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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
502 U S CUSTOMHOUSE SECOND AND CHESTNUT STREETS
PHILADELPHIA, PENNSYLVANIA 19106

MAY 15 1972

Mr. Noah L. Alldredge, Warden
United States Penitentiary
Lewisburg, Pennsylvania 17837

Dear Mr. Alldredge:

We have completed our audit for the settlement of accounts of accountable officers at the United States Penitentiary, Lewisburg, Pennsylvania, for the period January 1, 1968 through December 31, 1971, under the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We applied generally accepted auditing standards and evaluated the administrative procedures and internal controls related to cash receipts and disbursements including property management and payroll activities. We made such tests of financial transactions as we considered appropriate, and we considered recent audits by Bureau of Prisons and local personnel. The most recent audit by the Bureau auditors was completed in October 1970. We did not examine program-type activities.

Our observations, which are described below, were discussed with you and your staff.

UNLIQUIDATED OBLIGATIONS OVERSTATED

Eight purchase orders and two travel authorizations totaling \$2,703.52 were reported as unliquidated obligations between June 30, 1971 and November 30, 1971, although they were invalid obligations according to the Supplemental Appropriation Act of 1955, section 1311. Details of these obligations are shown below.

Location	Invalid obligations					
	Purchase orders		Travel		Total	
	Number	Amount	Number	Amount	Number	Amount
New York	7	\$2,350.87	2	\$183.75	9	\$2,534.62
Danbury	1	168.90	=	--	1	168.90
	<u>8</u>	<u>\$2,519.77</u>	<u>2</u>	<u>\$183.75</u>	<u>10</u>	<u>\$2,703.52</u>

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Agency officials corrected the overstatements. Similar overstatements were discussed in our prior report dated April 5, 1968. Outstanding obligations should be more closely reviewed, particularly at the end of each fiscal year.

EARLY CUT-OFF DATE FOR CASH DEPOSITS

Danbury and New York have established cut-off dates for deposit of collections too early in the month. The workdays between the cut-off date and the end of the month ranged from 2 to 9 for Danbury and 5 to 7 for New York. Ordinarily, the regional disbursing office processes a certificate of deposit within 2 days. To avoid the accumulation of excess cash at penal institutions, we recommend the cut-off period be reduced or the Bureau adopt procedures to permit deposits in transit at the end of the month.

PROPERTY MANAGEMENT AND ACCOUNTABILITY PRACTICES

Property at Lewisburg was not adequately controlled as discussed below.

1. The equipment account included \$105,022.24 at October 31, 1971, for minor equipment which cost less than \$100 each, such as beds, mattresses, lockers, and chairs. In addition, depreciation of about \$53,000 had been recorded on these items. According to Bureau Policy Statement 10905, minor equipment costing less than \$100 each should have been charged to expense rather than capitalized.
2. Physical inventories of major equipment were not taken regularly as required by Policy Statement 10915. Although 31 sections had been inventoried according to schedule, 74 sections were behind schedule--in some instances as much as 3 years. In addition, some equipment cards were not signed and dated when inventories were taken. Similar conditions were discussed in our prior report.
3. We inventoried 147 major equipment items and found the following conditions:
 - Forty-one items totaling about \$20,600 were in storage although records showed that they were assigned and in use. All but four of the items were purchased for the new administration building at the Allenwood Prison Camp.
 - Eleven items totaling about \$6,600 were no longer in use and should be removed from the records.

- Nine items totaling about \$3,500 were transferred between departments without transfer documents to record accountability as required by Policy Statement 10910. A similar condition was discussed in our prior report.
- Seven laundry equipment items were surplus and subject to disposal. Three were not recorded while four items totaling \$1,850 were recorded.
- Seven items were omitted from the property records and the equipment account. These items should be appraised and recorded to establish accountability.

CIVILIAN PAYROLL

Corrective action was taken or planned on the civilian payroll condition described below.

Employees in a non-pay status

The following conditions applied to these employees:

- Thirteen employees were paid \$3,774.62 while in a non-pay status. These payments occurred between January 10, 1971 and January 8, 1972, and are summarized below.

