



088939 ~~088936~~
00365
UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

143 FEDERAL OFFICE BUILDING, 50 FULTON STREET
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:

84825

NOV 17 1970

Commanding Officer
Naval Air Station
Alameda, California



LM088939

Dear Sir:

Acc 00803

We made a review of civilian pay and related matters at Naval Air Station, Alameda, California. This review, which was completed in September 1970, 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).

The review covered (1) Internal Controls, (2) Salary Act of 1970, (3) Severance Pay, (4) Within-grade Increases, (5) Coordinated Federal Wage System, (6) Internal Review, and (7) Retirement Records.

The primary purpose of the review is to provide information for a Defense-wide report on the administration of civilian pay and allowances. Employees accounts were first selected on a statistical sampling basis. Errors disclosed in this sample will be combined with those of other installations reviewed and the results statistically projected for the Defense-wide report. We did not arrive at an error rate since the sample at any individual installation is too small to project. We did however expand our review at your installation by selecting additional records on a judgment sample basis.

We found certain discrepancies and weaknesses in controls and procedures which were discussed with Industrial Relations and Comptroller officials and are summarized below for your information.

Internal Controls

To evaluate the adequacy of internal controls maintained and applied at the installation over compensation payments to civilian employees, we reviewed operating procedures and practices, regulations, instructions, etc., and interviewed officials in the Industrial Relations and Comptroller Departments. We believe that there is a need for administrative review of all pay changes prior to payment for the purpose of verifying the propriety and legality of pay at a time when any preventive or corrective action needed can be most effectively taken. Our review showed that there is inadequate control and review of documents, computations, etc., to assure proper payments to employees.

088939/CHH629

In the Industrial Relations Department (IRD) we found:

1. The Notification of Personnel Action forms (SF-50) are reviewed by the clerks who originate the actions.
2. Supervisors review SF-50's only on a spot check basis and according to IRD officials, such reviews are very limited.
3. SF-50's are not numbered for control in processing.
4. Numerous within-grade increases are processed after the effective dates thereof due to inadequate procedures in obtaining certification of supervisors, leave without pay information, etc. IRD and Payroll officials estimated that about 100 within-grade increases are processed retroactively each pay period, thus increasing the workload of the payroll office in liquidating the underpayments to the employees.

In the Timekeeping and Payroll Branch of the Comptroller Department we found the following weaknesses:

1. Pay information and computations prepared for placement in the computer are not verified by anyone other than the clerk preparing it, thus allowing possibility of perpetuating an error.
2. "Hours" paid, as shown on payrolls, are not checked to "hours" worked as shown on job cost records.

Since overpayments due to administrative errors are usually eligible for waiver under Public Law 90-616 at the request of the employee, and generally result in excess payroll costs to the Government, it is necessary that Personnel Actions and payroll computations be prepared accurately and on a timely basis.

Our review of internal controls showed that the Notification of Personnel Actions (SF-50) were prepared by IRD on a flexowriter and that the tape from the flexowriter was used to put this information into the computer to produce certain personnel reports. The Timekeeping and Payroll Branch used a copy of the SF-50 to provide information for key punching information into the computer to update the master payroll file. We believe that consideration should be given to maximizing the use of

the information in the computer by utilizing information placed in it by IRD for updating the master payroll files. This would reduce the routine work of key punching information from the SF-50 and eliminate another source of possible key punch error.

We also noted that only the basic rate of pay was shown on the SF-50. Second and third shift rates were not shown. Second or third shift rates, where applicable, are placed in the computer by the Timekeeping and Payroll Branch on the basis of information provided by the shops. We believe that the establishment of the rate of pay is a function of IRD and such rates should appear on the SF-50, and that those rates as they appear on an authorized SF-50 should be used by the Timekeeping and Payroll Branch for computing pay.

