that link becomes invalid at some time in the future, drill down for the W-4 form, under Forms and Publications, on the main IRS website at http://www.irs.gov. To place an order for forms to be mailed, go to https://www.irs.gov/forms-pubs/order-products. The form can also be obtained by calling the Internal Revenue Service at 1-800-829-3676.

   A Form A-4 may be obtained from the Alabama Department of Revenue at http://revenue.alabama.gov/withholding/FA4(3_14).pdf. If that link becomes invalid at some time in the future, drill down for Forms from the main website for the Alabama Department of Revenue at https://revenue.alabama.gov/.

An employee may specify a fixed dollar amount to be withheld in **addition** to the amount of withholding based on the completed forms. Additional withholding amounts are also entered on the TAX screen for the employee.

If an employee would like to claim exempt status, a new W-4 must be filed by February 15 for the year in which exemption is being claimed. A new form needs to be filed every year in which the exemption is taken. If no new W-4 is filed by the deadline, the employee's withholding allowances must be changed to reflect single status with no withholding allowances for federal tax purposes until another W-4 is filed.

8. Ensuring all data entered for the employee is correct. It is mandatory that the correct name, social security number and address be entered for an employee. This data is used for reporting salary and tax information to the Internal Revenue Service, the Alabama Department of Revenue and the Social Security Administration. The address is used for mailing warrants/advices, IRS Form W-2 Wage and Tax Statements and any additional correspondence which may be needed to employees.

   If an employee has been entered with an incorrect social security number, merit agency personnel must immediately notify SPD and provide a copy of the employee's social security card. SPD will notify the Payroll Section of the Comptroller's Office. If an employee in a non-merit agency has been entered with an incorrect social security number, agency personnel must immediately notify the Payroll Section of the Comptroller's office in writing, and provide a copy of the employee's social security card. If the employee's name or address is incorrect, authorized agency personnel can update, in GHRS, the ENCH screen for a name change or the ADDR screen for an address change. Changes to ENCH or ADDR update the STAARS Vendor/Customer (VCUST) table.

In addition to the employee-related tasks outlined in the preceding steps, the agency is responsible for the following tasks:

9. Ensuring sufficient cash and budget is available for each payroll.

10. Ensuring that a form FRMS-14 - Authorization for Electronic Approvals is forwarded to the Payroll Section of the Comptroller's office with the original signature of any newly authorized Department Head. This memorandum will remain on file as written authorization for the Comptroller to issue warrants for the agency's employees.

7-4 COMPTROLLER RESPONSIBILITIES

The following is a list of items that the Payroll Section of the Comptroller's office is responsible for completing to ensure that all state employees are paid both timely and accurately and that regulatory report filings are correct:

1. Issuing salary warrants and completing EFT transactions in GHRS in accordance with federal, state, municipal, and State Personnel Department rules and regulations.

2. Determining the accuracy and legality of every claim submitted for the issuance of a warrant and determining that funds have been appropriated, allotted and are available in the State Treasury prior to the issuance of either a warrant or an electronic transfer of funds, as mandated by *Code of Alabama 1975*, §41-4-50, as amended.

3. Assuring that sufficient funds are transferred to the state’s clearing house bank so that all employees receive the benefit of those funds no later than start of business on payday.

4. Paying fringe benefits and amounts withheld from employees' pay to third party vendors in a timely manner and withholding a 1% collection fee on specific vendors as determined by the State Comptroller in accordance with *Code of Alabama 1975*, §36-1-4.3, as amended.

5. Adjusting pay and deduction balances of an employee as determined by salary refunds, in order to assure that all payroll information is true and correct.

6. Producing and distributing Form W-2's for state employees and Form 1099-R’s by January 31 of each calendar year and reporting this information to appropriate federal, state, and municipal agencies.

7-5 GHRS DOCUMENT FLOW

A. MERIT SYSTEM AGENCIES

The following is a detailed description of the payroll/personnel processing flow for merit system agencies:

1. Agency personnel prepare supporting documents for personnel actions such as the State Personnel Department's Form-8, Form-41, Form-11, etc., and ensure that all such documents are forwarded to the appropriate entities within established timeframes.

2. Agency personnel enter New Employee screen (NEMP) and Employee Status Maintenance (ESMT) transactions in GHRS for new employees and update changes to ESMT for existing employees. Approval levels one and two are applied by authorized agency personnel.

3. Authorized State Personnel Department employees verify the supporting documentation and apply approval levels three and four to ESMT transaction which was initiated by the agency.

4. Agency personnel enter all other employee screens for new hires. No approvals are required from the State Personnel Department.

5. When required, agency personnel update employee data on screens other than the ESMT for existing employees. No approvals are required from the State Personnel Department.

6. Agency personnel enter hours worked in GHRS for positive pay employees not on eSTART. Leave usage is entered in GHRS for positive and exception pay employees not on eSTART.

7. The Time-to-Gross cycle (TTG) is run for semi-monthly arrears employees only but will pick up any semi-monthly current batches during normal TTG. This cycle uses employee data to process time and leave documents and creates pending payments which can be viewed on the PEND screen in GHRS.

8. The Gross-to-Net cycle is run. Pending payments and other employee data are processed to calculate employees' gross and net pay.

9. Electronic Funds Transfer (EFT) file is created and sent to the state's clearinghouse bank.

10. The Payroll Register is created and loaded for Internet access. Authorized personnel have access to this and other payroll reports from the FRMS website. Go to the Comptroller's website at https://comptroller.alabama.gov/ and select "REPORTS AND FORMS", then select "MONTHLY REPORTS" from the drop down menu. Log on using an authorized user ID and Password to access all payroll reports for the agency

11. Leave accruals are processed and posted to employees' leave balances.

12. Salary warrants are printed.

13. Journal vouchers and payment requests for payroll and fringe benefits are processed in STAARS.

14. It is imperative that journal vouchers process successfully before payment is received by the employee.

15. Salary warrants are released to authorized agency personnel for employee distribution.

16. Salary warrant remittance advices and EFT remittance advices are loaded to eMAP.

B. NON-MERIT SYSTEM AGENCIES

The following is a detailed description of the payroll/personnel processing flow for non-merit system agencies:

1. Agency personnel prepare supporting documents for personnel actions.

2. Agency personnel enter and update the New Employee (NEMP) screen and the Employee Status Maintenance (ESMT) transactions in GHRS for new hires or update changes to the ESMT of existing employees. All levels of approval are applied when transactions are updated.

3. Agency personnel enter all other employee transactions for the new hires or enter changes to existing employee data, all of which are entered on screens in GHRS.

4. Agency personnel enter hours worked in GHRS for positive pay employees not on eSTART. Leave usage is entered in GHRS for both positive and exception pay employees.

5. The Time-to-Gross cycle (TTG) is run for semi-monthly arrears employees only but will pick up any semi-monthly current batches during normal TTG. This cycle uses employee data to process time and leave documents to create pending payments which can be viewed on the PEND screen in GHRS.

6. The Gross-to-Net cycle is run. Pending payments and other employee data are processed to calculate employees' gross and net pay.

7. Electronic Funds Transfer (EFT) file is created and is passed to the Clearinghouse bank.

8. The Payroll Register is created and loaded for Internet access. Authorized personnel have access to this and other payroll reports from the FRMS website. Go to the Comptroller's website at https://comptroller.alabama.gov/ and select "REPORTS AND FORMS", then select "MONTHLY REPORTS." Log on using an authorized user ID and Password to access all payroll reports for the agency.

9. Leave accruals are processed and posted to employees' leave balances.

10. Salary warrants are printed.

11. Journal vouchers and payment requests for payroll and fringe benefits are processed and posted to STAARS. It is imperative that journal vouchers process successfully before payment is received by the employee.

12. Salary warrants are released to authorized agency personnel for employee distribution.

13. Salary warrant remittance advices and EFT remittance advices are loaded to eMAP.
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7-6 PAY TYPES

A. LONGEVITY PAY

In accordance with *Code of Alabama 1975*, §36-6-11, as amended, all State of Alabama employees and law enforcement officers, whether merit system or not, are entitled to receive a lump sum payment for longevity if the employee has accumulated at least five years total eligible service time and is in an active pay status as of **December 1** of the current calendar year. Eligible service time includes time worked and paid by any of the following: the State Comptroller; the Comptroller for the Alabama State Port Authority; or, prior to August 25, 1990, the Comptroller for the Department of Mental Health and Mental Retardation.

The following will not accrue eligible service time: temporary time worked; work as an independent contractor; or leave without pay except for Military leave without pay and/or long leave without pay for medical purposes as allowed by the Family Medical Leave Act (FMLA). In the case of long leave without pay for FMLA and Military, the longevity counter should include the time on FMLA LWOP or Military LWOP. In the case of a 2/3 pay incident, the longevity counter will be adjusted as detailed in the annual longevity memo issued each year by the State Comptroller.

The *Code of Alabama 1975*, §36-6-11, was amended in 2006 by the legislative passage of Act 2006-420. The amendment dealt with longevity pay amounts for varying service levels. A new category of service for 25+ years of service was added for which the longevity pay was set at $700. The 2006 amendment further provided that beginning October 1, 2006, and continuing each fiscal year thereafter in which an employee DID NOT RECEIVE A COST OF LIVING INCREASE, each service level amount was increased by $100 per year until a maximum of $1,000 for 25+ years of service was reached, thus capping each service level and modifying the service level amounts to those listed below effective in December 2011 of Fiscal Year 2012, unless ACT 2006-420 is subsequently modified or rescinded.

Cost of living increases or adjustments are commonly referred to as COLA, so this acronym will be used interchangeably with cost of living increase in this manual.

The following amounts reflect the longevity payments.

LONGEVITY PAY INCREMENTS

5 + years of service	$600
10 + years of service	$700
15 + years of service	$800
20 + years of service	$900
25 + years of service	$1000 (**as granted in ACT 2006-420**)

Generally, the amount of longevity pay for permanent part-time employees is calculated using the percentage of full-time hours worked and the length of service. The employee's full-time percentage is set on the ESMT in the "% full time" field. The pro-rated amount is calculated by multiplying the percentage shown in the "% full time" field by the amount of longevity payment that the employee would have received had he been a full-time employee. For example, Employee A works 75% of the total work hours every semi-monthly pay period. He has 126 months in the longevity counter. His "percent full time" on the report shows .75. To calculate the amount due for Employee A, multiply $700 x .75 = $525.00. The employee's full-time percentage is based on the employee's status as of December 1. One-Time Payment forms, for all part-time employees, with the calculated amount of the longevity payment must be completed and forwarded to the Payroll Section of the Comptroller's Office by the deadline established in the annual longevity memo issued by the Comptroller's Office.

Federal tax is withheld at a flat rate of 22 percent and state tax is withheld at a flat rate of 5 percent. If the employee's regular pay is subject to FICA and/or Medicare, the longevity pay is also subject to FICA and/or Medicare. Longevity pay is **not** subject to retirement.

Departments are responsible for determining, in accordance with the law and the rules outlined herein, who is eligible and the total service time allowed to each employee for the purpose of identifying the amount of longevity pay due to the employee.

B. LONGEVITY OVERTIME PAY

In accordance with Title 29 *Code of Federal Regulations* Section 778, any bonuses received by employees who are not exempt from the Fair Labor Standards Act (FLSA) must be included in calculating the hourly rate used to pay overtime at the time and a half rate. For example, Employee A, whose salary is $24,960.00, has received a $500 longevity bonus. Employee A's hourly rate is $12.00 ($24,960/2,080 hours[1]). He has been paid 200 hours of overtime at the time and a half rate of $18.00 an hour ($12.00 x 1.5). The employee is eligible to receive an additional $72, calculated as follows:

1. $500 longevity bonus/2,080 standard hours = $.24
2. $.24 x 1.5 (time and a half) = $.36
3. $.36 x 200 hours overtime = $72.00

NOTES: The longevity overtime uses a rate of $.24 and not $18.24 because the employee was already paid $18.00 an hour for overtime worked throughout the year.

At the beginning of a new calendar year, a listing will be furnished to agencies showing all employees in that agency who received a longevity bonus in the previous calendar year, the amount of the bonus, and the number of hours paid at the time and one-half rate in the previous calendar year. In addition, a memo will be attached detailing timelines in which employees will be paid longevity overtime.

Form FRMS-17 - One Time Payment must be completed by the agency for all employees who are eligible to receive longevity overtime. These forms should be forwarded to the Payroll Section of the Comptroller's Office in accordance with the instructions detailed in the memo. These payments will be included in the employees' regular payroll warrants. **If an agency has over 50 employees due longevity overtime, payments must be provided to the Comptroller's Office via an electronic file.**

Federal tax is withheld at a flat rate of 22 percent and state tax is withheld at a flat rate of 5 percent. If the employee's regular pay is subject to FICA and Medicare, the longevity overtime pay is also subject to those withholdings.

