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July 10, 1974

Colonel Roger K. Peterson  
Commander

Whiteman Air Force Base, Missouri 65761



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Dear Colonel Peterson:

Enclosed is our report on review of the Whiteman Air Force Base civilian payroll and leave systems. The review, made during the third and fourth quarters of fiscal year 1974, was part of a broad program of General Accounting Office reviews of selected civilian pay and allowance systems within the Department of Defense. We discussed our findings with responsible personnel during the course of our work, and at the conclusion of the review we briefed the Acting Comptroller, the Resident Auditor of the Air Force Audit Agency, and representatives of the offices involved.

Our review was directed to evaluating the adequacy and effectiveness of the systems' internal controls. We identified several areas in which we believe internal controls should be strengthened.

Although any one internal control may serve a variety of purposes--such as safeguarding the system against errors, manipulation, fraud, or mismanagement--we have grouped, for reporting purposes, the controls in the Base's systems which, in our opinion, are in need of improvement into the following general categories:

- controls to reduce opportunities for fraudulent or other irregular acts, and
- controls to insure accurate and proper processing of payroll and leave data.

Our findings and recommendations are contained in chapters 2 and 3.

We will appreciate receiving your comments on actions taken or planned by you on each of the matters discussed in the report within 60 days. Thank you for the cooperation of your staff during the review. It resulted in a productive working relationship which facilitated the review and permitted a free discussion of problems.

Copies of this letter and the enclosed report will be sent to the Air Force Audit Agency.

Sincerely yours,

088950

8/4/69

K. L. Weary  
Regional Manager

Enclosure

NEED FOR IMPROVEMENTS IN

THE CIVILIAN PAYROLL SYSTEM OF

WITTENAN AIR FORCE BASE, MISSOURI

DEPARTMENT OF THE AIR FORCE

U. S. GENERAL ACCOUNTING OFFICE  
KANSAS CITY REGIONAL OFFICE

July 1974

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## CHAPTER 1

### INTRODUCTION

Whitman Air Force Base, Missouri, was activated in 1942, closed from 1947-1950, and reactivated in 1951. It is headquarters for the 351st Combat Support Group, which provides support for the 351st Strategic Missile Wing, also headquartered at Whitman. The mission of the 351st Strategic Missile Wing is to develop and maintain operational capability to permit the conduct of strategic missile warfare according to an emergency war order.

As of April 1, 1974, records showed 450 civilian employees at Whitman. About \$3.9 million had been spent for civilian employee salaries, wages, and benefits for the first three quarters of fiscal year 1974. Whitman also handles all payroll processing and maintenance of personnel records for District 33 (Kansas, Nebraska, Missouri, Iowa) of the Defense Investigative Service, Department of Defense.

#### SYSTEM DESCRIPTION

The Base's automated payroll and leave systems were designed at Gunther Air Force Base, Alabama, to operate on a Burroughs 3500 (B-3500) computer. Pay and leave programs, as well as program changes, are furnished to Whitman by Gunther. Whitman does not employ any programmers in its data processing section and may not change programs.

The B-3500 system has been in operation at Whitman since April 1972. Prior to that time another centrally designed system utilizing a Burroughs 263 computer was used.

Timekeepers who work in organizational components throughout the Base are responsible for insuring accurate preparation of employees'

time and attendance reports. After certification by designated certifying officers, the time and attendance reports are submitted to the Civilian Pay Section (hereafter referred to as "the payroll office") for payroll processing.

Salary payments to employees, as well as other payments related to payroll (health insurance premiums, charity contributions, etc.), are prepared by the Disbursing Officer in the Base's Finance and Accounting Branch.

#### REVIEW APPROACH

Our review was concerned primarily with an evaluation of system operating procedures and internal controls related to the Base's civilian pay and leave operations. It included an evaluation of the procedures and practices relating to the preparation, flow, and processing of pay and leave actions; an evaluation of internal controls in the manually operated and automated portions of the system; and tests of pay and leave transactions in fiscal year 1974.

In our examination of the automated portion of the system, we used a test deck to determine whether the computer program edit and computation routines were operating accurately and providing essential controls to detect inaccurate, incomplete, or unreasonable data. We found no discrepancies in this area. All of our findings were in the manual portion of the system.

## CHAPTER 2

### NEED FOR IMPROVED SYSTEM CONTROLS

#### TO REDUCE OPPORTUNITIES FOR FRAUDULENT

##### OR OTHER IRREGULAR ACTS

Control over computer operations in an automated payroll system is obtained by establishing safeguards throughout the system. Each safeguard independently strengthens the system and complements others to provide security against major losses. Conversely, as the number of deficiencies in these safeguards increases, the probability of losses increases because safeguards in other parts of the system may be bypassed or rendered helpless in detecting fraudulent or irregular acts.