<u>Location</u>	<u>Number of employees</u>	<u>Amount</u>
New York	10	\$2,865.66
Danbury	2	829.76
Lewisburg	<u>1</u>	<u>79.20</u>
Total	<u>13</u>	<u>\$3,774.62</u>

These employees were not entitled to such payments because they were on leave without pay or were absent without leave. The overpayments resulted because timekeepers did not record the non-pay status correctly on the time and attendance records.

- Two Danbury employees and two New York employees were not entitled to overtime payments totaling \$92.84 because the overtime hours did not exceed their non-pay status hours during the same pay period.
- In some instances, Danbury personnel did not record non-pay status information on the record of leave data forwarded for separated or transferred employees. This data is needed for determinations involving periodic step increases and reinstatements.

Timekeeping

Errors on time and attendance records resulted in 46 overpayments totaling \$543.81 and 28 underpayments totaling \$413.64 as detailed below.

Nature of error	Lewisburg		Danbury		New York	
	Under-payments	Over-payments	Under-payments	Over-payments	Under-payments	Over-payments
Overtime payments						
Number	4	3	-	-	4	2
Amount	\$111.72	\$ 83.65	-	-	\$ 92.66	\$ 66.84
Night differential payments						
Number	7	12	1	5	-	8
Amount	\$ 42.47	\$ 26.50	\$2.25	\$10.81	-	\$ 40.64
Sunday premium payments						
Number	6	4	-	-	5	4
Amount	\$ 66.40	\$ 35.63	-	-	\$ 68.46	\$ 21.24
Holiday payments						
Number	-	2	-	1	1	2
Amount	-	\$ 56.85	-	\$ 8.26	\$ 29.68	\$ 72.24
Use of annual leave prior to completion of 90-day waiting period						
Number	-	1	-	-	-	2
Amount	-	\$ 40.24	-	-	-	\$ 80.91
Total						
Number	<u>17</u>	<u>22</u>	<u>1</u>	<u>6</u>	<u>10</u>	<u>18</u>
Amount	<u>\$220.59</u>	<u>\$242.87</u>	<u>\$2.25</u>	<u>\$19.07</u>	<u>\$190.80</u>	<u>\$281.87</u>

Many of these errors were due to advance submission of time and attendance reports, which is discussed separately below.

Other errors affected leave balances rather than payments:

- Two Lewisburg employees were undercharged 2 hours each and another employee was overcharged 72 hours sick leave.
- A New York employee was overcharged 8 hours annual leave.
- One Lewisburg employee was granted 8 hours military leave beyond his military duty period. He completed military duty on March 12, 1971--not March 13, 1971, as shown on his leave record. He was not entitled to 8 hours military leave and should be charged annual leave instead.
- In some instances, military leave orders and attendance certifications were not on file for Lewisburg employees.

Conversions between standard time and daylight saving time

Agency personnel did not properly record pay entitlements for employees affected during pay periods involving changes between standard time and daylight saving time in 1971.

- New York did not convert properly from standard time to daylight saving time.
- Danbury did not convert properly from daylight saving time to standard time.
- Lewisburg did not convert properly in both instances.

The Federal Personnel Manual does not include procedures for recording time changes. We believe the Bureau should provide specific guidance and instructions to assist timekeepers in this matter.

Advance submission of time and attendance reports

Advance submission of time and attendance reports necessitated numerous retroactive pay adjustments which, in many instances, were incorrect. This condition was particularly acute during emergencies, such as the recent inmate strike at Lewisburg which involved about 500 adjustments in one pay period. Time and attendance reports are processed several days before the close of each pay period because of processing requirements imposed by the Regional Disbursing Officer. Any changes in pay or leave status occurring before the end of the pay period must be reported by telephone to the Regional Disbursing Officer on the following Monday. Based on verbal instructions from the Regional Disbursing Officer several years ago, Lewisburg deviated from prescribed procedures and processed adjustments in the subsequent payroll period instead. If pay rates changed between periods, adjustments were made incorrectly at the new rate rather than the old rate.

