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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

SEP 23 1970



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Dear Mr. Nemshick:

We have made an audit of the payroll and leave records processed by the Office of the Secretary, Department of Commerce, for selected employees through January 10, 1970. Our audit included an examination and verification of payroll, leave, and personnel matters for selected pay periods, a limited amount of additional testing in other periods for specific types of transactions, and an evaluation of payroll and leave procedures, controls, and administration.

We found that the administration of payroll, leave, and related functions was performed in a generally satisfactory manner. Certain minor deficiencies which we noted during our review were discussed with members of your staff, who informed us that corrective action would be taken. We noted two areas, however, in which we believe the administrative procedures and controls need strengthening. These matters, which are discussed below, are being brought to your attention so that you can take appropriate action.

NEED FOR IMPROVEMENT IN THE
MAINTENANCE OF LEAVE RECORDS

Employees' leave records must be maintained accurately to assure that employees are paid proper amounts, credited with correct amounts of leave earned, and accurately charged for leave used. Our review identified a need for substantial improvement in the maintenance of the leave records administered by your office.

We reviewed the leave records for the 1969 leave year for 208 of the 4,163 employees on the rolls as of December 13, 1969, and noted 107 instances, involving 54 employees, in which the leave records were not accurate. The errors noted involved overstatements of employees' leave balances totaling \$2,398 and understatements of leave balances totaling \$2,676. The errors are summarized in the following table:

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<u>Type of error</u>	<u>Over- statements</u>	<u>Under- statements</u>	<u>Total</u>
Errors in transferring leave balances from one pay period to the records of the next pay period	\$1,015	\$1,733	\$2,748
Errors in leave accruals	406	870	1,276
Posting errors	181	-	181
Annual leave accumulated in excess of employees' personal ceilings	232	-	232
Failure to liquidate overdrawn leave	365	-	365
Military leave granted in excess of 15 days in calendar year	199	-	199
Other errors affecting leave	-	73	73
Total leave errors	<u>\$2,398</u>	<u>\$2,676</u>	<u>\$5,074</u>

On the basis of our tests, we estimate that errors in the leave records could total as much as \$101,500 for the 4,163 employees for the 1969 leave year.

We also reviewed the records of 50 of the approximately 1,000 employees who were separated during the 1969 leave year. We noted leave errors similar to those discussed above affecting eight employees and having a monetary value of \$476. We estimate that errors in the 1969 leave records could total as much as \$9,500 for the 1,000 separated employees.

At the time of our review, periodic audits of leave records were not being made by the payroll office. Members of your staff informed us that three clerks have recently been added to the payroll office, which now has a full complement of personnel. One of the officials said he believes that this will enable the payroll office to make periodic audits of the leave records.

During our review we noted that effective use has not been made of a basic audit tool which has been provided for detecting and correcting errors in leave balances. This tool consists of biweekly leave error listings which are computer printouts of leave balances maintained in the computer that are different from leave balances carried on the Time, Cost, and Attendance Reports (Forms CD-238). The listings are distributed to timekeepers for use in reconciling the differences and making necessary corrections. We were informed by a member of your staff that the leave error listings have not been used because of a shortage of personnel.

Conclusions

We believe that the high rate of error (about 26 percent of the leave records we examined had one or more errors) is a matter which

warrants your particular consideration. In our opinion, some of the errors which we noted can be attributed simply to clerical errors on the part of timekeepers, while other errors indicate a lack of sufficient knowledge of leave regulations and procedures on the part of personnel who maintain time and attendance records. We believe that errors in both of these categories can be prevented or minimized by more effective administrative controls and procedures, including periodic audits and the use of the leave error listings.

Recommendations

We recommend that the controls and procedures for the maintenance and verification of leave records be strengthened by (1) providing personnel who maintain time and attendance records with classroom instruction so they can acquire greater knowledge of leave regulations and procedures, with emphasis placed on the need for accuracy in maintaining leave records, and (2) requiring that the accuracy of all entries and computations on biweekly time and attendance reports be verified by personnel other than those responsible for the day-to-day maintenance of the leave records--- with maximum use being made of biweekly leave error listings.

We recommend also that periodic audits of payroll and leave be made, with attention given to identifying the causes of errors noted so that timely remedial action may be taken.

NEED FOR IMPROVEMENT IN THE MAINTENANCE OF RETIREMENT RECORDS

Employees' individual retirement records must be maintained accurately to ensure that retirement pay is computed on the basis of actual earnings and that retired employees are paid the annuities they are entitled to receive. To ensure the reliability of retirement records for these purposes, employees' service history information (appointments, promotions, transfers, terminations, and other personnel actions) must be completely and accurately recorded in the individual retirement records on a current basis.

We noted errors in posting the service history information in 16 of the 156 individual retirement records we reviewed. In our opinion, most of these incorrect postings were caused by clerical errors. We found also that only five of the 156 records had been posted to show complete service history information through the 1969 leave year. Many of the records contained no postings of service history information since the 1968 leave year.

We discussed this matter with members of your staff, who informed us that the individual retirement records would be brought up-to-date and that the posting errors would be corrected. We were informed also that one of the payroll clerks would be trained as a retirement specialist who would be responsible for the accurate and up-to-date maintenance of the individual


retirement records. We believe that these actions, if effectively carried out, should result in improved control over retirement records.

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We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. Your comments concerning any action taken or planned on the matters discussed in this report will be appreciated.

Copies of this letter are being sent to the Assistant Secretary for Administration and the Director, Office of Audits, Department of Commerce.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury".

D. L. Scantlebury
Regional Manager

Mr. A. J. Nemshick, Director
Office of Financial Management Services
Office of the Secretary
Department of Commerce
Washington, D.C. 20230