#### NEED FOR SEPARATION OF DUTIES IN PROCESSING CIVILIAN PAYROLL

Payroll processing activities carried out by employees in the Base's payroll office have not been adequately separated. The chief of the payroll office has been performing most payroll processing functions because the temporary employees who have been hired to fill the other payroll office position have not had adequate experience or training. Consequently, there are few, if any, controls to prevent the employee from committing fraudulent or other irregular acts.

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (6 GAO 9) states that an agency's plan of organization should be developed so that it provides an appropriate separation of duties in carrying out the various functions pertaining to pay, leave, and allowances. Specifically, the manual provides that duties and responsibilities should be separated to assure that no one person performs all

phases of a transaction from beginning to end without the intervention of some other person or persons who afford a cross-check. It also provides that persons responsible for performing functions relating to the computation of pay and preparation of payrolls should not maintain control records nor certify the payroll.

The chief of the payroll office has been preparing the input documents for computer processing of all permanent changes, such as accessions, promotions, transfers, and separations; making all temporary and corrective adjustments to employee pay and leave amounts; sharing responsibility for reviewing TEs; preparing manual control totals and reconciling computer output with control totals; reviewing error messages resulting from computer processing; and reinputting the corrected data. She also certifies the payroll.

The problem in separation of duties in the payroll office has existed in varying degrees since June 1973 when the Base began hiring temporary employees to fill the second permanent position in the payroll office. Between June 1973 and March 1974 a total of three temporary payroll clerks were employed. The amount of processing work and review these employees have been able to perform has depended largely upon their experience and the on-the-job training received, but the longest period of service of any of the three clerks was six months. The chief of the payroll office indicated she was not able to provide adequate training and keep up with the volume of work required to get the payroll processed each pay period.

Although we noted no instance where the lack of proper separation of duties resulted in fraudulent or other irregular acts we believe every payroll office should have established processing procedures and controls which provide reasonable assurance that pay is processed accurately and that opportunities for fraudulent and other irregular acts are held to a minimum. The proper separation of employee duties and responsibilities is important to effective control over payroll processing activities. Although the extent to which activities in the Base's payroll office can be separated is limited because the number of employees is small, we believe the duties and responsibilities of each position need to be defined and separated so no one person has control over any one function from beginning to end. We also believe a permanent employee should be hired and properly trained as soon as possible to fill the payroll clerk position and perform the duties of the position so that effective procedures and controls can be established.

Recommendations

We recommend that:

---the duties and responsibilities of each employee position in the payroll office be defined and established to preclude any one person from having complete control over any one payroll processing function;

---a permanent employee be hired to fill the payroll clerk position and be trained as soon as possible to perform the duties of the position;

---the certification of the Base's payroll be assigned to someone other than the chief of the payroll office (preferably the Finance and Accounting Officer) so long as the chief is involved in performing functions relating to the computation of pay and preparation of the payroll.



Proposed agency actions

Base officials concurred in our finding and recommendations and said the position of permanent payroll clerk was in the process of being filled. They also said that a military employee would be brought into the payroll office and that both of the new employees would be given proper training. The officials believed that the duties in the payroll office could be properly separated when the proposed actions are carried out, and that the actions would allow the chief of the payroll office to perform her duties as a supervisor.

We believe the proposed actions should provide the basis for establishing the procedures and controls needed in processing of the Base's civilian payroll.

## CHAPTER 3

### IMPROVEMENTS NEEDED IN SYSTEM

#### CONTROLS TO INSURE ACCURATE AND PROPER PROCESSING

##### OF PAYROLL AND LEAVE DATA

Inaccurate or improper processing of pay and leave data, either resulting from ordinary errors or irregular acts, can be costly for management and unfair to employees. Thus, management must rely on effective system controls as key elements to insure accurate data processing.

##### NEED FOR PERIODIC RECONCILIATIONS OF PERSONNEL RECORDS WITH THE PAYROLL MASTER PAY RECORDS

Personnel documents to be processed by the payroll office are hand delivered by employees from the personnel office or picked up by personnel from the payroll office. The personnel office has not established a system of reconciliation or control which assures that all documents forwarded have been accurately processed. The personnel office does not receive any output from the Data Automation Branch or the payroll office for use in making a reconciliation or establishing control.

We compared data on the master pay records with like data in official personnel records for 34 employees and found that all documents had been accurately processed in the payroll office, with the exception of the birth dates of two employees.