C. SUBSISTENCE PAY

Code of Alabama 1975, §36-21-2, as amended, states that any law enforcement officers of the State of Alabama who are employed by the Alabama State Law Enforcement Agency, Department of Conservation and Natural Resources, Alabama Department of Forensic Sciences, Alabama Liquefied Petroleum Gas Board, Alabama Peace Officers Standards and Training Commission, Alabama Securities Commission, State Port Authority, Probation and Parole officers of the Alabama Board of Pardons and Paroles, Fire Marshals of the Department of Insurance, any investigator employed by the Alabama Ethics Commission, any investigator employed by a district attorney on a full-time basis, any investigator employed by the Office of the Attorney General, the marshal or any deputy marshal of the state appellate court, correctional officers of the Department of Corrections, and any law enforcement officer assigned to the Investigations Division of the Department of Revenue or to the Department of Mental Health are entitled to receive a subsistence allowance while engaged in performance of his duties as a law enforcement office.

Beginning on October 1, 2019, subsistence pay shall be paid to each law enforcement officer engaged in the performance of the duties as a law enforcement officer for a period of four or more hours within a consecutive 24-hour period of time. The subsistence allowance shall not be subject to any income or other taxes levied by the State of Alabama. The subsistence allowance to law enforcement officers at the Peace Officers' Standards and Training Commission shall be paid from the Peace Officers' Standards and Training Fund and the subsistence allowance paid to Securities Commission Officers shall be paid from the Securities Commission Fund.

1 The standard number of work hours per year used by the federal government, and industry in general, is 2,080 hours, and is the number used by the State of Alabama.

For additional information concerning regulations governing subsistence, consult the State Personnel Procedures Manual.

Federal tax is withheld at a flat rate of 22 percent. Subsistence payments are exempt from state tax. If the employee's regular pay is subject to FICA and/or Medicare, the subsistence pay is also subject to those withholdings.

D. OVERTIME

Overtime payments can be paid at a time and one-half rate (OTIME) or at a straight-time rate for time worked in excess of the maximum hours specified by FLSA for the FLSA cycle. For most state employees, the FLSA cycle is Saturday through Friday, with a maximum of 40 hours. Notable exceptions to this rule are firefighters and law enforcement officers where the FLSA requirements are different.

The State Personnel Department publishes guidelines regarding eligibility for straight time versus OTIME. Agencies must comply with those rules which are published in the *State of Alabama Personnel Procedures Manua*l.

Federal tax is withheld at a flat rate of 22 percent and state tax is withheld at a flat rate of 5 percent. If the employee's regular pay is subject to FICA, Medicare and/or Retirement, the overtime pay is also subject to those withholdings.

E. ANNUAL AND SICK LEAVE SEPARATION PAY

NOTE: When processing separation pay for a deceased employee, the agency MUST refer to Section 7-14 before entering ANY leave payments into GHRS.

In accordance with the Rules of the State Personnel Board, upon separation from state service, employees are to be paid for the actual amount of accumulated annual leave **up to a maximum of 60 days** (480 hours) in his/her career. The leave is paid at the last rate of pay at which the employee earned leave. In determining the hourly rate, the employee's semimonthly rate is annualized and divided by 2080. Refer to the report HREZ2988 on the FRMS website to determine if the employee has been paid annual leave previously. Annual leave paid to an employee due to a layoff is exempted from this rule.

In accordance with *Code of Alabama 1975*, §36-26-36, as amended, employees who retire or die while in state service are paid up to 50 percent of their accrued and unused sick leave, **up to a maximum of 600 hours** (1/2 of 1200) in his/her career upon separation from service. The leave is paid at the last rate of pay at which the employee earned leave. In determining the hourly rate, the employee's semimonthly rate is annualized and divided by 2080. Refer to the report HREZ2988 on the FRMS website to determine if the employee has been paid sick leave previously.

§36-26-36.1 states that in lieu of payment for half of accrued and unused sick leave, an employee may choose to use all of his accrued and unused sick leave as membership service time in determining the total years of creditable service for retirement purposes.

Separation payments for accrued but unused sick and annual leave are subject to a flat rate of 22 percent federal withholding tax and 5 percent state withholding tax. If the employee's regular pay is subject to FICA and/or Medicare, separation payments are also subject to FICA and/or Medicare. All separation payments are exempt from retirement deductions.

The payment for separation annual and sick leave is normally processed on the payday following the employee's last regular paycheck.

For additional information concerning regulations governing leave, consult the State Personnel Procedures Manual.

F. BOARD OF ADJUSTMENT CLAIMS

In accordance with *Code of Alabama 1975*, §41-9-68, as amended, the Board of Adjustment may award back pay to an employee based on a submitted claim pertaining to the situations listed in §41-9-62. If back pay is awarded to an employee, form FRMS-17 - One Time Payment must be completed and forwarded to the Payroll Section of the Comptroller's office with a copy of the Board of Adjustment ruling.

Board of Adjustment awards will be processed in the employee's next regular payroll cycle. These payments are taxed at a flat rate of 22 percent for federal taxes and a flat rate of 5 percent for state taxes. If the employee's regular pay is subject to FICA, Medicare, and/or retirement, these payments will also be subject to FICA, Medicare and/or retirement.

G. MILITARY DIFFERENTIAL PAY

Act No. 2002-430 provides for the payment of military differential for "state employees called into active service in any of the Armed Forces of the United States during the War on Terrorism." It provides that employees activated for 30 or more consecutive days, "shall receive compensation in an amount which is equal to the difference between the lower active duty military pay and the higher public salary which he or she would have continued to receive if not called to active service." Additional information, including forms and instructions, can be found on the State Department of Personnel's website at www.personnel.alabama.gov click on Agency Services then forms.

Effective January 1, 2009, military differential payments are wages subject to federal and state income tax withholdings, but they are excludable from Social Security and Medicare taxes.

7-7 SUPPLEMENTAL PAYMENTS, ONE TIME PAYMENTS, AND ONE TIME DEDUCTIONS

A. SUPPLEMENTAL PAYMENTS

A supplemental payroll cycle is normally processed three business days after the semi-monthly arrears payday. For example, if the semi-monthly arrears payday falls on Friday and the following Monday is a holiday, the supplemental run will occur on Thursday. The scheduled supplemental processing dates are shown on the monthly GHRS Production Calendar, published by the Comptroller's Office. Supplemental payments are made if an employee's pay has been **significantly** affected, due to:

a) errors made during an update to the Employee Status Maintenance screen (ESMT), including an ESMT not entered/approved before the regular payroll was processed if the pay was significantly affected; or

b) errors in entering hours worked.

Form FRMS-12 - Supplemental Request Incorrect Hours or form FRMS-13 - Supplemental Request ESMT Error must be completed and forwarded to either the State Personnel Department and/or the Payroll Section of the Comptroller's office within the deadlines set by the State Personnel Department and the Comptroller to ensure employees are paid both timely and accurately in the supplemental payroll cycle. All supplemental payments are issued as paper warrants and **are not** eligible for direct deposit (EFT).

Not all payments are eligible to be processed in supplemental payrolls and will be paid in the next normal payroll. Please contact the GHRS Hotline at (334)242-2188 for more information.

B. ONE TIME PAYMENTS

One time payments are normally lump sum payments that are due an employee. These payments may be due to a situation when a raise or other pay rate change is not approved in time for regular payroll processing. One time payments are also entered for court-ordered back payment amounts. Agencies must complete form FRMS-17 - One Time Payment and forward it to either the State Personnel Department and/or the Payroll Section of the Comptroller's office as indicated on the form and within the deadlines set by the State Personnel Department and the Comptroller in order for the amount to be included in the employee's next regular payroll warrant. One time payments are charged to the employee's normal accounting distribution unless otherwise noted on the One Time Payment form. A One time payment can be positive to provide pay or negative to recoup pay.

C. ONE TIME DEDUCTIONS

One time deductions may be entered on an employee's record if the money is to be withheld on only one paycheck. Agency personnel must complete form FRMS-18 - One Time Deduction and forward it to the Payroll Section of the Comptroller's office.

If an employee wishes to have an amount for deferred compensation withheld from his payment for separation annual and sick leave, a One Time Deduction form must be completed and forwarded to the Payroll Section of the Comptroller's Office within established timelines. One time deductions can be positive to deduct from pay or negative to correct a deduction taken in error.

7-8 SEICTF PAYMENTS (ON-THE-JOB INJURY)

In accordance with the *Code of Alabama 1975*, §36-29A-1, as amended, the State Employee Injury Compensation Trust Fund (SEICTF) program was established to provide compensation for state employees who suffer personal injury as a result of accidents occurring while performing their jobs. The SEICTF program is administered by the Division of Risk Management (DORM) of the Department of Finance and became effective on October 1, 1994.

For more details about the SEICTF program, including: a) program requirements, b) information on how to make a claim, c) dispute resolution procedures, and d) FAQs, see the SEICTF website: http://www.riskmgt.alabama.gov/SEICTF.aspx.

For information on updating the ESMT in GHRS for injured employees, refer to the State Personnel Procedures Manual.

7-9 SALARY ADJUSTMENTS

A. WARRANT CANCELLATIONS

A warrant is normally cancelled if an error has been made in issuing the warrant (i.e., employee should not have been paid or has been overpaid, etc.). The employee's wages and deductions in GHRS are automatically adjusted when the warrant is cancelled. Warrants are normally cancelled in the same nightly cycle processing as supplemental payrolls. When warrants are cancelled, the accounting entries that were posted when the original warrant was issued are reversed. The warrant must be cancelled using form FRMS-53 - Payroll Warrant/EFT/Prepaid Debit Card Funding Cancellation Request in a timely manner to ensure that the employee's payroll record is updated prior to issuance of Form W-2 and to ensure that monthly financial reports reflect accurate information.

Warrants issued in a prior fiscal year and/or calendar year cannot be cancelled and must be receipted into the State Treasury using established procedures for salary overpayment refunds (see Section 7-9-C). The following are examples of dates that require treatment as a salary overpayment refund:

a) Current date is September 1, 2022, and warrant is dated in November 2021. The warrant was issued in the current fiscal year but a prior calendar year.

b) Current date is October 15, 2021, and warrant is dated in August 2021. The warrant was issued in the current calendar year but a prior fiscal year (the state's fiscal year begins on October 1st).

c) Current date is November 1, 2021, and warrant is dated in September 2020. The warrant was issued in both a prior calendar year and also a prior fiscal year.

B. EFT CANCELLATIONS

If there is a problem on an employee's EFT transaction, agency personnel must complete form FRMS-53 - Payroll Warrant/EFT/Prepaid Debit Card Funding Cancellation Request and contact the Payroll Section of the Comptroller's Office **immediately**. Comptroller's Office personnel will contact the state's clearinghouse bank and request a return of the funds for the employee as soon as we are notified. However, until the money is returned from the employee's financial institution, the EFT transaction cannot be cancelled. Because of the time lag in the return of the funds and the fact that EFT transactions can only be cancelled in supplemental processing, there may be a significant delay in paying the employee with a warrant.

It is the agency's responsibility to ensure that all direct deposit information for an employee is valid. Financial institutions do not verify that the name is matched to the account, but only that the account numbers and routing codes are valid.

C. SALARY OVERPAYMENT REFUNDS

Salary overpayment refunds must be addressed based on the fiscal year in which the overpayment was made. If the overpayment is for an individual who is no longer employed by the State and the overpayment is being recovered in the same calendar year, the inactive employee's agency must recover the net amount of the overpayment from the employee and complete a FRMS-25 - Salary Overpayment Refund using only the last 4 digits of the SSN. Form FRMS-25 will calculate the net amount to be collected from the employee as well as the invoice (ITI) amount to be entered by the agency. The net will be Gross amount minus FICA/Medicare, state taxes, federal taxes, local taxes and other amounts to third party vendors for which the agency IS GOING TO REQUEST REIMBURSEMENT. Amounts remitted to third party vendors in error must be recovered from either the vendors or the employee to insure the overpayment has been totally recovered.

To determine the net amount of a current year repayment, calculate the gross amount of the overpayment. This could be the gross amount of an entire check or just a portion of the check. Once calculated, go to the CCHK screen in GHRS enter the gross amount of the overpayment only, applicable tax and retirement codes for the employee, health insurance and deferred compensation. This will calculate the correct federal and state taxes.

