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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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AUG 6 1976

GENERAL GOVERNMENT  
DIVISION



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Mr. Vincent Reed, Superintendent  
District of Columbia Public Schools  
District of Columbia Government

Dear Mr. Reed:

During our current cash management survey, we have noticed that District of Columbia Public Schools (DCPS) pay checks are being issued in error. We issued a report in October 1972 calling attention to this same problem. Unnecessary administrative costs are incurred to issue and cancel erroneous checks, and money losses result when erroneously issued checks go undetected.

The District Government and DCPS have improved payroll operations since our 1972 report, but the causes of issuing erroneous checks still remain. Timekeepers are not accurately certifying hours worked mainly because they need training and supervisors are not keeping on top of payroll operations.

We have reviewed policies, practices, and procedures regulating DCPS' payroll operations in effect during fiscal year 1975 and for the period September 1, 1975 to March 15, 1976. We have interviewed personnel from the DCPS finance and accounting offices, including 10 timekeepers and alternate timekeepers in 3 school regions. We have also examined payroll records and other documents. During the review, which began in February 1976, we had several discussions with officials responsible for correcting weaknesses cited in this report.

Employee compensation and benefits account for about 83.7 percent of DCPS' fiscal year 1976 estimated resources of \$233.8 million. DCPS' fiscal year 76 budget request for 11,903 permanent and temporary positions and \$195.8 million for personnel compensation and benefits make the DCPS payroll one of the largest in the District.

PRIOR GAO FINDINGS

In 1972 we reported that 1,018 paychecks totaling about \$281,000 were issued in error to school employees during calendar year 1970. Among our recommendations to correct the problem were (1) better training and supervision of timekeepers to help reduce errors in certifying

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hours worked and (2) better control to insure timely issuance and recording of personnel actions to prevent issuance of checks to terminated employees. DCPS, however, had made little progress in correcting these problems at the time we completed our detailed work in March 1976. Details of agency action and anticipated improvements are discussed later in this report.

#### ERRONEOUS CHECK ISSUES CONTINUE

During a 12-month period ending June 30, 1975, DCPS issued 1,622 erroneous payroll checks totaling \$467,119 which were identified and returned to the Department of Treasury--a substantial increase over the number and amount of payroll checks issued and returned between January 1 and December 31, 1970. The table on page 3 shows that, during the first 8 months of calendar year 1975 alone, 765 erroneous payroll checks totaling \$222,613 were issued to DCPS employees and returned to the Department of Treasury for cancellation.

#### Analysis of table

In calendar year 1970, 74 percent of the 1,018 checks erroneously issued were returned to the Department of Treasury because employees had terminated their employment (35%), were on leave without pay (32%), or had died (7%). During the first 8 months of calendar year 1975, 76 percent of the checks issued in error were returned for the same reasons.

Between July 1, 1975, and September 1, 1975, all DCPS employees were incorporated in the District's new automated positive payroll reporting system. The reporting system requires timekeepers to record time and attendance data daily and make necessary entries in the appropriate form no later than the day following the date the work was performed by the employee. The regulations also stipulate that an employee is not to be paid unless a time and attendance document, certified by a timekeeper, is submitted to the District's Central Accounting Pay and Retirement Division.

Even though the positive payroll system operated between September 1, 1975 and March 15, 1976, and timekeepers were onsite to verify that employees were present and working, 242 checks totaling \$56,983 were issued in error and returned to the Department of Treasury during this period. More significantly, however, 49 percent of the checks returned had been issued to employees who had terminated their employment (28%), were on leave without pay (13%), or were deceased (8%). Such errors should have been eliminated by the timekeeping requirements of the new system.

#### PROBLEMS ASSOCIATED WITH THE POSITIVE PAYROLL REPORTING SYSTEM

Although the positive reporting system appears to have reduced the number and total amount of erroneous payroll checks, further improvement is needed if DCPS is to eliminate this problem.

