



092843

GA000360

UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
502 U.S. CUSTOMHOUSE, SECOND AND CHESTNUT STREETS
PHILADELPHIA, PENNSYLVANIA 19106

OCT 15 1970



AG 00014

Commanding Officer
Frankford Arsenal
Philadelphia, Pennsylvania 19137

Dear Sir:

We have reviewed severance payments made to selected civilian employees of Frankford Arsenal who were separated from employment at the Arsenal because of a reduction in force effective June 29, 1970.

Our review was directed primarily to evaluating the adequacy of the procedures and controls utilized by the Arsenal in determining entitlements and processing payments. We tested the procedures and controls by examining in detail the entitlement determinations and payment documents of 10 recipients of severance pay selected on a random basis.

In our limited review we found several erroneous payments plus some deficiencies in the procedures used in determining entitlements and processing payments. Our findings which were discussed with you and members of your staff are summarized below.

1. One employee receiving an annuity as a retired member of the military services was erroneously determined to be entitled to severance pay amounting to \$301.44 of which \$260.00 had been paid at the time of our review. Severance pay in such instances is prohibited by 5 U.S.C. 5595(2)(iv) and Federal Personnel Manual (FPM) Supplement 990-2, Book 550, Subchapter S7-3b(2)(c)(v). We brought this payment to the attention of personnel office officials who took action to stop further payments and recover the \$260.00 already paid. In addition, they identified another separated civilian employee scheduled to receive payments amounting to \$1,176.84 under the same circumstances. Action was taken by personnel office officials to prevent any payments being made.

① General evaluation
 ② Civilian employees
 ③ Military personnel
 ④ Annual reports
 ⑤ Audit systems evaluation

⑤ Military pay system
 ⑥ Severance pay
 ⑦ Employee
 ⑧ Allocation des masses

714603
 092843
 Government Accounting

BEST DOCUMENT AVAILABLE

2. The severance pay fund of one employee was overstated by \$135.20. This error occurred in part because in computing the severance pay fund of the employee, the payroll office did not make a deduction for the number of weeks the employee received severance pay in connection with a prior involuntary separation. This deduction is required by FPM Supplement 990-2, Book 550, Subchapter S7-7b. The amount to be deducted was \$169.00. However, the employee's gross entitlement was understated by \$33.80, as described in Item 3 below, and the net overstatement in his severance pay fund was \$135.20.
3. The severance pay fund of one employee was overstated by \$166.84 and the gross entitlement of another employee was understated by \$33.80. These errors occurred because the years of service of each employee were computed from the service computation date stated in their personnel files. We found these dates to be in error. We do not believe that the service computation date should be used in determining the years of service for severance pay purposes, but that the period of service should be independently computed. The necessary corrective action was taken in both of these cases.
4. In several instances, we found that the initial determination of the employee's entitlement to severance pay and the computation of his severance pay fund had not been independently verified in the civilian personnel office. We believe that independent verification might have prevented some of the errors found in our review.
5. Adequate financial controls were not established over the severance pay funds. Controls were limited to individual "Severance Pay Control" sheets maintained by the payroll clerks. The amounts of employees' entitlements and biweekly payments are posted to these sheets, and running balances are maintained. Responsible payroll officials informed us there were no control totals to which the amounts paid or the unpaid balances could be reconciled. They stated that as a result no reconciliation had been made of the severance pay funds.

BEST DOCUMENT AVAILABLE

We believe that an account should be established and maintained which would provide updated figures on the total amount of severance pay funds payable. The various transactions related to the individual severance pay funds would be posted to this account. The resulting balance would be used for periodic reconciliation with the Individual Severance Pay Control sheets.

6. Initial payments of severance pay for several employees were processed on biweekly payrolls which covered pay periods subsequent to those in which the employees attained entitlement to severance pay. We believe that delays of this nature place an unnecessary hardship on separated employees and negate the objective of severance payments.
7. Deductions other than those permitted under severance pay procedures were made from the severance pays of two employees. These errors were brought to the attention of payroll officials and corrective action was taken.
8. Certain employees who received separation notices effective June 29, 1970, took advantage of the 90-day notice period provided by the Army Civilian Personnel Regulations and elected to be carried in a leave without pay or annual leave status to July 19, 1970. Our review of these cases showed that employees who had annual leave balances were not paid for their annual leave in the applicable period.

The time cards indicated that the employees were separated as of June 29 but the separation actions had not been forwarded to the payroll office by the personnel office. We were informed by payroll officials that because of the workload the personnel office was not contacted to verify the pay status of these employees and the payroll was processed as if they had been separated. We believe that the pay status of these employees should have been verified prior to processing the payroll.

- - - -

The erroneous payments and procedural deficiencies found in our review indicate the need for strengthening the procedures and controls relating to the administration of severance pay.

BEST DOCUMENT AVAILABLE

During the close-out conference, we were informed that because of our findings, the records of all employees entitled to severance pay had been reexamined. We request information on the results of the reexamination and your comments as to any corrective actions taken as a result of matters disclosed by our review.

We wish to acknowledge the cooperation extended to our staff during their examination.

A copy of this letter is being sent to the Army Audit Agency, Philadelphia, Pennsylvania.

Sincerely yours,

JAMES H. ROGERS
James H. Rogers
Regional Manager

BEST DOCUMENT AVAILABLE