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ROOM 1800 FEDERAL OFFICE BUILDING

911 WALNUT STREET

KANSAS CITY, MISSOURI 64106

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Commanding General  
Major General Hugh R. Higgins  
U.S. Army Mobility Equipment Command  
4300 Goodfellow Boulevard  
St. Louis, Missouri 63120

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Dear General Higgins:

We have reviewed the civilian pay and allowances system at the U.S. Army Mobility Equipment Command (MECOM). The review included an evaluation of the adequacy and effectiveness of (1) the payroll system including internal controls, (2) internal review, and (3) leave administration. We examined pertinent Department of the Army and GAO regulations, the policies and practices related to internal controls, and Army Audit Agency workpapers, and discussed various aspects of our review with responsible officials.

INTERNAL CONTROLS AND SYSTEM DESIGN

System Documentation

MECOM has not adequately documented its civilian payroll computer programs so that management reviews and revisions can be effectively accomplished. The overall system flowchart is too general to provide an adequate overview of the system. There are no detailed program flowcharts (logic charts) showing each step in the computer program, and no detailed program descriptions. Explanation of payroll reject codes and written descriptions of conditions which cause rejects are also not adequate. We found adequate written descriptions of data flow in the Civilian Payroll Section, Electronic Accounting Machine Section, Booking and Binding Section, and the Key Punch Section.

We believe however, that complete and current documentation of the overall system is necessary for the efficient operation of a data processing system.

Organizational Controls

Controls within the data processing center met established requirements. The system design/programming, computer operation, library data conversion, and functional groups are adequately separated. In addition, a control group has been established for the review and control of input and output data.

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Computer Programmed Controls

We tested the adequacy of computer program controls through use of a deck of test transactions which we designed and processed through the system. The results of our test showed that the programmed controls generally identify erroneous transactions. We believe, however, that additional edits should be programmed into the system to provide more effective control over payroll processing. Following are examples:

1. MFCOM had no limit check on the number of hours payable to each employee. Generally payroll systems should be programmed to reject for review a time and attendance report showing the number of hours worked in excess of a predetermined limit. The predetermined limit for a biweekly system should normally be 80 hours, plus a reasonable allowance for overtime where appropriate.
2. There was no limit check on Sunday premium or night differential hours. Our test demonstrated that it is possible to pay employees for more Sunday premium and night differential hours than can reasonably be worked in any pay period.
3. Payroll Computer programs inserted zeros in those parts of data fields on coding documents erroneously left blank. In our test we left a blank in part of the service computation date for a new employee. Instead of rejecting the transaction, a zero was inserted, and a Master Employee Record was created that showed a service computation date of 1902.
4. There were no automatic edit checks in the computer programs to assure the propriety of waiting periods for step increases. We were informed that some step increases have been processed before the allowable time periods had elapsed. A programming supervisor told us it is possible to have step increases automatically checked as they are processed.

Controls Between Offices

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The Civilian Personnel Office maintained no control over entitlement documents sent to the Civilian Payroll Office for processing. Thus the Civilian Personnel Office has no assurance that all personnel actions are considered, that no unauthorized alterations have been made, and that the results of the processing are accurate. The Civilian Payroll Office is responsible for processing entitlement documents. Coordination between the Civilian Personnel Office and the Civilian Payroll Office is necessary to assure proper processing of documents.

## INTERNAL REVIEWS

The Internal Review Branch at MECOM has never made a comprehensive review of civilian payroll activities, although selected aspects of the system have been spot checked.

During April and November 1971, the Internal Review Branch spot checked selected time and attendance records and found that internal controls prescribed by MECOM Regulation 37-105A, "Time and Attendance Cost Accounting and Performance Analysis Reporting" were not being effectively followed. The Chief of Staff directed that continual surveillance be required to assure internal controls and employee/supervisor responsibilities prescribed by regulations are being complied with fully. This was to be accomplished by establishing in-house procedures within each staff office for unannounced quarterly spot checks. We were told that the Internal Review Branch had not determined the extent of compliance with the Chief of Staff's directive, and our tests disclosed that only five of the eight largest MECOM directorates were complying with the directive.

The U.S. Army Audit Agency audited certain civilian payroll activities at MECOM for the 6-month period ended May 20, 1972. The report contained no major findings.

In our opinion greater emphasis should be placed on internal review to provide adequate management control.

## ADMINISTRATION OF LEAVE

We made a detailed review of selected leave records for a designated period. These records were selected because they showed extensive sick and annual leave usage, various other types of leave, or high annual leave carryovers. In almost all instances the balances, accruals, and charges related to leave were proper and MECOM administration procedures were being followed. Leave advances were properly documented.

The home leave balance for one employee was understated by 17 days apparently because an overseas unit did not properly credit a prior balance of 17 days. The error was not detected because it is not the policy of the Civilian Payroll Section to perform detailed audits of home leave records. We brought this to the attention of the proper official and the 17 days were credited to the employee's leave account. We believe all home leave records should be audited since there is a limited number of these cases.

## TIME AND ATTENDANCE RECORDS

A significant number of time and attendance records are submitted each pay period with unsupported leave, that is, the records had not been initialed or a required medical certificate had not been attached.

This causes an increased workload because payroll clerks have to obtain support for leave from the employees or their supervisors. Also, records were submitted with hours posted in the wrong columns, hours not totaling, and postings in pencil rather than ink. These records must be corrected by payroll clerks. Incomplete records demonstrate that some time and attendance clerks are not properly fulfilling their responsibilities. Also, supervisors who sign and approve the records are not adequately discharging one of their basic responsibilities.

We suggest that a directive be issued to all operating offices emphasizing the need for compliance with regulations. We also believe that training should be given to employees responsible for maintaining time and attendance records. As an alternative, we suggest that all unsupported or incomplete time and attendance records be returned after payroll processing to the appropriate Division Chief and a written explanation of errors be required.

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We wish to acknowledge the courtesies extended to our representatives during this review, especially the cooperation of your Civilian Payroll Office and Directorate of Management Information Systems. We will appreciate receiving your comments on the above matters and any actions taken.

Sincerely,

K. L. WEARY,

K. L. Weary  
Regional Manager

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