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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
8112 FEDERAL OFFICE BUILDING
FIFTH AND MAIN STREETS
CINCINNATI, OHIO 45202

NOV 24 1971

Mr. P. G. Smith, Warden
United States Penitentiary
Terre Haute, Indiana 47808

Dear Mr. Smith:

We have made a review for the settlement of the accounts of the certifying officers at the United States Penitentiary, Terre Haute, Indiana, through June 30, 1971. Our review, completed in September 1971, was made pursuant to the Budget and Accounting Act, 1921 (31 U. S. C. 53), and the Accounting and Auditing Act of 1950 (31 U. S. C. 67).

Each agency has the basic responsibility for proper accounting and internal control to provide assurance of the legality, propriety, and correctness of disbursements and collections of public funds. In recognition of this, we placed major emphasis on the adequacy and effectiveness of the accounting and internal controls, including internal auditing, and made such tests of transactions as we deemed appropriate. Our tests of transactions included those processed at the Milan Federal Correctional Institute and at the United States Penitentiary, Marion, Illinois, that were transmitted to your institution for certification and accounting record control. We considered the most recent review by the Bureau of Prisons and the applicable fiscal year 1971 internal audits by your institution personnel in setting the scope of our work. We did not examine program activities.

The review indicated that most administrative procedures were adequate; however, we found a large number of clerical mistakes which may indicate closer supervision is needed. Our findings, which were discussed with you or members of your staff and on which corrective action was taken or promised, are summarized below.

Retirement Records

We found numerous errors and omissions on Individual Retirement Records (Standard Form 2806). The omissions and errors were apparently caused by procedural weaknesses and clerical carelessness. The errors included (1) forty-two erroneous or omitted entries concerning basic pay rates or effective dates of personnel actions, (2) thirteen instances of failure to record information concerning prior temporary service when an employee was converted to permanent status, and (3) nine omissions or erroneous entries of shift differential paid wage board

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employees. Also, an incorrect salary rate was entered for all employees with a salary change between December 28, 1969, and April 15, 1970. The Federal Employees Salary Act of 1970 was effective retroactive to December 28, 1969; however, salary changes during the retroactive period were all entered as of December 28, 1969, rather than the actual date of change.

We suggest that (1) the Bureau of Prisons' instructions for entering the wage board multiple tour pay be obtained and all applicable SF 2806's be corrected; (2) the SF 2806's of all employees converted to retirement system coverage be corrected; and (3) a procedure be established to provide for an audit of retirement records on at least a periodic spot test basis.

Payroll Records

We found 20 errors during our tests of payroll records. Our review of the payroll procedures and controls did not disclose serious problems and we therefore concluded most of the errors were due to clerical mistakes which could be reduced by increased supervision and review.

The errors discovered included (1) three erroneous grade step rates upon promotions which resulted in overpayments of \$2,338.86, (2) one within-grade increase prior to completion of the required service period which resulted in an overpayment of \$342.20, (3) five promotions prior to completion of the required service in the lower grade which resulted in overpayments totaling \$149.24, (4) eight timekeeping errors, and (5) two key punch errors resulting in duplicate shift differential.

We also noted that retirement deductions were started for one employee one pay period prematurely. A deduction for FICA should have been made. The employee was underpaid \$7.68 and the Government was overcharged \$7.68 for retirement contributions.

Sick Leave Records

Unused balances of sick leave of 14 employees who retired during calendar year 1970 or 1971 was reported to the Civil Service Commission to increase years of service for retirement benefits. The use of the leave was not shown on the leave records which were placed in the official personnel folders. Sick leave not shown as used on the leave record could be recredited to the employee in the event of reemployment.

We suggest that the Civil Service Commission regulations concerning use of sick leave on retirement be discussed with the clerks responsible for completing the records and that the appropriate officials of the Milan and Marion institutions be contacted to determine if the sick leave records at those locations are accurate since those records were not available for our review.

Travel Expense Reimbursement

Our tests of 40 travel vouchers from the Marion and Terre Haute institutions disclosed 18 errors on 13 of the vouchers. The errors consisted of (1) six instances of excess travel time totaling 39 hours, (2) eight instances of incorrect per diem, (3) three instances of excessive mileage, and (4) one instance of overpaid per diem combined with an underpayment of temporary quarters allowance.

Our tests indicated that responsible employees are unfamiliar with Standardized Government Travel Regulations concerning excess travel time and computation of allowable per diem when various per diem rates are applicable. We suggest that these topics be discussed with appropriate personnel during training sessions and that travel expenses be considered for additional review by supervisory personnel and internal auditors.

Internal Audit

Our tests of vouchers covered by an internal audit made in August 1970 disclosed several errors which were not detected by the internal auditor. Four of six travel vouchers and one of six maintenance vouchers tested were erroneous. We also noted that the auditor did not always prepare formal workpapers to show the scope of his work and details of the tests made.

Our discussions with your staff disclosed that internal auditing in the past has been used as a training tool and the assigned auditor was not always familiar with the subject area. We are of the opinion that such assignments can provide useful training for employees with a proper background in auditing standards; however, such employees must be given adequate time to become familiar with applicable regulations and adhere to proper standards of field work.

Other Matters

The salary costs used in computing the cost of steam furnished the Federal Prison Industries (FPI) during April 1971 contained erroneous Government contributions for health benefits and life insurance. As a result the FPI was overcharged \$31.42. The error has apparently been repeated each month; however, we did not determine the exact period of time to which the error applies. We suggest that the charges be reviewed by proper supervisory personnel and future bills to the FPI be correctly stated.

Commercial toll charge calls made on the Federal Telecommunications System (FTS) lines from the Detroit Community Treatment Center and the Chicago Community Treatment Center were not certified as in the interest

of the Government. Our review disclosed that officials of the two activities were unaware such a certification was required by statute. We suggest officials at these locations be informed of the regulations and the necessity to certify that only calls in the interest of the Government were made.

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In accordance with 8 GAO 13 the records of transactions through June 30, 1971, may be stored as required by your records management program.

A copy of this report is being sent to the Assistant Attorney General for Administration, Department of Justice, Washington, D. C.

We wish to acknowledge the cooperation given our representatives during the review. Your comments and advice as to action taken will be appreciated.

Sincerely yours,



David P. Sorando
Regional Manager