UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

SEPTEMBER 19, 1985

B-218842

The Honorable John R. Block
The Secretary of Agriculture

Dear Mr. Secretary:

    Subject: Internal Control Improvements Needed In
                 Agriculture's Miscellaneous Payments System
                 (GAO/AFMD-85-66)

    We have reviewed the internal controls over the Department
of Agriculture's miscellaneous payments system, a component
feeder system of the Department's central accounting system.
These systems are operated and maintained by the Department's
National Finance Center (NFC), New Orleans, Louisiana.
Organizationally, NFC reports to the Director, Office of Finance
and Management, which is under the Assistant Secretary for
Administration.

    The Accounting and Auditing Act of 1950 (31 U.S.C. 3512
(a)(3)) requires the head of each federal executive agency to
establish and maintain a system of accounting and internal
controls to provide effective control over and accountability
for the agency's assets. This requirement was strengthened in
September 1982 with the Federal Managers' Financial Integrity
Act (FMFIA).

    Passage of the FMFIA reaffirmed the importance of effective
internal controls. As you know, this act requires agency heads
to annually evaluate and report whether agency internal control
systems comply with standards prescribed by the Comptroller
General and provide reasonable assurance that certain objectives
are satisfied. To the extent NFC was aware of problems
identified by our work, it included the information in its 1984
report.

    According to NFC statistics, over 679,000 payment and
adjustment transactions involving over $1.4 billion were
processed through the miscellaneous payments system during
fiscal year 1984. Agriculture field agencies use the
miscellaneous payments system for paying commercial invoices and
contracts, for recording transfers of monies within and between

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Agriculture agencies and other governmental departments, for advancing funds for research projects and cooperative agreements, and for making accounting adjustments within and between Agriculture units or agencies.

We found that key internal control objectives for the miscellaneous payments system were not being met because field agency and NFC internal control techniques either were not adequate or were not followed. The internal control weaknesses significantly increased the vulnerability of the system to transaction data errors and unauthorized payment transactions. Further, transaction data errors could undermine the system's effectiveness in complying with the Prompt Payment Act (31 U.S.C. 1801), with Internal Revenue Service (IRS) payment reporting requirements, and with Comptroller General standards for accuracy in processing, cost accumulation, and financial reporting. More specifically, we found:

--Control improvements were needed at the field-certifying-officer level to ensure the accuracy of system transaction data submitted to NFC for processing.

--Control improvements were needed in NFC's data entry activities to ensure the accuracy of data processed.

--NFC needed to discontinue bypassing a system edit designed to ensure proper reporting required by IRS.

--NFC needed to increase the scope of its payment transaction audits to better ensure that errors not detected by the system edits are identified.

--NFC needed to better control sensitive field-certifying-officer codes used by the system to assist in assuring that only authorized transactions are processed.

--NFC needed to update its internal procedures manual for the system.

During our review, NFC took action on several of our concerns that will lessen the vulnerability of the miscellaneous payments system to erroneous or unauthorized transaction processing. However, actions are still needed to improve the accuracy and reliability of data originating from field certifying officers and their staffs and to improve NFC's data entry activities. In addition, the scope of NFC's miscellaneous payment voucher auditing needs to be increased.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the miscellaneous payments system to assess the adequacy of internal controls for ensuring the accuracy and reliability of payment transaction processing. Our assessment

was based on internal control objectives developed from our audit guide, Evaluating Internal Controls In Computer-Based Systems, dated June 1981. This guide represents a compilation of generally recognized controls that should exist in computer-based systems. We also assessed controls for ensuring the system's compliance with Comptroller General requirements pertinent to payment systems. Titles 2 and 7 of our Policy and Procedures Manual for Guidance of Federal Agencies include standards and requirements regarding the accuracy and validity of disbursements, and the accuracy and reliability of system cost accumulation and financial reporting.