Errors also resulted from procedural differences between Lewisburg and the Regional Disbursing Officer in recording adjustment data on the time and attendance reports. In 1970 the Bureau auditors reported that Lewisburg recorded adjustment data properly in column totals but omitted data from the remarks section of the reports. However, the Bureau permitted Lewisburg to continue its reporting procedure. The Regional Disbursing Officer requested that retroactive adjustment data be shown in the remarks section but omitted from column totals.

Similar conditions may exist at other institutions. Bureau and Treasury officials should resolve the need for advance submission of time and attendance reports and procedural problems in processing retroactive adjustments to reduce errors and improve payroll efficiency.

Time and attendance exception reports

Officials at the three locations did not effectively utilize the time and attendance exception reports furnished by the Regional Disbursing Officer to identify and correct errors. The reports list errors or exceptions, such as

- Pay status exceeding 80 hours.
- Negative annual, sick, or compensatory leave balances.
- Annual leave charged before completion of the required 90-day waiting period.
- Overtime charges that appear questionable.
- Leave accruals lost due to non-pay status.
- Pay status for employees working less than 80 hours.

Effective review of the reports by responsible officials should have disclosed many of the payroll conditions discussed in our report.

Quality and periodic step increases

The following errors were noted.

- A Lewisburg employee received \$67.20 and a New York employee received \$52.80 for quality step increases granted prematurely. The employees had not completed the 52-week waiting period following a previous quality step increase as required by Federal regulations. We computed the overpayments based on regular salary only, and we did not determine if other payments such as overtime and night differential were involved.
- Two employees were underpaid a total of \$374.97 and another employee was overpaid \$20.80 at Lewisburg because periodic step increases were not based on correct waiting periods upon reinstatement. These amounts were based on regular salary only, and we did not determine if other payments were involved.

Retirement records

The service history portion of the Individual Retirement Record (SF 2806) was not maintained properly and postings were not current. We found 44 actions involving periodic step increases, promotions, or effective dates which were omitted or posted incorrectly. These errors affected 28 Lewisburg, 8 New York, and 4 Danbury employees. A similar condition was described in our prior report.

Compensatory leave

Compensatory leave was not administered properly. Records showed negative compensatory leave balances for five employees--four at Lewisburg and one at Danbury--ranging from 2 to 37 hours. The Danbury employee had a negative balance of 15.75 hours valued at \$83.79 which, according to the records, was not collected before he was transferred to another location. Compensatory leave should not be granted to employees before they earn it.

Payments to separated employees

Incorrect terminal leave payments were made to two employees:

--A former New York employee is due a lump sum payment of \$920.08 for terminal leave. He had an annual leave balance of 252 hours when he resigned on February 6, 1971. According to Federal regulations, he is entitled to payment for 240 hours and one holiday.

--Another New York employee received a terminal leave payment of \$243.75 for 75 hours annual leave when he resigned from another agency on April 17, 1970. Since he was reemployed by New York on April 19, 1970, he should refund the payment according to Federal regulations.

Also, a Danbury employee resigned while indebted for unearned annual and sick leave of 12 hours and 6 hours, respectively. According to Federal regulations, the agency should collect the indebted amount of \$63.18.

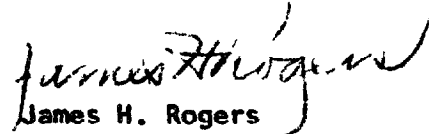
Other payroll observations

Danbury personnel, in some instances, did not record on personnel action forms special rates authorized under 5 U.S.C. 5303 for New York employees. Federal regulations require that such special rates be explained on the forms.

We wish to acknowledge the courtesy and cooperation extended to our representatives during this review. Your comments and advice as to final action taken on the matters discussed in this report will be appreciated.

Copies of this report are being sent to the Administrative Assistant Attorney General and to the Director, Bureau of Prisons.

Sincerely yours,


James H. Rogers
Regional Manager