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UNITED STATES GENERAL ACCOUNTING OFFICE  
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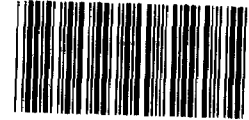
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MAY 11, 1983

The Honorable Lloyd M. Bentsen  
United States Senate



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Dear Senator Bentsen:

Subject: Problems with Uniform Payroll System Reported  
by Department of Transportation Employees  
(GAO/AFMD-83-24)

As requested in your letter of May 3, 1982, we reviewed the payroll complaint from employees of the Central Direct Federal Division of the Federal Highway Administration. The problems reported by the Division employees resulted from the recent implementation of a new centralized Department of Transportation payroll system. Division employees were concerned with such areas as additional administrative costs for payroll preparation and, in some cases, later receipt of paychecks under the new system. Most of the employees' concerns, however, can be resolved within the framework of the centralized system.

The decision to implement a centralized payroll system, known as the Uniform Payroll System, represents another example of a growing trend in the Government to centralize accounting and payroll operations. The decision was made by the Office of the Secretary of Transportation in 1978 to reduce expenses incurred under past processing methods. Previously, 18 separate payroll systems were used to pay Department personnel. The Office of the Secretary recognized that, in some instances, a new centralized payroll system would increase costs, but felt that these situations were few and the benefits of a uniform pay and personnel data base outweighed the anticipated problems. This position was supported by a feasibility study on payroll consolidation prepared by a Department work group.

Most Central Direct Federal Division employees are assigned to remote field construction projects and frequently move from one project to another. Division employees raised a number of concerns with the new system including:

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- Problems resulting from preparing and certifying as accurate time and attendance reports (T&As) prepared over a week before the close of the applicable pay period. This procedure resulted in estimated work schedules for the second week and a need to often amend T&As when estimated work schedules changed. (See pp. 6-7.)
- Later delivery of paychecks under the new system to some employees at field construction sites due to the need to mail paychecks to Denver, Colorado, from Kansas City, Missouri, and then again mail the checks to the field construction sites. (See pp. 7-8.)
- Added administrative costs to use the Uniform Payroll System due to additional paperwork, using express mail, and some aspects of the system's programming, such as a control not to accept compensatory time entries for more than 2 days per week. (See p. 8.)


To address these problems, we discussed the Department's decision to centralize the payroll system and payroll processing under the Uniform Payroll System with Department officials in Washington, D.C., and Denver. We also discussed the payroll complaint letter with a sample of Central Direct Federal Division employees who stated no actions were taken against them for voicing their concerns on payroll problems to the Congress. Our findings and recommendations are in enclosure I.

Most of the concerns raised by the Division employees can be resolved by procedures built into the centralized system. Other concerns should be resolved when proposed changes to departmental policies or procedures are implemented. To address the remaining problems, we recommend:

- A departmentwide review be performed of the existing T&A certification process. This review should identify changes needed in existing departmental procedures to ensure that all work periods are properly certified. In situations where early certifications of T&As are deemed necessary, the Department should request that we grant a deviation from its requirement that T&As must not be certified earlier than the close of the last day of the pay period.
- The Central Direct Federal Division submit amended T&As to Federal Highway Administration headquarters in time to be processed for each pay period's checks thereby reducing the need for prior period adjustments.
- Whenever possible, Division employees desiring faster delivery of their paychecks should request that their checks be mailed directly to their work sites rather than to Denver. This procedure would expedite final delivery to the employees by eliminating one of the two current mailings.

As arranged with your office, unless you publicly announce its contents earlier, we will not distribute this report until 30 days from its date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

  
W. D. Campbell  
Acting Director

Enclosure

PAYROLL CONCERNS OF CENTRAL DIRECTFEDERAL DIVISION EMPLOYEES

In 1978, the Office of the Secretary of Transportation decided to implement a centralized Department of Transportation payroll system. The decision was made to reduce expenses incurred under past processing methods which used 18 separate payroll systems to pay Department personnel. The Department recognized that, in some instances, a new centralized payroll system would increase costs, but felt that these situations were few and that the benefits of a uniform pay and personnel data base outweighed the anticipated problems. This position was supported by a departmental feasibility study on payroll consolidation.

The centralized payroll system used by Transportation is known as the Uniform Payroll System (UPS). It was implemented departmentwide starting in 1980 and currently pays about 65,000 employees. We have not approved the system. Originally, it was designed to pay employees of the Federal Aviation Administration. During the system's implementation there, a decision was made to adopt the system departmentwide, with conversion to be made during 1980 and 1981.

Payroll processing under UPS is performed at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma. Time and attendance (T&A) data is transmitted to the computer center from various satellite payroll offices throughout the United States. A check tape is flown from the Oklahoma City computer center to the Treasury Kansas City disbursing center the Thursday after each pay period. Paychecks are mailed from Kansas City on Friday of the week after the pay period.

The Federal Highway Administration (FHWA), as one of the UPS satellite payroll operations, pays about 8,500 employees. This includes FHWA's own employees of which the Central Direct Federal Division (CDFD) is a part and employees of several other administrations or organizations, such as the National Highway Traffic Safety Administration and the Urban Mass Transportation Administration.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the payroll complaint sent in from employees of CDFD in Denver. Our review was limited to an analysis of payroll document processing and did not involve a comprehensive review of the Uniform Payroll System. Our objectives were to

--obtain background information on the Department's decision to implement UPS,

--determine if the Department or FHWA took any action against CDFD employees who signed the payroll complaint letter, and

--compare UPS to the former system servicing CDFD to determine if UPS could be improved.

