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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

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Dear Mr. Mellon:

We made a review for the purpose of settling the accounts of the certifying officers of the National Gallery of Art through fiscal year 1969. Our review 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).

Our review consisted of an evaluation of the administrative procedures and internal controls relative to the receipt and disbursement of funds. It included an examination and verification of payrolls, leave, and related functions for selected pay periods as well as such other tests of financial transactions and records as we considered appropriate. We found that the procedures for controlling cash receipts and disbursements and the payroll operations in use by the Gallery to be generally satisfactory. We did note, however, several matters which we would like to bring to your attention.

AUDIT OF PAYROLL AND LEAVE RECORDS

From our audit of payroll and leave records, we concluded that, except for the matters discussed below, the payroll, leave, and related functions were performed in a generally satisfactory manner.

Erroneous postings of information
on Individual Retirement Record

The Civil Service Commission prescribes the regulations to be followed by agencies in administering pay, leave, and other personnel matters in the Federal Personnel Manual. The Individual Retirement Record, Standard Form 2806, which is required by the Federal Personnel Manual shows an employee's cumulative contributions to the Civil Service Retirement System and is used by the Civil Service Commission in adjudicating the retirement rights of a retired employee or his survivors. Therefore, errors in posting could affect the amount of the Civil Service annuity.

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Our review disclosed 16 errors in posting of dates, wage rates, and similar information, to the Standard Forms 2806 affecting 10 of the 34 employees included in our review. These errors were discussed with the Assistant to the Administrator, National Gallery of Art, who stated that the errors were due to the inexperience of posting clerks. He informed us that he was making a review of these records and that when his review was completed, he would transfer the responsibility for maintaining the records to the Office of the Treasurer where the employees have had experience in payroll procedures.

Need for preparation of Record
of Leave Data Transferred

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The Federal Personnel Manual requires that when an employee is separated (including separation for transfer) the releasing agency is to prepare Standard Form 1150, Record of Leave Data Transferred. This form which provides information on the separated employee's leave accruals and balances is filed in the separated employee's Official Personnel Folder. A copy is retained by the releasing agency.

The Standard Form 1150 must be used to transfer the leave record when an employee moves from one agency to another or is reemployed by the Government after separation. In this regard, the Federal Personnel Manual provides that an employee who has been separated is entitled to recredit of his sick leave if he is reemployed by the Federal Government or the Government of the District of Columbia without a break in service of more than 3 years. In addition, recent legislation (Public Law 91-93) provides that the unused sick leave of an employee who retires is to be included in the total service which is used in computing annuities.

We reviewed data for 22 of the 218 employees who were separated in the 1968 leave year and noted that the required Standard Forms 1150 had not been prepared for any of them at the time they were separated.

Although we made no specific attempt to determine whether any of the separated employees were subsequently employed by other Federal agencies, the records indicated that one of them went to work for the Smithsonian Institution and another was rehired by the National Gallery of Art. In neither case was the employee credited for his unused leave balance.

We discussed the matter with the Assistant to the Administrator who stated that he had not been aware of the requirement for processing Standard Form 1150. However he took action to have the leave balances of the two employees corrected. He informed us, also, that starting in 1969 the required forms were being processed in accordance with the Civil Service regulations.

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Recommendation

Although the Gallery is currently processing the required Standard Forms 1150 for separated employees and the leave balances of the two employees whose reemployment we had noted have been corrected, it is possible that other former employees may have obtained employment with Federal agencies or the Government of the District of Columbia without receiving credit for their leave balances. Accordingly, we recommend that all separations since our previous payroll audit in 1963 be reviewed, and that Standard Forms 1150 be processed in accordance with the requirements of the Federal Personnel Manual in those instances where the separated employee had a sick leave balance.

CONTROL OF CASH RECEIPTS, DISBURSEMENTS,
AND EQUIPMENT

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We found that the procedures for controlling cash receipts and disbursements were generally satisfactory. However, we noted that physical inventories of the Gallery's capitalized equipment have not been taken for some years. This was contrary to Gallery Circular No. 17, dated January 25, 1955, which requires the taking of periodic physical inventories of all equipment.

The Gallery's accounting system, which was approved by the Comptroller General on November 20, 1958, requires that an annual physical inventory of capitalized equipment be made. The Supply Office maintains card records of all capitalized items, which are kept current with postings of acquisitions and disposals and are required to be periodically reconciled with the general ledger control accounts. While it is recognized that the Gallery Building is controlled by guard stations at each exit and we were informed by Gallery officials that no equipment may be removed from the Gallery without obtaining a property pass, we believe these procedures do not eliminate the need for taking a physical inventory of equipment as required by the Gallery's approved accounting system.

Recommendation

Although members of your staff agreed with our conclusion, they pointed out the difficulties of implementing corrective procedures because of the small staff. However, we believe that corrective action is required and we recommend that physical inventories of capitalized equipment and property be taken at periodic intervals as required by the approved accounting system, and that the fiscal records be reconciled with these inventories.

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In accordance with chapter 3 of title 8 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies,

the records of financial transactions through June 30, 1969, except those that may be needed to ensure that separated employees receive credit for unused leave balances, may be transferred to the Federal Records Center for storage.

Please advise us as to the action taken on the recommendations contained in this report.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review.

A copy of this report is being furnished to the Secretary, Smithsonian Institution.

Sincerely yours,

Allen R. Voss

Allen R. Voss
Associate Director

Mr. Paul Mellon, President
National Gallery of Art

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