



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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DIVISION OF FINANCIAL AND  
GENERAL MANAGEMENT STUDIES

B-199134

JULY 22, 1980

The Honorable Moon Landrieu  
The Secretary of Housing and  
Urban Development

*AGC 00023*



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Dear Mr. Secretary:

Subject: Problems in Implementing of Department of  
Housing and Urban Development's New Payroll  
System (FGMSD-80-72)

At the request of Congressman <sup>M</sup> Caldwell Butler, we inquired why some employees of the Department of Housing and Urban Development (HUD) have not been paid promptly and accurately under the new terminally operated personnel/payroll system (TOPPS). The request was prompted by complaints from constituents who are HUD employees. They had received paychecks for wrong amounts due to incorrect withholding and overtime computations and other errors. Also, some of these constituents complained about system delays in adding or terminating personnel and changing employee status in accord with job changes.

We found that most of the complaints related to TOPPS could be attributed to four basic problems discussed in this report.

- The system contained some design weaknesses.
- The system was implemented before personnel were adequately trained.
- An adequate means of resolving complaints had not been provided.
- Emergency salary payments were improperly treated as advances.

Also, we noted that the TOPPS systems design has not been submitted to GAO for approval because HUD has been unable to devote adequate staff to the system's documentation.

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INADEQUATE DESIGN FEATURES

The TOPPS system contained some sophisticated procedures and computer edits to control the accuracy of data inputs that affect pay and related records. However, the system was not designed to (1) deal with inaccurate data carried over from the old payroll system, (2) completely process all transactions affecting summary pay records, and (3) reject automated processing of pay for excessive amounts.

The new system's design assumed that data inputs to the system would be accurate. However, HUD obtained the new system's data base from the old HUD payroll system. The data base was not thoroughly checked for inaccuracies before the transfer and, thus, inaccurate and incomplete data was passed on to the new system. In his October 1979 report, HUD's Inspector General commented:

"Several of the problems that we identified originated with the conversion of incomplete and/or erroneous data from the old payroll and personnel systems. Errors and/or omissions in the converted data files caused the system to encounter situations that the system designers had not anticipated, and the system compounded the problems by creating additional errors."

The additional errors were created primarily by manual payroll processing procedures handling supplemental payments, pay adjustments, and other special payments, such as lump sum leave payments. Payments made by these manual procedures were not subjected to the same type of edit as the routine automated payments. Because of this, erroneous payments were processed that compounded inaccuracies in the data base transferred to the new system.

The new system's mechanized controls were designed to prevent entry of erroneous data; however, the design did not allow corrections of inaccuracies for some element of data already in the base or subsequently generated by processes that bypassed edits. For example, the computer edits rejected corrections of large erroneous manual payments, leaving inaccuracies in data used to prepare employees' annual earnings statements. This condition caused erroneous reports that the Department needed to pay State and local taxes. In his October 1979 report, HUD's Inspector General noted that, because of this problem, the Department could not pay the withheld taxes in calendar 1979 until a special effort was made to establish the amounts withheld.

The new system also contained other design deficiencies that did not allow complete processing of all payroll transactions. For example:

- Transactions to correct errors would properly adjust employees' master files but would not update the employees' year-to-date earning files. Such files are used to produce the official payroll records for, among other things, employee retirement history records, and Federal tax information.
- Lump sum leave payments were automatically calculated by the system based upon the employee's leave balance. However, if the employee owed money to HUD, the system was not designed to deduct the amount from the leave payment and apply it to the proper accounts. This oversight precluded HUD's payroll from collecting from employees' lump sum leave payments.
- Collections for employee indebtedness are normally deducted from the employee's regular paycheck by processing a pay adjustment document. With TOPPS, if the deduction was greater than net pay calculated by the system, the system would not process any portion of the deduction. Moreover, when the deduction was not processed, the system would not report it to appropriate officials for correction.

Perhaps one of the more serious design deficiencies we noted was that the system did not include a maximum on the amount of pay that could be computed automatically. This essential control feature is usually handled through computer edits designed to reject payments exceeding maximum salaries authorized by law. In the October 1979 report, HUD's Inspector General also noted this deficiency and said that, in absence of adequate controls:

- one biweekly paycheck was produced but not distributed to an employee for over \$27,000 and
- two biweekly gross pays were computed (for two employees) that would have amounted to annual salaries of over \$2 million for each employee.

