



UNITED STATES GENERAL ACCOUNTING OFFICE  
 WASHINGTON REGIONAL OFFICE  
 FIFTH FLOOR  
 803 WEST BROAD STREET  
 FALLS CHURCH, VIRGINIA 22046

091306

091306

AUG 11 1976

Major General J. A. Johnson  
 Commander, U S. Army Engineer Center  
 and Fort Belvoir  
 Department of the Army  
 Building 216  
 Fort Belvoir, Virginia 22060

D. 2200

Dear General Johnson:

ED

The General Accounting Office (GAO) has completed a review of the Standard Army Civilian Payroll System (STARCIPI) in operation at Fort Belvoir. The review included an evaluation of the system procedures and controls and tests of master employee records. We did not test the accuracy of the computations for individual pay and leave accounts.

Although the GAO review covered both the operations and the design of the system, this report applies only to operations at Fort Belvoir. Findings on the design of the system will be the subject of a separate Army-wide report.

GAO noted three areas relating to operations where improvements are needed. These areas are (1) accuracy of employee records, (2) documentation to support payroll deductions, and (3) separation of duties. Each of these areas is discussed below.

NEED TO IMPROVE ACCURACY OF MASTER EMPLOYEE RECORDS

Our tests of master employee records identified a significant number of errors which could affect employees' pay and leave entitlements and the accuracy of their retirement records.

GAO standards for Federal payroll systems (6 GAO 20) require that complete and accurate payroll records be kept. These records must be adequate to provide proper control over pay, leave, and allowances, and to provide information necessary to correctly calculate pay and leave entitlements.

091306  
 911905

To test the accuracy of Fort Belvoir's master employee records, we compared information shown in 57 randomly selected records with that shown by source documents. Twenty-one (37 percent) of the 57 records we reviewed contained a total of 24 errors. Thirteen of these errors consisted of incorrect dates of the last grade or step change. The other 11 included errors in grade and step, State withholding tax code, number of exemptions, date of birth, service computation date, and health benefits insurance code.

In another test, we used an automated retrieval package to test all 4,432 master employee records for incorrect leave accruals, duplicate and invalid social security numbers, and individuals under 16 or over 70 years of age. This test also showed that the records contained incomplete and incorrect information. For example, six records contained incorrect birth dates, while 115 records showed no birth dates.

Because complete and accurate master employee records are not maintained, employees could receive incorrect paychecks and leave credits and have incorrect information entered in their retirement records.

GAO believes the principal reason why errors of the type we identified have gone undetected is the lack of an effective procedure for verifying permanent information in master employee records against source documents. In our opinion, periodic verification of this information not only would help to reduce errors but also would reduce opportunities for making payments to persons not in a pay status and for the commission of fraudulent or other irregular acts.

#### Recommendation

To increase the accuracy of master employee records, GAO recommends that the payroll office compare all permanent information in the records against source documents. Also, all later changes to this information should be verified to source documents.

#### Agency comments

In our July 20 meeting with you and other Fort Belvoir officials, the Chief of the Finance and Accounting Division stated that the payroll office will be instructed to verify information shown on all master employee records with source documents and make corrections when necessary. GAO believes this proposed action, if effectively carried out, will increase the accuracy of master employee records. In addition,

GAO believes procedures should be established to assure that all subsequent changes to these records are verified against the source documents. ✓

NEED FOR COMPLETE DOCUMENTATION  
IN SUPPORT OF PAYROLL DEDUCTIONS

Many source documents authorizing payroll deductions were missing from payroll office files.

GAO standards for Federal payroll systems (6 GAO 16.3) require that written authorization be obtained from the payees for deductions in all cases except where deductions are required by specific provisions of law. The standards also require that a current file of all deduction authorizations be maintained.

In a comparison of master employee records with source documents, GAO found that 59 authorization documents for payroll deductions were missing from the files of 33 of the 57 employees included in our test, as follows.

| <u>Number of missing<br/>authorizations</u> | <u>Type of deduction</u>                   |
|---|--|
| 24  | Federal income taxes                       |
| 18  | Purchases of savings bonds                 |
| 4   | State income taxes                         |
| 6   | Life and health insurance                  |
| 5   | Union dues and charitable<br>contributions |
| 2   | Savings allotments                         |

In GAO's opinion, the lack of documentation for payroll deductions is a significant weakness in Fort Belvoir's payroll operations which could result in unauthorized and incorrect salary payments. GAO believes that this lack of documentation results primarily from inadequate payroll office filing and control procedures. Authorization documents for payroll deductions were loosely filed in individual payroll folders and no safeguards were in effect to prevent these documents from being lost or misplaced.