Although our test did not disclose any significant discrepancies we believe that periodic reconciliations of personnel records with

the payroll master file is important to an effective payroll system, as suggested in the GAO Manual (6 GAO 4).

Recommendation

We recommend that the Civilian Personnel Branch be required to periodically reconcile personnel documents to the payroll master records. Effective control could be established if the payroll office furnished the Personnel Branch with a copy of its Permanent Change Register which showed all permanent changes inputted into the computer system during the pay period and the Personnel Branch reviewed copies of the Data Automation Center master pay records reflecting the changes made.

Proposed agency actions

Base officials agreed with our findings and recommendations. They said that the Civilian Personnel Branch would request copies of the Permanent Change Register and the master pay records. In addition, they said that consideration would be given to the feasibility of making a computer reconciliation of payroll and personnel records when the computerization of personnel records is completed in 1975.

We believe these actions, if effectively carried out, should result in strengthening the Personnel Branch's control over the processing of personnel entitlements.

NEED FOR IMPROVEMENT IN PREPARATION  
AND REVIEW OF TIME AND ATTENDANCE CARDS

The preparation and review of T&As needs to be improved to preclude overpayments and underpayments to employees, and to provide positive assurance that employees are entitled to be paid for the hours

shown on the T&As and should be charged for the hours of leave shown on the T&As. The GAO Manual (6 GAO 16.2) states that time and attendance reports shall provide affirmative evidence that each employee is entitled to his normal pay or to a greater or less amount.

We reviewed the 957 T&A cards processed during two selected pay periods to test the preparation and review by timekeepers and civilian pay personnel, the availability of proper authorizations, and the accuracy of input to the computer.

We found that 123, or 13 percent of the T&As had not been properly, accurately, or completely prepared as required by the Strategic Air Command Manual (SACM) 177-6 covering standardized instructions for preparing and certifying T&A cards. We have grouped these T&As into the following categories and have noted the particular sections of the manual involved:

a. Uncertified and incomplete T&As

Three T&As processed by the payroll office had not been signed by a certifying officer. Proper certification had not yet been obtained at the time of our review even though certification should be obtained before the pay check is released and funds are disbursed. Chapter 1, 1-10 states that certification of the T&A card is the authorization for the expenditure of Government funds. One of the uncertified T&As received by the payroll office indicated an employee had taken two hours of annual leave, and that this leave had been initialed. However, the spouse of this employee works in the payroll office and was certain the employee had not taken annual leave. The payroll office then contacted the employee's certifying officer, and based on information received from him, completed a new T&A reflecting no annual leave taken and inputted it into the system. We found that this corrected T&A had not been signed by the certifying officer. In addition, we spoke to the certifying officer who 1) told us he had mistakenly entered annual leave for this employee, and 2) the initialing of the T&A had

been accomplished by someone other than the affected employee himself. Since the initialing of leave is the employee's acknowledgement that he is taking leave, the initialing of the T&A should only be done by the employee taking the leave.

Chapter 3, 3-13, states that the number of regular hours for which an employee will be paid must be accounted for on a day-by-day basis on the T&A. One T&A did not indicate, for one day, whether the employee had worked, was on leave, or was in a leave without pay status. The employee was paid as if he had worked.

Chapter 1, 1-10, requires that all leave taken be initialed by the employee or be accompanied by an SF 71, "Application for Leave". Three T&As had leave taken indicated but the leave taken was not supported by the employee's initials or an SF 71.

Chapter 1, 1-12, requires that when a corrected T&A is submitted it must be annotated as a corrected card and give the reason for the correction. One corrected T&A was not noted as being a corrected card nor did it explain why the correction, changing annual leave taken to sick leave taken, was made.

Chapter 1, 1-8, requires certifying officers to initial all corrections on T&As to assure that they are aware of the corrections made. Five T&As had corrections made which had not been initialed by the certifying officers.

Chapter 3, 3-16, requires the drawing of a single line through the summary blocks on the T&A for night differential, compensatory earned, overtime, and shift hours worked in order to preclude unauthorized additions being made after T&A cards have been certified. Fifty eight T&As had not been properly completed by timekeepers to void these unused summary blocks.

Chapter 3, 3-15, requires the summarizing of the number of hours of leave taken in the bi-weekly summary fields so that these figures may be keypunched. Twenty eight T&As had not been properly completed by timekeepers to summarize leave taken in the bi-weekly summary fields.

b. Improperly prepared T&As

Chapter 3, figure 3-52, shows timekeepers that wage board employees with a less than 90 day temporary appointment are not entitled to holiday leave (pay for holidays not worked). Eight T&As pertaining to employees who were serving under appointments limited to 90 days or less indicated payment had been made for 20 days of holiday leave. This resulted in overpayments of \$578.56.

