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Need For More Effective Controls Over Computerized Payroll-Processing Operations

Department of Commerce

In calendar year 1974, the salaries of the 4,500 employees serviced by the computerized payroll system operated by the Office of Financial Management Services amounted to about \$82.5 million.

Because of weaknesses in internal controls, the computerized payroll system could not be relied upon to insure an accurate payroll or to protect the Government from improper payments.

Commerce generally agreed with our recommendations and has taken or plans to take actions to insure that the payroll system includes adequate internal controls.

FGMSD-76-3

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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-133339

The Honorable
The Secretary of Commerce

Dear Mr. Secretary:

We reviewed the computerized payroll system operated by the Office of Financial Management Services, which is supervised by your Assistant Secretary for Administration. The salaries of the 4,500 employees serviced by this system amounted to about \$82.5 million in calendar year 1974.

The summary of our findings (see appendix) describes the need for more effective controls over the computerized payroll-processing operations, including improved internal audit.

In general, both the data processing between the personnel and payroll offices and the payroll system's internal controls, both manual and automated, need improvement, to help insure proper payroll disbursements and to meet the standards the Comptroller General established in GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

The Office of Audits has made only limited reviews of the automated parts of the payroll system. We noted that the Office of Audits did not participate in designing and developing automated systems and did not review the systems on a continuing basis after they become operational.

We directed our review toward evaluating the adequacy of the controls over the computer system, its output, and the data entered into the system, to see that correct payments were being made to the right people at the right place at the right time. Accordingly, we did not extensively test the pay of individual persons but concentrated on finding out whether the computerized payroll system could be relied upon to produce accurate and timely results.

We discussed our findings with the staff of your Assistant Secretary for Administration, who generally agreed with our findings and recommendations.

By letter dated July 23, 1975, your Acting Assistant Secretary for Administration commented on our major findings. He said that some necessary corrective actions had been started.

We invite your attention to the fact that this report contains recommendations to you which are set forth on pages 17 through 19. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the House and Senate Committees on Government Operations and the House and Senate Committees on Appropriations. We are also sending copies to the Director, Office of Management and Budget; the Administrator of General Services; your Assistant Secretary for Administration; and your Deputy Director, Office of Audits.

We wish to express our appreciation for the courtesies and cooperation extended our representatives during this review. We shall appreciate your comments and advice as to any actions you take or plan to take on the matters discussed in this report.

Sincerely yours,

A handwritten signature in cursive script that reads "D. L. Scantlebury". The signature is written in dark ink and is positioned to the right of the typed name.

D. L. Scantlebury
Director

SUMMARY OF GAO FINDINGS AND RECOMMENDATIONSTO IMPROVE THE OFFICE OF THE SECRETARY'SPAYROLL SYSTEM

The computerized payroll system, operated by the Office of Financial Management Services in the Office of the Secretary, during calendar year 1974 serviced eight primary departmental operating organizations and several regional commissions. During 1974 the salaries paid to the 4,500 employees in these organizations amounted to about \$82.5 million.

In our review we evaluated and tested the controls and procedures used in the computerized payroll system, to insure that the system (1) accepted and processed only valid data, (2) processed data completely and accurately, and (3) effectively produced the necessary information, records, and reports.

We identified many opportunities to improve the payroll system so as to insure that correct payroll payments are made to departmental employees.

NEED FOR MORE EFFECTIVE CONTROLS
OVER PAYROLL PROCESSING

Both GAO and the Department of Commerce found a number of underpayments and overpayments in the Office of the Secretary's payroll system. These errors showed that certain basic controls needed to adequately safeguard the proper disbursement of money were missing.

Controls are especially important in an automated system, because the computer does much of the work previously done by several employees and the safeguards and cross-checking traditionally afforded through separation of duties among employees are therefore minimized.

Our review of procedures and controls and our detailed tests of payroll transactions showed that:

--Paychecks were issued to separated employees not entitled to receive pay.

- Employees were paid the wrong amounts.
- Employees were issued duplicate paychecks.
- Leave was accrued at incorrect rates.