Enter the gross amount of the overpayment on form FRMS-25 - Salary Overpayment Refund. Be sure to include an ITI Invoice Number on the refund form. Enter the federal and state taxes from the CCHK screen. Compute and enter any local taxes. The FICA and Medicare amounts will compute automatically when the form is complete. Compute and enter the employee and employer share of insurance and retirement **only if the agency will be seeking reimbursement** from the vendor. In addition, enter any other deductions for which the **AGENCY WILL BE** requesting reimbursement from a third party vendor. NOTE: insurance refunds are processed through SEIB and refunded through payroll. Insurance amounts listed on the form are for information purposes and are not used to calculate the net amount due back from the employee.

Once determined, the agency should collect the **net amount** from the employee and enter a Cash receipt (CR) in STAARS using the agency's fund, department code, and BSA 9050 (salary refunds payable). The FRMS-25 must be scanned in and attached to the CR, which will workflow to GHRS so they can download and verify the form. Agencies will enter a STAARS ITI document requesting reimbursement for the tax amounts (employee and employer share) as indicated in the IN/ITI Amount box on the FRMS-25. A separate ITI document is needed for GHRS and RSA. GHRS will process an ITA to reimburse the department's 9050 account. Agencies will process a journal voucher to reimburse the salary expense accounts once the full amount of the overpayment has been collected in BSA 9050.

It is mandatory that salary overpayment refunds be deposited in a timely manner to ensure the employee's payroll record is accurate prior to the issuance of Forms W-2.

If an employee has been overpaid and the overpayment is being recovered for a prior calendar year, the agency must recover the gross amount of the overpayment less FICA and Medicare amounts at the rate for the year the overpayment occurred in most instances.

****** PLEASE contact the GHRS Hotline for specific procedures BEFORE collecting the amount due from the employee.******

Additional information concerning prior year overpayments is available under the "Wage Repayments" section of the Internal Revenue Service Publication 15.

NOTE: If an active employee has been overpaid and the overpayment is being recovered in the same calendar year, the overpayment should be processed as an adjustment back through the payroll system (GHRS).

D. STATE EMPLOYEES' INSURANCE BOARD EMPLOYER SUPPLEMENTAL BILLINGS AND EMPLOYER/EMPLOYEE PREMIUM REFUNDS

In order for an employee to receive a refund for premiums paid to the State Employees' Insurance Board (SEIB) in error, the agency must complete SEIB form IB10 and forward to SEIB. (A copy of the Refund Request form can be found on SEIB's website at http://www.alseib.org/Healthinsurance/sehip/forms.aspx).

SEIB employer supplemental billings and credits for agency employees will be transmitted electronically directly to the State Comptroller's Office for upload and processing in payroll cycles. A billing statement will be available for download via the SEIB website to the agency's AUTHORIZED payroll/personnel officers. The state share will be charged to the payroll fund designated in GHRS for the employee based on accounting codes in GHRS. The charge will be reflected on the agency's fringe benefit payroll journal voucher in STAARS each payroll cycle. The charges will also be reflected on the GHRS HAR020G General Ledger Detail Report available on the Comptroller's website to AUTHORIZED departmental personnel each pay cycle.

All employee premium refunds will be credited back to the employee in their paycheck through the GHRS payroll system. A refund of pretax premiums will be subject to Federal, State, FICA and/or Medicare taxes.

If you have questions regarding the changes to the SEIB supplemental billings or refunds, please contact SEIB staff at http://www.alseib.org and/or (334) 263-8376 or toll free (866) 836-9737. For questions regarding the payroll charge out please call the GHRS Hotline at (334) 242-2188.

7-10 ELECTRONIC FUNDS TRANSFER

All new employees are required to use direct deposit. Enrollment forms and instructions are available on the comptroller website:

https://comptroller.alabama.gov/online-forms/

Employees must complete and return a direct deposit form to the agency payroll clerk. Direct deposit forms are normally available at the financial institution or an employee may use form FRMS-15 - GHRS Direct Deposit Request.

It is **strongly recommended** each employee have their bank complete three (3) required elements on the FRMS - 15:

1. Account type: checking OR savings
2. Bank routing number
3. Account number

If the bank does not complete the form, the employee should have the information verified by financial institution personnel. Employees should provide a voided check with the form to verify that the magnetic ink character recognition (MICR) bank routing number and account number are correct. After data is verified, we recommend that the agency shred the voided check.

New employees can be set up for direct deposit before the payroll cycle cutoff date of their first paycheck. Current employees can change financial institutions with no interruption in direct deposit.

CAUTION: **IT IS VERY IMPORTANT THE INFORMATION ENTERED ON THE EFT SCREEN IN GHRS IS ACCURATE. WITH THE ABSENCE OF THE EFT PRE-NOTE PROCESS, THERE NO LONGER WILL BE A TWO (2) PAYDAY GRACE PERIOD FOR THE BANK TO NOTIFY GHRS THAT THE INFORMATION IS INACCURATE.**

Using the information on the completed direct deposit form or form FRMS – 15, authorized agency personnel should update the EFT screen for the employee in GHRS. When the EFT screen is updated, the system will automatically populate the “PRENOTE ISSUE DATE” field with the new effective date entered by agency personnel. EFT screens should only be updated with an effective date in the current payroll period or a prior payroll period, with NO future dating.

Employees receiving pay via EFT should be advised that if for any reason they closed their account or change financial institutions, they must notify appropriate EMPLOYING agency personnel in sufficient time to expire the EFT screen before payroll processing. There is a time lag in having the funds returned to the State Treasury, which results in a significant time delay in the employee being paid.

7-11 PAYROLL DEDUCTIONS

Organizations and companies seeking information on establishing payroll deductions should contact the State Comptroller's office for additional information.

A. STATUTORY AUTHORITY

As authorized under *Code of Alabama 1975,* §36-1-4.3, as amended:

> "The State Comptroller shall adopt statewide policies which provide for deductions from the salaries of state employees or groups of state employees whenever a request is presented to the State Comptroller by a group of participating state employees equal in number to at least 200 provided, however, that deductions being made as of April 23, 1985, shall continue to be made. The deductions shall be made at least monthly and shall be remitted to the appropriate company, association, or organization as specified by the employees. The deductions may be made for membership dues, voluntary contributions, and insurance premiums. Any deduction provided under the provisions of this section may be terminated upon two months' notice in writing by a state employee to the appropriate company, association, or organization and to the appropriate payroll clerk or other appropriate officials as specified by the State Comptroller.
>
> The State Comptroller may, at his discretion, collect from the deductions withheld a cost of administration fee not to exceed one percent of the total deduction collected."

A 1% administration fee is deducted from collections made before monies are sent to respective companies.

B. DEDUCTION FREQUENCIES

For employees paid on a semi-monthly basis, either current or in arrears, the following deductions will be taken every payday: federal and state taxes (GHRS TAX Screen), retirement contributions (GHRS PENS Screen), flexible spending account deductions, deferred compensation, Roth contributions (GHRS MISC Screen), and Court Ordered Liens (reference Section 7-11, paragraph C, subparagraph D). On the payday which is normally paid on the 1st of the month or the 1st payday of the month, the following deductions will be taken for these employees: credit union, charitable contributions, dues and parking fees (GHRS MISC Screen). On the payday that is normally paid on the 16th of the month or the last payday of the month, the following deductions will be taken for these employees: voluntary insurance and state health insurance (GHRS MISC Screen).

C. EMPLOYEE DEDUCTIONS

If an employee wishes to have voluntary deductions withheld from his salary, it is required that the employee provide written authorization to their agency payroll/personnel section. New deductions are added for an employee on the Miscellaneous screen (MISC) in GHRS. All authorized deductions can be found on the Deduction Plan table (DPLN) in GHRS.

1. DUES AND VOLUNTARY CONTRIBUTIONS TO EMPLOYEE ORGANIZATIONS

In accordance with *Code of Alabama 1975*, §36-1-4.4, as amended, requirements for dues and contributions to employee organizations are set forth as follows:

a. All payroll deduction for membership dues and voluntary contributions for employee associations shall be annual memberships.

b. The annual membership period is established as August 1 of the year through July 31 of

the subsequent year.

c. Once initiated, an employee cannot stop a payroll deduction for dues to an employee organization except during the last 10 WORKDAYS in July. This notice of termination must be in writing and delivered to the appropriate payroll clerk in the employees' department.

d. Any voluntary contribution to an employee organization can be terminated by the employee ONLY by giving a 30 day written notice to the appropriate payroll clerk in the employee's department.

e. Any employee may initiate a new authorization for deduction of either dues or voluntary contributions on a monthly basis during the year, but once the deduction commences, the criteria above (c. and d.) apply regarding termination.

f. If an employee's service with the State terminates for any reason, the deduction will terminate with the last salary payment.

g. If after an approved leave of absence or other temporary leave, an employee returns to employment with the State, deductions for dues and/or voluntary contributions will commence unless specifically revoked by the employee prior to reemployment.

2. FLEXIBLE EMPLOYEES' BENEFITS PLAN (FLEX)

Flexible Employees' Benefits are available to the employees of the State of Alabama pursuant to *Code of Alabama 1975, Section 36-29-20 through 30,* as amended and Internal Revenue Code of 1986, Sections 105, 125, and 129, as amended. The IRS regulations enable employees to pay premiums and pay for dependent care expenses with payroll deductions before state and federal taxes are applied. Strict rules govern the administration of the program because of the tax-favored status accorded to such benefits.

The State Employees Insurance Board (SEIB) or CompuSys/ERISA Group administer all activities for certain codes. Agency personnel SHOULD NOT enter, expire or modify any of the following SEIB codes HLTHE, HLTHC, DPCRE, HLCRE, YMCA, and GOLDS or ERISA codes PRETX and PSTTX. These changes are initiated by either SEIB or ERISA. A list of approved insurance companies for voluntary insurance deductions, processed through ERISA, is provided on our website.

Note: The Compsys/Erisa Group is a third-party administrator of Employee Benefits. They provide services for authorized voluntary state payroll insurance pre-tax or post-taxed deductions.

Complete detailed information about the Flexible Employee's Benefit plan can be found at http://www.alseib.org/HealthInsurance/flex.

3. OVERTIME RETIREMENT CONTRIBUTIONS

Act 2012-302 allows a portion of overtime, not to exceed 120% of any members annual base compensation, to be included in earnable compensation for retirement purposes for TIER I employees. Act 2012-377 allows a portion of overtime, not to exceed 125% of any members annual base compensation, to be included in earnable compensation for retirement purposes for TIER II employees.

NOTE: All overtime retirement deduction code entries on the MISC screen in GHRS for all Tier I and Tier II members will be processed by GHRS staff only. Agency payroll/personnel staff must not enter, modify or delete any of these codes.

4. COURT ORDERED LIENS

The term "garnishment" broadly refers to any court/legal ordered deduction. At this time, the Comptroller handles garnishments for debt, taxes, child support, and restitution. All child support, garnishment, bankruptcy, and levy deductions are entered into GHRS by the Garnishment Administration Section in the Comptroller's Office. Deductions for garnishments, child support, bankruptcies, and tax levies are withheld from each paycheck.

In order to be honored, garnishment and child support orders must be served on the State Comptroller, GHRS, Suite 284, PO Box 302602, Montgomery, AL 36130-2602. **Under no circumstances should an agency accept service of the *garnishee's (employer's) copy* of a formal court order.** However, an agency may allow an employee to be served with the *employee's copy* of a court order while on duty.

Upon receipt by the Comptroller's Office, the order is reviewed for compliance with the law and the employee's payroll records are reviewed. The amount of a child support or garnishment deduction is calculated based on federal and/or state statutes. If withholding can begin, a courtesy letter is issued for the employee and forwarded to the agency's payroll clerk. It is the responsibility of the payroll clerk to forward the copy to their employee.

If the employee has any questions about the deduction, the GHRS Garnishment Section may be contacted at (334) 242-2188. For questions regarding a judgment or an order the employee will be instructed to contact the plaintiff or issuing agency or court.

5. RECOVERY PROCEDURES FOR MONEYS REMITTED IN ERROR

If money has been remitted to the courts for garnishment, levies, child support payments or bankruptcies, and the warrant for the employee is cancelled after the remittance, the Comptroller's Office will not be responsible for collecting the money from the employee to reimburse the state. Cancellation of the warrant does not result in automatic recovery of funds already transmitted to the courts.

If the money has been remitted and the employee has terminated with no chance of recovery, the Comptroller's Office will contact the appropriate agency (i.e., Courts, DHR, IRS, etc.) to which the remittance was made and request a refund. If the agency has not forwarded the money to the plaintiff or obligor, the agency will refund the money to the Comptroller's Office. The refunded amount will be receipted into the State Treasury into the appropriate balance sheet account.

