

CHAPTER 7 EXPENSES

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7.1 OPERATING EXPENSES

1. *Effective Date*

This Policy is effective as of April 1, 2001.

2. *Policy Objective*

The objective of this policy is to outline the accounting treatment and financial statement presentation of operating expenses.

3. *Definitions*

A **contribution** is a transfer payment subject to performance conditions specified in a funding agreement. A contribution is to be accounted for and is subjects to audit.

A **disbursement** is an outlay of cash. Such disbursements may be in the form of cheques, warrants or through the electronic transfer of funds.

Expenditures are the cost of goods and services acquired in the accounting period whether or not payment has been made or invoices received and include transfer payments due where no value is received directly in return. The term expenditure refers to the **acquisition** of a good or service. Examples would include the payment of grants, contributions, the acquisition or construction of capital assets, and the acquisition of operating supplies etc.

Expenses are the cost of resources consumed in and identifiable with the operations of the accounting period. An expense refers to the **use** of the good or service acquired. Expenses include the costs associated with:

- the purchase of goods and services;
- government transfers;
- grants, contributions and donations (non-repayable); and
- the consumption of an asset e.g. amortization of a capital asset, consumption of inventory or prepaid expenses.

Expenses do not include:

- the acquisition or construction of a capital asset;
- the repayment of debt; and
- investments in other entities (both loans and capital injections)

Fair Value is an amount that would be agreed upon by informed parties dealing at arm's length in an open market.

A **grant** is a transfer payment subject to pre-established eligibility and other entitlement criteria. A grant is not subject to being accounted for by a recipient nor normally subject to audit by the department. The recipient may be required to report on results achieved.

Non-monetary transactions are exchanges of non-monetary assets, liabilities or services for other non-monetary assets, liabilities or services. A non-monetary transaction can also occur as part of a larger transaction containing both monetary and non-monetary considerations. Examples of assets and liabilities that might form part of a non-monetary transaction include, but are not limited to tangible assets such as real property, machinery and inventory; intangible assets such as rights or privileges; and liabilities such as the obligation to provide future services.

Operating Expenses are the cost of resources consumed by CSC in the process of achieving its mission and delivering its programs and services. Expenses include cash payments and the consumption of non-cash resources in the conduct of its operations.

Services without Charge are amounts paid by Other Government Departments (OGDs) and used in the delivery of CSC's programs and services. CSC will not receive a charge from the OGD for these amounts.

4. Scope

This policy applies to the accounting for operating expenses and to services provided without charge by OGDs.

5. Policy Statement and Requirements

It is Correctional Service Canada policy to:

- account for expenses in accordance with the accrual basis of accounting, as required under GAAP;
- record all expenses in the departmental financial system, IFMMS; and
- take appropriate action to properly record and account for all expenses in the period they are incurred.
- The accrual basis of accounting requires that all expenses incurred in a period are included when recording the costs of the period when goods or services are received, regardless of the timing of the actual payment.

Expenses will be included in the Statement of Operations and, where applicable, will be netted against revenues for the period.

The schedule of expenses will report the total of the operating and transfer payments. The operating section will be further broken down as follows:

- Personnel
- Operating and Maintenance
- Amortization
- Loss on disposal of capital assets
- Other

Compensation (Personnel) is a major component of a department's operating expense. Details of amounts to be included in CSC's books versus amounts recorded by Treasury Board are contained in a separate policy on salaries.

Non-cash charges resulting from the consumption of assets (amortization) are included in the cost of operation for the period during which they are consumed.

Services provided to CSC without charge, by Other Government Departments (OGDs), will not be included in the operating expenses of CSC. However, the nature and extent of such services will be disclosed in the Notes to the Financial Statements. Services provided without charge are:

- Accommodation provided by PWGSC,
- Employer share of contributions for employee insurance premiums and costs paid by Treasury Board,
- Workmen's compensation coverage provided by Human Resources Canada, and
- Legal services (includes salary and associated costs for legal services provided by the Department of Justice).

Non-monetary (bartering) transactions that take place between the CSC and other entities must be charged to CSC's appropriation as if they were monetary transactions when their fair value exceeds one hundred thousand dollars \$100,000.

For purposes of this policy, the one hundred thousand dollar (\$100,000) limit applies to: single transactions; the total fair value of a group of related transactions; and the present value of a series of related transactions which occur over a number of years.

6. Procedural Requirements

6.1 Operating Expenses

Accounting staff at each site will record operating expenses in IFMMS in the period in which the expenses for the goods or services are incurred.

The accounting entry to record the acquisition of goods and services is as follows:

Entry	CSC Coding							Amount	Government-Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Operating expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		XXXXX	XXXX	XXXX	E
CR .Accounts Payable	99999	999	99999	DAP	99999	1	1		21111	R300	0000	E

6.2 Inventories

Inventories in CSC are currently considered immaterial in relation to the total operating expenses. Therefore all inventories will be expensed as purchased until such a time as they are deemed material. For example, all purchases of institution supplies, clothing, fuels, rations, etc. will be expensed in the same manner as any other operating expense of the department (as described in section 6.1 of this policy).

6.3 Services provided without charge

Accounting staff at each site will maintain appropriate accounting records, describing the nature, extent and value of the services received, to permit the accurate and timely reporting of all major services provided to CSC without charge.

6.4 Reporting and Monitoring

A complete audit trail must be provided to permit the tracing of all transactions related to the recording and recognition of expenses.

NHQ Corporate accounting will detail the reporting requirements for services without charges in the annual year-end instructions.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Not applicable

7.2 Statement of Operations

The total of all revenues and the related expenses will be reported on the Statement of Operations by business line with details of the expenses included in a schedule to the financial statements.

7.3 Notes

The nature and extent of services provided without charge will be disclosed in the Notes to Financial Statements. In accordance with Note 2, TBAS 1.2, "Summary of Significant Accounting Policies".

Expenses of an extraordinary nature that meet the criteria defined under Section 3480 of the CICA Handbook, "Extraordinary Items", will be separately disclosed with explanations included in the Notes to Financial Statements.

7.4 Schedules

Operating expenses will be disclosed by category in the Schedule of Operating Expenses.

Schedule 10 - Expenses will disclose both Operating Expenses and Transfer by category.

The categories included under operating expenses are as follows:

- Personnel
- Operating and Maintenance
- Amortization
- Loss on disposal of Capital Assets
- Other.

8. References

Financial Information Strategy (FIS) Accounting Manual; Government Accounting Policy Division, Treasury Board Secretariat of Canada

Financial Administration Act

CICA Handbook Section 3000 Cash

CICA Handbook Section 3480 Extraordinary Items

Treasury Board Accounting Standard 1.2

Public Service Accounting and Auditing Handbook Sections PS 1500, PS 3410

The instructions on preparation of plans and reports provided to the department by Treasury Board for the Main Estimates process - re: services without charge

Treasury Board of Canada, Secretariat TBM-Comptrollership Volume

Chapter 5-13 Policy on Accounting for Non-Monetary Transactions

| Policy on Transfer Payments (TBS)

7.2 TRANSFER PAYMENTS

1. *Effective Date*

This Policy is effective as of April 1, 2001.

