UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
FAR EAST BRANCH
1833 KALAKAUA AVENUE
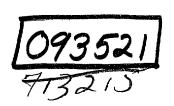## HONOLULU, HAWAII 96815

MAY 8 1974

Commanding General
U.S. Army, Japan
Attention. Comptroller
APO San Francisco 96343

Dear Sir:

   Enclosed is a copy of our report to the Commander in Chief, USARPAC, on our review of the U.S. Army, Japan, Civilian Payroll System—a part of the USARPAC Standard Civilian Payroll System. Our review was made in accordance with the Comptroller General's letter of September 1, 1972 to the Secretary of Defense in which he advised the Secretary that the General Accounting Office would discontinue centralized audits of civilian payroll systems overseas and begin making onsite reviews.

   Our objective was to evaluate the payroll system's internal controls, including internal audit. In addition to the manual controls, we gave particular attention to those built into the computer programs.

   As discussed in the report, we found (1) serious weaknesses in the internal controls over timekeeping (page 4) and processing of entitlement documents at the payroll office (page 7), (2) a need to improve security over the computer files (page 18), (3) areas for improvements in the computerized portion of the system (page 20), and (4) opportunities to increase efficiency (page 26). Better internal audit coverage was also needed (page 29).

   We drew a sample of 50 employees on the rolls as of January 19, 1974 and attempted to substantiate all payments, deductions, and leave transactions for one pay period, and verify other information on the master record. We then projected the results to the entire payroll of about 2,100 employees. As shown on page 15, a significant number of errors was found in the records resulting from the lack of internal controls. We also processed dummy test transactions through the payroll system by using copies of payroll files and the actual computer programs. We found several weaknesses in the areas of computer program logic and computerized edits. These are discussed beginning on page 21.

In our opinion, the basic cause for the conditions described in the report was an inadequate conversion effort when the system was computerized in 1973. Timekeeping and payroll personnel received little training in the operation of the new system, standard operating procedures were not developed, computer programs were not carefully tested, and the system was not monitored after computerization. We believe that action should be taken in the following general areas: (1) training, (2) correction of internal control weakness, (3) validating computerized payroll data, and (4) increasing internal audit coverage.

Specifically, we are recommending that:

--an intensive training program be started for payroll clerks in internal controls, forms usage, payroll regulations, and proper handling of computerized output (page 16).

--standard operating procedures be developed for timekeepers and payroll clerks (pages 6 and 16).

--computer files be duplicated periodically and stored in a remote location (page 19), and the Continuity of Operations Plan be updated to provide for recovery in a disaster (page 19).

--current computer files be stored in the tape library and checked out when authorized (page 19).

--computer program documentation be kept up to date (page 21).

--computer programs be thoroughly tested before use (page 23), and updated in a timely manner to reflect changed legislation and regulations (page 23).

--additional computerized controls be installed (page 25).

--duplicate manual pay, bond, and leave records be eliminated (page 28).

Some of the weaknesses identified in the report require action by USARJ. Others require joint USARPAC/USARJ action to correct. To avoid duplication, we have requested USARPAC's comments on all actions taken or planned regarding the matters discussed in the report.

We appreciate the courtesies and excellent cooperation given our representatives by all levels of your command during the review.

Sincerely,

C. Roman
Director

Enclosure