If the agency to which the remittance was made has forwarded the money collected to the plaintiff or obligor, the Comptroller's Office will recover the money from the state agency in which the employee worked. At this point, it becomes the agency's responsibility to recover said money from its former employee.

7-12 PAYROLL ACCOUNTING

A. EMPLOYEE ACCOUNTING INFORMATION

In GHRS, Agency Personnel enters the accounting information for each employee on the Agency Specific (AGYS) screen at time of hire, during job changes, and following transfers. Accounting information can be recorded in the following methods:

Option 1 If an employee's pay and fringes are charged to one accounting distribution, the Labor Distribution Override Option is coded with an "A" or a “P”. If the “A” is used, the agency's account coding (i.e., fund, agency, organization, etc.) is entered above the dotted line which appears on the AGYS screen. This distribution, in conjunction with the employee's home agency code, the effective date on the AGYS and the fiscal year for the payroll period being processed, will edit against the Crosswalk (XWLK) table in the old CAS before the AGYS can be updated. If the “P” is used the appropriate accounting information and profile code would be entered on the LDPR screen. The LDPR screen can be used for one accounting distribution or for multiple distributions.

Option 2 If an employee's pay and fringes are charged to multiple accounting distributions, a Labor Distribution Profile code (LDPR) can be established. Once established, these profile codes may be referenced on an employee's AGYS screen by entering a "P" in the Labor Distribution Override Option field and the appropriate code in the Labor Distribution Profile Code field. A single labor distribution profile code can be used for many employees.

If Option 1 is used and the Labor Distribution Override Code is “A”, the inferred central chart of account codes for fund, agency, organization and sub-organization, activity, and appropriation will be displayed when the screen is updated or scanned. These codes will be converted to the STAARS codes of fund, department (agency), appr unit (organizations if budgeted by organization, otherwise appropriation unit), and function (activity). If Option 2 is used and the Labor Distribution Override Code is “P”, the decentralized and centralized accounting distributions are displayed on the LDPR screen for the appropriate profile code.

Both Option 1 and Option 2 are used to populate central level chart of accounts on Payroll Journal Vouchers (JVPR1I) documents in STAARS. For STAARS, if the agency wishes to include agency level chart of accounts on the Payroll JV, an Accounting Template must be configured in STAARS on the Accounting Template (ACTPL) table with the agency level chart of accounts; that Accounting Template must be included as needed on AGYS and LDPR in the Job field. The Accounting Template will not overwrite the central chart of accounts coded on AGYS and LDPR.

Since GHRS does not require a completed AGYS screen before an employee can be paid, it is possible for an employee to not have valid accounting information at the point he is paid. Therefore, each agency must have a default (DEFLT) labor distribution profile code established in GHRS. The system will charge an employee's pay and fringe benefits to this default code if a valid accounting distribution is not found.

While agency personnel may enter override object and/or sub-object codes, the override **will not** be used on the journal vouchers prepared for STAARS. The object and sub-object codes are obtained from the pay type as shown on the Event (EVNT) table in GHRS.

B. STAARS JOURNAL VOUCHERS

STAARS journal vouchers are produced during the gross-to-net payroll process. Regular gross pay and fringe benefit payments are separated into journal vouchers and classified as pay and fringes. The first batch of journal vouchers will record gross pay and liabilities for amounts withheld from the employees' warrants and the second batch of journal vouchers will record fringe benefit payments and the associated liabilities. All liabilities for amounts withheld from employees' pay and for fringe benefit payments to be made by the state on behalf of the employees are recorded in a clearing fund, Fund 0900.

The numbering convention for payroll journal vouchers in STAARS is as follows:

JVPR1I 999 SAR01187001.

JVPR1I	--Type of transaction (journal voucher)
999	--STAARS department code.
SA	--Payroll cycle -semi-monthly arrears.
	--May also be SM for semi-monthly current or MO for monthly
R	--Type of run – regular.
	--May also be S for supplemental run or N for warrant cancellation run.
01187	--Run number - Each gross-to-net process is identified by a unique number.
001	--Sequential number used in loading JV's to STAARS.

STAARS will not accept the journal vouchers unless sufficient cash and budget authority are available in the fund(s) being charged for the labor expenditures. The decentralized chart of accounts and budgets must also be correct and available for the JVPR1I to be submitted. It is the agency's responsibility to assure that there is sufficient cash and budget authority **BEFORE** payroll is processed.

7-13 LEAVE

A. ANNUAL LEAVE

All persons who are regularly employed by the state and who are subject to the provisions of the state Merit System, and all legislative personnel, officers, and employees, including, but not limited to, Legislative Reference Service personnel, whether subject to the state Merit System or not, shall be entitled to accumulate annual leave on the basis of semi-monthly pay periods as follows:

Employee's Total Service With:	Accumulation of Leave Per Pay Period	Annual Accumulation
Fewer than 5 years' service	4 hours 20 minutes	13 days
Five but less than 10 years' service	5 hours 25 minutes	16 days 2 hours
10 but less than 15 years' service	6 hours 30 minutes	19 days 4 hours
15 but less than 20 years' service	7 hours 35 minutes	22 days 6 hours
20 but less than 25 years' service	8 hours 40 minutes	26 days
25 years of service or more	9 hours 45 minutes	29 days 2 hours

Note: For additional information concerning regulations governing leave, please consult the State Personnel Procedures Manual.

B. SICK LEAVE

In accordance with the Rules of the Alabama State Personnel Board, Chapter 670-X-14-.01 for Sick Leave, full-time permanent employees may earn four hours and twenty minutes of sick leave for each semi-monthly period of service. For additional information concerning regulations governing leave, consult the Personnel Procedures Manual.

C. FAMILY MEDICAL LEAVE

The Family and Medical Leave Act (FMLA) was enacted into law on February 5, 1993 and was effective August 5, 1993. In general, FMLA entitles qualified employees (i.e., employees who have been employed for at least 1250 hours during the previous 12 months) 12 weeks of paid or unpaid leave per year for certain events.

To determine if an employee is eligible for FMLA coverage when leave is taken for a qualifying event, agency personnel should complete form FRMS-62 -- FAMILY MEDICAL LEAVE REPORT REQUEST (and forward to the Comptroller's Payroll Section.

Employees who are in active pay status while on FMLA (i.e., using annual or sick leave) will continue to have dependent health insurance premiums paid through the GHRS payroll/personnel system by the State Comptroller.

Employees on FMLA who are not in pay status (i.e., on family medical leave without pay) will have only the employer's share of health insurance premiums paid through the GHRS payroll/personnel system. Those employees, who are not in pay status when dependent health insurance premiums are deducted, will be responsible for paying their dependent premiums directly to the State Employees' Insurance Board if they wish to continue the health insurance coverage for their dependents.

For additional information concerning regulations governing the Family and Medical Leave Act (FMLA), consult the State Personnel Procedures Manual.

D. PERSONAL LEAVE DAY

In accordance with *Code of Alabama 1975*, §1-3-8, all state employees except those employed in Baldwin and Mobile Counties are entitled to a personal leave day in lieu of the Mardi Gras holiday. The personal leave day is granted to employees who are employed on January 1 of each year.

For additional information concerning regulations governing the Personal Leave Day, consult the State Personnel Procedures Manual.

E. ACCOUNTING DISTRIBUTION FOR LEAVE EVENTS

When an employee uses leave, the time paid will be charged to the employee's original accounting distribution unless an accounting override is entered on the employee's document. However, each leave event creates a pay event that has a unique object assigned to it. The following table reflects this information:

DESCRIPTION	LEAVE EVENT	PAY EVENT	OBJ CODE
Used Annual Leave	UANNL	PANNL	0122
Used Excess Annual Leave (Troopers)	SPSAA	TPSAA	0122
Used Annual (FMLA)	UANNF	PANNL	0122
Used Comp Time	UCOMP	PCOMP	0118
Used Comp (FMLA)	UCOMF	PCOMP	0118
Liquidation of Comp	SCOMA	TCOMA	0132
Used Jury Duty	UCORT	PCORT	0125
Used Holiday Bank	UHLDY	PHLDY	0124
Used Holiday (FMLA)	UHLDF	PHLDY	0124
Used State Military	UMILS	PMILS	0119
Used Military Leave	UMLTY	PMLTY	0119
Used Personal Leave Day	UPLDY	PPLDY	0104
Used Personal Leave Day – FMLA	UPLDF	PPLDY	0104
Used Sick Leave	USICK	PSICK	0112
Used Sick (FMLA)	USCKF	PSICK	0112
Used Personal Leave Day – DYS	UYSPL	PYSPL	0104
Used Personal Leave Day - DYS (FMLA)	UYSPF	PYSPL	0104
Used Sick Leave – DYS	UYSSK	PYSSK	0112
Used Sick Leave - DYS (FMLA)	UYSSF	PYSSK	0112

Used Bereavement Leave	UBVSK	PBVSK	0112
Used Leave Without Pay	ULWOP	REGLR	0104
Used Leave Without Pay	ULWOF	REGLR	0104
Used Military Leave Without Pay	UMLWO	REGLR	0104
Used Excess Annual	UANNE	PANNL	0122
Separation Annual Leave	SANNL	TANNL	0109
Separation Compensatory Time	SCOMP	TCOMP	0109
Separation/Death Annl Lv Pd in Yr of Death	SDANL	TDANL	0109
Separation/Death Comp Paid in Yr of Death	SDCOM	TDCOM	0109
Separation/Death Holiday Pay Pd in Yr of Death	SDHLD	TDHLD	0109
Separation/Death Pers. Lv Day Pd in Yr of Death	SDPLD	TDPLD	0109
Separation/PSA Excess Annl Lv Pd in Yr of Death	SDDPS	TDDPS	0109
Separation/Death Sick Leave Pd in Year of Death	SDSCK	TDSCK	0117
Separation/Death Annl Lv Pd / Year After Death	SDALY	TDALY	0109
Separation/Death Comp Time Pd / Yr After Death	SDCLY	TDCLY	0109
Separation/Death Holiday Pay Pd / Yr After Death	SDHLY	TDHLY	0109
Separation/Death Pers. Lv Day Pd / Yr After Death	SDPLY	TDPLY	0109
Separation/PSA Excess Annl Pd / Yr After Death	SDPSA	TDPSA	0122
Separation/Death Sick Lv Pd / Year After Death	SDSCK	TDSCK	0117
Separation Sick-Retire Disability	SDISB	TDISB	0117
Separation-Holidays Bank	SHLDY	THLDY	0109
Separation-Personal Leave Day	SPLDY	TPLDY	0109
Separation Sick Leave – Retire	SSICK	TSICK	0117
Separation Sick Disability - DYS	SYSDB	TYSDB	0117
Separation Sick Leave - DYS	SYSSK	TYSSK	0117

STAARS OBJECT CODE	OBJECT NAME
0100	Personnel Costs
0104	Salaries, Regular
0105	Salaries, AOC Spec P/T
0107	Overtime
0108	Subsistence Allowances
0109	Termination Cost, Annual Leave
0110	Salaries, Elected Officials
0112	Sick Leave
0113	Salaries, Contract Employees
0114	Board Members Compensation
0115	Employee Suggestion Awards
0116	Longevity Allowances
0117	Termination Costs, Sick Leave
0118	Compensatory Leave
0119	Military Leave
0120	Military Differential
0122	Annual Leave
0123	Administrative Leave
0124	Holiday Leave
0125	Jury Duty
0126	Employee Expense Allowance
0128	Supernumerary Payments
0129	Employee Bonus
0130	Law Enforce Excess Annual Leav
0131	Prior Year Death Termination
0132	Comp Liquidation-Active Ee
0133	Holiday Liquidation-Active Ee
0134	Per Lv Day Liquidation-Actv Ee
0135	Housing Allowances
0140	Accrued Compensatd Absence Exp
0150	Retirement Incentive-Bonus
0151	Retirement Incentive-Sick Leav
0175	Prior Period Adjusts-Salaries
0179	Indirect Cost
0197	Compenstn,Deceased (Compt Use)
0198	Salaries, Other
0200	Employee Benefit
0201	Fica
0202	Retirement
0203	Group Health Insurance
0204	Workmens Compensation Insuranc
0205	County Health/Life Insurance
0206	Unemployment Compensation
0207	County Retirement
0208	Judicial Retirement
0209	Highway Labor Additive
0241	Accrued Pension Expense
0243	Accrued Other Post-Employment Benefits Exp
0275	Prior Period Adjust-Benefits
0279	Indirect Cost
0300	Travel, In-State
0301	Mileage
0303	Subsistence & Lodging-Overnigh
0304	Promotional

0307	Other Travel Expenses
0309	Employee Subsist -Not Overnite
0310	Nonemployee Subsis, Not Overni
0312	Profes Service Contract Travel
0313	Advance Travel
0320	Travel, Legislative Mileage
0322	Meals – Actual Expenses (CONUS Rates)
0323	Rental Car Expenses
0329	Other Transportation Expense
0375	Prior Period Adjust-Travel In
0379	Indirect Cost
0390	Staars Conversion Contracts
0400	Travel, Out-Of-State
0401	Mileage
0402	Commercial Transportation
0403	Subsistence & Lodging-Overnigh
0404	Promotional
0407	Other Travel Expenses
0412	Profes Service Contract Travel
0413	Advance Travel
0421	Lodging – Actual Expenses
0422	Meals – Actual Expenses (CONUS Rates)
0423	Rental Car Expenses
0424	Airline, Baggage, Airport Parking Expenses
0429	Other Transportation Expense
0475	Prior Period Adjust-Travel Out
0479	Indirect Cost
0490	STAARS Conversion Contracts

7-14 DECEASED EMPLOYEES

Generally, payments received by an employee for services and accrued annual and sick pay are taxable in the calendar year in which they are received. However, there are special circumstances if these payments are received after an employee is deceased. Effective January 1, 2013, new leave/pay event codes were established for termination leave payments made to deceased employees in the calendar year following the date of death.