2. *Policy Objective*

The objective of this policy is to outline the accounting treatment and financial statement presentation of transfer payments, grants and contributions and to ensure a consistent application of this policy.

3. *Definitions*

An **advance** is a payment, made under the terms of an agreement that is made before the performance of that part of the agreement for which the payment is being made.

A **contribution** is a transfer payment subject to performance conditions specified in a funding agreement. A contribution is to be accounted for and is subject to audit.

A **contingent recovery** occurs when the recipient of a contribution does not meet some or all of the conditions of the contribution.

An **entitlement** is a transfer that CSC must make if the recipient meets specified eligibility criteria of a grant or contribution program.

A **grant** is a transfer payment subject to pre-established eligibility and other entitlement criteria. A grant is not subject to being accounted for by a recipient nor normally subject to audit by the department. The recipient may be required to report on results achieved.

A **transfer payments** is a monetary payment, or transfer of goods, services or assets made, on the basis of an appropriation, to a third party, including a Crown corporation, that does not result in the acquisition by the Government of Canada of any goods, services or assets. Transfer payments are categorized as grants, contributions or other transfer payments. Transfer payments do not include investments, loans or loan guarantees.

4. *Scope*

This policy applies to all transfer payments including grants, contributions and advance transfer payments.

5. Policy Statement and Requirement

It is CSC policy to account for transfer payments, grants and contributions in accordance with the accrual basis of accounting.

Transfer payments, grants or contributions will be accounted for in the period in which the events giving rise to the transfer payments, grants or contributions have occurred.

Payment of a grant will be accounted for as an expense at the time the payment is authorized.

Payment of a contribution, which does not require repayment, will be recognized as an expense when the payment is made.

Advance transfer payments will be accounted for as a financial asset at the time the payment is made.

6. Procedural Requirements

All grants and contributions issued by CSC must be in accordance with the terms and conditions for CSC grant and contribution programs approved by Treasury Board.

In the event that the terms and conditions of a contributions have not been met or the eligibility criteria as represented for a grant no longer exists, then amounts may be repayable to CSC. Should Managers or Finance Officers determine that amounts are repayable, they should contact the Head of Corporate Accounting at NHQ to determine the proper accounting treatment.

Timely accounting must be obtained from recipients to properly control advance payments, When advances are issued, they will be recorded to an advance line object. An advance should be accounted for with recipient documentation before any further advances are issued. When advances are accounted for, the amounts will be transferred from advances to the applicable expense coding.

Grants and contributions (other than unconditional repayable contributions) will be accounted for as expenses when payment is made.

Following is a sample accounting entry:

	CSC Coding		Receiver General Coding
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7.2 TRANSFER PAYMENTS

Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
Dr. Grants - Universities	12004	XXX	XXXXX	405	10108	1	1	10,000	51321	B120	2411	E
Cr Accounts Payable	XXXXX	XXX	XXXXX	DAP	99999	1	1	10,000	21111	R300	6299	E

6.1 *Monitoring and reporting*

The National Contribution Committee will review all national and NHQ transfer agreements prior to CSC approval.

Regional Contribution Committees will review all regional transfer agreements prior to CSC approval.

Responsibility Centre Managers and Regional Finance Officers will monitor all transfer payments for compliance with terms and conditions and produce reports confirming account activity when requested. Where a contribution is paid on the basis of achievement of performance objectives or reimbursement of expenditures, the recipient will provide, to the activity centre manager, an accounting statement and statement of progress against the achievement objectives, both financial and non-financial, at the time of claim for payment.

Corporate Accounting is responsible for compiling information to respond to requests for information on transfer payments, including the reporting required for the public accounts.

7. *Financial Statement Presentation and Disclosure*

Financial Statements should disclose a clear and concise description of accounting policies regarding government transfer payments.

7.1 *Statement of Financial Position*

Advance Transfer Payments and any repayable grants or contributions will be reported in the assets section of the Statement of Financial Position at the value expected to be realized.

7.2 *Statement of Operations*

Transfer Payments, Grants and Contributions will be reported in the Statement of Operations as they present expenses of CSC for the fiscal year.

7.3 Notes

When the existence of a contingent recovery which has not been accrued, is disclosed in a note to the financial statements, the following information should be included:

- The nature of the contingency; and
- an estimate of the amount of the contingent recovery or a statement that such an estimate cannot be made.

7.4 Schedules

Schedule 2 - Loans, Investments and Advances (Net of allowances), Schedule 10 - Expenses and Schedule 11 - Commitments, must be prepared showing transfer payments and loans related to transfer payments.

8. References

Financial Administration Act, section 9(1)

TBS Accounting Standards 1.1

TBS Accounting Standards 1.3

TBS Accounting Standards 3.2 - Transfers (Grants and Contributions)

Treasury Board Secretariat - Policy on Transfer Payments

Grants and Contributions Vote - Main Estimates, Part II

PSA Handbook, section 3410 - Government Transfers

CSC Terms and Conditions - Program Contribution - TB 824962

CSC Terms and Conditions - Payments to Aboriginal Communities for the Delivery of Correctional Programs and Services Via Contributions or Grants

Public Accounts Plate II-9, Plate II-9a and Form C

CSC Terms and Conditions – Grant with the University of Saskatchewan

| Policy on Transfer Payments (TBS)

7.3 SALARIES

1. *Policy Objective*

The objective of this policy is to outline the accounting treatment and financial statement presentation of salary and other related benefits.

2. *Effective Date*

This policy is effective as of April 1, 2001.

3. *Definitions*

Accrual at month end is a process by which an accounting entry is done to properly reflect the expenses in the period in which the services were acquired and a liability incurred.

A **payroll expense** represents the costs of an employee having worked and/or being entitled to a benefit.

A **payroll liability** is a financial obligation of the department to pay salaries or other benefits earned that remain unpaid at the end of the accounting period.

Overtime is hours worked that is additional to the normal hours worked.

An **unused annual leave** is a vacation leave that an employee is authorized to carry forward in the next fiscal year.

Leave with income averaging is an arrangement that enables employees to reduce the number of weeks worked in a specific 12-month period by taking leave without pay for a period of between 5 weeks and 3 months. Although pay for participating employees would be reduced and averaged out over the year to reflect the reduced time at work, pension and benefit coverage, as well as premiums or contributions, would continue at pre-arrangement levels. Under this policy, employees are responsible for their share of premiums or contributions because pension and benefits coverage will continue at pre-arrangement levels.

Leave without pay refers to a period of leave in which the employee is not paid. The leave must be authorized in accordance with the relevant authority, that is, the collective agreement or the appropriate terms and conditions of employment.

Self-funded leave is an arrangement that allows indeterminate employees to defer up to 33 1/3 per cent of their gross salary or wages in order to fund a period of absence from their work of between 6 and 12 consecutive months. The

deferred salary or wages are exempt from taxation until the funds are released to the employee. The employee must request this leave in advance and at that time arrange to have money deposited in a trust account that will provide income during the leave.

4. Scope

This policy applies to salaries and benefits payable to or recoverable from Correctional Services Canada (CSC) for employees, including employees who are seconded or on loan to/from other government departments or organizations, indeterminate full-time, part-time, casual, term and students. This policy does not address Inmate Pay.