Recommendations

GAO recommends the payroll office review the files to identify all missing payroll deduction authorizations and

obtain documentation from employees to support the missing authorizations. GAO further recommends that procedures be established to maintain authorization documents for all payroll deductions and safeguard the documents from loss or misplacement

#### Agency comments

The Chief of the Finance and Accounting Division stated the payroll office will be instructed to review its files and obtain necessary documents to support all payroll deductions. He stated also that procedures will be established to prevent documents from being lost or misplaced. GAO believes these proposed actions will provide Fort Belvoir with the necessary documentation to support payroll deductions.

#### NEED FOR SEPARATION OF DUTIES

One of the most important internal controls used in payroll processing is the separation of duties. When duties are separated, errors are more likely to be detected and fraud is less likely to occur.

At Fort Belvoir, the duties of personnel in payroll preparation, control, and certification functions are not adequately separated to insure effective control.

GAO standards for Federal payroll systems (6 GAO 9) provide that the separation of duties relating to pay, leave, and allowances should assure that no one person performs all phases of a transaction from beginning to end without the intervention of some other person or persons who afford a crosscheck. The following functions should be performed by different individuals:

1. Computation of pay, preparation of payrolls, and maintenance of individual payroll records.
2. Maintenance of control records.
3. Certification of payrolls.

#### Payroll preparation and control

The STARCIPS Users Manual (chapter 1) states that a payroll clerk is responsible for all payroll processing for a particular group of employees but should not maintain the payroll control register for that group; instead, a control clerk should be designated to independently maintain the payroll control register and to verify that all subsidiary controls maintained by the payroll clerk are in balance.

At Fort Belvoir, each payroll clerk has total responsibility for all operations pertaining to a group of employees, including the maintenance of payroll control records. Each clerk prepares for computer processing all permanent changes such as new hires, promotions, and transfers for a particular group of employees. This same clerk also reviews error messages that are printed by the computer and maintains all payroll control records used to determine whether the transactions are properly processed.

As a result, duties in the payroll office are not appropriately separated to provide proper internal checks on performance and to minimize opportunities for carrying out unauthorized or otherwise irregular acts.

### Payroll certification

GAO standards (6 GAO 15.3) require that payrolls be certified by duly authorized certifying officers who do not compute individual amounts payable, maintain payroll records, or distribute paychecks or pay envelopes. According to Army regulations (AR 37-105, chapter 2-3), the chief of the civilian payroll office normally should be designated as the payroll certifying officer when the payroll function is performed under an integrated accounting system. Army regulations prohibit the appointment of an individual who computes pay or maintains individual earnings records.

At Fort Belvoir, the civilian payroll is not properly certified by an individual independent of the details involved in preparing the payroll. The payroll is certified by the Chief of the Civilian Payroll Section who also prepares a payroll for a particular group of employees. Thus, he is in a position of certifying his own work.

GAO believes an individual who participates in preparing a payroll cannot objectively certify it. Unless objective reviews and certifications are made, illegal, improper, or incorrect payments to employees could go undetected.

### Recommendation

GAO recommends that separation of duties within the payroll office be required to.

- (1) insure that an individual who makes permanent changes or corrective adjustments to employee earnings and leave records does not also keep pay and leave control records,

- (2) have all computer printouts first reviewed by the individual maintaining the control records to insure that only appropriate changes are made in the computer files, and
- (3) appoint an appropriate payroll certifying officer in accordance with Army regulations and GAO standards.

Agency comments

The Chief of the Finance and Accounting Division stated that payroll preparation, control, and certification functions will be separated to provide proper checks on performance.

- - - -

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. We shall appreciate your comments concerning actions taken or planned by you on the matters discussed in this report.

Copies of this report are being sent to the Comptroller of the Army and to the Chief, Army Audit Agency.

Sincerely,



D. P. Sorando  
Regional Manager



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

AUG 11 1976

Major General H S Long, Jr  
Chief, U S Army Audit Agency  
NASSIF Building  
5611 Columbia Pike  
Falls Church, Virginia 22060

Dear General Long

Enclosed for your information and use is a copy of our management letter to the Commander, U.S Army Engineer Center and Fort Belvoir, on the need for certain improvements in the operation of the Standard Army Civilian Payroll System (STARCIIPS) at Fort Belvoir

Sincerely yours,

  
for David P Sorando  
Regional Manager

Enclosure



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
FIFTH FLOOR  
803 WEST BROAD STREET  
FALLS CHURCH, VIRGINIA 22046

AUG 11 1976

Lieutenant General John A. Kjellstrom  
Comptroller of the Army  
Department of the Army  
The Pentagon  
Washington, D C 20301

Dear General Kjellstrom

Enclosed for your information and use is a copy of  
our management letter to the Commander, U.S Army Engineer  
Center and Fort Belvoir, on the need for certain improve-  
ments in the operation of the Standard Army Civilian Payroll  
System (STARCIIPS) at Fort Belvoir

Sincerely yours,

A handwritten signature in cursive script, appearing to read "David P. Sorando".

David P Sorando  
Regional Manager

Enclosure