To further demonstrate the risk involved where controls were missing or were ineffective, we entered simulated transactions into the computer and showed that existing edit checks in computer programs would not prevent us--or Commerce employees--from:

- Processing payroll changes for pay rates in excess of those normally permitted. For example, the computer processed a payroll change transaction to pay a GS-5 employee \$85,000 a year.
- Processing payroll actions containing invalid organization codes, birth dates, State tax computation codes, and pay differentials.
- Arbitrarily increasing an employee's annual leave ceiling to 9,999 hours.
- Processing payroll actions that did not contain required data, such as birth dates, position symbols, and Federal tax data.
- Processing a pay action for an executive-level employee to pay him a \$99,999 annual salary.
- Processing a time and attendance record giving a consultant overtime not authorized.
- Processing a time and attendance record giving a GS employee 80 hours' night differential while the employee was on leave.
- Processing separate manually computed pay actions for 80 hours' Sunday pay, 80 hours' holiday pay, and a \$9,999.99 cash award.

The controls in a well-designed system would prevent these actions from producing incorrect paychecks or other erroneous results or, as a minimum, identify these types of irregular transactions for management review.

Need for improved controls
over source documents

Procedures for controlling the preparation and processing of time and attendance records, personnel actions, and payroll change documents containing information needed to calculate employee leave and earnings are inadequate. For example, not all time and attendance records are accounted for nor are predetermined control totals developed over important payroll data, such as hours worked, leave taken, hourly rates, gross pay, and deductions, to make sure that records or information are not added, lost, or altered during computer processing. As a result, the Office of the Secretary cannot be sure that source documents are properly prepared and processed and that persons entitled to receive pay are paid the proper amounts.

GAO standards for Federal payroll systems, prescribed in GAO's Policy and Procedures Manual For Guidance of Federal Agencies, require that systematic control procedures be applied to all source documents containing information the computer uses to calculate employees' earnings, benefits, deductions, and net pay. Controls are needed to insure that:

- No documents are added or lost during processing.
- Errors and irregularities in preparing and processing information on these documents are detected and corrected before checks are issued.

The payroll system uses three major source documents-- personnel changes, payroll changes, and time and attendance records--to enter payroll information into the computer for processing.

Record counts of these source documents are not taken and used as controls, to make sure that all documents created are keypunched and entered into the computer for processing, nor are predetermined control totals established over quantitative information, such as hours worked, leave taken, hourly rates, gross pay, and deductions, to make sure that the information is not altered during processing.

For one pay period we compared the number of time and attendance records sent to a private keypunch contractor with the number it reported keypunched. The payroll office told us that it had sent the contractor 4,357 records; the contractor reported that it had keypunched 4,328 records. We were told that no reconciliation was made when this type of difference occurred--it was assumed that the pay clerk had counted incorrectly or that the contractor had not processed all the time and attendance records sent to it.

We examined reasons for issuing 716 supplemental paychecks and found that 121, or 17 percent, had to be issued because time and attendance reports were either missing or late.

Other problems noted during our review follow.

- One employee was overpaid \$265.60 because a personnel change record was not entered promptly into the payroll system.
- The payroll office had processed a payroll change without a personnel office transmittal memorandum authorizing the action. Had this change, which created a new payroll master record, been fraudulent, illegal paychecks would have been issued.

In addition, the hazard of not controlling access to source documents and the information they contain at the timekeepers level was demonstrated when one employee changed her time and attendance reports giving herself credit for hours not worked and was overpaid more than \$2,500. The Federal Bureau of Investigation is currently reviewing this case. Adequate source document controls, including record counts, predetermined control totals, and turnaround documents (source documents returned to originator), would help keep this type of error to a minimum.

Commerce emphasizes correcting errors after checks have been issued rather than identifying and correcting errors before checks are issued. The lack of adequate source document controls increases the payroll office's workload because paycheck errors can go unnoticed; when they are discovered, erroneous paychecks must be canceled, supplemental paychecks must be issued, and master payroll records must be corrected. In calendar year 1974 about 150 paychecks had to be canceled and about 800 supplemental paychecks had to be issued.

The payroll office should establish record counts and predetermined control totals to control biweekly payroll processing. In addition, error detection at the beginning of the payroll-processing cycle, rather than error correction at the end of the cycle, should be emphasized.

Need for more effective edit checks

Edit checks in the payroll system, to identify and screen out erroneous or invalid data entered into the computer, are limited and virtually ineffective.