We performed our review at NFC during the period February to December 1984, in accordance with generally accepted government auditing standards. To identify control techniques established within the system, we reviewed internal and external procedures manuals, observed NFC processing activities, interviewed various unit supervisors responsible for miscellaneous payments system processing, and interviewed personnel responsible for the system's computer programs and procedures manuals.

To test the accuracy and reliability of system processing and to confirm the existence and level of compliance with key system controls, we reviewed a stratified random sample of payment transactions resulting in Treasury checks to entities outside the federal government. Such transactions constitute the majority of check payment transactions and dollars processed by the system. Our sample was designed to provide a 95-percent confidence level and was selected from a stratified universe of 187,008 such payment transactions, totaling $490,028,556, processed during the period October 1, 1983, through April 17, 1984, as follows:

Payment Amount	Universe	Sample Size
Under $25,001	183,415	100
$25,001 and over	3,593	40
Totals	187,008	140

We used stratified sampling because NFC performs audits of all miscellaneous payments of $25,000 or more. For those payments under $25,000, NFC randomly selects 0.5 percent for audit.

Our transaction review was performed by comparing data in the system payment history file to the field-coded payment voucher form and to supporting payment documentation sent to us by the field certifying officers. We did not perform on-site internal control evaluations at Agriculture field offices;

however, our transaction testing results provided insight into the effectiveness of field level controls over transaction accuracy and reliability.

We also analyzed daily system rejection reports during the period October 1 through November 18, 1983, and January 31 through April 5, 1984, to calculate an average edit rejection rate. Further, we analyzed a random sample of 200 payment transactions rejected by the system to determine the nature and source of errors detected. We selected the sample from a universe of 5,960 system rejects on check payments to nonfederal entities occurring during the period May 23 through July 7, 1984. This sample was designed to provide a 95-percent confidence level.

Our work did not include the specific testing at field offices necessary for assessing field controls to prevent duplicate payment for goods and services. The miscellaneous payments system is designed to detect duplicate payment voucher numbers but not duplicate vendor invoices. The system is designed to rely on the certification of payment vouchers by authorized field certifying officers.

FIELD AGENCY CONTROLS NEED IMPROVEMENT

In our view, internal controls should be established at the point of data origination to ensure the accuracy, completeness, and timeliness of data before it is converted into machine-readable format and entered into the computer system. The extent and nature of field errors we found show that the accuracy and reliability of miscellaneous payments transaction data submitted to NFC is not assured by the field certifying officers. Failure to do so can undermine the system's compliance with payment system requirements, such as the Prompt Payment Act and IRS and other financial reporting requirements.

About 4,500 authorized field certifying officers are responsible for assuring the correctness of transaction data submitted to NFC for input into the miscellaneous payments system. Furthermore, 31 U.S.C. 3528 provides that, unless relieved of liability, certifying officers are responsible for repaying illegal and incorrect payments. These officers, by their signatures, certify on coded payment voucher forms that payments from the appropriations or other funds are correct, proper, and adequately supported. The supporting documentation, evidencing receipt of goods or services and the amount owed, is maintained by the field agency and is not submitted to NFC. Monthly, detailed reports of all transactions processed are provided by NFC to field certifying officers. They are responsible for notifying NFC of any errors in transaction processing.

In addition, NFC has established computer system edits to detect field coding errors. NFC, however, does not accumulate

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miscellaneous payments system edit rejection data by source and type of error. Our analysis of daily system edit rejection reports showed that an average of 18.5 percent of the transactions were rejected by the system. Our analysis of 200 randomly selected system rejects disclosed that about one-third of the vouchers had errors caused by NFC and about two-thirds had one or more field agency coding errors on the payment voucher forms. In analyzing field coding errors, we found that 41 percent of the rejected payment vouchers had invalid data in one or more fields, about 12 percent were incomplete, about 8 percent had unreadable data that caused an NFC keying error, and 8 percent had data that failed relationship tests.