Number and Amount of Checks Returned by DCPSI to the Department of Treasury  
for Cancellation, Classified by Reason for Return and Date of Issuance (Note a)

Reason for return	Calendar year 1970		Jan. 1, -Aug. 31, 1975		Sept. 1, 1975-Mar. 15, 1976 (note b)		Amount
	Number	Amount	Number	Amount	Number	Amount	
Payments to employees who had previously terminated employment	358	\$ 91,235	275	\$ 75,288	69		\$11,134
Payments to employees who were on leave without pay	329	78,946	254	86,268	32		8,279
Payments to employees who were deceased	72	29,215	54	16,475	18		5,995
Duplicate payments to employees for the same period	32	10,129	12	4,539	10		3,268
Payments in excess of amounts due employees	31	7,484	17	4,742	22		8,774
Payments to prospective employees who had not reported for work	22	6,451	15	3,912	2		622
Payments made to the wrong payees	15	2,865	0	0	1		241
Reason unknown (note d)	159	54,383	138	31,389	88		18,670
	<u>1,018</u>	<u>\$280,708</u>	<u>765</u>	<u>\$222,613</u>	<u>242</u>		<u>\$56,983</u>

<sup>a</sup>Table presents an analysis of only those checks identified as erroneous and returned.

<sup>b</sup>New payroll procedures were fully installed by September 1, 1975.

<sup>c</sup>On March 30, 1976, there were 43 erroneously issued checks on hand at DCPSI payroll office totaling \$9,420 which had not been researched. These checks are not included in the table.

<sup>d</sup>Includes checks issued that could not be classified due to inadequate explanation in records of the reason for return.

Payroll checks continue to be issued to employees who should not have received a paycheck for reasons mentioned above. When erroneous checks are detected before delivery to the employee, the District incurs unnecessary costs in issuing checks and returning them to the Department of Treasury. When the checks are delivered and the employee does not voluntarily return the check, further costs result from collection efforts. When checks issued in error remain undetected by the District (as they have in the past), a direct financial loss from overpayment results.

The positive payroll system has not eliminated the causes of checks being issued in error. Certification errors by timekeepers continue to plague DCPS. Management is not adequately monitoring, supervising, and training timekeepers. Until these basic problems are solved, errors will continue to cost the District and DCPS time and money.

#### Inadequate timekeeping performance

The District's time and attendance manuals require correct and accurate daily recording of all time and attendance data on timesheets. The manuals also specify that there be an accurate accounting of leave earned and used by DCPS' personnel. Every timekeeper interviewed said he or she did not record time and attendance data for employees daily. Most of them said they usually recorded this data at home on the day before timesheets were to be submitted. All timekeepers interviewed said that they had full-time duties other than timekeeping and that the workload and time pressures did not permit daily verification of time and attendance.

Timekeepers also said timesheets are frequently received late and are often sent to the wrong schools because of employee transfers which prevents them from recording time and attendance data daily. Delayed recording of time and attendance data from memory may cause unnecessary errors and may lead to the issuance of erroneous checks.

Between September 1, 1975, and March 15, 1976, about 32 checks were issued in error to employees who were on leave without pay. When asked how such errors could occur, timekeepers said in many cases they do not have certified leave balances for employees transferred to their schools. They were often unable to secure certified leave balances from transferring school timekeepers or DCPS' payroll office because past errors in leave computations had not been corrected.

The District's payroll system does not maintain automated leave records for DCPS employees. DCPS timekeepers keep these records manually. Timekeepers cannot determine if an employee is entitled to leave or should be placed on leave without pay if they do not have the employee's

certified beginning leave balance. This situation may encourage leave abuse and result in erroneous payments. Timekeepers also said present time and attendance instructions for reporting leave without pay, maternity leave, and special pay categories are not easily understood.