In accordance with *Code of Alabama 1975*, § 36-26-36, as amended, effective May 21, 1996, the estate of an employee in the classified service who dies while in active service to the state will receive payment for 50% of accrued but unused sick leave, not to exceed 50% of 1200 hours. The employee's estate will also receive payment for all accrued but unused annual leave, not to exceed 480 hours. The table below shows the leave events that must be entered in GHRS and the corresponding Pay Event and the object and sub-object which is charged.

A. PAYMENTS DUE AND PAYABLE IN SAME CALENDAR YEAR OF DEATH

Termination leave payments for unused Annual, Sick, Compensatory, Holiday, Personal Leave, and PSA Excess Annual Leave due and payable in the **same** calendar year as the employee's death are subject to FICA and Medicare but are not subject to state and federal withholding taxes. The leave payments will be reported on the applicable Form W-2 and/or Form 1099M for the employee or his Estate. The table below shows the leave events that MUST be entered in GHRS and the corresponding Pay Event the object and sub-object which are charged.

DESCRIPTION	LEAVE EVENT	PAY EVENT	OBJECT
Separation/Death Annual paid year of death	SDANL	TDANL	0109
Separation/Death Comp paid year of death	SDCOM	TDCOM	0109
Separation/Death Holiday paid year of death	SDHLD	TDHLD	0109
Separation/Death Pers Lv paid year of death	SDPLD	TDPLD	0109
Separation/PSA Excess Ann Lv Pd year of death	SDDPS	TDDPS	0109
SDDPS is to be used ONLY for Pay Policy PRTVS (Protective Service Employees)			
Separation/Death Sick Leave pd year of death	SDSCK	TDSCK	0117

B. PAYMENTS DUE AND PAYABLE IN THE CALENDAR YEAR FOLLOWING DEATH

Termination leave payments, of any type, due and payable in the calendar year following an employee's death ARE NOT subject to FICA, Medicare, federal or state withholding taxes. The leave payments will be reported on the Form 1099M for the employee's Estate. The table below shows the leave events that MUST be entered in GHRS and the corresponding Pay Event the object and sub-object which are charged.

DESCRIPTION	LEAVE EVENT	PAY EVENT	OBJECT
Sep/Death Annual Pd yr after death	SDALY	TDALY	0109
Sep/Death Comp Pd year after death	SDCLY	TDCLY	0109
Sep/Death Holiday Pd year after death	SDPLY	TDPLY	0109
Sep/Death Pers Lv Pd year after death	SDHLY	TDHLY	0109
Sep/PSA Excess Ann Lv Pd yr after death	SDPSA	TDPSA	0122
SDDPS is to be used ONLY for Pay Policy PRTVS (Protective Service Employees)			
Sep/Death Sick paid year after death	SDSCK	TDSCK	0117

The payroll warrant(s) will be issued in the deceased employee's name and should only be released to the individual who is legally authorized to receive the warrant on behalf of the deceased employee.

7-15 IRS FORMS W-2

A. POLICY

The State of Alabama, in recognition of its responsibility to be in full compliance with all Social Security Administration (SSA), Internal Revenue Service (IRS) and Alabama Department of Revenue (ADOR) rules and regulations, maintains the following policies and procedures to ensure conformity in the issuance of the IRS Form W-2 Wage and Tax Statement. All steps necessary to ensure due diligence and minimize errors will be taken. The following are the Form W-2 requirements, the procedures to be followed in their implementation and examples of the forms.

B. REPORTING REQUIREMENTS

Each year, the State of Alabama must furnish to each employee, who has received wages subject to federal withholding taxes, a Form W-2 Wage and Tax Statement. The statements, which are also used to report the amount of FICA and state withholding taxes, must be furnished to all employees no later than January 31st of the year following the year in which the wages were received.

The statements must contain the employer's name, address, and identification number (State of Alabama Federal Identification Number 63-6000619) and the employee's name, address, and social security number. It must also contain the total amount of wages, tips, and other compensation, the amount of federal income tax withheld, the amount of Medicare and Social Security taxes withheld, and the amount of Alabama income tax withheld. The Form W-2 must also contain all other items as defined by the Internal Revenue Service and the Social Security Administration for each reporting year.

C. REPORTABLE WAGES, TIPS, AND OTHER COMPENSATION

1. TOTAL WAGES

Wages subject to federal withholding taxes paid to an employee are reflected in Box 1 Form W-2.

2. VALUE OF PERSONAL USE OF STATE OWNED/LEASED VEHICLES

Employees who drive a state owned or leased vehicle that is used for commuting purposes are assessed a charge set by rules outlined in IRS publication 15. This information is reported to the Comptroller's Office on form FRMS 16 - Commuting Use of State Owned/Leased Vehicles.

“Control employees” (i.e., elected officials or employees whose compensation equals or exceeds the annual threshold (threshold amount provided in annual memorandum issued by Comptroller’s Office) must use one of the following options. The first option is the annual lease value rule and the second option is the vehicle Cents-per-Mile valuation rule. This information is reported to the Comptroller's Office on FRMS-16 CPM. For more information on “control employees” reporting requirements, contact the Payroll Section of the Comptroller's Office.

The assessment period covers the period of November 1st through October 31st of the reportable year. The calculated amount of this fringe benefit is reportable for W-2 purposes as federal taxable wages, state taxable wages, and FICA/Medicare covered wages. The amount is reflected in Box 14 on the W-2 under the heading of "CAR USAGE." This amount is shown on the Form W-2 for informational purposes only. The amount has been used in the calculation of Boxes 1, 3, 5 and 16 on the Form W-2.

The employee's share of FICA/Medicare taxes on commuting use will be charged on the employee's payroll check in December of each year. The employer's matching share of FICA/Medicare taxes will also be charged. This charge will be reflected on the fringe benefit payroll journal voucher. The commuting use amounts will be shown on the employee's pay summary screens (QPSM and QPSH) in GHRS under the code COMUT. A report will also be available on the Comptroller's website to authorized departmental personnel listing the amount of this fringe benefit for each affected employee.

3. VALUE OF PERSONAL USE OF STATE OWNED/LEASED AIRCRAFT

The State of Alabama has opted to use the non-commercial flight valuation rule, as we have both control and non-control employees who may use state provided aircraft.

The noncommercial flight valuation rule applies the aircraft valuation formula as detailed in IRS Regulation 1.61-21(g) (5) to calculate the value of a flight that is for primarily personal reasons. The total calculated amount is reportable for W-2 purposes as federal taxable wages, state taxable wages, and FICA/Medicare covered wages.

4. GROUP-TERM LIFE INSURANCE

The imputed value of group-term life insurance provided for employees through Retirement Systems of Alabama to the extent coverage exceeds $50,000 is reportable for W-2 purposes as federal and state taxable wages, and FICA/Medicare covered wages. The amount is reflected on Form W-2 in Box 12a, Code C. This amount is shown on Form W-2 for informational purposes only. The amount has been used in the calculation of Boxes 1, 3, 5 and 16 on Form W-2.

The employee's share of FICA/Medicare taxes on group term life will be charged on the employee's payroll check in December of each year. The employer's matching share of FICA/Medicare taxes will also be charged. This charge will be reflected on the fringe benefit payroll journal voucher. The group term life amounts will be shown on the employee's pay summary screens (QPSM and QPSH) in GHRS under the code GTL. A report will also be available on the Comptroller's website to authorized departmental personnel listing the amount of this fringe benefit for each affected employee.

Note: For information on calculating the taxable amount, select the TRS or ERS link.

5. MILEAGE EXPENSE REIMBURSEMENT

The State of Alabama's mileage rate is the amount is equal to the federal standard mileage rate. The amount of compensation for mileage reimbursement is not reportable for W-2 purposes. For the most current mileage rate and for rates to previous and subsequent years to the issue of this manual, you may go to the website at https://comptroller.alabama.gov/mileage-rates/ .

6. PER DIEM ALLOWANCE

The state's maximum overnight per diem allowance of $100.00 for one night and $130.00 for multiple nights is deemed substantiated and is not subject to FICA/Medicare taxes, federal withholding taxes, or state withholding taxes and not reportable for W-2 purposes.

The non-overnight per diem for travel that does not require an overnight stay, is calculated as follows: a) for a trip of from six to twelve hours the traveler shall be paid a meal allowance of $15.00, which represents 15% of the regular per diem rate (allowances paid with object code 0309) and b) for travel in excess of twelve hours duration the traveler shall be paid $40.00, which represents one meal allowance and one-fourth of the per diem allowance (allowances paid with object code 0309).

The non-overnight per diem **is** subject to Federal withholding taxes and is included in Box 1 of Form W-2. The amount is reflected in Box 14 on the W-2 under the heading of "Taxable Travel". This amount is shown on the Form W-2 for informational purposes only. If the employee's regular pay is subject to FICA and/or Medicare, the non-overnight per diem is also subject to these withholdings. The amount has been used in the calculation of Boxes 1, 3, and/or 5 on Form W-2.

7. TIP ALLOCATIONS

The Department of Conservation operates state lodges in Alabama. All employees receiving tips in these lodges have 8% of their total sales reported as taxable tips. Conservation collects FICA, Medicare and federal withholding taxes from the employees based on the total amount of calculated tips. These taxes are deposited into the State Treasury. The total amount of tips, FICA and Medicare taxes, and federal W/H taxes for each employee is reported to the Comptroller's Office each pay period and will be shown on the employee's pay summary screens (QPSM and QPSH) in GHRS under the code TIPS. Tip allocations are reportable for W-2 purposes as federal taxable wages, state taxable wages, and Social Security/Medicare covered wages. The amount has been used in the calculation of Boxes 1, 5, and 7 on the Form W-2

D. OTHER REPORTABLE ITEMS

1. DEFERRED COMPENSATION

Internal Revenue Code Section 457 is the statutory authority for the State of Alabama's deferred compensation plans. There are two eligible deferred compensation plans for state employees. "RSA1" is a deferred compensation plan administered by the Retirement Systems of Alabama, in accordance with *Code of Alabama 1975*, § 36-274.1, as amended, and Empower. Contributions made by state employees to these plans are excluded from federal and state taxable wages and are reflected in total in **Box 12b, Code G.** This amount is shown on the Form W-2 for informational purposes only. The amount has been used in the calculation of Boxes 1 and 16. In accordance with *§ 40-18-14, Code of Alabama 1975, as amended,* all contributions made to the deferred compensation plans will "receive the same tax deferred treatment for state income tax purposes".

2. FLEXIBLE EMPLOYEES' BENEFIT PLAN PAYMENTS

The amount withheld from employees' pay for insurance deductions covered under the Flexible Employees Benefit Plan are excluded from federal, state, FICA and Medicare taxable wages and is reflected on the Form W-2 in **Box 14** under the heading of "HEALTH INS EXEMPT." Amounts withheld from employees' pay for Health Care Reimbursement are reported on the Form W-2 in **Box 14** under the heading of "HEALTH CARE". Amounts withheld from employees' pay under the Dependent Care Reimbursement Account are excluded from federal, state, FICA and Medicare taxable wages, and are reflected on the Form W-2 in **Box 10**. These amounts have been used in the calculation of Boxes 1, 3, 5 and 16 of the Form W-2.

