

United States General Accounting Office

**GAO**

Report to the Attorney General of the  
United States

March 1989

# INTERNAL CONTROLS

## Justice's Payroll System Controls Need Strengthening





United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-226924

March 28, 1989

The Honorable Dick Thornburgh  
The Attorney General of the United States

Dear Mr. Attorney General:

At the request of the Chairman, House Post Office and Civil Service Committee, we reviewed the administration of leave without pay (LWOP) in the offices, boards, and divisions of Department of Justice headquarters, with a focus on extended LWOP (i.e., LWOP exceeding 30 consecutive calendar days). On September 12, 1988, we gave the Chairman a fact sheet<sup>1</sup> on audit work done through August 1988.

In November 1988, we briefed the Committee on additional work completed in 9 of Justice's 27 headquarters components. We advised the Committee that we had not identified problems with Justice's administration of LWOP generally, but that we had found internal control weaknesses in the areas of personnel management and time and attendance (T&A) reporting. The Committee agreed that no further work on the LWOP administration issue was necessary and that we should report our findings on the internal control problems to you directly.

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## Results in Brief

Justice's central payroll system is vulnerable to improper payments of salary to employees on extended LWOP. In nearly half of the 72 extended LWOP cases we identified, the documentation necessary to prevent employees from receiving salary payments during their LWOP status was not prepared, and Justice's most recent review showed that more than a third of its timekeepers had received no training on how to prepare T&A records. In 1 of the 72 extended LWOP cases, a supervisor improperly delegated his authority to review and approve T&A records to his timekeeper, with the result that the supervisor failed to detect multiple T&A preparation errors that the timekeeper had made. These errors resulted in improper salary payments totaling more than \$6,000 over several months to the affected employee.

Justice is acting to correct these problems by strengthening its internal controls. In December 1988, the Assistant Attorney General for Administration issued a memorandum to Department heads reminding them to ensure that extended LWOP was appropriately documented and pointing

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<sup>1</sup>FEDERAL WORKFORCE: Information on Leave-Without-Pay at the Department of Justice (GAO/ GGD-88-129FS, September 12, 1988).

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## Objective, Scope, and Methodology

We reviewed the adequacy of Justice's internal controls over the documentation and processing of LWOP and the related T&A recordkeeping processes in conjunction with the Committee's request. We interviewed leave-approving and administrative management officials in nine headquarters components to identify and develop information on extended LWOP cases occurring between January 1986 and mid-July 1988. Selection of the components to be visited and the time period for which leave records would be examined were agreed upon with the Committee to expedite the completion of our work. We also interviewed the officials responsible for overseeing the processing of T&A records and managing the operation of Justice's central payroll system to develop information on payroll policies and practices governing LWOP.

We reviewed available documentation for each case of extended LWOP we identified to determine whether the LWOP had been correctly documented. We also examined T&A and payroll records to determine whether salary payments had been made to any of these employees during their extended LWOP. Where salary payments were identified, we determined what type of internal control problems—the absence of a needed control or the failure of an existing control—accounted for the payment errors. Finally, we reviewed the results of the most recent (May 1985) Justice audit of its central payroll system, as well as Justice's annual FIA reports for fiscal years 1986 and 1987. We did our audit work between June and November 1988 and in accordance with generally accepted government auditing standards.

We discussed our findings with senior Justice officials and later provided these officials with a draft copy of our report for comment. Their comments are presented on pages 7 and 9.

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## Internal Controls Inadequate to Prevent Improper Salary Payments

Because of weaknesses in existing internal controls in Justice's payroll system, a Justice employee received salary payments from the system while in an extended LWOP status. Using leave data from Justice's Human Resources Management Information System and information developed during our interviews with leave-approving supervisors and administrative management officials, we identified 72 cases of extended LWOP that had occurred between January 1986 and mid-July 1988 in the 9 headquarters components we visited. Comparing these leave data to T&A and payroll records for the corresponding time periods, we found that the Justice headquarters employee mentioned above received over \$6,000 in salary to which she was not entitled while in a nonpay status. Justice officials are acting to recover the erroneous salary payments.