Salary Act of 1970

Of the 20 classified employees included in our statistical sample who were entitled to retroactive pay under the provisions of the Salary Act of 1970, we found four errors in computation of the pay, resulting in incorrect payments in the amount of \$140. These errors indicate the need for better controls and procedures, to assure proper payments to all employees, and to protect the Government from improper payments.

Severance Pay

Although not included in our statistical sample, we reviewed four severance pay cases included in the payroll for the period ended July 11, 1970 and six cases noted in a recent review by the Naval Area Audit Service (NAAS). Our review of internal procedures and controls, as well as discrepancies found by NAAS indicate the need for more effective local procedures requiring the independent review of all factors and calculations used to determine the amount of severance pay prior to payment.

Within-grade Increases

Our statistical sample of 50 employees included 27 who received within-grade increases during the period covered by our audit. Although we found no discrepancies, we did find that many within-grade increases are processed late, causing additional work to the Timekeeping and Payroll Branch in processing retroactive payments. We were advised by one IRD official that a program which it is believed will solve this problem is presently being prepared.

Coordinated Federal Wage System

We reviewed the procedures, practices, and internal controls used in the conversion of 12 Wage Board employees to the Coordinated Federal Wage System (CFWS). We found no discrepancies in the conversion process.

Internal Review

We were advised by the Internal Review Staff of the Comptroller Department that no payroll audit has been made by them since our previous audit in 1968. We believe it is desirable to have more frequent reviews of payroll operations by the Internal Review Staff to assure the Command, on a current basis, that improper payments are not made, rather than waiting for periodic audits by the Naval Area Audit Service or the General Accounting Office.

Other Areas

In addition to our review of controls and procedures, as noted above, we reviewed on a judgment sample basis approximately 400 Retirement Records (SF-2806) for classified employees to determine if improper rates of pay had been established as a result of erroneous personnel actions. We found a total of 11 discrepancies amounting to \$3,960 in overpayments. These discrepancies were discussed with Industrial Relations Department officials and tentative agreement was reached as to the corrective action required in each case. These discrepancies are described briefly below:

1. An employee was paid "saved compensation," when reduced in grade from GS-11 to GS-3, at his full GS-11 rate instead of a much lower rate which should have been determined by a special formula contained in Federal Personnel Manual (FPM) 531-19. This resulted in an overpayment of \$1,368. Action has been taken to reduce the rate of pay to the proper amount.
2. Within-grade increases were given to six employees prior to completion of the required waiting period, after conversion from Wage Board to Classified positions. These resulted in overpayments totaling \$1,960.80 and were caused by the use of incorrect waiting periods.

3. A quality step increase (QSI) earned in a lower grade was given to an employee after he was promoted and was processed retroactively to the date of promotion. In effect, this QSI was given in the higher grade and not in the grade in which it was earned. We believe this is contrary to the regulations in FPM 531, S4-12 and Chapter 9, Civilian Personnel Manual (NAS Alameda), and resulted in an overpayment of \$573.
4. Quality step increases were given to two employees prior to expiration of 52 weeks from date of a previous QSI, as required by FPM 531, S4-12. These two cases resulted in overpayment of \$20.
5. An employee was erroneously given a within-grade increase at the same time that he was repromoted to a grade previously held. This is contrary to 21 Comp. Gen. 369 which held that a restoration in compensation after a reduction in grade is considered an equivalent increase in pay so as to begin a new waiting period for within-grade increase purposes. (See also 27 Comp. Gen. 27; and 34 id. 209). The overpayment at time of our audit was \$38.

We believe these discrepancies are additional support for our views that consideration should be given to strengthening controls over documents affecting rates of pay and more adequate reviews of the documents to assure the proper establishment of pay rates.

- - - -

We would appreciate being advised of the action taken or planned on the matters discussed in this report. We wish to acknowledge the cooperation given our representatives during the review. A copy of this report is being sent to the Commander, Navy Accounting and Finance Center - Washington, D. C. and to the Director, Naval Area Audit Service, San Francisco, California for their information.

Sincerely yours,



A. M. Clavelli
Regional Manager