Inadequate monitoring,  
training, and supervision

The District time and attendance manuals state that the District's Central Accounting Pay and Retirement Division will produce from time to time an automated report of errors found in documents prepared by timekeepers. According to the manual this report could improve the quality of the timekeepers' work by informing them of their errors, alert management to the need for remedial training sessions, and give management insight into where training efforts should be directed. The District Central Accounting Pay and Retirement Officer has informed us, however, that this report has not been produced because of problems in separating keypunch errors from timekeepers' errors and also because agency management officials have not requested the report.

A major timekeeping training effort was made by the District's Central Accounting Pay and Retirement Division just before the introduction of the positive payroll system. However, neither the District nor DCPS has provided any training since these initial sessions even though turnover and new appointments in timekeeping personnel have occurred.

All timekeepers, except the two alternates, participated in the initial training sessions. The timekeepers said they thought followup training is necessary because of unclear instructions on recording time and attendance data for employees who are on maternity leave or leave without pay and because numerous other payroll reporting problems have emerged since the new system went into effect, such as miscoding where employees work.

According to a DCPS official, there is no provision for periodic audits of a timekeeper's performance. Some timekeepers have requested such audits to improve their performance by identifying errors and the causes of errors which might otherwise go undetected. Since timekeepers are now stationed at the schools, management must exercise every means available to monitor and control the timekeeper's performance to prevent, identify, and correct errors which could result. Periodic performance audits and the proposed automated error report are tools to aid management. Furthermore, if timekeepers were effectively supervised and monitored, errors resulting from inaccurate clerical posting of time and leave date would be identified and corrected by DCPS' payroll personnel before this data is sent for processing by the District's Central Accounting Pay and Retirement Division.

## CONCLUSIONS AND RECOMMENDATIONS

The issuance of erroneous checks to DCPS employees continues to be a problem. District Government and DCPS officials have recognized the problem, but they have not solved it. Measures taken by the District Government and DCPS officials include providing written time and attendance instructions for timekeepers, giving one-time training sessions to DCPS timekeepers in 1975, installing an automated positive payroll reporting system, and stressing the need for accuracy in time and attendance recording through written directives and memos.

Although these measures have apparently reduced the volume of checks issued in error, the number and types of time and attendance recording errors being made are serious enough to indicate the need for more action by management.

We recommend that you

- Request that the District's Central Accounting Pay and Retirement Division provide a report of timekeeping errors to help DCPS monitor and identify timekeepers who consistently make errors.
- Set up a training program for new timekeepers and their alternates. Also, conduct a remedial training program for timekeepers with special problems.
- Regularly research payroll records of employees who have received erroneous salary checks to insure that all overpayments have been identified.
- Regularly identify employees without certified leave balances, certify these balances, and forward the documentation to the appropriate schools.

## AGENCY ACTIONS

At a meeting in June 1976 to discuss our report, the DCPS Acting Deputy Superintendent, Office of Management Services, agreed with our recommendations. He pointed out that since March 1976, DCPS has taken steps to eliminate the causes of erroneous payroll check issuance. For example, DCPS recently began using a new transmittal system for returning checks issued in error.

DCPS is aware of inadequate timekeeper training and is developing a training curriculum for new timekeepers and experienced timekeepers with special problems. Classes are scheduled to begin in August 1976. According to DCPS Controller, a project to identify and recover overpayments made to DCPS employees since March 1976 is in progress. To date,

about 125 overpayments have been identified and recovered. Additionally, about 350 employees who resigned, terminated their employment, or died have been purged from the payroll register. DCPS recently began using a new system for improving the transfer of certified leave balances between schools and will complete a program by August 1976 that will identify employees without certified leave balances, certify these balances, and forward certified balances to the appropriate schools.

Copies of this report are being sent to the Mayor, City Council, Board of Education, Office of Budget and Management Systems, D.C. Auditor and Office of Municipal Audit and Inspection.

We appreciate the cooperation received from DCPS officials and their willingness to act on our findings. Please advise us of actions taken to correct the matters discussed in this letter.

Sincerely yours,

*Frank Medico*  
Frank Medico  
Assistant Director