By the time our review was completed, HUD's Assistant Secretary for Administration had agreed to act to correct the design deficiencies noted by us and reported by HUD's Inspector General. However, action had not been started in some cases, for example, redesigning the system to provide controls to prevent automatic payments of unreasonable amounts.

Other control improvements will take a long time to complete, especially those connected with correcting the erroneous data base.

PERSONNEL NOT ADEQUATELY TRAINED

Although the new system is complex, highly sophisticated, and processes many different types of transactions, it was implemented without adequately training personnel.

Our Policy and Procedures Manual for Guidance of Federal Agencies (6 GAO 10) cautions that there is a high degree of correlation between the lack of training of personnel engaged in pay, leave, and allowance work and the errors found in such operations. HUD's new system has a high degree of errors. For example, in one payroll period during October 1979, the system failed to process over 3,000 payroll transactions or processed them after their effective date. Also, our review of 1,400 personnel actions submitted for processing during one pay period in September 1979, disclosed that 82 of the actions, or about 6 percent, were rejected by the system and not corrected and resubmitted before their effective dates. These actions were routine ones such as quality step increases and pay adjustments.

We were told that formal training for the new system had been limited to a week's course given at the various HUD offices operating the system. All employees initially assigned to the system attended the course, but many such employees were no longer working on the system and their replacements or additional new employees received no formal training. HUD officials acknowledged that this lack of training caused many of the erroneous payments, missing paychecks, and leave errors. They also said the condition contributed to the large backlog of payroll adjustments.

HUD officials agreed that a formal training program is necessary for employees. At the end of our review, however, action had not been started to develop the program.

ADEQUATE MEANS OF RESOLVING  
COMPLAINTS NOT PROVIDED

As specified by our Policy and Procedures Manual for Guidance of Federal Agencies (6 GAO 4), HUD's new payroll system included procedures for employees to communicate payroll problems. HUD apparently never anticipated the number of complaints that developed and has yet to provide adequate resources to resolve them. As discussed below, this condition has led employees to lose confidence in complaint procedures and has resulted in even more complaints.

HUD's payroll procedures provide that an employee with a payroll complaint can submit a specified form explaining the problem. However, because of the backlog and delays in processing the payroll complaints, the employees have lost confidence in this process and frequently either call the payroll office, personnel office, the HUD payroll inquiry unit, HUD's Assistant Secretary for Administration, or write to Congresspersons. Employees frequently contacted all these offices in an attempt to get satisfaction and this has led to duplication of efforts, confusion, and frustration on the part of the payroll employees.

Field offices have reported a high number of unresolved complaints. For example, the San Francisco and Atlanta regions each reported over 300 unresolved complaints, while the Chicago region reported over 400. According to HUD payroll office officials, the payroll office received at least 75 complaint calls each day and hundreds of written complaint forms each pay period.

The chief of payroll operations acknowledged that an adequate staff was not initially provided to handle the volume of complaints. The official said that, with the current staff, there was little or no chance of reducing the current backlog in the near future.

#### IMPROPER HANDLING OF EMERGENCY SALARY PAYMENTS

Because so many HUD employees had complained about not receiving paychecks, the Treasury allowed HUD to implement emergency salary payments. However, the emergency payments have been improperly handled as advances to employees, which are prohibited, and many advances have not been recovered.

HUD's emergency payment procedures provide for an employee to receive an emergency salary payment within 24 hours after the employee's administrative officer was notified that a regular salary check was not received. The administrative officer is to determine that an employee has not been issued a paycheck before authorizing an emergency salary payment. The payment is made either from imprest funds in the Department's regional office or by Treasury check, if the worksite of the employee is in a city with a Treasury disbursing office.

HUD specifically requested authority from the Department of the Treasury to make emergency salary payments from imprest funds. In approving this request, Treasury cautioned that

"\* \* \* under no circumstances are any payments made under this authorization to be considered advance"

"payments. All payments made must be for actual hours worked, and entered into payroll records. They may not be considered a salary advance to be repaid through subsequent deposit of a salary check."