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and an SF-50 generated to document the extended LWOP. This documentation requirement does not appear in Justice's order on leave administration, and Justice officials did not know why it had not been included in the order.

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### Internal Studies Have Attributed T&A Errors to Lack of Timekeeper Training

In his January 9, 1986, annual FIA report, the Attorney General noted that Justice's 1985 internal controls review had identified deficiencies in the preparation and processing of T&A records, attributing these problems to inadequate timekeeper training. As pointed out in GAO's Standards for Internal Controls in the Federal Government, agency managers must ensure that their employees develop and maintain an acceptable level of competence in accomplishing their duties, including the completion of necessary formal or on-the-job training. However, because Justice did not consider that these deficiencies constituted a material internal control weakness, and because Justice had, by late 1986, begun developing a new timekeepers' manual to correct the deficiencies, the Attorney General did not again raise this matter in Justice's subsequent FIA reports for 1986 and 1987.

In internal studies of Justice's central payroll system in 1974 and 1981, Justice's audit staff reported a large number of errors being made by timekeepers in preparing T&A records. In May 1985, following another study, the audit staff reported an error rate of more than 10 percent in a review of approximately 125,000 T&A records processed during three pay periods in 1984. The audit staff also found that 37 percent of 103 Justice timekeepers sampled had received no training on their timekeeping responsibilities and duties; the remaining timekeepers had received either formal classroom training or on-the-job training. It should also be noted that the timekeeper who made the multiple T&A errors resulting in the \$6,000 salary overpayment said that she had received no timekeeper training, although she had been working as a timekeeper for about 5 years.

Operating instructions for timekeepers working with Justice's central payroll system are contained in the Department's Order 2120.6B, Time and Attendance Reporting. The most recent version of this order, which serves as the timekeepers' manual, was issued June 28, 1983. To improve timekeeper performance, the Attorney General, in his January 9, 1986, annual FIA report, proposed the development of a new timekeepers' manual. A Justice manager supervising the preparation of this new manual explained that the decision was made to design the new manual in a programmed instruction format so that it could serve as

is currently no express prohibition against such practice either in Justice's T&A order or in its leave administration order.

## Justice's Actions to Correct Its Internal Control Problems

On November 16, 1988, we discussed our findings with the Assistant Attorney General for Administration and senior members of his staff. By letter dated December 20, 1988, the Assistant Attorney General identified the specific corrective actions that Justice had taken or proposed to take to respond to each of the internal control problems noted during our audit.

Justice officials said that they will include the SF-52 preparation requirement in the Department's order on leave administration (which is currently being revised) to ensure that necessary SF-50s are generated to document all cases of extended LWOP. In the interim, the Assistant Attorney General issued a memorandum on December 20, 1988, to heads of Departmental components reminding them of the requirement that extended LWOP be properly documented.

In responding to the issue of T&A errors and the need for more timekeeper training, the Assistant Attorney General explained that the existing procedures for T&A processing are set out in Justice's Order 2120.6B on T&A reporting. He also noted that basic and advanced timekeeper training is available on an ongoing basis and that a new timekeepers' manual is currently being prepared. Finally, he said that to ensure that timekeepers do not undertake both the T&A preparation and supervisory certification functions in the future, the T&A order will be revised to specify the need to separate these two functions.

In his December 20, 1988, memorandum, the Assistant Attorney General reminded Department component heads that timekeeper training was available for their personnel and that timekeepers should refer to the T&A order for procedural guidance on T&A preparation. He also directed that any existing supervisory delegations of signature authority to timekeepers be rescinded.

According to the Assistant Attorney General, as of late February 1989, Justice anticipated completion and distribution of the new timekeepers' manual, the revised leave administration order, and the change to the T&A order by June 1989.

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## Agency Comments

On February 16, 1989, we met with the Assistant Attorney General for Administration and senior members of his staff to obtain Justice's comments on our report. These officials said that they concurred with the findings stated in our report. They also said that Justice is currently working toward completing and issuing the revised leave administration order, the new timekeepers' manual, and the change to the existing T&A order by June 1989.