3. DEFERRED RETIREMENT

The amount deducted from state employees' pay for contributions to the state's retirement plan is excluded from federal taxes and is reflected on the Form W-2 in **Box 14** under the heading of "DEF RET 414(H)." This amount is shown on Form W-2 for informational purposes only. The amount has been used in the calculation of **Box 1** of the Form W-2.

4. ROTH 457(B) RETIREMENT PLAN CONTRIBUTIONS

ACT 2012-232 amended Section 36-26-14, Code of Alabama 1975, to include contributions to Roth 457(b) Retirement Plan with Empower. Contributions made by state employees to this plan are subject to Federal, State, and FICA/Medicare taxes and are reflected on the Form W-2 in **Box 12c, Code EE**. This amount is shown on the Form W-2 for informational purposes only. The amount has been used in the calculation of Boxes 1, 3, 5 and 16 on the Form W-2.

E. DUPLICATE W-2'S

The Comptroller's Office furnishes each agency with an Employee Earnings Report that shows all wage and tax information reported to the Internal Revenue Service for the agency's employees. This listing must be used for wage verification purposes.

Form W-2s are available on the State's eMAP portal if the employee should need a duplicate copy.

For agency use only, FRMS 63 - Request for Duplicate/Informational W-2 is acceptable written justification from the agency. The form is published on the Comptroller's website: www.comptroller.alabama.gov. This form must be completed and signed by a departmental representative and may be sent via fax, hand mail, or mail to the Payroll Section of the Comptroller's Office.

If a duplicate Form W-2 or informational statement is requested on behalf of an employee who is deceased, the last employing agency must furnish the Comptroller's Office a request certifying that there is no known pending litigation involving the deceased employee. It is the agency's responsibility to ensure the duplicate information is released to a legally authorized individual.

F. CORRECTED W-2'S

If an error has occurred in the processing of an employee's Form W-2 for the current taxable year, the employing agency may request IRS Form W-2C - Corrected Wage and Tax Statement from the Comptroller's Office. Authorized agency personnel must provide a written explanation supported by appropriate documentation, such as copies of incorrectly coded vouchers or refunds of salary overpayments, **with the employee's original Form W-2** to the Comptroller's Office in a timely manner.

The Payroll Section of the Comptroller's Office will verify the documentation and issue a Form W-2C, which is an amended Form W-2. The Form W-2C will be returned to the agency to be forwarded to the employee.

7-16 IRS FORMS 1099-R

A. POLICY

The State of Alabama, in recognition of its responsibility to be in full compliance with all Internal Revenue Service and Alabama Department of Revenue rules and regulations, maintains the following policies and procedures to ensure conformity in the issuance of IRS Form 1099-R. The following are the Form 1099-R requirements and procedures to be followed in the implementation of those requirements.

B. REPORTING REQUIREMENTS

Each year, the State of Alabama must furnish a Form 1099-R to each individual who has received the following types of payments from the state:

1. Supernumerary payments to participants in the state's supernumerary system (Supernumerary payments are for judges that 'retire' but are on-call if the need arises to be recalled to the bench);

2. Monthly payments to the spouse of a deceased governor;

3. Monthly spousal benefits paid to the widows of deceased Clerks (e.g., Circuit Court Clerk) and Registers; and

4. Payments to the beneficiary or estate of a participating TRS employee for any unused sick leave if an employee dies while still in active service to the state.

Type 1 is determined through the W-2 process (see procedures as these payments are made in GHRS). The disbursement object for payment types 2 - 3 is 1130. The disbursement object for type 4 is 1140. Payment types 2 - 4 are paid by voucher in STAARS.

The 1099-R must be furnished to appropriate recipient no later than January 31st of the year following the year in which the payments were received.

The statement must contain the state's name, address, and federal identification number (63-6000619) and the recipient's name, address, and social security number. It must also contain the total amount of payments and any taxes that were withheld.

7-17 STATEMENT OF BENEFITS

Act 2015-82 requires the Comptroller's Office to provide an annual itemized Statement of Benefits for the previous fiscal year including all employee compensation, retirement, leave accruals, and other benefits received or accrued by an employee from his employer. The Statement also includes information about the total employer contributions to retirement systems and health insurance plans. The Payroll Section of the Comptroller's office coordinates with SPD, SEIB, and RSA to report the required information into a single statement. The statement is distributed to employees and payroll clerks via the State's employee Portal, eMAP. The Statement of Benefits must be provided to employees no later than January 31 of each year.

7-18 AFFORDABLE CARE ACT (ACA) REPORTING

The State Employees' Insurance Board (SEIB) manages all ACA reporting to the IRS. To aid SEIB, SBS provides an earnings report to SEIB at the end of each pay period as part of the EOPP process. SBS also provides a list of employees from the W-2 file.

CHAPTER 8
GENERAL ACCOUNTING

8-1 INTRODUCTION

STAARS enables the State to accumulate data for several purposes including budgetary control, budgetary reporting, and financial reporting. In general, the state operates on a budgetary basis during the fiscal year.

The general accounting procedures for items such as the preparation of journal vouchers, cash transfers, operating leases, capital leases, fixed assets (including depreciation), investments, and prior period adjustments are discussed below. The discussion includes the proper methods to account for the above-mentioned items during the fiscal year.

Subsequent to the fiscal year-end, the Comptroller's Office will request accruals and other adjustments for the Annual Comprehensive Financial Report (ACFR). The accruals and other adjustments allow the Comptroller's Office to prepare the ACFR in conformity with generally accepted accounting principles (GAAP) as required by the Governmental Accounting Standards Board (GASB). Additional instructions for accruals and adjustments needed to prepare the ACFR will be sent during the thirteenth accounting period.

8-2 JOURNAL VOUCHERS

A. PURPOSE OF JOURNAL VOUCHERS

Journal vouchers are used to record accounting events that are not recorded by other STAARS transactions. In STAARS, journal voucher transactions are used to enter accounting journal entries at both the centralized and decentralized chart of accounts level.

B. DOCUMENT FLOW OF JOURNAL VOUCHER PROCESSING

All departments will prepare journal voucher forms using both centralized and decentralized accounting codes and submit them to the Comptroller's Office complete with attached supporting documentation.

C. TYPES OF JOURNAL VOUCHERS AND ACCOUNTING EFFECTS

Journal voucher transactions are used for:

1. Corrections to accounting distribution codes on previously entered expenditure transactions,

2. Cost allocation processing,

3. GHRS accounting entries,

4. Recording investments, inventory, and receivables information in STAARS, including accruals for the ACFR, and

5. Recording year-end accounts payable in STAARS for each fund.

Departments may use journal vouchers to correct errors and to record other accounting transactions. STAARS is designed to process journal entries for both the centralized and decentralized chart of accounts; however, certain transactions may have no net effect on the centralized chart of accounts. Transactions that have no net effect on centralized chart of accounts should be entered at the department level using the JVR document.

All journal voucher transactions must be self-balancing; that is, the transaction must include equal debit and credit amounts within each fund. The journal voucher may contain multiple debit and credit entries but must balance within each fund.

1. JOURNAL VOUCHERS TO CORRECT ERRORS

Most of the journal vouchers used by departments will be to correct account-coding errors. These journal vouchers will be entered into STAARS, where final approval will be given by the Fiscal Management Section of the Comptroller's Office. The journal voucher must include the debit entries and credit entries to correctly produce the required accounting effects. If there are no problems, the Fiscal Management Section will approve the journal voucher transaction in STAARS.

Journal vouchers will not be used to process routine corrections to previously entered receipt transactions (cash receipts); the Cash Receipt Modification document will be used. Section 3-3, (D) of this Manual provides instructions and procedures to process these corrections.

2. JOURNAL VOUCHERS TO RECORD COST ALLOCATION PROCESSING

Cost allocation journal vouchers produced by departmental systems will be loaded into STAARS pending approval by the Comptroller's Office. No backup documentation is required for these journal vouchers, nor will journal voucher forms be required. These transactions must be identified by prefixing the transaction number with the letters CA (for cost allocation). Approval will be applied by the Comptroller's Office to allow these transactions to update the state-level accounting system.

3. JOURNAL VOUCHERS TO RECORD GHRS PAYROLL TRANSACTIONS

Journal vouchers are created by GHRS during payroll processing. These journal vouchers are posted to STAARS automatically as JVP transactions without action by the departments. These journal vouchers do not require approval by the Comptroller's Office.

4. JOURNAL VOUCHERS TO RECORD BALANCE SHEET TRANSACTIONS

Departments will submit balance sheet information on a periodic basis to the Comptroller's Office. These balance sheet entries will be examined for accuracy and completeness. Information (e.g., investments, inventory, and receivables) from departmental balance sheet accounts will be obtained and provided to the Comptroller's Office on journal vouchers. The Comptroller's Office will enter and approve these transactions.

5. JOURNAL VOUCHERS TO RECORD YEAR-END ACCOUNTS PAYABLE

As part of the end of year procedures, the departments will submit end-of-year accounts payable journal voucher document (APJV1) to the Fiscal Management Section of the Comptroller's Office. This document will provide the estimated liability of the department for the current fiscal year by at least fund, department, appropriation unit, function, and object. The Comptroller's Office will review these documents for correctness and completeness. It is important that departments estimate accounts payable at the end of the year as accurately as possible, because the information is used to reserve funds to meet remaining fiscal year obligations before the accounting books are closed.

8-3 CASH TRANSFERS

If a department has been appropriated funds to be transferred from the General Fund, the Education Trust Fund (ETF), or another fund, the department will request that a transfer be made by the Comptroller's Office. The department will complete a Request for Cash Transfer (FRMS-51). The request must include the fund from which the transfer is requested and the fund to which the transfer is to be made. The request for "Transfer From" must include the following applicable accounting codes: fund, department, appropriation unit, function, and expenditure object or balance sheet code and departmental accounting codes. The request for "Transfer To" must include the following accounting codes: fund, department, revenue source or balance sheet code and departmental accounting codes. The matching object /revenue source combination listed below must be used. The following codes are not inclusive, but serve as examples of how the coding structure should be used:

Obj/	1605	Appropriated Operating Transfers out of General Fund
Rev Src	0800	Appropriated Operating Transfers in from General Fund

Obj/	1605	Appropriated Operating Transfers out of the ETF
Rev Src	0800	Appropriated Operating Transfers in from the ETF

There are agencies that produce Intra Fund Class Transfers and/or General Fund Transferred Cash entries. These cash transfers are used between two funds with the same fund class type only. The request for "Transfer From" must include the following applicable accounting codes: fund, department, appropriation unit, function, and expenditure object and departmental accounting codes. The request for "Transfer To" must include the following accounting codes: fund, department, appropriation unit, function, and expenditure object. The expenditure object will be the same for the transfer from and the transfer to side of the entry. The following are the accounting code structure used for these entries.

Obj	1640	Intra Fund Class Transfers
Obj	1641	General Fund Transferred Cash

Form FRMS-51 – Cash Transfers is the prescribed form for Cash Transfers. This form is furnished by the Comptroller’s Office and is assigned a unique transfer identification number. The completed transfer request form should be sent to the Comptroller’s Office Fiscal Management Section to be processed. The Comptroller’s Office uses templates that hold both central and decentralized accounting codes. When completed in STAARS the transfer records both sides of the transaction; therefore, the department does not need to enter any information in STAARS. When a new transfer needs to be created, or chart of account codes on existing transfers need to be changed, the department must contact the Comptroller’s Office to have their transfer information updated in STAARS and new forms created to be used. The cash transfer form is used as support documentation on the transaction in STAARS, so it is imperative that it has the correct accounting codes.

8-4 LEASES AND DIRECT FINANCING ARRANGEMENTS

A. LEASES

The Governmental Accounting Standards Board (GASB) issued GASB Statement 87, *Leases*, which defines leases as contracts that convey control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transactions. Ownership does not pass at the conclusion of the lease. Examples include buildings and office space, land, vehicles, and equipment.

GASB 87 is effective starting in fiscal year 2022. Buildings and office space leases are the most significant leases to the State of Alabama. Therefore, all building and office space leases are required to be recorded in the STAARS debt management system. Departments are required to submit lease schedules for all building and office lease schedules to the Comptroller's office – Financial Reporting Section (see Lease Schedule Instructions and examples – Section C). Also, material changes and cancellations of leases must be reported to the Comptroller's office Financial Reporting so that adjustments to the lease (and right-to-use asset) can be made.

GASB defines the lease term as the period during which a lessee has a noncancelable right to use the underlying asset, plus the following periods, if applicable:

a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option,

b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option,

c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option, and

d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

Unless there is evidence to the contrary, the default position is the lease term will include all option periods.