5. Policy Statement and Requirements

It is CSC policy to account for salary and other related benefits in accordance with Generally Accepted Accounting Principles (GAAP), that is, salary expenses will be recognized in the period in which the economic event occurs.

It is CSC policy to record regular salary and overtime accruals on a monthly basis for material amounts and to record accruals for other related benefits on an annual basis.

Generally an amount will be considered material on a monthly basis if the amount exceeds \$100,000 and material at year-end if the amount exceeds \$5,000. In addition other qualitative factors will be considered in the determination of materiality such as the significance of the item and the impact on decisions.

6. Procedural Requirements

The components of salary and other related benefits include:

- Regular pay (basic salary)
- Basic pay
- Acting pay
- Bilingual bonus
- Statutory Holiday Allowances (shift Allowance/premium, isolated post, maternity, education, commuting)
- Penological Factor Allowance (PFA)
- Seconded employee pay
- Unused annual leave (unused vacation)
- Overtime
- Compensatory leave
- Retroactive salary
- Other employment benefits
- Termination benefits (severance pay)
- Unpaid payroll deductions
- Employer's share of employee benefits

For a listing of all entitlement codes and the corresponding line object to which they are linked see the [CSC Financial coding Manual](#).

All salary costs are generally coded to allotment 210 - Salaries, with the exception of EBP that is coded to allotment 235 – Employee Benefits Plan. When salaries are incurred for work in process and or capital assets allotments 241, and 5XX will be used.

6.1 Regular Pay Processing

Managers are responsible for initiating all staffing requests.

Pay and Benefits Advisors are responsible for the ongoing processing of pay and the related section 34 of the FAA, including the following account verification procedures:

- ensuring that all requests for pay are authorized by an officer with appropriate expenditure initiation authority (i.e. commitment authority under Section 32 of the FAA;
- the computation of the pay is arithmetically correct;
- inadmissible extras have not been added;
- the pay, or part of it, has not been paid previously;
- the payee is entitled to or eligible for the payment;
- relevant contract or agreement terms and conditions have been met; and
- the transaction is accurate and the financial coding has been provided

Finance staff should review all staffing actions to ensure coding is correct and financial forecasts are accurate. Finance Officers responsible for section 33 of the FAA should ensure the following procedures are performed:

- verifying that the payment coding is correct, especially for all actions to initiate pay, i.e. Taken on Strengths (TOS);
- the payment is for the purposes of CSC's appropriation as voted by Parliament;
- the payment will not reduce the balance available in the appropriation so that it would not be sufficient to meet the commitments charged against it;
- the payment will not result in an expenditure in excess of CSC's appropriation;
- all the information on the cheque requisition (payment voucher) is accurate;
- verifying that the payment has been authorized by an Officer with section 34 of the FAA; and
- performing test verifications of supporting documentation.

6.2 Regular Pay Monthly Accruals

Regular pay will be accrued monthly and is an automatic calculation performed and recorded in IFMMS. Regular pay items include pay entitlements such as basic pay, acting pay, bilingual bonuses, allowances and other pay items.

As the payroll cycle (e.g. bi-weekly basic pay) rarely coincides with the accounting period-end date, CSC will accrue both the salary expense and the liability from the date of the last pay period to the last day of the month. This accrual will be reversed the following month.

The amount of the accrual will be the number of working days from the end of the previous pay period to the month end, multiplied by the average basic daily salary from the previous pay period.

NHQ Corporate Accounting is responsible for monitoring automatic salary accruals to ensure that are recorded at month end and reversed in the following month.

NHQ Corporate Accounting in consultation with NHQ Financial Management will review all departmental pay entitlements to determine whether the pay entitlements should be included in the monthly accruals. The pay entitlements currently accrued monthly are:

Entitlement 1	Basic Pay
Entitlement 2	Acting Pay
Entitlement 5	Assistant Principal's allowance
Entitlement 6	Offender Supervision Allowance
Entitlement 7	Bilingual differential
Entitlement 14	Department Head / Dean's allowance
Entitlement 21	Farm manager's allowance
Entitlement 26	Isolated post allowance
Entitlement 27	Dual remuneration
Entitlement 41	Payment for month of death
Entitlement 42	Penological factor allowance
Entitlement 44	Principal's Allowance
Entitlement 62	Specialist's Allowance
Entitlement 63	Education Allowance
Entitlement 70	Supervisory Allowance
Entitlement 74	Vocational training instructor allowance
Entitlement 77	Educational leave allowance
Entitlement 80	Inmate's training differential
Entitlement 83	Pay supplement (7%) for translation group
Entitlement 95	Dog handler's allowance
Entitlement 101	Living cost differential
Entitlement 102	Fuel and utilities differential
Entitlement 130	Commuting assistance
Entitlement 135	Learning allowance - students
Entitlement 141	Bilingual bonus (\$800)
Entitlement 142	Commuting allowance
Entitlement 144	Equalization adjustment allowance

Entitlement 148	Maternity and Paternal allowance
Entitlement 149	Responsibility allowance
Entitlement 152	Safety footwear allowance
Entitlement 229	Terminable allowance
Entitlement 232	Dual remuneration - non-superannuable
Entitlement 238	Acting Premium
Entitlement 297	Environment allowance
Entitlement 301	Leave without pay
Entitlement 302	Fixed hours not worked
Entitlement 383	On-going leave without pay
Entitlement 406	Generated overpayments
Entitlement 566	Recovery overpayment - current year
Entitlement 955	Vacation advance recovery

The source of information for calculating accruals is the last regular pay detailed expenditure file for the month, for all line objects. This file is sent to Corporate Accounting electronically from the Regional Pay System (RPS) and is entitled "DFMS Expenditure Extract File".

The timing of the accrual is 3 days after month-end (e.g. May), following the processing of the last regular pay detailed expenditure file for the month (e.g. April). The accruals will be reversed at the beginning of the next month.

The calculation of the accrual amount is as follows:

- Determine the amount of the prior pay.
- Divide by the number of days in the pay period (10) to determine the daily pay. - **A**
- Determine the number of working days between the end of the last pay and the last day of the month. - **B** -
- Multiply **A X B = accrual**.

The salary accrual entry is done monthly, automatically by IFMMS, and reversed automatically on the first working day of the following month.

Accounting Entry:

To set up the monthly accrual:

7.3 SALARIES

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Salary expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		51311	B120	XXXX	E
CR Accrued salaries & benefits	99999	999	99999	DPY	PAY05	1	1		21112	R300	6299	E

The accruals will be generated using the same coding as the originating pay expenditure upon which they are based. They will be summarized at the financial coding block level (i.e. expenses for ten employees all charged to the same coding would require only one accrual line of coding).

6.3 *Transferred, Loaned or Seconded Employees*

When an employee is seconded to another organization, the employee generally remains on the payroll of the home department. Therefore, an account receivable and a reduction of the salary expense is created for the employee's home department, and a liability (accounts payable) and salary expense is created for the department the employee is seconded to.

Finance Officers should ensure that actual invoicing or receipt of accounts payable is done on a periodic basis and will usually coincide with the completion of the assignment. If the assignment spans two fiscal years, then invoicing should be done quarterly and at year-end. Invoices and accounts payable will be recorded using the processes described in the accounts receivable and accounts payable policies.