Chapter 2, 2-5, states that holiday premium pay will be paid for the number of hours actually worked, not to exceed eight hours, on a holiday during an employee's scheduled shift, and that only hours worked outside an employee's scheduled shift is overtime. Seven T&As indicated payment of 11 1/2 hours overtime to each employee on a holiday even though eight of those hours had been worked during the employees' scheduled shifts. These employees were entitled to eight hours of holiday pay but only 3 1/2 hours of overtime. The resulting overpayments totaled \$176.56.

Chapter 3, 3-14, requires timekeepers to correctly enter the shift worked for all hours payable at premium pay rates. One T&A indicated an employee was paid the second shift premium (7 1/2%) for holiday hours worked although the hours actually worked, as shown elsewhere on the T&A, indicated work was performed during the first shift only. This resulted in a \$3.12 overpayment.

Chapter 3, figure 3-20, describes the proper method of recording holidays worked and holidays on which no work is performed. Four T&As had not been correctly prepared to reflect a holiday on which no work was performed thereby raising the possibility that these employees had actually worked on the holiday and were entitled to holiday premium pay. Although these employees were paid as if they had not worked the holiday, the payroll office did not attempt to verify if work had been performed and this could have resulted in underpayments to the affected employees. One other T&A was received by the payroll office with the same information as the four T&As above but was changed by the payroll office to correctly reflect no work performed on a holiday. However, a second day in the same pay period was changed by the payroll office to reflect holiday leave on a day which was not a holiday, thereby raising the possibility that the employee had not worked that day and should have been charged leave.

c. Inaccurately prepared T&As

Two T&As had night differential hours totaled incorrectly, resulting in underpayments of \$3.66.

One T&A indicated 40 hours of annual leave taken had been initialed by the employee. The T&A was accompanied by an SF 71, for the same period, which had been approved for 40 hours sick leave and signed by a physician. The employee was charged 40 hours of annual leave, but the payroll office did not follow-up and ascertain the reason for this discrepancy or which type of leave was to be charged.

The deficiencies noted were primarily the result of clerical errors and the failure of timekeepers to follow instructions on T&A preparation, but certifying officers did not fulfill their responsibilities in areas such as initialing of leave taken and verification of the accuracy and completeness of T&As. The payroll office also needs to strengthen its procedures in reviewing T&As to detect errors made by timekeepers.

Recommendations

We recommend that the importance and need for proper preparation of T&As be emphasized to timekeepers and certifying officers, and corrective action be taken to ensure that T&As are prepared in accordance with SACM 177-6. We also recommend that T&A review procedures be strengthened to the extent necessary to detect and correct errors made on T&As.

Proposed agency actions

Base officials agreed with our findings and stated that action had been taken on the underpayments and overpayments. They said that a letter would be sent to all timekeepers and certifying officers citing

the types of errors found and emphasizing the importance and need for accuracy in preparing and certifying T&A cards. They also said that additional review of T&As and supervision would be provided by the Civilian Pay Section, and that any T&A that is not prepared in accordance with SACM 177-6 will be corrected by the certifying officer at the time the T&As are delivered to the payroll office, or a new T&A submitted if necessary, before release of the affected employee's pay check. We believe these proposed actions, if effectively carried out, should result in improved preparation and review of T&As.

NEED TO IMPROVE PROCEDURES  
FOR PROCESSING T&As RECEIVED  
FROM OFF-BASE SITES

The T&A cards of four employees of the Defense Investigative Service (DIS) were changed by the payroll office to reflect leave taken after they had been received for processing. All DIS employees work at off-base sites and mail their T&As prior to the end of the pay period in order to reach the payroll office in time for processing. Occasionally an employee will decide to take leave after T&As have been mailed. The procedure followed in the Base payroll office is to make the necessary changes on the T&As on the basis of telephone calls, but the payroll office does not require that a corrected T&A with proper certification be received before release of the pay check.

SACM 177-6, Chapter 1, paragraph 1-11 states that if an employee takes leave after T&A cards are certified and submitted to the civilian pay area, a corrected T&A must be prepared and submitted immediately. Since the basis for payment to an employee is a certified correct



TSA report, we believe that a corrected TSA should be required for any situation where the payroll office has made a change to a TSA, and receipt of the corrected TSA should normally be a prerequisite to releasing the pay check.

Recommendation

We recommend that the procedures set forth in SACM 177-6, which require the submission of a properly certified and corrected TSA for any TSA that must be changed by the payroll office after it has been received for processing be followed.