Further, our testing of the 140 sampled payment transactions disclosed that about 57 percent had one or more errors in the system payment history file attributable to field certifying officers. Neither field nor NFC controls detected these errors. The remaining 43 percent either had errors not attributable to the field certifying officers, or had no error.

Prompt Payment Act compliance

The Prompt Payment Act requires federal agencies to pay their bills on time, to pay interest penalties when payments are late, and to take advantageous discounts only when payment is made within the discount period. Except for payments for perishable products, such as meat and produce, that must be paid earlier, payments for goods and services are due 30 days from the date goods and services are accepted or the date of receipt of a proper billing invoice, whichever is later. OMB Circular A-125 provides that the required payment date for goods and services (except for perishable products) is the latter of 30 days from the date the goods and services are accepted or a proper invoice is received. The 30-day period does not apply if a specific payment date is establshed under a contract for the goods or services.

Our transaction test results showed that the predominance of field coding errors was in data elements essential for system compliance with the act's requirements. About 33 percent of the 140 payment transactions had errors in one or both of the goods-accepted or invoice-received dates. The later of the two dates is used by the system to calculate the payment due date, where appropriate. We also found that about 16 percent of the payment vouchers had commodity code errors. The commodity code is used by the system to identify those payments subject to the provisions of the act. Our analysis disclosed that the errors in dates and commodity codes actually affected payment timing in about 10 percent of the transactions. We also noted that about 9 percent of the payment vouchers were received at NFC too late to allow system payment processing by the due date.

NFC has also had concerns in this area. In a July 1984 memorandum, the NFC Director advised user agencies that an

internal analysis had disclosed that 42 percent of the miscellaneous payments made during the first 6 months of fiscal year 1984 were coded for immediate payment. While the analysis did not address the extent of actual misuse, the NFC Director expressed his concern that misuse of the immediate pay code lessened the effectiveness of the Department's cash management program. Clarifying guidance on prompt pay compliance was provided in the memo.

IRS reporting compliance

IRS requires the payer of dividends, interest, and other payments, such as rents, royalties, awards, fees, and commissions to report such payments by the payee's tax identification number. As the designated payer for the miscellaneous payments system, NFC therefore is responsible for reporting applicable payments at the end of the calendar year for federal income tax purposes.

The NFC process for collecting and reporting the taxpayer data has been hindered by field errors in coding the miscellaneous payment vouchers. Consequently, NFC has been unable to accurately and completely report the required payment data to IRS.

NFC's miscellaneous payments system procedures manual issued in December 1982 provides guidance on IRS payment reporting to field users. NFC issued supplemental reporting guidance in June 1984. NFC procedures provide that the field agencies are responsible for obtaining the tax identification numbers and indicating when IRS reporting is applicable, by appropriately coding the payment transaction. Our transaction testing disclosed that the field agencies incorrectly coded the data field for IRS reporting on about 16 percent of the 140 payment transactions. The data fields were either left blank or incorrectly coded as not subject to IRS reporting.

For example, contacts with field certifying officers at one Animal and Plant Health Inspection Service (APHIS) field servicing office disclosed that APHIS is accumulating IRS data and doing its own reporting to IRS. To avoid duplicate reporting by NFC, APHIS has been coding all miscellaneous payment transactions as not subject to IRS reporting. A section chief in APHIS' Budget and Accounting Division confirmed this procedure. According to these personnel, NFC did not have the capability for collecting and reporting the IRS data during 1980, when APHIS became part of the central accounting system. Having the data collection and reporting mechanism already in place, APHIS has continued to perform its own IRS reporting.

Transaction classification and reporting

Accurate transaction classifications are essential for satisfying Comptroller General accounting principles and

standards for accumulating and reporting accurate financial data. Our transaction testing disclosed that about 1 percent of the 140 payment transactions had an error in the accounting classification which resulted in classifying $111,669 to the wrong appropriation year. We also found that about 5 percent of the 140 transactions had object class errors, involving $541,096, that affected the accuracy of budgetary and cost reporting. The incidence of error, we found, was greater for the 40 payments of $25,001 or more--about 5 percent for accounting classification errors and about 18 percent for object class errors.