GAO standards for Federal payroll systems require that, when automatic data processing equipment is used, the equipment's capabilities be fully utilized to insure the accuracy of payroll processing. Computer programs can include both instructions for calculating pay and edits for checking the validity of data being processed. These edit checks should be designed to identify and reject invalid data, or as a minimum, flag invalid data for review, correction, and re-entry into the system.

To evaluate the effectiveness of the edit checks, we created and processed a test deck of simulated input records containing various combinations of incomplete, incorrect, and invalid information.

- The computer accepted payroll changes containing invalid organization codes, birth dates, State tax computation codes, hourly rates, and pay differential rates and incorrect annual salaries as high as \$99,999.
- The computer processed payroll changes that contained basic rates of pay which did not correspond with General Schedule (GS) or Wage Board grades and steps. For example, we processed transactions to (1) pay a GS-5, step 1, employee at an annual salary of \$85,000, even though the annual salary is \$8,500, and (2) pay a Wage Board employee at an annual salary of \$38,000, even though the maximum salary is \$33,945.
- The computer accepted and processed invalid and erroneous payroll actions to
 - increase a GS employee's salary by three grades,

- increase a GS employee's salary by three steps,
and
- promote a GS employee to the next highest grade
without changing his annual salary.
- The computer processed a payroll change increasing
an employee's annual leave ceiling to 9,999 hours.
- The computer processed erroneous time and attendance
and "manual compute pay" records for
 - 80 hours of night differential, even though the
employee was on annual leave for 80 hours;
 - 80 regular hours and 8 hours of compensatory time,
even though the employee had not earned any com-
pensatory time;
 - 80 hours of Sunday pay, even though an employee is
limited by law (Federal Personnel Manual 990-2) to
32 hours in one pay period; and
 - 80 hours of holiday pay.
- The computer processed a payroll credit transaction
which reduced the year-to-date pay totals for an em-
ployee; however, a check issue record also was created
which would have resulted in the issuance of a pay-
check.

Few of the errors and inconsistencies were identified on exception lists. The wide range of erroneous pay entitlement information the computer accepted for processing indicated a major lack of internal computer controls.

Edits normally should test critical payroll information for missing data; data limits or reasonableness; and valid codes, characters, and transactions. Table look-ups--the computer's operation of obtaining values from tables--could also be used to check for valid combinations of data fields. For example, a GS grade could be compared to salary and a health benefit code could be compared to the amount proper for withholding. When input data fails to conform to acceptable dollar limits, ranges, codes, and combinations, the data should be rejected and printed out for correction and subsequent reentry into the system.

The edit checks built into the payroll system are too few and are ineffective. The computer will accept almost any kind of incorrect or invalid data for use in calculating employee benefits and earnings.

The payroll system should be modified to incorporate additional edit checks to help make sure that only valid and accurate payroll data is accepted and processed.

Need for improved reports and records

Computer-prepared error listings and transaction reports normally used to control the accuracy of time and attendance and payroll and personnel change records contain confusing messages, too much or too little information, or inconsistent information. As a result, pay clerks cannot make full use of these reports to control payroll transactions. Erroneous pay and leave entitlement information has gone undetected for long periods, resulting in employees' receiving incorrect paychecks and leave credits.

GAO standards for Federal payroll systems require that accurate and reliable payroll records be kept. If error listings and transaction reports produced by an automated payroll system cannot be fully used, they are not fully effective as control mechanisms.

At least 10 computer-prepared error listings and transaction reports were being used ineffectively or not at all.

--Five error listings--report of invalid social security numbers on payroll master file, payroll computation counts report (count of input documents), unapplied bond balance listing, bond balance error listing, and leave error balance listing--contained confusing messages and pay clerks did not understand the information presented.

--Three reports--comprehensive report (listing of all employees being paid and/or having summary payroll information changes), payroll master change report, and bond change report--were incomplete because they did not give enough information for pay clerks to verify that transactions and changes were properly recorded.

- One report--control of hours report (listing of all time and attendance records)--was too voluminous. To verify transactions for employees working other than the 80 regular hours, pay clerks had to search through the complete printout that usually contained about 4,500 records.
- One error listing--unmatched listing (all employees with no documents authorizing pay or documents authorizing pay with no corresponding payroll master records)--identified erroneous input data. The data was edited twice, and each time an unmatched listing was printed. Sometimes the computer failed to identify an error on the first edit but did identify it on the second edit of the same data. When this happened, corrections could not be made before final payroll processing, thus preventing automatic issuance of paychecks and requiring issuance of supplemental or corrected paychecks.