In order to accurately reflect the salary expenses, finance officers at sites should ensure that accruals for material amounts are made on a monthly basis if the accounts receivable / accounts payable have not been recorded in IFMMS.

- For **secondments out**, an accrual to establish an account receivable and a reduction in salary expense should be made on a monthly basis for material amounts. The accrual will be based on the monthly pay of the employee(s) seconded out, i.e. average daily pay for the employee times the number of days the employee was seconded out during the month. The accrued accounts receivable will be maintained until the invoice is issued, at that time the accrual will be reversed and the invoice recorded. The credit side of the entry will be to the applicable salary expense line of coding. The entry to set up the accrual for the secondments **out** is:

7.3 SALARIES

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Accrued Receivables - OGD (RAYE)	XXXXX	XXX	XXXXX	698	88XXX	1	1		11241	R300	5399	I
DR Accrued Receivables - External (RAYE)	XXXXX	XXX	XXXXX	697	89XXX	1	1		11225	R300	5399	E
DR Accrued Receivables - CORCAN (RAYE)	XXX	XXX	XXXXX	696	87XXX	1	1		21612	R300	5399	I
CR Salary expense	XXXXX	XXX	XXXXX	XXX	011XX	1	1		51311	B120	XXXX	E or I

- For **secondments in**, an accrual to establish an accrued account payable and a salary expense should be made on a monthly basis for material amounts. The accrual will be based on the monthly pay of the employee(s) seconded in, i.e. average daily pay for the employee times the number of days the employee was seconded in during the month. The accrued account payable will be eliminated when the accounts payable invoice has been issued to the other department and recorded in IFMMS. The entry to set up the accrual for the secondments **in** is as follows:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Salary expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		51311	B120	0101	I or E
CR Accrued Salaries and Wages (PAYE) External	XXXXX	XXX	XXXXX	690	84720 (O&M) 84750 (Capital)	1	1		21112	R300	6299	E
CR Accrued Salaries and Wages (PAYE) OGD	XXXXX	XXX	XXXXX	691	86720 (O&M) 86750 (Capital)	1	1		21112	R300	6299	I
CR Accrued Salaries and Wages (PAYE) CORCAN	XXXXX	XXX	XXXXX	692	85720 (O&M) 85750 (Capital)	1	1		21112	R300	6299	I

6.4 Unpaid Annual Leave (vacation leave)

As per terms of various collective agreements in the Public Service, employees earn vacation leave during their years of service with the federal government. Leave is earned uniformly during the year but is usually drawn down in certain periods.

The amount of accumulated and unused days of annual leave is a liability and will be accrued annually, recording an expense and a liability. The accrual will be adjusted annually to reflect the liability as at March 31 of each fiscal year with a corresponding increase or decrease to the salary expenses for the year.

Human Resources at each site are responsible to ensure that accurate and up to date records of accumulated annual leave for each employee are maintained.

NHQ Human Resources will provide NHQ Corporate Accounting with a listing of all unpaid annual leave as at March 31, the dollar value and the applicable coding. To calculate the accrual, the number of leave days per employee will be multiplied by the employee's daily salary.

NHQ Corporate Accounting will ensure that an adjusting entry is processed in IFMMS prior to the close of the books for the year to record the expense and liability.

To set up the accrual:

	CSC Coding								Government Wide Coding			
Entry	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept	Amount	FRA	Auth.	Object	Internal/ External
DR Accrued vacation pay expense	XXXXX	XXX	XXXXX	225	13101	1	1		51311	F121	0104	E
CR Allowance for vacation pay	XXXXX	XXX	XXXXX	693	84300	1	1		21411	F411	6299	E

Note that the accrued vacation pay expense is mapped to Economic Object F121. This means that the expense will not be charged to our appropriation. During the year, when the employee takes the unused vacation by cash out or actual taking of the leave, the salary is recorded as a regular salary expense and charged to the appropriation at that time.

6.5 Overtime

Managers are responsible for ensuring that all overtime reports are submitted to Human Resources on a timely basis.

Finance officers at sites should ensure that overtime expense accruals for material amounts are made on a monthly basis if the overtime has not been paid and recorded in IFMMS.

Amounts accrued should remain as an accrual until they have been recorded in IFMMS. When amounts have been paid and recorded in IFMMS, they will be charged to overtime expense at that time.

In calculating the monthly accruals, reasonable best estimates based on previous usage will be sufficient.

At year-end, the overtime accruals should be based on actual overtime hours and rates of pay. To set up the accrual:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Overtime expense	XXXXX	XXX	XXXXX	210	012XX	1	1		51311	B120	0105	E
CR Accrued salaries & wages payable	XXXXX	XXX	XXXXX	690	84720 (O&M) 84750 (Capital)	1	1		21112	R300	6299	E

6.6 Compensatory Leave

Some collective agreements permit employees to carry unused compensatory leave (overtime to be taken as time in lieu) beyond March 31. The amount of accumulated days of earned but unpaid at the end of the year, is a liability and will be accrued annually, recording both an expense and a liability.

Finance Officers at each site will be responsible to obtain information on unused compensatory leave, i.e. number of days and rates of pay, from Human Resources and record the required accrual prior to the close of the books for the year. The liability will be adjusted to the required balance at the end of each fiscal year.

To calculate the accrual, the number of compensatory leave days per employee will be multiplied by the employee's daily salary. The amounts for all employees will be totalled, with the result being the amount of the accrual. To set up the accrual:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Accrued compensatory time expense.	XXXXX	XXX	XXXXX	225	13100	1	1		51311	F125	0105	E
CR Allowance for compensatory time.	XXXXX	XXX	XXXXX	693	84400	1	1		21113	F419	6299	E

6.7 Severance Pay and Termination Benefits

CSC may provide benefits to employees when their employment is terminated. These benefits may be either contractual termination benefits required by collective agreements, or special termination benefits such as those provided under a program such as Work Force Adjustment.

CSC Human Resources will provide information to Corporate Accounting annually, in the form and to the extent requested, to enable Corporate Accounting to adjust the allowance for termination benefits.

6.8 *Unpaid Payroll Deductions*

When CSC has made deductions at source at year-end and not remitted them to the various agencies, a liability will exist for CSC. Until further advised by TB, these amounts will not appear as a liability in CSC records, i.e. IFMMS.

With the exception of some manually processed garnishments, all payroll deductions at source will be accounted for by PWGSC.

6.9 *Garnishments*

This section outlines the procedures and responsibilities for the payment and monitoring of the salary garnishment process.

NHQ Corporate Accounting:

- Once the RPS file has been uploaded in IFMMS (via SMS) by the financial management group, the “RPS - Garnisheed Salaries Suspense Report” is generated. Then, email notification is sent to the regions and NHQ Accounting Services that the reports are now available online.
- Monitors the reconciliation of the Garnishment Salaries Suspense Account and follows-up with regions on identified discrepancies.