We believe that these error rates, together with our other testing results, provide evidence that improved application of data origination controls already in place is needed at the field-certifying-officer level within the Department.

NFC DATA ENTRY CONTROLS NEED IMPROVEMENT

We believe that controls should be established to ensure the accuracy and authenticity of transaction data origination and entry for subsequent system processing. NFC requires the Center's data entry personnel to rekey for verification purposes 6 of 39 voucher data fields that field offices can code on transaction input forms. Data fields, such as payee name and address, pay reference, and accounting classification, that are critical to the proper routing of check payments and to proper fund accounting and cost accumulation, are not rekeyed.

NFC relies on miscellaneous payments system edits to detect both field data origination and NFC data entry errors. These transactions must be researched, corrected, and reentered. However, NFC does not accumulate and periodically analyze reasons for edit rejects and identify the error sources--either NFC or the field offices. We believe that such information would provide the basis for specific actions to improve data quality.

As discussed earlier, our analysis of daily system rejection reports showed that an average of 18.5 percent of the transactions were rejected daily by the system. Our analysis of 200 randomly selected system rejects disclosed that about one-third of the rejects had one or more errors caused by NFC's data entry personnel. About 12 percent of the rejects had an error in the accounting classification field, 10 percent had errors in the certifying officer code, and 8 percent had errors in the accounting amount field. Further, our testing of 140 payment transactions disclosed that 16 percent of the payment transactions had one or more NFC data entry errors that were not detected by the miscellaneous payments system edits. We found errors in such data fields as payee name and address, payment reference, and accounting classification.

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The NFC Director advised us that the need for developing a means to analyze system rejections has been recognized for some time, but higher priorities have prevented developing an analysis mechanism. The NFC Director expressed concern that rekeying additional data fields would significantly slow data entry production given his present data entry staff resources. He believed that any time saved in reworking rejected transactions would be more than offset by the additional time spent rekeying a larger number of data fields on all miscellaneous payments.

We recognize the NFC Director's concern for maintaining data entry production efficiency. However, we believe the need for additional control measures is evident by the extent and nature of errors occurring that undermine the system's compliance with payment system key requirements. As a minimum, we believe NFC should accumulate and periodically analyze reasons for system edit rejections to provide a basis for improvement actions. In addition, we believe that rekeying of critical miscellaneous payment data fields should be required, at least on a selective basis. This could be accomplished by rekeying additional critical data fields on all transactions over a set dollar threshold. For those under the dollar threshold, additional critical fields could be rekeyed on a random sample basis. Adjustments in the dollar size and sample size could be made periodically by NFC based on its system rejection analyses of the amount and type of errors detected.

SYSTEM CONTROLS BYPASSED

NFC is responsible for reporting to the Internal Revenue Service certain recipient payments made through the miscellaneous payments system. Miscellaneous payment vouchers must be coded by field offices to indicate whether or not the payment recipient is subject to IRS reporting. We found that IRS reporting could be distorted because NFC control techniques on vouchers submitted with blanks in the IRS data field were being bypassed. The miscellaneous payments system edits will reject vouchers input with a blank in the IRS code field. Rejected vouchers are to be corrected by contacting the appropriate field office, where necessary. In addition, according to NFC procedures, NFC clerks are supposed to review vouchers prior to input for missing or inaccurate information and make corrections by contacting the submitting agency or returning unacceptable documents.

We found that NFC data entry clerks were routinely coding vouchers with blank IRS data fields to indicate that the missing data was not required for the payment. In June 1984, the data entry terminals were programmed to automatically insert a code to indicate that the IRS reporting data was not required on vouchers with a blank IRS data field. An NFC system programmer told us that he assumed that field offices intended blank IRS fields to be coded as not applicable for reporting. After

discussing the effect of automatically coding vouchers without obtaining the correct data from the field agency, the NFC system programmer deleted the program change which automatically coded blank IRS fields. In addition, NFC data entry clerks were instructed not to code blank IRS data fields.

