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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
2006 WASHINGTON BOULEVARD BUILDING  
234 STATE STREET  
DETROIT, MICHIGAN 48226



AUG 21 1973

Commanding Officer  
U. S. Naval Facility  
Grand Turk, T.W.I.

Dear Sir:

As part of our continuing review of the Navy's financial management system, we examined selected transactions in your disbursing officer's accounts for the 6 months ended December 31, 1972. Of the 97 military pay records and travel vouchers we examined, 43 had one or more errors--an error rate of 44 percent. These errors, summarized in the appendix, caused overpayments, underpayments and incorrect leave balances.

Our findings indicate a particular need for more proficiency in preparing and paying travel claims--over 80 percent of the vouchers contained errors, most of which involved per diem. The major problem areas are described below:

- Meal deductions were made incorrectly--primarily for the day of arrival at the permanent duty station. See paragraphs 4254-2 and 4451-2, item 4, JTR.
- Incorrect per diem rates were used. In most instances, the local rather than the \$8 travel rate was used for the day of return to the permanent duty station. See paragraph 4253-2, item 2, JTR.

The most serious pay record problem is in posting special payrolls. We found a \$120 payment was posted as \$100, and a \$193 payment was not posted. These errors do not appear to be isolated instances. The Navy Regional Finance Center, Norfolk, reported in June 1972 that onsite examiners had found five payments

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## INTERNAL AUDIT

The internal audit function is a method used to control funds, property, and other assets for which an agency is responsible.

At the USPFO, however, the level of effort devoted by internal audit activities to the payroll system has been limited. We found the Examination Section -- USPFO's internal audit group -- has confined its audits to time and attendance records and procedures. Its most recent audit covered the period June 27 through December 25, 1971. We were also advised the U.S. Army Audit Agency -- the cognizant audit agency -- has not audited the payroll system since 1964.

Since the internal audit function is an essential management tool for controlling operations, we recommend increased audit coverage for the payroll system at the USPFO.

## ORGANIZATIONAL AND INTERNAL CONTROLS

Effective organizational and internal controls -- separation of duties and responsibilities and controls over detailed operations -- are essential for the successful performance of pay and leave functions.

Adequate separation of duties and responsibilities should assure no one individual performs all phases of a transaction without another individual providing a cross-check; internal control procedures should make certain all data is considered in processing, results are correct, and unauthorized changes are not made to transactions.

### Time and attendance procedures

The recording and approval of time and attendance reports by the same individual disregards the principle of separation of duties. During our review, we contacted 6 of the 33 time-keeping units and found four instances where the timekeeping and certifying functions for technicians' time and attendance (T/A) reports were being performed by the same individual. A USPFO official advised us this practice is also followed in other units. We recognize National Guard Bureau Pamphlet 37-105 permits one individual for both timekeeping and certifying duties. In our opinion, however, this practice demonstrates a weakness in organizational controls.

Because of the importance of T/A cards in computing pay, we suggest action be taken to separate the timekeeping and certifying functions.

### Distribution of payroll checks

Distribution of paychecks by persons who participate in the preparation or maintenance of the payroll, time and attendance, or leave records violates the principle of separation of duties. Payroll checks for USPFO headquarters personnel, however, are distributed by the supervisor of the Pay Section to various section supervisors -- many of whom also certify T/A cards. These officers in turn distribute checks to employees.

We discussed this problem with management. They initiated corrective action by appointing individuals not involved in payroll activities to distribute paychecks.

### Control over changes to employee records

Assurance that only authorized changes are made to payroll records is an essential internal control. The Technician Personnel Office, however, does not receive reports showing authorized changes were properly made by the computer center. Reports containing this information -- the bi-weekly proof listing of changes and the listing of deletions -- are available from the center. These reports could also be used to identify unauthorized changes.

We discussed this control with USPFO officials. They took corrective action by having copies of these reports provided to the Technician Personnel Office.

### Physical security over Data Processing Center

The physical security of the Data Processing Center is essential because destruction of the center would seriously impair the USPFO's ability to perform its mission. The center should be secured against intrusions and hazards by controlling access to the computer room. At the USPFO, however, access to the computer room can be gained through two entrances, neither of which is controlled within the center. Access to the computer room can also be gained through its two exterior windows.

Safeguards should also be provided over master files. One of these safeguards calls for making plans to reconstruct data files which are lost or accidentally destroyed. At the time of our review, plans had not been made.

The physical safety of the computer center and the ability to reconstruct master files is vital to USPFO's operation. We recommend action to improve the security over the computer room and develop plans for reconstructing master files.

## ADMINISTRATION OF LEAVE

Effective supervision of employees requires adequate records for time and attendance and leave. These records include accurate time and attendance cards and appropriate supporting documents for leave taken.

### Time and attendance records

During our review, we noted various recording errors on time and attendance cards. For example cards were not always initialled or were improperly initialled by technicians, timekeepers, or certifying officers. These errors are similar to errors found by the Examination Section during its review of time and attendance reporting.

We believe there is a need to strengthen controls at the timekeeping and payroll levels to assure the accuracy and propriety of employee payroll and leave records.