Proposed agency actions

A Base official agreed with our findings but stated that this matter would require some changes in TSA reporting procedures by DIS employees. He said the situation would be discussed with SAC and DIS officials and an acceptable solution would be reached.

NEED FOR TIMELY CORRECTIVE ACTION ON TSAs IN ERROR

The payroll office had not taken timely corrective action on TSAs which were submitted for processing without proper documentation or explanatory remarks.

We noted five TSAs dating back to September 1973 which required corrective action, but corrective action had not been taken. Four TSAs lacked initials or an SF 71 for leave taken while the other TSA had erasure marks on it with no explanation or initials.

SACM 177-6, Chapter 1, paragraph 1-22, provides that the payroll office shall request corrective action from the certifying officers in such instances, but we could not determine if more than one attempt to obtain corrective action was made in these five cases.

We believe base officials should take necessary steps to obtain timely corrective action on TAs whenever necessary.

Recommendation

We recommend that timely corrective action be required for any TA that is found to be incomplete or inaccurate.

Proposed agency actions

A Base official agreed with our findings and stated that immediate corrective action on TAs will be required. He also stated that in those cases involving questions about entitlements to pay, pay checks would be held until corrective action is accomplished. We believe these actions, if effectively carried out, should bring about prompt corrective action on TAs.

NEED TO STRENGTHEN CONTROLS OVER  
ADVANCEMENT OF ANNUAL LEAVE

The payroll system needs to be strengthened to improve the control over the advancement of annual leave.

Federal Personnel and Air Force Regulations state that annual leave can be advanced up to the amount an employee will earn during the remainder of the leave year. However, Air Force Regulations state that in granting an employee annual leave in excess of the amount he has actually earned, the supervisor authorized to approve leave must have reasonable assurance that the employee will be in a duty status long enough to earn the leave granted before the end of the leave year. Certification of the TA by the leave approving official is to be accepted as evidence that any annual leave reported has been approved for use. However, supervisors who approve annual leave are not

furnished with any leave balance listing with which to determine if annual leave approved has already been earned or is being advanced.

Review of the Leave Listing Printout for the pay period ending January 5, 1974, the last day of the 1973 leave year, disclosed that two employees had not liquidated their annual leave advances by the end of the leave year. One of these employees was advanced annual leave seven times during the leave year.

It appears that supervisors who granted advance annual leave did not monitor employees' statuses to assure that advances would be liquidated by the end of the leave year. The supervisor who approves the advancement of annual leave should be aware that he is advancing leave rather than approving leave that has already been earned. The payroll office should notify supervisors about the status of annual leave advanced so that supervisors can be sure that employees liquidate advances by the end of the leave year.

#### Recommendations

We recommend that supervisors who approve advanced annual leave be required to assure the payroll office that they are aware that they are advancing annual leave and that they are reasonably sure the employee will be in a duty status long enough to liquidate the advance by the end of the leave year. We also recommend the payroll office notify supervisors who have approved advanced annual leave of the current status of the advance so that they can monitor subsequent leave usage.

Proposed agency actions

A Base official agreed with our finding and stated that supervisors who approve advanced annual leave will be required to justify the granting of such leave and give additional written assurance that the employee can reasonably be expected to be in a duty status long enough to earn the leave granted before the end of the leave year.

We believe these actions, if effectively carried out, should strengthen the controls over the advancement of annual leave, but the payroll office needs to notify supervisors of the status of the advances so that they can monitor subsequent leave usage.

NEED TO PERFORM ANNUAL  
REVIEW OF LEAVE RECORDS

The payroll office is not performing an annual review of leave records as required by the GAO Manual (6 GAO 20.7). An official of the payroll office stated that she was aware of this requirement but did not have the time to perform such a review.

The need for at least an annual review of official leave records was shown by the results of our review of 1973 year end leave balances and 1974 beginning balances. We found three employees' annual leave balances that were in excess of 30 days. The maximum annual leave carryover of the three employees had been erroneously recorded as greater than 30 days at the end of the 1972 leave year but had gone undetected until our review. We believe an annual review of leave records is necessary and should be performed.

### Recommendations

We recommend that the Commander require the payroll office to perform at least an annual review of leave records and that procedures be established to verify the validity of maximum annual leave carryover balances.

### Proposed agency actions

Base officials agreed with our finding and stated that annual reviews of leave records would be performed. They also said that the maximum annual leave carryovers of the three individuals cited in our finding would be adjusted and the leave records of all employees who have maximum annual leave carryovers in excess of 30 days would be reviewed to determine if they are correct. We believe these actions, if effectively carried out, should strengthen the administration of leave.