SCOPE OF VOUCHER AUDITS INSUFFICIENT

NFC commercial payments unit personnel are required to audit all miscellaneous payment vouchers of $25,000 or more and 0.5 percent of those under $25,000. However, the value of this important control technique in identifying errors in system payment transactions is diminished because of the limited scope of the audits performed. As a result, NFC's audits failed to detect the field and NFC errors that we found in our payment transaction samples.

NFC audit personnel receive from the miscellaneous payment system listings of vouchers processed and selected for audit. The audit listings contain 12 of about 50 data elements recorded in the system on each payment transaction. The audit personnel compare the transaction data shown in the audit listings to the coded payment voucher forms received from the field certifying officers. In addition, the certifying officers' signatures on the vouchers are compared to approved signature cards on file at NFC.

The scope of NFC's voucher audits is insufficient to detect the kinds of errors that we found undetected and recorded in the miscellaneous payments system history file. NFC's audit procedures do not provide for obtaining supporting documentation from field certifying officers to verify data entered into the system. Further, NFC audit procedures do not provide for auditing such data elements as payee address, accounting classification, object class, and other data essential to Prompt Payment Act compliance and IRS and other financial reporting requirements. Extending the scope of the audit to these elements seems warranted.

CERTIFYING OFFICER CODES COMPROMISED

Duly authorized certifying officers certify by signature the validity and correctness of payment vouchers. In February 1983, we reported (GAO/AFMD 83-37) that the miscellaneous payments system lacked sufficient controls to ensure payment vouchers were submitted from authorized certifying officers. Consequently, the system was highly vulnerable to improper or fraudulent vouchers being processed for payment. We demonstrated this by submitting 10 bogus vouchers which the system accepted and paid.

To strengthen its controls, NFC implemented an automated certifying officer verification procedure in April 1983. The procedure entailed issuing a secret identification code to each

field certifying officer; the officer would inscribe the code on each original payment voucher prior to mailing it to NFC. A computer system edit routine would then compare the code with an automated master file of authorized codes and certifying officers. After voucher processing, NFC would also verify signatures on sample vouchers using the signature card file.

Since its implementation, we found that the automated verification procedure had been compromised by the lack of safeguards to limit access to secret certifying officer codes. In addition, NFC had not developed plans to periodically change the assigned codes. As a result, a signficant risk of improper or fraudulent payment processing still existed.

We observed that master lists of the certifying officers' secret codes were available to personnel in NFC's document review and batch unit. These personnel were adding the codes for certifying officers who had signed payment vouchers but had not written in their codes. Moreover, we observed copies of vouchers received from field certifying officers during our transaction testing that showed the officers' secret codes.

We brought this matter to NFC's attention in March 1984. The NFC Director agreed that master code lists should not be available to processing personnel and that plans and procedures for safeguarding and periodically changing codes would be developed and implemented. In October 1984, NFC issued new codes to field certifying officers and reemphasized the importance of safeguarding the codes. In late December 1984, NFC had completed written procedures for subsequent periodic code changes.

INTERNAL PROCEDURES MANUAL OUTDATED

The Comptroller General's accounting system requirements and internal control standards specify that internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination. Such documentation includes management directives, administrative policy, and accounting manuals.

We found that the NFC internal procedures manual for the miscellaneous payments system was outdated--it did not accurately reflect processing procedures and internal control techniques. The manual was issued in May 1979 and since that time numerous organizational, functional, and procedural changes have occurred. NFC officials agreed that the manual needed to be updated and planned to begin the updating in October 1984. The revised manual was completed in February 1985.

