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UNITED STATES GENERAL ACCOUNTING OFFICE
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SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:

84823

OCT 7 1970



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Commanding Officer
Mare Island Naval Shipyard
Vallejo, California 94592

Dear Sir:

We made a review of the propriety of severance payments to ~~separated~~ ^{at} Mare Island and Hunters Point employees. Our review, completed at both shipyards on July 8, 1970, was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act, 1950 (31 U.S.C. 67). Because the Comptroller, Mare Island Naval Shipyard is responsible for processing and certifying the severance payroll for Hunters Point, we are including our findings at both locations in this letter.

We reviewed the procedures for determining whether an employee is entitled to severance pay and for computing the amount due to him. Our review included selected samples of separated employees at both shipyards in order to evaluate the effectiveness of the procedures and the accuracy of the computations. We believe that Mare Island should revise its procedure for beginning severance payments and Hunters Point should revise its procedures for maintaining and reviewing the information in an employee's Official Personnel Folder (OPF). We discussed our findings and recommendations with installation officials and are listing them below for your information.

Procedure for Beginning Severance Payments

When an employee is separated on any day other than the end of a pay period, he is not included on the severance payroll until the beginning of the next week. The severance pay applicable to the partial pay period is paid to the employee when his severance pay fund is exhausted or when he is re-employed by the Federal Government.

The Federal Personnel Manual, Supplement 990-2, Subchapter 7, S7-6 states that:

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"* * *the agency shall compute his severance pay fund, and shall pay him at the same pay period intervals as if still employed at the same basic pay for the pay period immediately before separation until the severance pay fund is exhausted, except that the final payment shall consist only of that portion of the severance pay fund remaining."

We believe that the intent of the above regulation is to allow the employee to continue receiving his pay as if he were still employed. The Mare Island procedure does not meet this requirement because of the lapse in time from the date of separation to the beginning of severance payment.

Mare Island officials told us that they would revise their procedure to conform with the requirement.

Procedures for Computing and Reviewing
Severance Pay at Hunters Point

We reviewed the severance pay computations of 37 Hunters Point and 6 Naval Radiological Defense Laboratory (RADLAB) employees. We found errors in the computations of 5 employees totaling about \$800.

In order to compute the length of Federal service for severance pay purposes, the clerks subtract all non-creditable Federal service from the employee's Service Computation Date. Two employees' severance pay funds were overstated because of incorrect Service Computation Dates. A third employee's was overstated because the clerk did not subtract all the non-creditable military service from the Service Computation Date.

We believe that the length of creditable service should be computed by adding the periods of Federal service as shown on various documents in the employee's OPF. The supervisor in reviewing the original computation could use the Service Computation Date method to confirm the accuracy of the length of creditable service.

We also found errors in the computation of severance payments to two employees. One error resulted in an overstatement of \$43 and the other in an understatement of \$206. In six other cases,

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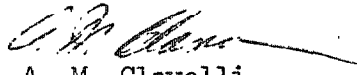
each employee had differing birth dates shown on various documents in his OPF. Four of these variations could have affected the employee's severance pay computations.

We believe that the above errors could have been avoided if Hunters Point had a systematic review and verification of all information in the employee's OPF. Hunters Point officials told us that they would evaluate the present procedures and determine what corrective action would be feasible to prevent future errors.

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We would appreciate your comments on the above matters and information regarding any action you plan to take. A copy of this letter is being sent to the Director, Naval Area Audit Service, San Francisco.

Very truly yours,


A. M. Clavelli
Regional Manager