Regions and NHQ Accounting Services:

- Produce the “RPS - Garnisheed Salaries Suspense Report” and distribute to applicable sites (DAOs) for payment action;
- Upon reception of a payment voucher from the Compensation sector, initiate payments to the Courts or other authorized payees (if this is a recurring payment the original payment voucher is to be used every time);
- Process the payment using terms of "Immediate" (RG cheque use is mandatory). The payment on due date policy is not applicable;
- Ensure that all payments in the “RPS - Garnisheed Salaries Suspense Report” have been issued;
- Reconcile the Garnishment Salaries Suspense Account (800.46001) monthly;
- When a salary cheque is required to be cancelled for garnishment purposes, send it to the Cheque Redemption Control Directorate (CRDC) for cancellation accompanied by Form PWGSC 5497 “[Salary Garnishment Cheque Cancellation](#)”, duly completed;

6.9.1 Regular processing of garnishments

Every two weeks, a pay file is received from RPS (Regional Pay System) containing the garnishments for the regular pay period. When the file is received, the following entry is recorded in IFMMS:

7.3 SALARIES

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Salary expense	XXXXX	XXX	XXXXX	210	01XXX	1	1		51311	B120	01XX	E
CR. Suspense Account - Garnishment	XXXXX	000	00000	800	46001	1	1		21613	R300	6299	E

The following responsibility centers will be used for the regions:

Region	Responsibility Centers
NHQ	10099
ATL	20100
QUE	30100
ONT	40100, 41600, 42100, 44100, 44300, 45000, 46000, 46500, 47000
PRA	50100, 50200, 50400, 51000, 51100, 52000, 52100, 52300, 52400, 53000, 53200, 53500, 53700, 53800, 53900, 54000, 55100, 57100
PAC	80100

Once the file is loaded in IFMMS, NHQ Corporate Accounting will notify regions that the report "RPS - Garnisheed Salaries Suspense Report" from responsibility "Garnisheed Salaries Report" can be produced in order to identify garnishments that occurred in that pay period.

Regions are then responsible to make the payment to the appropriate entity for the amount of the garnishment. The payment shall be made from the Accounts payable module, using the **responsibility centres** identified above:

7.3 SALARIES

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Suspense Account - Garnishment	XXXXX	000	00000	800	46001	1	1		21613	R300	6299	E
CR. Accounts payable	99999	999	99999	DAP	99999	1	1		21611	R300	6299	E

Note that the credit side of this entry will be done automatically by IFMMS when the payment will be processed in the AP module by the regions.

6.9.2 Salary Garnishment Cheque Cancellation Procedures

In instances where a supplementary cheque is issued to an employee subject to garnishment, the compensation advisor may request for a supplementary cheque to be cancelled in order to garnish it. Finance will then request a cheque cancellation to the Cheque Redemption Control Directorate (CRCD) for cancellation accompanied by Form PWGSC 5497, "[Salary Garnishment Cheque Cancellation](#)", duly completed.

The address of the CRCD is:

Cheque Redemption Control Directorate
 Government Operational Service
 Public Works and Government Services Canada
 P.O. Box 1000
 Matane, Québec G4W 4N3

Telephone numbers:
 Issue Control Group: (418) 566-7229
 Inquiries Group: (418) 566-8034
 Facsimile: (418) 562-2407

When NHQ receives confirmation information from CRCD, it forwards this information to the Regions. As the confirmation information is received by the Regions, they would make the following entry in IFMMS using the "Garnishment – Salary" journal category:

7.3 SALARIES

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Payment Control Account	99999	999	99999	C61	CE997	1	1	200.00	61053	0000	0000	E
CR. Suspense Account - Garnishment	XXXXX	000	00000	800	46001	1	1	200.00	21613	R300	6299	E

Refer to the Garnisheed Salaries Suspense Report to obtain the employee's Payment Reference Number.

6.9.2.1 Garnishment - Cheque Issuance Procedures after cancellation of cheque

Once the cheque is cancelled, two payments must be issued from IFMMS; one to the employee and the other to the Court or other authorized payee (payee of the garnishment).

In order to facilitate the reconciliation of the garnisheed salaries, the Payment Reference Number of the employee must be used as the invoice number during the payment process. This number is available on the "RPS - Garnisheed Salaries Suspense Report".

Cheque to the employee:

Since the employee would have received the cheque immediately if it were not for the garnishment, DBAs are an acceptable method of paying the employee. However, no DBA cheques in excess of \$5,000 shall be issued without the approval of the Treasury Board.

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Suspense Account - Garnishment	XXXXX	000	00000	800	46001	1	1	150.00	21613	R300	6299	E
CR Accounts payable	99999	999	99999	DAP	99999	1	1	150.00	21111	R300	6299	E

7.3 SALARIES

Note that the credit side of this entry will be done automatically by IFMMS when the payment will be processed in the AP module by the regions.

Cheque to the Court or other authorized payee:

The cheque to the Court or other authorized payee must be issued using the AP module in order to generate a Receiver General cheque.

Please ensure that the name of the employee and his/her file number are reflected in the invoice description in order to facilitate the identification of the employee by the payee.

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Suspense Account - Garnishment	XXXXX	000	00000	800	46001	1	1	50.00	21613	R300	6299	E
CR Payment Control Account	99999	999	99999	DAP	99999	1	1	50.00	21111	R300	6299	E

Note that the credit side of this entry will be done automatically by IFMMS when the payment will be processed in the AP module by the regions.

6.10 Union Dues

As a result of the Public Service Staff Relations Board decision of April 26, 2004, the bargaining agent for the new position must receive payment in full for all outstanding arrears owing within thirty (30) calendar days of discovering that arrears are owed to that bargaining agent.

Approval from the former bargaining agents to refund over-deducted employee union dues is not necessary except when dealing: (1) with any PSAC cases, or (2) cases with ACFO that have been outstanding for 6 months or more.

The following three examples illustrate the possible scenarios dealing with the reimbursement of union dues via salary garnishment.

- 6.10.1 Full refund guaranteed from the former bargaining agent –approval not required.
- 6.10.2 Amount of refund unknown from the former bargaining agent – employee was under-deducted
- 6.10.3 Amount of refund unknown from the former bargaining agent – employee was over-deducted

6.10.1 Treatment of Union Dues for all Bargaining Agents, Approval not required.

Please see Section 6.10.2 for the procedures to follow when dealing with any PSAC cases or cases with ACFO that have been outstanding for greater than 6 months.

An FI-01 (ACFO) is deployed to a PG-02 (PIPSC). ACFO union dues are \$35/month and PIPSC union dues are \$47/month. After the deployment, the employee continued paying union dues for 5 months to ACFO. Consequently, CSC must now pay PIPSC 5 months of union dues on behalf of the employee (5 months * \$47 = \$235).

The Compensation Officer requests a refund from ACFO via PWGSC (5 months * \$35 = \$175). The employee will receive a \$175 cheque via the pay system. Because it covers a period of less than 6 months, the reimbursement is automatic and no approval from ACFO is required. Please note that obtaining the refund from PWGSC does not require any intervention from Finance.

Next, the Compensation Officer will then take the appropriate actions to recover the amount of \$235 from the employee's salary via the PWGSC pay system.

Payment to the bargaining agent for recoverable amounts:

As previously mentioned, CSC must pay all arrears to the new bargaining agent; therefore, the amount of \$235 will be paid to PIPSC via the departmental finance office. It is the responsibility of the Compensation Officer to prepare the requisition for payment to PIPSC, which is to include: the department, branch, date of requisition, name and address of Payee, amount, cheque stub information, employee PRI and name, and the financial coding. Furthermore, the Compensation Officer will identify the upcoming recovery from the employee's salary, the start and end date of the recovery, and the amount that will be recovered per pay period.