Effective 10/1/2022, all payments for building and office space right-to-use leases (coded to Object 0602) must use one of the cloned "L1" documents (GAXL1, GAXL1I, ITAL1, etc). These documents will reference a Debt ID which will be used to control and record information related to the specific lease. All Object 0602 lease payments must have a valid Debt ID referenced in the Debt ID field on the Accounting Line under the Reference tab.

Note: There will not be an "L" document for PCard payments, but the Debt ID must still be used.

Loans where ownership passes at the end of the agreement are direct financing arrangements and should be accounted for in conformity with 8-4 Section B – Direct Financing Arrangements.

The coding requirements for leases can be found on the Comptroller's Office website.

B. DIRECT FINANCING ARRANGEMENTS

Direct financing arrangements include all agreements where ownership of the asset passes to the department upon completion of the payments. Direct financing agreements include asset purchases financed directly with the lessors and asset purchases financed with third parties.

Departments are required to submit payment schedules for all building and office lease direct financing arrangements to the Comptroller's office – Financial reporting (see Direct Financing Arrangements - Payment Schedule Instructions and examples below). Also, material changes and cancellations of leases should be reported to the Comptroller's office – Financial reporting.

The coding requirements for direct financing arrangements can be found on the Comptroller's Office website.

Direct Financing Arrangement – Third Party Financed – capital assets purchased from a vendor that are financed by a third party such as a financial institution.

The principal portion of payments for lease purchases financed with third party financial institutions should be coded to 1501. The interest portion of payments for capital lease purchases financed with third party financial institutions should be coded to 1502.

C. DIRECT FINANCING SCHEDULE EXAMPLES

1. DIRECT FINANCING – LESSOR FINANCED SCHEDULE INSTRUCTIONS
2. DIRECT FINANCING – THIRD PARTY FINANCED SCHEDULE INSTRUCTIONS
3. LEASE SCHEDULE INSTRUCTIONS – PROCEDURES MANUAL

8-5 CAPITAL ASSETS

The procedures for accounting for capital assets vary depending on the fund type (governmental or proprietary) involved and the type of property (real or personal) involved.

A. PROCEDURES APPLICABLE TO BOTH GOVERNMENTAL AND PROPRIETARY FUNDS

1. GENERAL INFORMATION

State law requires the State Auditor to maintain an inventory of all personal property valued at $500 or more. Weapons are included regardless of cost and certain personal property or agencies are exempt by statute in CODE Sections 36-16-1, et seq. Generally, all purchases of personal property should be coded to object categories 1300 or 1400. Generally, all purchases of real property should be coded to object category 1200. Items costing less than $500 should be coded to object categories 1300 or 1400 as well.

The cost of a capital asset includes the purchase price as well as all normal and reasonable expenditures necessary to get the asset in place and ready for use. Such expenditures could include freight, installation, or modifications needed to place the asset in use. Donated capital assets should be booked at the fair market value at the date of donation. Capital assets acquired from Surplus Property or by transfer will be valued at the original acquisition cost to the State. However, if the Surplus Property was previously federal property, the cost recorded should be what was paid by the state agency purchasing the asset.

2. PROPERTY NUMBER

Property, regardless of fund type, that is required to be inventoried by the State Auditor must include the property number in the first 11 characters of the “Line Description” field on the payment request. (1207, 1208, and 1211 are exempt from this requirement along with 79 in 1279, 1379 and 1479). When paying for multiple assets on a single payment voucher, each property number must be coded in the extended description field.

Auditor Property Numbers (for State Auditor inventoried property) are formatted as follows:

QAxx-123456, where xx is the Auditor’s two digit agency code, the fifth character is always a hyphen and the remaining six characters are the Auditor’s property number, preceded by zeros if necessary to fill all of the remaining seven characters after the hyphen.

Personal property purchases data, where applicable, is submitted to the State Auditor monthly and is checked against the property reported to them for discrepancies. Contact the Financial Reporting Section at (334) 353-1611 if you have questions.

STAARS Capital Asset System (SCAS)
The SCAS is now used to report capital assets in the Annual Comprehensive Financial Report (ACFR). Capital assets meeting the established thresholds for financial reporting purposes must be recorded in the SCAS. Established thresholds are as follows:

Land and Buildings	$250,000
Intangible Assets	1,000,000
Equipment	15,000

Commodity codes on payment vouchers (PRC) determine if the payment is for capital assets. The payment also must meet established thresholds. Payments to commodity codes related to capital assets that meet or exceed the thresholds generate FA shells. The FA shells should be completed and submitted to be processed. For equipment that is recorded in the Auditor's fixed asset system (AssetWorks), the AW prefix should be selected for the auto-assigned fixed asset number. For non-auditor property (land, buildings and intangible assets), the GC prefix should be selected for the auto-assigned number. The tag field is used to record the actual property number. For fixed assets recorded in AssetWorks, the tag field format is the two-character auditor department code and the property number. For example, if the auditor department is ST and the property number is 200007, the property number recorded in the tag field should be ST200007. For non-auditor property including land, buildings, and intangible assets, the property number is the 3-digit department code assigned by the Comptroller's office and a unique property number determined by the department. For example, if the department code is 010 and the number assigned by the department is 3000010, the property number recorded in the tag field should be 0103000010.

The following documents are used to record and modify capital assets in STAARS:

-FA - Record new capital assets and betterments
-FC - Cancels a capital assets
-FI - Increases or decreases the value of a capital asset
-FD - Disposes a capital asset
-FX - Changes a fixed asset type (for example, construction in progress to a building)
-FM - Modifies non-accounting data such as useful life, the tag number (if entered incorrectly)

Guidance for processing the above documents can be found at:

Fixed Asset Shell (FA) Process Overview Job Aid

Fixed Asset (FA) Manual Entry / Betterment Job Aid

Fixed Asset Increase / Decrease (FI) Job Aids

Add Freight to Fixed Asset Cost

Fixed Asset Disposal (FD) Job Aid

Fixed Asset Non-Accounting Modification (FM) Job Aid

Fixed Asset Training Material

3. TRANSACTIONS

Commodity based purchases of capital assets meeting State thresholds will generate an FA document shell for the department to complete and submit. Non commodity based purchases of capital assets should be followed with a manually generated FA document.

4. POST ACQUISITION EXPENDITURES

Expenditures that do not increase the capacity or operating efficiency are not capitalized as they are generally recorded as repairs and maintenance. For example, installing new carpet, paint, or shingles would be repairs and maintenance, object category 0500.

Expenditures that increase the capacity or operating efficiency or extend the useful life of an asset, if they are substantial, are capitalized. Those expenditures are referred to as betterments and are discussed below. For example, adding an additional floor to a building would be a betterment. Minor expenditures usually are treated as period costs even though they may have the characteristics of betterments.

5. ASSET IMPAIRMENT

Impairment is indicated when events or changes in circumstances suggest that the service utility of a capital asset may have both significantly and unexpectedly declined. Common indicators of potential impairment include evidence of physical damage, changes in laws or regulations and changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or expected duration of use of a capital asset, and construction stoppage.

If an event or circumstance indicates that a capital asset may be impaired, please contact the Financial Reporting Section at 334-353-1611.

6. CHANGES IN USEFUL LIFE

Estimated useful life is the period of time over which an asset's cost will be depreciated. It may be revised at any time, but any revision must be accounted for prospectively, in current and future periods only.

If you have a change in useful life for an asset, contact the Financial Reporting Section at 334-353-1611 with the property number, the original estimated useful life and the new estimated useful life.

B. PROPRIETARY FUND PROCEDURES

Proprietary funds use the full accrual basis of accounting. Capital assets of a proprietary-type fund are recorded within the fund. Proprietary funds set their own criteria for capitalization according to the needs of their business but must still comply with the State Auditor's inventory requirements. Contact the Financial Reporting Section for help in setting up fixed asset types, thresholds, depreciation methods and schedules. Consequently, items should be coded to object categories 1200, 1300, or 1400 even if they are not capitalized.

8-6 INVESTMENTS

Investments should be classified based on the type of investment and the length of the original maturity period. Short-term investments have an original maturity period (maturity period from the date of purchase) of less than one year and long-term investments have an original maturity period of one year or greater. Short-term investments should be coded to balance sheet account(s) 1102 through 1131 depending on the type of investment. Long-term investments should be coded to balance sheet account(s) 1152 through 1198 depending on the type of investment. Investments purchased after the fiscal year-end cutoff date, but prior to October 1 should be coded to the 13th accounting period.

Most investments are required to be measured at fair value per GASB Statement No.72, Fair Value Measurement and Application. Money market investments and participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations. The other investments that are not reported at fair value are common stock using the equity method if the government has significant influence over the operating and financial policies of the investee, investments held by 2a7-like external investment pools, investments in 2a7-like pools measured at the NAV per share provided by the pool, nonparticipating interest-earning investment contracts, nonparticipating unallocated insurance contracts, synthetic guaranteed investment contracts that are fully benefit-responsive, and life insurance contracts.

ACFR instructions will be sent at year-end to record the change in fair value of investments. Maintain investments at cost during the year.

A. EXAMPLE OF A PURCHASE OF AN INVESTMENT:

Assume that an investment in U.S. Treasury Securities (balance sheet account 1154) was purchased for $1,250 that includes $50 in accrued interest. The payment is made from fund 0434 and the department is 010. The payment would be coded as follows:

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0434	010		1204	50
0434	010		1154	1200

The entry resulting from the above payment voucher is as follows:

Dr	Investments (BSA 1154)	1,200	
Dr	Interest Receivable (BSA 1204)	50	
Cr	Vouchers Payable		1,250

B. EXAMPLE OF THE SALE OF AN INVESTMENT:

Assume that the same investment is sold for $1,850 that includes $150 in accrued interest. The proceeds from the sale of the investment should be deposited as follows (note that a positive amount on a cash receipt is a credit and a negative amount on a cash receipt is a debit; 0621 is the revenue source for realized gains and 0622 is the revenue source for interest income):

PERIOD __ Fiscal Year __ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0434	010	0621		500
0434	010	0622		100
0434	010		1204	50
0434	010		1154	1200

The entry resulting from the above cash receipt is as follows:

Dr	Cash (BSA 1001)	1,850	
Cr	Interest Income (rev source 0622)		100
Cr	Realized Gain (rev source 0621)		500
Cr	Interest Receivable (BSA 1204)		50
Cr	Investments (BSA 1154)		1,200

8-7 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are made to reflect the correction of material errors to balance sheet accounts in a prior financial statement. Because such amounts are the products of errors from a prior period, they are not properly included as part of the results of operations of the current period. Instead, such adjustments are properly reported as a direct adjustment to equity – beginning of the fiscal year to restate the amount to what it would have been if the error had not occurred. Examples of errors that could result in a prior period adjustment are:

a) Errors in mathematical calculations.
b) Errors in application of an accounting principle, e.g., not accruing revenue that was measurable and available in a governmental fund type.
c) Errors in the use or oversight of known facts.

Prior period adjustments could be found during payment request processing, cash receipts processing, or monthly balance sheet analysis. If an error that appears to be a prior period adjustment is found, then discuss it with the accountant in your agency that is responsible for ACFR journal vouchers. It is possible that they included the amount in an accrual journal voucher either in the exact amount or as a part of an estimated amount. If they included it in a ACFR journal voucher for the prior year then it is not a prior period adjustment.

If it is determined that there is a prior period adjustment, then proper coding is required for the related payment request, cash receipts, or journal vouchers. If the error was an understatement of an expenditure in a prior year and it is being recorded with a payment request, then record it to the proper object with the last two digits of 75. If an expenditure was overstated in a prior year and it is being recorded with a cash receipt, then record the cash receipt to revenue source 0684 or 0828 as appropriate for budget purposes. Then reclassify it with an FRJV1 journal voucher (debit 0684 or 0828 using posting code XR04, and credit the appropriate object with the last two digits of 75, posting code X024). If the prior period adjustment was an understatement of revenue in a prior year, then record the prior period adjustment to revenue source 0875. If revenue was overstated in a prior year and it is being recorded on a payment request then record it to 1695. Use professional judgment when errors are found in balance sheet accounts to determine if the error was expenditure or revenue related. Do not credit budgetary expenditures on a cash receipt unless the original payment request was in the same budget fiscal year. Do not debit a revenue source code on a payment request (increase to a payment request) unless the original receipt was in the same budget fiscal year.

8-8 GRANT ACCOUNTING

The following provides guidance on coding federal grants, refunds of grants disbursed from federal revenues, pass-through federal grants, and local grants:

A. FEDERAL GRANTS AND REIMBURSEMENTS

All federal revenues received directly from the federal government should be coded to the appropriate federal revenue code. Federal grants received on a reimbursement basis should be coded using revenue codes 0858 or 0859 as discussed below. Other federal grants received should be coded using revenue code 0838 or 0839 or 0840.

