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

JUL 26 1972

Commander
Air Force Accounting and Finance Center
Denver, Colorado 80205

Dear Sir.

A copy of our letter to the Director of Administration, Chief of Staff, United States Air Force, Pentagon, Washington, D.C., is enclosed for your information. The letter contains the results of our review of the practices and procedures applicable to the administration of certain payroll matters for civilian employees at the Time and Payroll Branch, 1143d Air Base Squadron, Headquarters Command, United States Air Force.

Sincerely yours,

H. L. Krieger
H. L. Krieger
Regional Manager

Enclosure

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Director of Administration
Chief of Staff, United States Air Force
Room 5A266, Pentagon
Washington, D.C. 20330

Dear Sir.

We made a review of the practices and procedures applicable to the administration of civilian employee payrolls processed by the Time and Payroll Branch, 1143d Air Base Squadron, Headquarters Command, United States Air Force. Our review which was made during the period March 13, 1972, through June 5, 1972, focused primarily on internal controls over automated data processing and over civilian compensation entitlements including within-grade increases, premium pay, and severance pay. We reviewed and tested the internal audit work done by the Associate Auditor General, Office of the Comptroller of the Air Force, to assure that pay actions were processed in accordance with applicable laws and regulations. On the basis of our examination of the internal audit work, we did not review employee accounts. However, we did test some of the employee accounts that had been reviewed by the Associate Auditor General.

We found the procedures and internal controls over civilian compensation entitlements and automated data processing to be generally effective. However, we noted opportunities for improvements in controls over the distribution of salary checks and savings bonds and in certain automated data processing operations. The more significant matters are summarized below.

IMPROVEMENT NEEDED IN CONTROL OVER
DISTRIBUTION OF PAYCHECKS AND BONDS

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (GAO Manual) states that paychecks and savings bonds shall be delivered or mailed by the disbursing officer to the persons being paid or delivered to designated agents in the employing office for delivery or mailing. The GAO Manual also states that persons designated to deliver paychecks and savings bonds shall not participate in the certification of payroll vouchers or in the maintenance of the payrolls. Failure to separate these duties is a weakness in internal control.

We found that the Payroll Certifying Officer is the Chief of the Time and Payroll Branch and is assigned the responsibility of delivering paychecks and savings bonds and that this responsibility has been delegated to the payroll clerks. Budgeting and Accounting Branch officials informed us that GAO by letter dated April 20, 1960, exempted the Time and Payroll Branch, Headquarters Command, from the standard procedures for distribution of paychecks and savings bonds. We noted, however, that the GAO letter specified that the exemption was subject to future review.

The basis for the 1960 exemption was that at that time the Headquarters Command required an average of 64 hours per pay period to sort payroll checks. In addition, a manpower shortage existed at the Command. The current situation, however, is quite different in that only about 5 hours per pay period is required to sort payroll checks. It is our opinion that under the current circumstances a more effective separation of duties with regard to the distribution of payroll checks is feasible.

Recommendation

We recommend that the responsibility for distributing payroll checks be assigned the disbursing officer or some other person not connected with the Time and Payroll Branch.

NEED FOR IMPROVED CONTROL OVER AUTOMATED DATA PROCESSING OF PAYROLLS

Our review of the internal controls over the automated data processing of payrolls showed that the controls are generally adequate to ensure that employees are paid accurately and in a timely manner. However, we did note several areas in which improvements could be made.

Internal audit

We found that no internal audits have been made of the effectiveness of controls over the automatic data processing of civilian pay. Such audits are necessary to determine if adequate controls are being fully utilized to help assure the accuracy of payroll processing. Officials of the Office of the Associate Auditor General informed us that they would follow up on our observations concerning these controls and would in the future provide audit coverage of this area.

System documentation

In an automatic data processing system, system documentation, which is an orderly written record of the steps followed by the computer in processing data, is of primary importance to effective control over computer operations. System documentation represents the principal means by

which management can determine, at any time, the functions that are being performed by the machine and the nature and sequence in which the functions are accomplished.

We found that documentation on the Headquarters Command's payroll system does not provide a clear understanding of what happens in the system, thus making it difficult to identify and correct any faulty program logic. Officials of the Air Force Data Automation Agency agreed that documentation of the payroll system is inadequate and informed us that work is scheduled to begin this summer to provide better documentation of the system.

Tape processing

A basic requirement of effective computer processing is a systematic procedure for ensuring the use of the correct magnetic tape for each processing operation. Because of the fast speed of the computer, use of the wrong tape can cause numerous errors to be made in just a few minutes.

One of the techniques used in a computer system to obtain assurance that the correct magnetic tape is being used is the tape header label. This is a magnetically coded label at the beginning of each tape that is read by the computer program to make sure the correct tape is being processed.

We found that tape header labels were not being properly used on two computer runs, thereby increasing the possibility of processing the wrong tape. Air Force Data Automation Agency officials informed us that all tapes would be provided with header labels and program instructions for reading the header data.

Safeguarding tapes

The destruction of magnetic tapes containing payroll and other data could seriously affect Headquarters Command's ability to process a payroll. We found that the payroll program and data tapes are not duplicated and stored offsite to prevent destruction.

Air Force Data Automation Agency officials informed us that payroll program and data tapes would be duplicated and stored in a secondary location.

Document control

An effective automated payroll system should include document control procedures to ensure that all documents needed to process the payroll are received and introduced into processing operations in a timely manner.

Such controls include predetermined totals, recording the date and time of receipt of each document received, checks on sequence of records, and record counts. Lack of such controls can result in inaccurate employee payroll records and erroneous payments.

We found that the Headquarters Command had not established controls over the transmission of pay entitlement documents to the Time and Payroll Branch. Officials informed us that they had performed a survey to determine whether such controls were needed. The survey indicated that the instances of nonreceipt of entitlement documents were so rare that the establishment of positive controls was not considered necessary.

We do not believe that this is adequate justification for waiving controls over the transmission of pay entitlement documents. In our opinion, controls are still needed to ensure that all necessary documents reach the data processing equipment and are properly processed without loss or addition.

Recommendation

We recommend that sequence checks, record counts, or similar controls be established over pay entitlement documents submitted to the Time and Payroll Branch.

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We wish to acknowledge the courtesies and cooperation extended to our representatives during this review. We would appreciate being advised of any further action taken on the matters discussed herein.

Copies of this letter are being sent to the Associate Auditor General and to the Commander, Air Force Accounting and Finance Center, Denver, Colorado.

Sincerely yours,

H. L. Krieger

H. L. Krieger
Regional Manager