The Finance Technician will create a JV in IFMMS to initiate the payment to the PIPSC in the A/P Module:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Suspense Account	XXXXX	XXX	XXXXX	660	43000	1	1	235	21611	R300	6299	E
CR A/P	99999	999	99999	DAP	99999	1	1	235	21111	R300	6299	E

Recovery of union dues from the employee

To recover the union dues from the employee, the Compensation Officer will take the appropriate actions to recover the amount of \$235 from the employee's salary. The recovery will be done via the PWGSC pay system using the entitlement code 540. This transaction will create a credit entry against one of the following regional responsibility centres (default setting is based on the pay office): 10099 (NHQ), 20100 (Atl), 30100 (Qc), 40100 (Ont), 50100 (Pra), 80100 (Pac).

The following entry occurs during the regular pay process and does not require Finance intervention. For this example, it is assumed that the Compensation Officer decided to recover the \$235 by garnishing \$23.50 per pay period from the employee.

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Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Salary	XXXXX	XXX	XXXXX	210	01XXX	1	1	1,000.00	51311	B120	01XX	E
CR Claims for the Crown	XXXXX	000	00000	160	14600	1	1	23.50	42719	D349	4593	E
CR PSGL	99999	999	99999	C63	PAY14	1	1	976.50	63053	0000	0000	E

The Finance Technician, on a monthly basis, will run the "Salary Recovery - Suspense Account" report to identify the recoveries which have taken place and initiate the following JV to record the recoveries in IFMMS. For this example, we have assumed that two pay periods occurred during the month in question, therefore \$47 (\$23.50 * 2 pay periods) was recovered.

IMPORTANT: In order to facilitate the reconciliation process, the 5 first digits of the PRI must be inputted in the description field.

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Claims for the Crown	XXXXX	000	00000	160	14600	1	1	47	42719	D349	4593	E
CR Suspense Account	XXXXX	XXX	XXXXX	660	43000	1	1	47	21611	R300	6299	E

6.10.2 Amount of refund unknown from the former bargaining agent – Employee was under-deducted

An FI-01 (ACFO) is deployed to a PG-02 (PIPSC). ACFO union dues are \$35/month and PIPSC union dues are \$47/month.

After the deployment, the employee continued paying union dues for 7 months to ACFO. Consequently, CSC must now pay PIPSC 7 months of union dues on behalf of the employee (7 months * \$47 = \$329).

Because the former bargaining agent is ACFO and the arrear period is greater than 6 months, approval for the refund must be obtained from ACFO. Therefore, the Compensation Advisor requests a refund from ACFO for \$245 (7 months *

\$35). When approval is obtained, ACFO will refund the employee directly and no intervention from Finance will be required.

Payment to the new bargaining agent when the amount to be recovered from the former bargaining agent has not been approved:

Since the Compensation Advisor does not know what portion of the union dues are recoverable, it must be assumed that the entire amount is non-recoverable and the payment is to be coded to the Other Claims line object. Since Human Resources is responsible for the over-deduction of union dues that the bargaining agent may refuse to refund, the correct coding to be used must be a Human Resources responsibility centre and a cost centre.

As previously mentioned, CSC must pay all arrears to the new bargaining agent; therefore, the amount of \$329 will be paid to PIPSC via the departmental finance office. It is the responsibility of the Compensation Officer to prepare the requisition for payment to PIPSC, which is to include: the department, branch, date of requisition, name and address of Payee, amount, cheque stub information, employee PRI and name, and the financial coding.

The Finance Technician will initiate the payment to PIPSC in the A/P Module:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Other Claims	XXXXX	XXX	XXXXX	240	12502	1	1	329	51321	B120	3251	E
CR A/P	99999	999	99999	DAP	99999	1	1	329	21112	R300	6299	E

Recovery of union dues from the employee

The following process is only to be completed after CSC has obtained AFCA's approval for the union dues to be refunded. In this example, we assume that ACFO only agrees to refund the employee an amount of \$100. Therefore, CSC (HR) will be responsible for the \$145 (\$245-\$100) of the union dues paid to ACFO that they will not refund.

The amount to be recovered from the employee would be calculated as follows:

Arrears owed to PIPSC	\$329
Less: amount owed to employee but not refunded by ACFO	<u>-\$145</u>
Amount to be recovered from employee's salary	\$184

The Compensation Advisor then will recover the amount of \$184 from the employee's salary via the PWGSC pay system using entitlement code 540. Next,

7.3 SALARIES

the Compensation Advisor advises Finance by e-mail that \$184 is recoverable from the employee's salary. Furthermore, the Compensation Advisor must provided the following information to Finance: the original amount paid to ACFO (\$329), the PRI and name of the employee, the start and end dates for the recovery as well as the amount that will be recovered per pay period (\$23.50).

The Finance Technician will initiate the following entry to set-up the AR:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Suspense Account	XXXXX	XXX	XXXXX	660	43000	1	1	184	21611	R300	6299	E
CR Other Claims	XXXXX	XXX	XXXXX	240	12502	1	1	184	51321	B120	3251	E

To recover the union dues from the employee, the Compensation Officer will take the appropriate actions to recover the amount of \$184 from the employee's salary. The recovery will be done via the PWGSC pay system using the entitlement code 540. This transaction will create a credit entry one of the following regional responsibility centres (default setting is based on the pay office): 10099 (NHQ), 20100 (Atl), 30100 (Qc), 40100 (Ont), 50100 (Pra), 80100 (Pac).

The following entry occurs during the regular pay process and does not required Finance intervention. For this example, it is assumed that the Compensation Officer decided to recover the \$184 by garnishing \$23.50 per pay period from the employee.

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Salary	XXXXX	XXX	XXXXX	210	01XXX	1	1	1000.00	51311	B120	01XX	E
CR Claims for the Crown	XXXXX	000	00000	160	14600	1	1	23.50	42719	D349	4593	E
CR PSGL	99999	999	99999	C63	PAY14	1	1	976.50	63053	0000	0000	E

The Finance Technician, on a monthly basis, will run the "Salary Recovery - Suspense Account" report to identify the recoveries have taken place and initiate the following JV to record the recoveries in IFMMS. For this example, we have

assumed that two pay periods occurred during the month in questions, therefore \$47 (\$23.50 * 2 pay periods) was recovered.

IMPORTANT: In order to facilitate the reconciliation process, the 5 first digits of the PRI must be inputted in the description field.

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Claims for the Crown	XXXXX	000	00000	160	14600	1	1	47	42719	D349	4593	E
CR Suspense Account	XXXXX	XXX	XXXXX	660	43000	1	1	47	21611	R300	6299	E

6.10.3 Amount of refund unknown from the former bargaining agent – Employee was over-deducted

An AS-01 (PSAC) is deployed to a PG-02 (PIPSC). PSAC union dues are \$80/month and PIPSC union dues are \$47/month.

After the deployment, the employee continued paying union dues for 5 months to PSAC. Consequently, CSC must now pay PIPSC 5 months of union dues on behalf of the employee (5 months * \$47 = \$235).