We reviewed 4,634 employee records in one pay period and found that:

- Over 14 percent of the annual leave balances were incorrect. Overstatements of leave balances were as high as 1,000 hours.
- Over 15 percent of the sick leave balances were incorrect. Errors ranged from an overstatement of 1,738 hours to an understatement of 2,289 hours.
- Savings bonds had not been issued to six employees even though the amounts withheld equaled or exceeded the bond purchase costs. One of these employees should have been issued seven \$50 bonds during the 35 pay periods in which the deductions had been made.
- A \$265 overpayment to one employee could have been prevented. An error listing showed that the employee was listed on the payroll file twice.

Commerce's computer-prepared error listings and transaction reports had previously disclosed essentially the same information. However, timekeepers and pay clerks had not systematically reviewed and corrected errors in leave and payroll transactions.

The payroll system produced reports containing some of the information pay clerks need to control the accuracy of

biweekly payroll processing. However, these reports were being used ineffectively or not at all because they contained incomplete and inconsistent information. The information included on these reports must be easily understood by the users in exercising control over payroll transactions processed by the computer.

To eliminate the confusing and erroneous information, the payroll office staff and systems analyst-programers should jointly review all reports generated by the payroll system and incorporate appropriate modifications that will produce understandable and useful reports.

Need for reconciling personnel and payroll files to source documents

There are many discrepancies in pay and leave entitlement information between the personnel and payroll master files. Leave categories, health plans, life insurance coverage, and grade and step information in the two files do not agree. Since incorrect pay and leave entitlement information recorded on the payroll master file is used to calculate employee earnings and benefits, employees have been incorrectly paid.

GAO standards for Federal payroll systems require that accurate payroll records be kept. Periodic and systematic reconciliation of payroll and personnel master files helps achieve accuracy.

Commerce does not reconcile the information in its personnel and payroll master files nor does it periodically check the information against source documents to identify and correct any errors. The system was not designed for the computer to automatically compare or reconcile the personnel and payroll master files, and manual reconciliation of these files is not practicable.

For one pay period, we used specialized computer programs to compare the pay entitlement information recorded in the personnel and payroll master files of 4,210 employees. We found that conflicting information was recorded on the two files.

--266 employee records had different annual leave categories.

- 800 employee records had different health benefit plans.
- 1,075 employee records had different life insurance coverage.
- 65 employee records had different grade and step information. One of these employees had been overpaid \$265.50 over 13 pay periods and another had been underpaid \$150.40 over 2 pay periods.
- 24 employees were still recorded on the payroll file as active employees even though they had separated; the employees were not recorded on the personnel file.
- Five employees were listed in the payroll file under invalid or dummy social security numbers; three of these employees (all with the same 000-00-0001 social security number) were recorded a second time in the payroll file under valid social security numbers.

We gave the above information to the payroll and personnel offices, and they agreed to follow up on these discrepancies.

Payroll and personnel master files should be reconciled to authorizing source documents as soon as possible to identify discrepancies and correct errors. Also a procedure should be established to periodically reconcile these files.

Improved security needed to safeguard computer resources

Access to computer programs, computer terminals, and payroll and personnel master files is not adequately restricted or safeguarded to prevent unauthorized use or manipulation of computerized payroll records and programs.

Federal standards require that controls be established to restrict access to computer resources to authorized employees and to help prevent unauthorized changes or manipulation of computer programs or files.

Commerce's ADP Operations Division usually assigns to one system analyst-programmer sole responsibility for determining computer program requirements, coding and testing

the program, controlling the production processing of live data through the program, and making necessary modifications to the program. Consistent with sound principles of internal control, it is generally accepted practice to separate these responsibilities among different employees and provide for a separate review and approval process to make sure that unauthorized changes are not made to the programs or that transactions are not manipulated.

Computer user account or authorization codes needed to access the computer and its files were not adequately safeguarded for use only by authorized employees. For example, computer listings containing user authorization codes were left in trash cans and lying on computer terminals. User account codes were printed on decks of punched cards that were left for computer processing in the input-output control room. Access to account or authorization codes should be restricted to help prevent unauthorized employees from gaining access to computer resources.

Data files, such as personnel and payroll master files, were made available without proper authorization. We were able to physically remove a payroll master file from the data processing center and access a personnel update file via a computer terminal.

