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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
502 U.S. CUSTOMHOUSE, SECOND AND CHESTNUT STREETS
PHILADELPHIA, PENNSYLVANIA 19106

NOV 27 1970



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Commanding Officer
United States Naval Training Center
Bainbridge, Maryland 21905

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Dear Sir:

We have examined selected civilian payroll transactions and related personnel actions processed by the United States Naval Training Center, Bainbridge, Maryland, for the period August 10, 1969 to August 8, 1970.

Our examination of payroll transactions and personnel actions was directed toward an evaluation of the adequacy and effectiveness of the Center's civilian pay system, including the internal controls. We also reviewed the civilian payroll audits performed by the Internal Review Division since the time of our last review during 1965.

We examined the payroll and personnel records for both general schedule and wage board employees. The selection of payroll transactions to be examined was made by the use of statistical sampling techniques.

On the basis of our review, we believe that the internal controls over the civilian payroll system at the Center need to be substantially strengthened. Improvements are needed in several areas in order to conform the system with Federal regulations and Navy instructions. These areas are described below.

--Many leave record cards (NAVCOMPT Form 206) contained errors in additions and postings; crossouts and changes were made without being properly initialed; required documentation was missing; cards did not contain all required information; some information was being recorded in pencil. Of the 26 cards in our test 11 contained errors--7 overstatements and 4 understatements. If the overstatements are not corrected before the leave is used, overpayments of about \$280 could result. Also, two tenant activities were keeping duplicate leave records because of the unreliability of the Center's records; this is contrary to Navy regulations.

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- Time cards showed leave taken without being initialed by the employee or supported by a leave slip; lateness on cards was not initialed by the supervisors; no approval was shown on cards for employees who signed out early.
- Retirement records contained many incorrect amounts and dates; information concerning personnel actions was not recorded in a timely manner and other required data were missing; cross-outs and changes were being made without being initialed--the balance in the retirement fund was not reconciled with the individual retirement record cards at December 31, 1969, as required by Federal regulations.
- Paycheck distribution procedures prohibit those who are authorized to certify time and attendance from signing for and distributing payroll checks. We found 10 cases where the same individual was allowed to do both.
- A general lack of overall supervision was observed in the payroll section; work of payroll clerks was not being reviewed or verified; the payroll section was frequently understaffed because of extensive usage of leave by the payroll clerks. No programs have been initiated to acquire and train competent personnel and payroll staffs.
- The requirement that the listing of employees exempted from daily mustering be updated annually was not followed.

In our test of within-grade increases we found one case where an incorrect calculation of a retroactive adjustment resulted in a \$6.40 overpayment. We also noted that some within-grade increases were not being made at the proper time, resulting in additional effort being required to make the necessary adjustments at a subsequent time.

In reviewing the retroactive payments made as a result of the Salary Act of 1970, we noted a high rate of errors. In our test of 50 employees, we noted 7 errors comprising 3 overpayments totaling \$60.63 and 4 underpayments totaling \$10.97. The original computations of the retroactive payments had not been independently reviewed or verified.

We believe that many of the weaknesses noted during our review could be corrected if the Center's timekeeping instruction (COMNTCBAIN INSTRUCTION 7410.1E, dated June 17, 1969) was followed.

Our review of the work of the Center's Internal Review Division showed that in the area of civilian payroll some work was performed in February and March 1970 relating to time cards and service cards. The audit working papers prepared by the internal review staff were not adequate to enable us to determine the scope of the work performed. Also, the workpapers did not contain an audit program nor were summaries or conclusions prepared. Although the working papers indicate that numerous errors were found on the time cards and service cards, no audit report was prepared. There was no indication that the work had been reviewed or corrective actions taken.

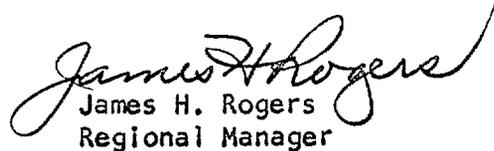
The above review was the only civilian payroll work performed by the internal review staff even though annual reviews are prescribed by the Secretary of the Navy. BUPERS INSTRUCTION 7540.1 contains a detailed audit program for reviewing civilian payrolls. This same instruction requires internal review staffs to prepare working papers containing sufficient information to serve as a basis for the conclusions reached and enable outside reviewers to determine what was done.

We have reviewed the audit program enclosed in BUPERS INSTRUCTION 7540.1 and find it to be very comprehensive. We recommend that this audit program be used by your internal review staff. In our opinion, the weaknesses noted during our review would have been uncovered and called to the attention of Center officials had this program been used.

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We shall appreciate your comments on the corrective action taken or to be taken regarding the matters contained in this report. Copies of this report are being furnished to the Director, Naval Area Audit Service, Norfolk, Virginia, and to the Commander, Navy Accounting and Finance Center, Washington, D.C.

Sincerely yours,


James H. Rogers
Regional Manager