As the former bargaining agent is PSAC, their approval for the refund must be obtained. So, the Compensation Advisor requests a refund from PSAC for \$400 (5 months * \$80). When approval is obtained, PSAC will refund the employee directly and no intervention from Finance is required.

Payment to the new bargaining agent when the amount to be recovered from the former bargaining agent has not been approved:

The process is the same as per Section 6.10.2.

Payment of over deducted union dues to the employee

The following process is only to be completed after CSC has obtained PSAC’s approval for the union dues to be refunded. In this example, PSAC only agrees to refund the employee an amount of \$100. So, CSC (HR) will be responsible for the \$300 (\$400-\$100) of the union dues that PSAC will not refund.

7.3 SALARIES

The amount to be repaid to the employee would be calculated as follows:

Arrears owed to PIPSC	-\$235
Amount employee paid to PSAC	\$400
Less: amount refunded by PSAC directly to employee	<u>-\$100</u>
Amount owed to the employee	65

The Compensation Advisor will pay out the amount of \$65 to the employee via the departmental finance office by submitting a cheque requisition to Finance for \$65. The cheque requisition must include the following information: the name and address of Payee, the information to appear on the cheque stub, the PRI of the employee, the amount and the financial coding.

This expense will come out of the HR budget.

The Finance Technician will initiate the payment to the employee in the A/P Module:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. Other Claims	XXXXX	XXX	XXXXX	240	12502	1	1	65	51321	B120	3251	E
CR A/P	99999	999	99999	DAP	99999	1	1	65	21112	R300	6299	E

6.10.4 Year-end Entries

At year-end, regions are required to ensure that the balance in the suspense account (xxxxx.xxx.xxxxx.660.43000.1.1) is reversed and charged to an RAYE.

The following JV should be done by the regional financial officer:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. RAYE	XXXXX	XXX	XXXXX	698	89700	1	1	200	11225	R300	5399	E
CR Suspense Account	XXXXX	XXX	XXXXX	660	43000	1	1	200	21611	R300	6299	E

This entry should be reversed at the beginning of the next fiscal year.

6.11 Employer's Share of Employee Benefits

PWGSC and TB will continue to be responsible for recording specific liabilities for the various employee benefits plans, e.g. pension, CPP, EI, WCB, etc. in the government's financial statements.

Treasury Board allocates the appropriate costs to CSC using the IS Debtor Initiated process. The monthly amount of the charge from Treasury Board is considered a material amount and as such should be accrued at month end, if it has not been recorded in IFMMS.

The Head, Accounting Services at NHQ is responsible to ensure that the monthly amounts are recorded in IFMMS.

To set up the accrual:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR. EBP expenses	XXXXX	XXX	XXXXX	235	017XX	1	1		51311	B120	01XX	E
CR Accrued Salaries and Wages (PAYE) OGD	XXXXX	XXX	XXXXX	691	86720 (O&M)	1	1		21112	R300	6299	I

6.12 *Retroactive Salary*

Where collective agreements and other pay plans have expired and there is an expectation that salary adjustments will be applied retroactively, an estimate of the salary adjustments should be accrued, charging an estimate of salary adjustments to the period during which service is provided by the employees.

To determine the amount for any such accruals, a number of factors should be considered. Where the agreement has been negotiated but not signed, the amount specified may be used as the estimate. In other cases, historical contract increases may be used. The amount will be applied to the number of employees within the occupational group.

In the event that any such accruals are required, NHQ Financial Management will consult with TBS for advice and direction on whether retroactive adjustments are anticipated and what the estimated salary adjustment may be to determine whether departments should recognize any such liabilities and the corresponding amounts. Should regional input be required, NHQ Financial Management will issue specific instructions.

The determination of whether the accrual will be monthly or yearly will be based on the materiality of the estimated adjustments.

6.13 *Other Employment Benefits*

Employees may be entitled to other employment benefits such as parental leave, sick leave, dental plan, etc. All liabilities related to these employment benefits will be recorded by CSC. Expenses for maternity leave will be recognized when the entitlement to receive the pay occurs.

6.14 Employee participation in leave programs

Employees may participate in various leave programs of TBS such as, compressed work schedules, leave with income averaging, self-funded leave, leave without pay, etc.

Where the employee has earned salary in one period and defers receiving that until a future period, an expense and liability exists for the earned and deferred portion if it has not been recorded as an expense.

Where these amounts are considered material, finance officers at sites should record the expense and accrual at year-end.

Under the Self-Funded Leave Program the full salary that is earned is recorded as an expense in the period that it is earned. The deferred portion is placed in trust with an outside organization, e.g. CS Coop. During the period of leave, the employee will receive the deferred portion from the outside organization. There is no impact on the expenses or liability of CSC.

Under the Leave-With-Income Averaging Program, the employee is earning at 100% rate and receiving a lesser portion, e.g. 75%. If the amounts are material, then finance officers at sites should set up year-end accruals to record the portion earned and not paid.

To set up the accrual:

Entry	CSC Coding							Amount	Government Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
DR Salary expense	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1		51311	B120	0101	I or E
CR Accrued Salaries and Wages (PAYE) External	XXXXX	XXX	XXXXX	690	84720 (O&M) 84750 (Capital)	1	1		21112	R300	6299	E

The accrued liability portion will remain in the records until such a time as the period of leave is taken. When the leave is taken, the amount that the employee receives is recorded as an expense. At that time the equivalent portion of the expense should be reversed. Where amounts are not material, the reversals may be recorded only at year-end.

6.15 Monitoring and Reporting

Corporate Accounting will be responsible for reconciling the payroll control balances in IFMMS and the payroll control account totals received from the PWGSC Compensation Sector. Generally this reconciliation should be performed on a regular basis throughout the month.

The detailed salary transactions are loaded into IFMMS every time (approximately every 2 days) a return file is received from RPS. Subsequently, the Payroll Service General Ledger (PSGL) sends an electronic file entitled "PSGL Summarized File". Corporate Accounting loads this file containing only the summary information into IFMMS. The reconciliation between the detailed information received from the RPS and the summary information received from the PSGL will be done on a timely basis.

Salary Corrections

The "Pay Accountability Report" provided by NHQ Comptrollership Systems to the Regions will not be used to correct pay transactions.

Three sources of information will be consulted and analysed to ensure that all salary rejects have been correctly entered into IFMMS:

1. The "Corrected Invalid Pay Transactions Report".
2. The "RPS-LOBJ 01000 with Unrecognized Entitlement Code Report".
3. The "Posting Execution Report".

These reports are sent by NHQ Corporate Accounting to the regions twice a month when applicable.

NHQ Corporate Accounting must modify the coding and/or the DAO to validate it in IFMMS by either applying the correct coding or redirecting the transaction to the suspense account, LOBJ 01000. The regions must correct all transactions coded to LOBJ 01000.

Regions will correct any unrecognized entitlement codes using an IFMMS category "Pay corrections" journal. The regions may request coding from NHQ Corporate Accounting if necessary.

NHQ Corporate Accounting will ensure that any items that were not posted due to funds checking failure are corrected. NHQ Corporate Accounting will create a journal to change the allotment to 520 and repost the batch.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Liabilities related to salaries, employee entitlements and employee benefits, including unused leave, will be shown on the Statement of Financial Position as Accrued Salaries and Benefits. These are current liabilities.