This caution was included because provisions of 31 U.S.C. 529 generally prohibit advances to Federal employees.

Contrary to Treasury's requirements, HUD implemented procedures whereby emergency payments were for an approximation of the salary due. In addition, the payments were recorded as accounts receivable to be collected through payroll deductions in subsequent pay periods. Because payroll did not always receive prompt notice of the emergency salary payments, many emergency payments became advances or loans that were outstanding for extended periods.

In addition, HUD has not exercised proper control over the issuance and collection of these emergency salary payments. For example, HUD's regional offices maintained records of outstanding advances which, in most cases, had not been reconciled with the payroll office's records. As of October 31, 1979, about half of these payments had not been recovered by HUD's payroll office. Many of these outstanding payments had become uncollectible because the employees had left HUD. In some instances, emergency salary payments were issued even after the employees left.

These deficient procedures may have contributed to the high number of emergency payments that are being made. According to payroll records, about 700 emergency payments totaling over \$129,000 were issued to employees during the 6 months between April 1 and October 1, 1979. The number and amount could be significantly higher because HUD's payroll office had records only on those payments that were submitted to the office to be recovered through payroll deductions.

HUD's approach to emergency payments is also negating the purpose of expenditure certification required by law. Under Federal agency payroll procedures, payroll vouchers become the authority for recording and paying wages and salaries, and as provided by 31 U.S.C. 82(c), such payments must be certified by specific officers who are responsible for the payments' propriety and legality. The HUD certifications are meaningless because two officers independently certify separate salary payments, each for the same period of work. (The regular payments are being certified by an official in the Department's centralized payroll office in Washington, and the emergency payments are being certified by an official in

the regional fiscal office.) The Treasury has asked that double certifications be stopped.

AGENCY ACTIONS AND RECOMMENDATIONS

Many of the problems described in this report were previously reported by HUD's Inspector General. We briefly discussed our findings in our testimony on November 8, 1979, before the House Committee on Government Operations' Subcommittee on Manpower and Housing. Since HUD had not started to correct these deficiencies at the time of our review, we suggested that HUD payroll officials:

- Assign enough staff to resolving the current TOPPS system design problems and submit the system design documentation for our approval.
- Develop a formal employee training program that emphasizes procedures for accurate entry of data into the system.
- Institute manual controls to ensure that all personnel actions are processed before their effective dates and all rejected personnel actions are promptly corrected and resubmitted into the system.
- In each region establish a single group with the expertise to resolve payroll problems and the complaint backlog.
- Revise the emergency salary procedures to comply with pertinent laws and Treasury requirements and initiate action to collect the outstanding balances.

We contacted HUD payroll officials in June to find out what progress had been made in implementing our suggestions. The officials said that all the reported system design problems had been corrected. Also, TOPPS employees had been trained which improved the processing of personnel documents and significantly reduced the payroll complaint backlog. HUD is now working with us to obtain approval for the TOPPS system. The officials, however, reported no progress in making the emergency salary procedures comply with Treasury requirements. As corrective action has not been started in this area, we recommend that you revise the emergency salary procedures to comply with pertinent laws and Treasury requirements and start to collect the outstanding balances.

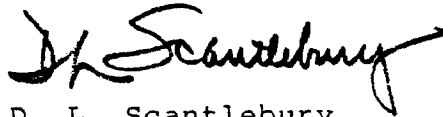
As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to

submit a written statement on actions taken on our recommendations. You must send the statement to the House Committee on Government Operations and the Senate Committee on Governmental Affairs within 60 days of the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

We are sending copies of this report to the Committees mentioned above, the House Committee on Post Office and Civil Service's Subcommittee on Compensation and Employee Benefits, the House Committee on Government Operations' Subcommittee on Manpower and Housing, the HUD Assistant Inspector General for Audit, and Congressman W. Caldwell Butler, who expressed an interest in this matter.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives. We would appreciate your comments and notification of any actions taken or planned on the matters discussed in the report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. L. Scantlebury". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

D. L. Scantlebury  
Director