CONCLUSIONS

GAO identified internal control weaknesses that significantly increased the vulnerability of the miscellaneous

payments system to transaction data errors and unauthorized transactions. Such internal control weaknesses also undermined the system's effectiveness in complying with Prompt Payment Act requirements, IRS payment reporting requirements, and other cost accumulation and financial reporting requirements.

During our review, NFC acted on several of our concerns that will lessen the vulnerability of the miscellaneous payments system to erroneous or unauthorized transaction processing. Procedures for limiting access to secret certifying officer control codes at NFC and periodically changing the codes were implemented. In addition, NFC activities that bypassed or invalidated system edits on certifying officer codes and IRS reporting were terminated. Revision of the internal procedures manual was completed in February 1985. However, additional actions are needed to improve the accuracy and reliability of data originating from field certifying officers and to improve NFC's data entry activities. Also, the scope of NFC's miscellaneous payment voucher auditing needs to be expanded.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to

--reemphasize to Agriculture agencies' field certifying officers the importance of their responsibility for ensuring the accuracy and reliability of miscellaneous payments data provided to NFC for processing, consistent with the statutory requirements prescibed for certifying officers.

--establish a procedure for periodically analyzing reasons for system edit rejections by source so that appropriate actions to obtain improvements can be initiated;

--increase the number of essential miscellaneous payments system data fields for which rekeying is performed by data entry clerks to ensure accuracy, at least on a selective transaction basis; and

--require that audits of miscellaneous payment vouchers include verification of critical transaction data fields to field supporting documentation.

AGENCY COMMENTS

In responding to our recommendations, Agriculture states it is either presently acting to address the problems, or is planning to take corrective actions. (See attachment.) However, the Department's response is not entirely correct when it states that formal efforts are made to reduce edit rejection rates. During August 1985 we spoke with NFC staff on this

issue. They told us that no analysis of edit rejects is acomplished regularly to determine edit reject rates or reasons. Therefore, any corrective instructions issued to agencies by the NFC are based on informal observations made by error correction staff.
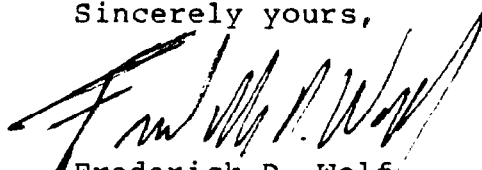
In responding to our recommendation regarding audits of miscellaneous payment vouchers, Agriculture described its procedures for assuring payments are properly certified both at the field office level and at the NFC level. The Department indicates that it would remind the field agencies of their responsibilities related to the auditing and documentation of payment data submitted to NFC. However it indicated no plans to expand the audits being conducted at NFC of field-submitted payment data. In view of the number of errors we found being made by field offices we doubt that this action will significantly decrease field payment errors. In our opinion increased audit steps by NFC are needed until the field error rate declines.

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As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations. You must send that statement to the Senate Committee on Governmental Affairs and House Committee on Government Operations within 60 days of the report date and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the report date.

We are sending copies of this report to the Director of the Office of Management and Budget and the chairpersons of the above named committees. We appreciate the courtesy and cooperation extended by NFC officials to our representatives during this review.

Sincerely yours,

Frederick D. Wolf
Director

COMMENTS FROM THE DEPARTMENT OF AGRICULTURE

DEPARTMENT OF AGRICULTURE

OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION

WASHINGTON, D.C. 20250

JUL 2 5 1985

Mr. J. Dexter Peach
Director, Resources, Community and
  Economic Development Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

Thank you for the report on Internal Control Improvements in the
Department of Agriculture's Miscellaneous Payments System
(AFMD-85-66).

I am sending you a memorandum from John E. Carson, Director,
Office of Finance and Management, which contains our response to
the recommendations in the report.

We appreciate the work done by your staff during this review.