7.2 Statement of Operations

All expenses related to salaries, employee entitlements and employee benefits, including unused leave, will be shown on the Statement of Operations under Salaries and Employee Benefits Expense.

7.3 Notes

Not applicable

7.4 Schedules

Not applicable

8. References

CICA Handbook Chapters 1000, 3461 and 4100

CICA PSAA Chapters 1800 and 3250

TB Leave without pay policy and TB Leave with income averaging policy

Collective agreements

Terms and Conditions of Employment Regulations

Public Service Staff Relations Act

[TBS Information Bulletin entitled "Union Dues – Interim Process"](#)

[Instructions Fops-2006-4 Union Dues - Interim Process](#)

7.4 FOREIGN CURRENCY EXCHANGE

1. *Effective Date*

This Policy is effective as of April 1, 2001.

2. *Policy Objective*

The objective of this policy is to outline the accounting treatment and financial statement presentation of foreign currency exchange.

3. *Definitions*

Foreign currency transactions involve financial terms denominated in a currency other than Canadian currency.

Foreign currency exchange is the value set for the Canadian dollar to be equivalent to a particular foreign currency at the time of the transaction.

4. *Scope*

This policy applies to all CSC foreign currency transactions.

5. *Policy Statement and Requirement*

Correctional Service Canada (CSC) reports its transactions in Canadian currency and endeavours to use Canadian currency for transactions whenever feasible, practical and possible. However, CSC occasionally conducts transactions involving foreign currency and necessarily, foreign currency exchange.

It is CSC policy to account for foreign currency exchange in accordance with the accrual basis of accounting.

It is CSC policy that:

- a) Each asset, liability, revenue or expense arising from a foreign currency transaction must be translated into Canadian dollars by the rate of exchange in effect on the date the transaction is recorded.
- b) In the case of payment requisitions, this rate could vary with the rate in effect on the date CSC requisitions the Receiver General for payment. Therefore on the date of requisition, CSC must record an exchange gain or loss to reflect the differences in exchange rates.

7.4 FOREIGN CURRENCY EXCHANGE

- c) After payment requisition and a foreign currency transaction has been translated and recorded, any subsequent changes in the exchange rate will not affect the recorded amount.

6. *Procedural Requirements*

6.1 *Foreign Currency Exchange Rates*

Comptrollership Systems are responsible to update the foreign currency exchange rates in IFMMS using the rates published by the Receiver General. These rates are set monthly and are subject to change.

However, for individual amounts in excess of \$ 250K, the daily rate set by the Bank of Canada will apply and will be entered manually by the financial specialist when processing the invoice. This rate can be acquired by contacting PWGSC.

6.2 *Effective Rate for Recording a Foreign Currency Payables Transaction*

The rate of exchange in effect on the date of the recording of a payables transaction is the rate that will be used to convert foreign currency to the Canadian currency equivalent.

The rate of exchange in effect on the date of the requisition for payment is the rate that will be used to convert foreign currency to the Canadian currency equivalent for the purposes of payment.

6.3 *Recording a Transaction involving foreign currency*

A payables transaction involving foreign currency is recorded on the date of the transaction in equivalent Canadian currency as an account payable.

Entry	CSC Coding							Amount	Government-Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
Dr. Operating Exp.	12004	XXX	XXXXX	240	XXXXX	1	1	10,000	51321	B120	XXXX	E or I
Cr. AP	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1	10,000	XXXXX	R300	XXXX	E or I

7.4 FOREIGN CURRENCY EXCHANGE

6.3 *Exchange Gain or Loss*

When payment is requisitioned from the Receiver General, the exchange rate for the foreign currency could increase or decrease since the date of the original transaction thereby changing the final payment amount.

Therefore, on the date of requisition, CSC must record an exchange gain or loss to reflect the differences in the exchange rates.

6.3.1 *Recording an Increase in the rate of exchange (CSC Loss)*

If there is an increase in the rate of exchange between the date of recording the payable transaction and the date of the payment requisition, a loss is recorded in the Foreign Exchange account.

The coding for an increase in the rate of exchange (CSC loss) is as follows:

Entry	CSC Coding							Amount	Government-Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
Dr. AP	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1	10,000	XXXXX	XXXX	XXXX	E
Dr. Foreign Exchange.	XXXXX	155	XXXXX	240	12001	1	1	200	51321	B120	3216	E
Cr. Cash	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1	10,200	XXXXX	XXXX	XXXX	E

6.3.2 *Recording a Decrease in the rate of exchange (CSC gain)*

If there is a decrease in the rate of exchange since the date of the recording of the account payable and the date of the payment requisition, a gain is recorded in the Foreign Exchange account.

The CSC coding for a decrease in foreign currency exchange (CSC gain) is as follows:

7.4 FOREIGN CURRENCY EXCHANGE

Entry	CSC Coding							Amount	Government-Wide Coding			
	Resp. Ctr.	Act	Project	Allot	Line Object	Entity	Dept		FRA	Auth.	Object	Internal/ External
Dr. AP	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1	10,000	XXXXX	XXXX	XXXX	E
Cr. Foreign Exchange	XXXXX	XXX	XXXXX	160	14001	1	1	200	42719	E500	4593	E
Cr. Cash	XXXXX	XXX	XXXXX	XXX	XXXXX	1	1	9,800	XXXXX	XXXX	XXXX	E

6.4 *Effective Rate for Deposit and Recording of Foreign Currency Receivable*

The rate of exchange in effect at the bank on the date of depositing foreign currency is the rate that will be used to convert foreign currency to the Canadian currency equivalent.

This transaction must be recorded on the same day as the deposit or as close as possible to this date to avoid any gain or loss in foreign currency exchange.

6.5 *Subsequent Rate Changes*

Once a foreign currency transaction has been translated, recorded in Canadian dollars, and then payment made or receipt made, any subsequent changes in the exchange rate will not affect the recorded amount.

6.6 *Materiality Limit*

There is no materiality limit or threshold for recording gain or loss from foreign exchange; they will all be recorded.

6.7 *Monitoring and Reporting*

The Budget Manager is responsible to absorb any gains / losses on the foreign currency exchange payments or deposits that he/she has initiated.

All gains / losses are recorded to the Manager - Financial Operations Budget. The Head, Corporate Accounting at NHQ will periodically review all charges / credits and all material amounts will be transferred to the appropriate budget manager.

7. Financial Statement Presentation and Disclosure

7.1 Statement of Financial Position

Foreign currency exchange does not appear on the statement of financial position

7.2 Statement of Operations

The departmental Statement of Operations would include all foreign currency gains or losses on the expenditure line.

7.3 Notes

Not applicable

7.4 Schedules

Not applicable

8. References

Treasury Board Accounting Standard 1.2 - Departmental and Agency Financial Statements

Treasury Board FIS Accounting Manual Section 9.2 - Foreign Currency Transactions

CICA Handbook Section 1650 - Foreign Currency Translation

Treasury Board Policy, Leave with Income Averaging Policy (1999-12-13).

Treasury Board Policy, Self-funded Leave (1997-02-07).