0838 Federal Capital Grants - Federal grants of financial resources or capital assets restricted to capital purposes for a specific program. Capital purposes means restricted to the purchase, construction, or renovation of capital assets associated with a specific program.

0839 Federal Operating Grants - Federal grants of financial resources which may be used in a specific program for either operating or capital expenditures or both at the discretion of the State.

0840 Federal Grants, Multipurpose – Rarely, if ever, used by an individual department receiving federal grants because most departments fit into one function of government. Multipurpose federal grants (those which finance more than one function of government) that do not specifically identify both the function and the amounts to be spent on each function. Multipurpose federal grants that identify both the function and the amounts should be coded to 0838 and 0839 according to the amounts identified in the grant award or grant application.

0858 Federal Capital Reimbursements - Federal reimbursements for amounts spent for capital purposes. Capital purposes means restricted to the purchase, construction, or renovation of capital assets associated with a specific program.

0859 Federal Operating Reimbursements - Federal reimbursements for amounts spent for the operation of specific programs.

Example: Department 001 Fund 0301 receives a federal grant in the amount of $1,000,000. It is determined that the grant is for operating purposes of one federal program. The cash receipt to record the federal revenue is as:

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0839 (or 0859)		1,000,000

The resulting accounting entry is as follows:

Dr	Cash	1,000,000	
Cr	Federal Revenue		1,000,000

B. FEDERAL PASS-THROUGH GRANTS

Revenues received by one state agency from another state agency as a pass-through grant from the federal government should be coded using the appropriate interfund procedures.

Example: Department 001 Fund 0301 receives federal funds and provides a grant to Department 002 Fund 0302. Department 001 should recognize federal revenue by coding the cash receipt as follows

PERIOD ___Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0839 (or 0859)		1,000,000

The resulting accounting entry is as follows:

Dr	Cash	1,000,000	
Cr	Federal Revenue		1,000,000

Department 001 Fund 0301 would disburse the funds to Department 002 Fund 0302 as a grant using the appropriate interfund procedures. Department 002 Fund 0302 should follow the proper interfund procedures to post the invoice to the ITI document as follows:

Seller Department = 002 Buyer Department = 001 Invoice Total: 1,000,000

Seller Invoice Information:

FUND	DEPT	RSRC
0302	002	0825

Department 002 Fund 0302 should recognize federal pass-through grant revenue to revenue code 0825 on the ITI document. Department 001's ITA document used to disburse the grant would be coded as follows:

PERIOD ___ Fiscal Year __ BUDGET FY ___

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001	1108		1,000,000

The resulting accounting entries are as follows:

Department 001 Fund 0301:

Dr	Grant Expenditures	1,000,000	
Cr	Cash		1,000,000

Department 002 Fund 0302:

Dr	Cash	1,000,000	
Cr	Federal Pass-through Grant		1,000,000

C. LOCAL GRANTS

Grants received from local cities and counties should be coded using revenue codes 0868 or 0869 or 0870.

0868 Local Government Capital Grants – Local government grants and contributions of financial resources or capital assets restricted to capital purposes for a specific program. Capital purposes means restricted to the purchase, construction, or renovation of capital assets associated with a specific program.

0869 Local Government Operating Grants – Local government grants and contributions of financial resources which may be used in a specific program for either operating or capital expenditures or both at the discretion of the State.

0870 Local Government Grants, Multipurpose – Rarely used as most departments fit into one function of government. Multipurpose local grants (those that finance more than one function of government) that do not specifically identify both the function and the amounts to be spent on each function. Multipurpose local grants that identify both the function and the amounts should be coded to 0868 and 0869 according to the amounts identified in the grant.

Example: Department 001 Fund 0301 receives a grant from the City of Montgomery. It is determined that the grant is for operating purposes of one federal program. The cash receipt to deposit the funds should be coded as follows:

PERIOD __ Fiscal Year __ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0869		1,000,000

The resulting accounting entry is as follows:

Dr	Cash	1,000,000	
Cr	Local Grant Revenue		1,000,000

D. REFUNDS OF EXPENDITURES MADE FROM FEDERAL GRANTS

The entries required for refunds of expenditures made from federal funds vary depending upon when the refunds are received and whether the grant period is still open. An object code can only be used for refunds if it is received from the same vendor that was originally paid by the State. If a refund is received from an entity other than the original vendor then a revenue source code must be used. The following provides guidance on coding refunds for each situation:

1. If an agency receives a refund related to federal grants in the same fiscal year the original disbursement was made and the grant period is still open, then the refund should be coded as a refund of disbursements.

   Example: Department 001 Fund 0301 disburses a grant (object 1123) in the amount of $1,000 in January 20X9 and receives a refund of the grant in August 20X9. The cash receipt to record the refund should be coded as follows:

   PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001	1123		1,000

   The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Grant Expenditures		1,000

2. If an agency disburses a grant related to federal funds during the first twelve months of the fiscal year, the grant period is still open, and the refund is received in the 13th accounting period, then one cash receipt should be completed. One accounting line of the cash receipt should be completed to accrue a receivable in the 13th accounting period offset with a reduction in expenditures. The second accounting line of the cash receipt is completed to deposit the funds into the current fiscal year offset with the receivable.

Example: Department 001 Fund 0301 disburses a grant (object 1123) related to federal funds in October 20X8 (FY 20X9) in the amount of $1,000. The grant is refunded back to the agency in October 20X9 and the grant period is still open. The first line of the cash receipt to accrue the receivable and reduce the expenditures in FY 20X9 is as follows (Note the receivable balance sheet account would depend on the type of entity the refund is due from):

PERIOD 13 Fiscal Year 20X9 BUDGET FY 20X9

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001		1200	1,000
0301	001	1123		1,000

The resulting accounting entry in FY 20X9 is as follows:

Dr	Accounts Receivable	1,000	
Cr	Grant Expenditures		1,000

The second line of the cash receipt to deposit the funds in FY 20X0 should be coded as follows:

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ/ REV	BS ACCT	AMOUNT
0301	001		1200	1,000

The resulting accounting entry in FY 20X0 is as follows:

Dr	Cash	1,000	
Cr	Accounts Receivable		1,000

3. If an agency disburses a grant in the 13th accounting period, the grant period is open, and the refund is received in the 13th accounting period, then a cash receipt coded to the 13th accounting period should be completed debiting vouchers payable adjustments and crediting expenditures. The deposit to the current fiscal year should be offset with a credit to vouchers payable adjustments.

   Example: Department 001 Fund 0301, disburses a grant from federal funds in the 20X8 13th accounting period. The grant is refunded back to Department 001 Fund 0301, while the 20X8 13th accounting period and the grant period are still open.

   The cash receipt to reduce vouchers payable and expenditures should be coded as follows:

   PERIOD 13 Fiscal Year 20X8 BUDGET FY 20X8

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001		2901	1,000
0301	001	1123		1,000

   The resulting accounting entry in FY 20X8 is as follows:

Dr	Vouchers Payable Adjustment	1,000	
Cr	Grant Expenditures		1,000

   The cash receipt to deposit the funds into FY 20X9 should be coded as follows:

   PERIOD __ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ/ REV	BS ACCT	AMOUNT
0301	001		2901	1,000

   The resulting accounting entry in FY 20X9 is as follows:

Dr	Cash	1,000	
Cr	Vouchers Payable Adjustments		1,000

4. If an agency receives a refund related to federal grants in a fiscal year subsequent to the fiscal year in which the original disbursement was made, the thirteenth accounting period for the year in which the original disbursement was made is closed, and the grant period is still open, then the refund should be deposited as a prior year refund of federal receipts, revenue source code 0828.

   Example: Department 001 Fund 0301, receives a refund of disbursements in the amount of $1,000 in fiscal year 20X9. The disbursement was made in fiscal year 20X8 and the 13th accounting period for the 20X8 fiscal year is closed. The grant period related to the original disbursement is still open. The cash receipt to record the deposit of the refund should be coded as follows:

   PERIOD __ Fiscal Year __ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0828		1,000

   The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Refund of Prior Year Federal Receipts		1,000

5. If an agency receives a refund related to federal grants in a fiscal year subsequent to the fiscal year in which the original disbursement was made, the thirteenth accounting period for the year in which the original disbursement was made is closed, the grant period is closed, and the agency is required to submit the refund to the federal government, then the refund should be deposited to liability account 2004, “Due to Other Governments.” The payment request to issue the refund to the federal government should also be coded to liability account 2004.

   Example – Department 001 Fund 0301 disburses a grant from federal funds in October 20X7 in the amount of $1,000. The grant is refunded back in January 20X9 and the grant period is closed.

   The cash receipt to deposit the refund should be coded as follows:

   PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ/ REV	BS ACCT	AMOUNT
0301	001		2004	1,000

   The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Due to Other Governments		1,000

   The payment voucher to refund the funds to the federal government is as follows:

   PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ/ REV	BS ACCT	AMOUNT
0301	001		2004	1,000

   The resulting accounting entry is as follows:

Dr	Due to Other Governments	1,000	
Cr	Vouchers Payable		1,000

6. If an agency receives a refund related to federal grants in the same fiscal year in which original disbursement was made, the grant period is closed and the agency is required to submit the refund to the federal government, then the refund should be deposited as a refund of disbursements. The payment request to issue the refund to the federal government should be coded as a reduction of federal revenue.

   Example – Department 001 Fund 0301, disbursed a grant related to federal funds in October 20X7 in the amount of $1,000. The grant is returned in July 20X8 (the same fiscal year as the disbursement) and the grant period is closed.

   The cash receipt to deposit the refunded grant should be coded as follows (assume the original disbursement was coded to object 1123):

   PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001	1123		1,000

   The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Grants Expenditures		1,000

   The payment request to refund the funds to the federal government should be coded as follows (assume the federal grant was deposited to revenue source 0839 when originally received):

   PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0839		1,000

   The resulting accounting entry is as follows:

Dr	Federal Revenues	1,000	
Cr	Vouchers Payable		1,000

7. In some instances, an agency will receive a refund related to federal grants and the grant period will be closed. The federal government will authorize additional expenditures under a current grant and reduce the future drawdown by the amount of the refund. The following describes how to code the refund:

a. If the refund is received in the same fiscal year the original disbursement was made, then the refund should be deposited as a refund of disbursements.

Example – Department 001 Fund 0300, disbursed a grant from federal funds in October 20X7 in the amount of $1,000. The grant is refunded back in January 20X8 (the same fiscal year as the original disbursement). The grant period is closed; however, the federal government authorizes additional expenditures. The cash receipt to deposit the refunded grant should be coded as follows (assume original disbursement was coded to object 1123):

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	OBJ	BS ACCT	AMOUNT
0301	001	1123		1,000

The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Grant Expenditures		1,000

b. If the refund is received in the 13th accounting period of the same fiscal year in which the disbursement was made, then one cash receipt should be completed. The first two accounting lines of the cash receipt should be coded to 13th accounting period to reduce federal revenues offset with a reduction in expenditures. The third accounting line of the cash receipt is coded to the current fiscal year and should be coded to federal revenue as described in 8-18(A) Federal Grants and Reimbursements.

Example- Department 001 Fund 0301 received federal funds in fiscal year 20X7 that were deposited to revenue source 0839. A grant was disbursed from the funds in fiscal year 20X7 in the amount of $1,000 that was coded to 1123. The grant was refunded in fiscal year 20X8 (the 13th accounting period for 20X7 is open) and the grant period is closed. The federal government authorized additional expenditures.

The first two lines of the cash receipt to eliminate the federal revenues and expenditures recognized in FY 20X7 should be coded as follows:

PERIOD 13 Fiscal Year 20X7 BUDGET FY 20X7

FUND	DEPT	OBJ	REV	BS ACCT	AMOUNT
0301	001	1123			1,000
0301	001		0839		1,000

The resulting accounting entry is as follows:

Dr	Federal Revenue	1,000	
Cr	Grant Expenditures		1,000

The third line of the cash receipt to record federal revenue in the current fiscal year should be coded as follows:

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0839		1,000

The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Federal Revenues		1,000

c. If the refund is received in a fiscal year subsequent to the fiscal year in which the disbursement was made and the 13th accounting period for the year in which the original disbursement was made is closed, then the refund should be coded to a revenue source as described in 8-18(A) Federal Grants and Reimbursements.

The cash receipt would be coded as follows:

PERIOD ___ Fiscal Year ___ BUDGET FY ___

FUND	DEPT	REV	BS ACCT	AMOUNT
0301	001	0839		1,000

The resulting accounting entry is as follows:

Dr	Cash	1,000	
Cr	Federal Revenues		1,000