Justice officials said that they have additional plans for improving their T&A procedures, including implementing a new electronic T&A system and training timekeepers in conjunction with the system's implementation. They said that they also plan to further strengthen the system of internal controls through such means as providing supervisors with a recurring report summarizing employees' leave records and highlighting large negative leave balances. They added that the report would also call attention to situations where extended LWOP has been used but not documented through a required personnel action.

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Since this report contains recommendations addressed to you as the head of the Department of Justice, you are required by law (31 U.S.C. 720) to submit a written statement concerning actions taken on these recommendations (1) to the Senate Committee on Governmental Affairs and the House Committee on Government Operations no later than 60 days after the date of this report; and (2) to the House and Senate Committees on Appropriations with your Department's first request for appropriations made more than 60 days after the date of this report.

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We are sending copies of this report to the Chairman, House Post Office and Civil Service Committee, and other appropriate congressional committees; the Director, Office of Management and Budget; the Director, Office of Personnel Management; and to others who may have an interest in this matter. The major contributors to this report are listed in the appendix.

Sincerely yours,



Bernard L. Ungar,  
Director, Federal Human  
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## Conclusions

Justice's current and proposed actions, once fully implemented, should help to strengthen its payroll system's internal controls against improper salary payments to employees in extended LWOP status. However, despite a commitment by the Attorney General in his FIA report more than 3 years ago that Justice would develop a new timekeepers' manual for use in training its timekeepers, that work had not been completed as of February 1989. Justice needs to complete and distribute this new timekeepers' manual, as well as the revised leave administration order and the pending change to the T&A order. Doing so should help ensure that Justice's managers and timekeepers are aware of the policies and procedures governing these matters.

Further action on Justice's part is also needed to ensure that its timekeepers are adequately trained. We agree that providing timekeepers with a programmed instruction manual is a positive step. However, in our opinion, the manual is not an adequate substitute for a well-planned, structured program of timekeeper training.

Additionally, we believe that Justice's current policy of offering but not requiring T&A training—whether formal classroom training or structured on-the-job training—does not ensure that timekeepers are adequately familiar with the Department's T&A policies and procedures. We disagree with Justice that high turnover or geographic dispersal of its timekeepers justifies not having a mandatory T&A training requirement. In our view, a high turnover of clerical staff with T&A responsibilities is all the more reason why a T&A training requirement is necessary. Further, the geographic dispersal of some timekeepers does not make a classroom training requirement impractical for timekeepers located in headquarters components. We believe that on-the-job training and videotaped instruction could be considered as alternatives to classroom training in those instances where classroom training is impractical.

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## Recommendations to the Attorney General

We recommend that you direct the Assistant Attorney General for Administration to (1) complete and issue the revised leave administration order containing the LWOP documentation requirement, the new timekeepers' manual, and the change to the existing T&A order requiring the separation of the T&A preparation and certification functions; and (2) establish a requirement that employees assigned T&A preparation responsibilities complete appropriate timekeeper training.

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both a means of training timekeepers in T&A preparation procedures and as a readily available reference resource.

In his December 10, 1986, memorandum to the Attorney General reporting the outcome of Justice's internal controls review for 1986, the Assistant Attorney General for Administration said that a contract was being awarded for the development of the new timekeepers' manual and that the manual would be completed in early 1987. However, according to information recently provided to us by the Assistant Attorney General, work on the new timekeepers' manual had still not been completed as of February 1989.

In addition to the availability of the T&A order, Justice officials said that two timekeeper training courses, a basic course and an advanced course, are available to the Department's timekeepers. However, we found no Departmental requirement that employees assigned timekeeping duties complete this training. A Justice Management Division official said that there was no timekeeper training requirement because it would be impractical to require all timekeepers to attend the existing training courses. The official cited (1) the wide geographical dispersal of the hundreds of Departmental timekeepers and (2) a high turnover rate among clerical employees with timekeeping responsibilities, which would generate a constant flow of new timekeepers for training, as the reasons why Justice had not established a compulsory training requirement.