### Supporting documentation for leave

We found several instances where administrative leave recorded on time and attendance cards was not identified by type of absence such as court leave, inclement weather dismissals, and voting. Further, appropriate supporting documentation for such leave was not available. Although officials in the Pay Section informed us they always verified such leave with supervisors, we recommend the type of administrative leave be shown on the time and attendance card and, when applicable, documentation should be provided.

National Guard Bureau Pamphlet 37-105 specifies performance of military duty will be supported by either a certificate of performance or the supervisor's initials on the timecard. We found several instances, however, in which the technician rather than the supervisor initialled for the leave, and certificates of performance were not used to verify such absences.

We believe a certificate of performance should be submitted by the technician unless the supervisor has positive knowledge of the individual's attendance for active military duty. In such cases the supervisor, not the technician, should initial the timecard.

### AGENCY COMMENTS

USPFO officials generally concurred with our findings and recommendations. In addition to corrective actions discussed in preceding paragraphs, they indicated further appropriate measures would be taken.

In accordance with General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 8, Chapter 3, the payroll records covering all periods through June 30, 1973, may be transferred to the Federal Records Center.

We wish to acknowledge the excellent cooperation and courtesies extended to our staff.

Sincerely,

M. L. WIETSTOCK

 C.H. Moore  
Regional Manager

<u>TYPE OF ERROR</u>	<u>NUMBER</u>	<u>OVERPAYMENT</u>	<u>UNDERPAYMENT</u>
<b>MILITARY PAY RECORDS</b>			
<b><u>Pay and Allowances</u></b>			
Leave rations not credited	5		\$116.80
Payroll - payment not posted or in wrong amount	2	\$213.00	
Commuted rations - computation	1	45.51	
Commuted rations - not deducted while on leave	1	20.44	
Subtotal	9	\$278.95	\$116.80
Total monetary errors	47	\$621.78	\$179.58
		<u>OVERSTATED</u>	<u>UNDERSTATED</u>
<b><u>Leave Accounting</u></b>			
Leave not charged	12	145 days	
Total all errors	59		

U. S. GENERAL ACCOUNTING OFFICE  
DETROIT REGIONAL OFFICE

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U. S. NAVAL FACILITY  
GRAND TURK, T.W.I.  
JULY 1 THROUGH DECEMBER 31, 1972

EXTENT OF ERRORS

<u>TYPE OF RECORD</u>	<u>TOTAL</u>	<u>REVIEWED</u>	<u>ERRORS</u>	<u>RECORDS WITH ERRORS</u>	
				<u>Number</u>	<u>Percent</u>
Military travel vouchers	65	33	38	27	82
Military pay records	128	64	21	16	25
Totals	193	97	59	43	44

SUMMARY OF ERRORS

<u>TYPE OF ERROR</u>	<u>NUMBER</u>	<u>OVERPAYMENT</u>	<u>UNDERPAYMENT</u>
<u>MILITARY TRAVEL VOUCHERS</u>			
<u>Per Diem</u>			
Meals-deductions	12	\$ 91.59	
Wrong rate	10	112.84 <sup>a</sup>	
Constructive travel	3	32.80	
Not paid while en route between stations	3		\$ 18.05
Group travel status	1	22.36	
Computation	1	5.90	
<u>Mileage</u>			
Distance computed from wrong port	2	17.46	5.88
Incorrect distance	2	4.68	3.66
<u>Dependent's Travel Allowance</u>			
Incorrect distance	4	55.20	35.19
Subtotal	38	\$342.83	\$ 62.78

<sup>a</sup>One Pay Adjustment Authorization for \$34.80 was issued by NFC, Cleveland

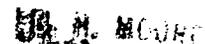
were either not posted or were incorrectly posted. The corrective action taken in response to that report apparently was not adequate. We believe follow-up is warranted.

Leave accounting for enlisted personnel also appears to need improving. In reviewing the 64 sample pay records, we found 12 periods of leave were not recorded. Consequently, we reviewed the remaining 64 pay records and found 10 additional periods of leave were not recorded. Also in many cases, leave earned and leave balances were not recorded as required by SECNAVINST 7220.63A of December 21, 1971.

We were unable to pinpoint responsibility or determine specific causes of the errors since our review was limited to records at the Navy Finance Center, Cleveland. However, we believe travel voucher errors could be substantially reduced if disbursing personnel become more familiar with the Joint Travel Regulations and are more careful in performing routine tasks. The other errors could be minimized by adequate verification and supervisory reviews.

We are bringing this information to your attention so you can take action to preclude future errors. We would appreciate your comments on the causes and actions taken. To assist you, we are enclosing information copies of informal inquiries. Please let us know if you need additional information.

Sincerely yours,



C. H. Moore  
Regional Manager

Enclosures--2

Appendix

Copies of informal inquiries (10)

cc: Comptroller of the Navy (NCD-3)  
Comptroller of the Navy (NCF-4)  
Commanding Officer, Navy Finance Center, Cleveland  
Commanding Officer, Navy Regional Finance Center,  
Norfolk  
Director, Naval Area Audit Service, Norfolk