The ADP Operations Division's controls are inadequate to prevent unauthorized access to computer resources. The Division should restrict access to computer programs, computer terminals, and personnel and payroll master files, to make sure that only authorized employees have access to them.

Need to separate duties
among payroll, personnel, and
receipt and disbursement offices

Pay clerks control and enter for computer processing all information needed to add a person to the payroll without verification by personnel office employees. Pay clerks are also involved in issuing paychecks, canceling erroneous paychecks, and collecting overpayments. Since these duties are not separated among different employees, it would be possible for a pay clerk to create a master payroll record for a fictitious employee and issue a bogus check, or divert for his own use a paycheck returned for cancellation.

To provide proper internal checks on performance and to minimize opportunities for carrying out unauthorized or otherwise irregular acts, GAO standards for Federal payroll systems provide that responsibility be appropriately separated, to insure that one employee does not handle all phases of a transaction.

At Commerce, personnel offices send personnel actions giving pay entitlement information to the payroll office when employees are hired, promoted, awarded step increases, or separated. Pay clerks in the payroll office keypunch this information onto cards. These punched cards, containing such pay and leave entitlement information as basic salary rates, grades and steps, and leave eligibility, are used to post the data to the payroll master file. Personnel office employees do not follow up or verify that the information is correctly posted to master payroll records. If incorrect information is posted, employees will be paid incorrect amounts and their leave balances will be incorrect.

The same pay clerks who are responsible for posting pay and leave entitlement information to the payroll master file also enter time and attendance records of hours worked and leave taken for biweekly payroll processing. These pay clerks control all the information the computer needs to calculate net pay amounts and leave balances. They are also responsible for verifying the accuracy of the outputs of biweekly payroll computer processing and for controlling recovery of overpayments.

Pay clerks are also involved in canceling erroneous paychecks. Initially the receipts and distribution office assembles these paychecks, prepares a Form SEC-666, "Schedule of Returned Payroll and Employee Reimbursement Checks," and sends the checks to the payroll office. The payroll office then prepares Standard Form 1098, "Schedule of Cancelled Checks," and sends it and the checks to the Treasury Department. The Treasury Department cancels the payroll checks, stamps the Standard Form 1098, and returns it to Commerce. The receipts and distribution office does not certify on the SEC-666 that the checks forwarded to the payroll office for cancellation were, in fact, canceled by the Treasury Department.

In our review we found that returned paychecks remained outstanding for an average of 34 days before they were sent

to the Treasury for cancellation. Of the returned paychecks, 25 were outstanding for more than 6 months, including 8 that were outstanding for more than 1 year and 2 that were outstanding for more than 3 years.

We believe that controls over canceled paychecks would be improved if the stamped Standard Form 1098 returned by the Treasury Department were compared with checks listed on the SEC-666, to make sure that all checks forwarded were canceled. Written certification should be included on the SEC-666. This verification should control check cancellation and speed up the cancellation process.

Personnel and payroll procedures do not provide for adequate separation of duties, to help make sure that only entitled employees are paid proper amounts and that moneys are not diverted or stolen. The Office of the Secretary's payroll procedures should be changed to (1) give the personnel offices sole responsibility for initiating and entering pay and leave entitlement information into the payroll master records, (2) give the payroll office sole responsibility for (a) initiating and entering payroll deduction information into payroll master records, (b) issuing paychecks based on entitlements established by the personnel offices, payroll deductions established by the payroll office, and biweekly time and attendance reports transmitted by timekeepers, and (c) keeping summary payroll information in payroll master records, and (3) require the receipts and distribution office to verify and certify, in writing, that all checks forwarded to the payroll office for cancellation are in fact, canceled by the Treasury Department. Provisions should also be made to have employees cross-check one another's work.

Need to reduce number of times
personnel actions are transcribed
for computer processing

Procedures used in entering personnel data into the computer have resulted in erroneous data's being recorded in the payroll master file and used in calculating employee benefits and earnings.

In the payroll system, personnel data is transcribed at least twice before it is used in computer processing. For example, personnel office employees transcribe data

from authorization documents onto coding sheets and then key the data via a computer terminal into the automated personnel system to update the personnel master file. After the file is updated, the computer prints the personnel data on a special form that is forwarded to the payroll office. Payroll office employees transcribe the same data onto coding sheets and then keypunch it onto cards that are used to enter the data in the automated payroll system. Each time the data is transcribed, the possibility for error exists.