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### T&A Certification Role Improperly Delegated

Our review of the erroneous \$6,000 salary payment case disclosed that the multiple timekeeping errors were not detected as they occurred. This situation occurred because the supervisor who was responsible for reviewing and certifying the employee's completed T&A records had delegated this function to his timekeeper. In following this practice, which the supervisor said he had been doing for years, the supervisor violated the internal control standard requiring the separation of the key duties and responsibilities involved in transaction processing.

The supervisor said that after being informed of the \$6,000 overpayment error, he rescinded the delegation of his T&A certification authority to his timekeeper, and he is now personally reviewing and signing his employees' T&A records. However, without a clear prohibition of this practice in place, Justice cannot ensure that other supervisors are not also inappropriately delegating their T&A certification authority. There

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## Extended LWOP Was Often Not Documented

We found that OPM's requirement that extended LWOP be documented through personnel actions had often not been met. In 34 of the 72 cases of extended LWOP, including the \$6,000 erroneous payment case, the necessary personnel action forms were not prepared, thus bypassing a key internal control for preventing erroneous salary payments.

Justice payroll officials explained that before an employee can receive salary payments, the following two requirements must be met:

- The payroll system must show the individual in an active duty status under a current federal appointment during the time that the individual worked.
- A properly completed and certified T&A record must be submitted to payroll for processing.

These officials added that when a personnel action placing an employee on extended LWOP is processed through the system, the employee is taken out of active duty status and cannot be paid any salary during this period, even if a T&A record showing a pay entitlement is submitted for processing.

However, they also noted that when a personnel action is not processed, the system's bar against making payments to employees on extended LWOP is not activated. Consequently, the payroll system will continue to show the employee in an active-duty status. Justice must then rely on other existing internal controls, such as the supervisor's review and certification of T&A records, to prevent improper payments to employees on extended LWOP.

Justice officials explained that extended LWOP is properly documented through a personnel action when Standard Form 52 (SF-52), "Request for Personnel Action," is completed and its data are entered into the automated personnel records system by staff in one of Justice's personnel offices. The system then generates a completed Standard Form 50 (SF-50), "Notification of Personnel Action," confirming that the personnel action request has been approved, processed, and recorded. These documentation requirements are explained by OPM in subchapter S15 of FPM Supplement 296-33, The Guide to Processing Personnel Actions.

According to Justice officials, many leave-approving supervisors in Justice headquarters did not know that they had to provide personnel officials with the information necessary so that an SF-52 could be prepared

out the availability of T&A training for their timekeepers. He also directed that any existing supervisory delegations of T&A approval authority to timekeepers be rescinded. In addition, Justice is working on a new timekeepers' manual and a revised leave administration order to better guide its timekeepers and managers. While we found Justice's efforts to be positive steps, we believe that more needs to be done. Accordingly, we have recommended that Justice take further measures to improve its internal controls in the T&A and payroll system areas through mandatory timekeeper training.

## Background

Neither federal law nor regulations issued by the Office of Personnel Management (OPM) pursuant to law mandate specific procedures governing the administration of LWOP by executive agencies. However, OPM has periodically issued advisory guidance and instructions on the administration of LWOP through the Federal Personnel Manual (FPM) system covering such matters as the circumstances for approving leave and the attendant recordkeeping requirements.

The Department of Justice has provided policy and operational instructions for its employees and managers on leave issues such as LWOP in its Order 1630.1A, Leave Administration. The current order, issued in September 1978, has been updated from time to time through occasional supplemental guidance. Justice's published policies and instructions on LWOP generally parallel OPM's guidance on LWOP as published in FPM Chapter 630.

The Federal Managers' Financial Integrity Act (FIA) of 1982 requires federal executive agencies to annually evaluate their existing systems of internal controls. These agencies are then to report annually to the President and to Congress on whether their control systems comply with the system objectives set forth in the FIA and standards prescribed by the Comptroller General.<sup>2</sup> When systems do not comply, the agencies' annual reports are to identify any material weaknesses involved and set forth plans for corrective action. Among the internal controls that Justice has evaluated are those governing the T&A and payroll functions, of which the recording and processing of LWOP transactions are a part.

<sup>2</sup>These standards are published in Standards For Internal Controls in the Federal Government (GAO, 1983).

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