Sincerely,

JOHN J. FRANKE, JR.
Assistant Secretary for
  Administration

Attachment

United States	Office of	Office of	Washington. D.C.
Department of	the Secretary	Finance and	20250
Agriculture		Management	

JUL 2 5 1985

SUBJECT: GAO Audit "Internal Control Improvements Needed
           in Agriculture's Miscellaneous Pay System"
           (AFMD-85-66)

   TO: John J. Franke, Jr.
         Assistant Secretary for Administration

Following are our comments on GAO's recommendations for improving internal
controls in the Miscellaneous Payments System:

   Recommendation: Direct the Office of Finance and Management Director
   to reemphasize to Agriculture agencies' field certifying officers the
   importance of their responsibility for ensuring the accuracy and
   reliability of miscellaneous payments data provided to the National
   Finance Office (NFC) for processing, consistent with the statutory
   requirements prescribed for certifying officers.

The Office of Finance and Management is preparing to issue a Procedural
Change Notice to the Miscellaneous Payments Systems (MISC) manual
emphasizing that certifying officers are responsible for ensuring the
accuracy and reliability of the miscellaneous payments data which they
provide to the National Finance Center. Also, the agencies will be
reminded of their responsibility to notify NFC of any errors they find in
transaction processing.

   Recommendation: Establish a procedure for periodically analyzing
   reasons for system edit rejections by source so that appropriate
   actions to obtain improvements can be initiated.

Informal and formal efforts are made to reduce edit rejection rates in the
automated systems. When an agency or staff office overall edit rejection
rate is high or a particular problem is noted, improvements are suggested
to agency personnel. Memoranda are periodically sent to all participating
agencies to notify them of common errors that are being made on input
documents.

We recognize the need for a system of analyzing edit rejections by source,
and anticipate that work can begin on such a system by FY 1987.

   Recommendation: Increase the number of essential MISC data fields for
   which rekeying is performed by data entry clerks to ensure accuracy, at
   least on a selective basis.

We have initiated action to improve data entry input accuracy. The MISC
data entry instructions were rewritten for each of the three input forms.
This has helped the data entry operators to better understand the input
procedures. We have also started a review of data entry procedures and
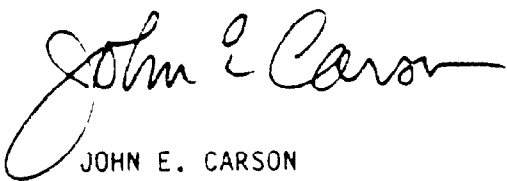edit rejections in MISC. The study will consider the need for rekeying
certain fields.

According to GAO statistical projections based on the payment sample, NFC error rates were greatest for the 1099 Field (6 percent error rate) and the Payee Name and Address Fields (10 percent). Since the data entry clerks were instructed to leave missing 1099 codes blank, the error rate for this field should be reduced. The error rate for the Payee Name and Address Fields should decrease when the vendor file is implemented. This file, which will contain a master list of company names and addresses, is now being developed and will eventually include MISC transactions.

> Recommendation: Require that audits of miscellaneous payment vouchers include verification of critical transaction data fields to field supporting documentation.

In MISC, there are two levels of certifying officers. The agency certifying officer certifies the basic voucher or the MISC document. The NFC certifying officer certifies the SF-1166, Voucher and Schedule of Payments which accompanies the disbursement tape sent to Treasury. NFC is not responsible for verifying that field supporting documents are accurately transcribed to the input document or basic voucher. This position is supported by Comptroller General Decision B-183572 dated October 15, 1975, and Comptroller General letter B-142380 dated March 30, 1960:

> Where the certifying officer who certifies the voucher and schedule of payments is different from the certifying officer who certified the basic vouchers, we have consistently applied the principle that the certifying officer who certifies the basic vouchers is responsible for the correctness of such vouchers, and the certifying officer who certifies the voucher-schedule is responsible only for errors made in the preparation of the voucher-schedule.

Accordingly, we plan to remind the agencies that they are responsible for the auditing and documentation related to the basic miscellaneous payment data which they certify and submit to NFC.

JOHN E. CARSON
Director