We found that some employees' grades and steps, health benefit enrollment codes, life insurance plans, and annual leave categories did not agree with those on the authorizing source documents. Although it is difficult to attribute a specific error to multiple transcriptions, these types of errors could be minimized by reducing the number of times personnel information is transcribed.

To increase the accuracy of the payroll master file and take full advantage of the computer's capabilities, the computer should be programmed to prepare a magnetic tape or disk record of the information entered in the automated personnel system. This tape or disk could then be used to enter the data directly into payroll processing, which would (1) minimize transcription errors, (2) help prevent intentional entry of erroneous data by pay clerks, and (3) reduce costs associated with unnecessary document handling, key-punching, and verifying.

OPPORTUNITIES FOR IMPROVING INTERNAL AUDIT OF THE AUTOMATED PAYROLL SYSTEM

The Office of Audits has made only limited reviews of the automated parts of the payroll system. It has not participated with data processing employees in designing and developing automated systems, to help make sure that these systems have adequate controls and audit trails.

The Office of Audits' most recent payroll review concentrated on evaluating payroll controls to determine whether they insured that the system was accepting and processing only valid data and whether salary rate computation, leave, accounting, and required management information was complete and accurate. It did not, however, test the controls within the automated payroll system's programs.

Our findings show that the automated controls in the payroll system need improvement, to satisfy GAO control standards for Federal payroll systems established in GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

Internal auditors should participate in the design effort, to insure that adequate controls are established in the system and to avoid costly changes after a new system is installed. They should also continually review systems after they are installed, to help insure that the controls designed for the system are properly implemented and that they remain effective. A 1974 GAO publication entitled "Internal Auditing in Federal Agencies" directs that internal auditors be involved in designing new systems, particularly automated ones, so that they can make suggestions to incorporate adequate controls and audit trails in the systems before the systems are installed.

Agency officials told us they did not review the automated controls in the payroll system and did not participate in designing and developing automated systems because Commerce did not have enough qualified electronic data processing auditors or enough time for audit fieldwork to permit the internal auditor to review the automated system in detail.

CONCLUSIONS

The automated controls in the Office of the Secretary's payroll system need improvement, to safeguard the proper disbursement of money and to meet the standards established in GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

The Office of Audits does not participate in designing and developing automated systems and does not review these systems on a continuing basis after they become operational.

RECOMMENDATIONS

We recommend that the Secretary of Commerce:

- Establish record counts and predetermined control totals over personnel changes, payroll changes, and time and attendance records, to help make sure that

no documents are added, lost, or altered during processing.

- Incorporate additional edit checks in computer programs to screen out invalid or erroneous data and help make sure that only valid and accurate data is accepted and processed by the automated system.
- Review computer-produced payroll reports and modify computer programs as necessary, to eliminate the confusing and erroneous information produced so that clerks can use the reports as a control to verify the accuracy of payroll processing.
- Reconcile the personnel and payroll master files to authorizing source documents, to help improve the accuracy of payroll information and make sure that employees are paid correctly and credited with correct leave balances.
- Make sure that the ADP Operations Division restricts access to computer programs, computer terminals, and personnel and payroll master files, to prevent unauthorized access.
- Separate the duties of employees in the personnel, payroll, and receipts and distribution offices, to provide internal checks on performance and to minimize opportunities for carrying out unauthorized or irregular acts.
- The personnel offices should be given sole responsibility for initiating and entering pay and leave entitlement information into payroll master records.
- The payroll office should be given sole responsibility for initiating and entering payroll deduction information into payroll master records, issuing paychecks, and keeping summary payroll information in payroll master records.
- The receipts and distribution office should verify and certify, in writing, that all checks forwarded to the payroll office for cancellation are, in fact, canceled by the Treasury Department.

- Reduce to a minimum the number of times personnel actions must be transcribed, to help improve the accuracy and reliability of payroll information.
- Make sure that the internal auditors (1) become actively involved in designing and developing automated systems and (2) continually review these systems after they become operational.

AGENCY COMMENTS

Commerce officials generally agreed with our recommendations concerning the Office of the Secretary's payroll system's control weaknesses and agreed to take necessary corrective action.

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