Our review was performed at Department of Transportation headquarters in Washington, and CDFD in Denver. We talked with FHWA personnel responsible for payroll processing under UPS and other Transportation officials. We also discussed the payroll complaint letter with CDFD employees.

#### UNIFORM PAYROLL SYSTEM CREATES PROBLEMS FOR CDFD EMPLOYEES

CDFD employees raised a number of concerns about the centralized payroll system. Most of these employees work at field construction sites in 15 Western States. They are responsible for field location work, design, and direct field contract administration with contractors constructing highways and bridges for the Federal Government. About 170 of the 285 CDFD employees move from one project to another. Thus, about 50 of these workers requested their checks be sent to the field worksites.

Time and attendance reports for many CDFD employees are prepared at the field construction sites. After preparation and certification, the T&As are mailed to Denver where they are reviewed and forwarded to FHWA headquarters in Washington. Payroll processing and check delivery under the centralized payroll system require several mailings and long leadtimes to allow for review of T&As in Denver before submitting them to Washington for initial processing. UPS complicated payroll processing for CDFD since, under the old system, payroll processing was performed locally in Denver and checks were prepared at the Treasury Denver disbursing center.

CDFD employees raised a number of concerns about UPS. Among their concerns were:

- Problems resulting from preparing and certifying as accurate T&As prepared over a week before the close of the pay period. This procedure resulted in estimated work schedules for the second week and in the need to often amend T&As when estimated work schedules changed.
- Later delivery of paychecks under the new system to some employees at field construction sites due to the need to mail paychecks to Denver from Kansas City and then again mail the checks to the field construction sites.
- Added administrative costs to use UPS due to additional paperwork, using express mail, and some aspects of the system's programming, such as a control not to accept compensatory time entries for more than 2 days per week.

Time and attendance reports  
prepared before close of pay period

CDFD employees are paid every 2 weeks for work performed in the preceding pay period. Pay is computed from T&As submitted by the employees, approved by their supervisors, and reviewed at the CDFD office in Denver.

Current CDFD procedures require that the T&As be mailed from the various project construction sites to the Denver office on the first Friday of the pay period. This mailing results in the T&As being available for review in Denver by the second Tuesday of each pay period. After Denver personnel review the T&As, they are sent by express mail to FHWA headquarters in Washington. To be processed under normal methods, T&As must be received by FHWA in Washington by the last Saturday of the pay period.

When needed, amended T&As are submitted from the construction sites to Denver on the second Friday of the pay period. Amendments are often necessary because the original T&As are submitted using estimated work schedules for the second week of the pay period. These estimates are generally a standard 40-hour work-week. Considering the nature of the work performed at project sites, employees often deviate from the projected 40-hour week. To reflect these changes in the current paycheck, amended T&As must be processed at the payroll office in FHWA headquarters by noon of the Wednesday following the close of the pay period.

We found that the individual responsible for reviewing T&As at the CDFD office in Denver was unaware of the cutoff for receiving amended T&As at FHWA headquarters. Thus, amended T&As were sent by regular mail from Denver to reach FHWA headquarters by Friday of the week after the pay period. This procedure resulted in amended T&As not being processed soon enough to be reflected in each pay period's checks. As a result, prior pay period adjustments were required whenever changes were made.

After discussing this procedure with CDFD and FHWA officials, a decision was made to try express mail to get amended T&As to FHWA headquarters by the cutoff. This change should reduce prior pay period adjustments by allowing amended T&As to be processed in the current pay period.

T&As certified before  
end of pay periods

CDFD procedures require that T&As from the construction sites be prepared and mailed to Denver on the first Friday of each 2-week pay period. Certifying officials raised concerns with the legality of their certifications, since the hours shown for the second week of the pay periods were estimated.

Little consistency existed among CDFD construction supervisors in dealing with the certification problem. The preprinted T&As

included a statement above the supervisor's signature that the T&As were "certified correct." Some supervisors signed the T&As as accurate without written comments, while others certified the T&As only after adding remarks that the T&As were certified accurate for the first week of the pay period only.

Clearly, problems raised by CDFD employees in current certification procedures represent valid concerns. In our Policy and Procedures Manual for Guidance of Federal Agencies, we state that certifications of T&As should not ordinarily be made earlier than the close of the last day of the pay period. We recognize, however, that in some circumstances it is not practical to operate without an early cutoff. In such cases, we will consider granting a deviation (on a case-by-case basis) to this requirement if additional controls are present.

To identify the extent of the T&A certification problems in all organizations paid by the centralized system and to implement uniform corrective actions, the Department of Transportation should review certification practices departmentwide. A departmentwide review is necessary, since problems similar to those reported by CDFD may exist elsewhere. It is also necessary to maintain, to the extent possible, uniformity of payroll procedures among the various organizations paid by UPS. Based on this review, changes in existing certification procedures should be implemented to address the concerns raised by CDFD employees. In situations where it is necessary to certify T&As before the pay period ends, the Department should request a deviation from our requirement that certifications not be made earlier than the close of the last day of the pay period.

#### New system results in later receipt of paychecks

About 50 of the CDFD workers assigned to construction sites have requested their checks be mailed to the worksites. Mailing checks to construction sites creates special problems, since the employees change addresses frequently as they move from one worksite to another. Therefore, checks prepared by UPS for these employees are currently mailed to the Denver office where they are sorted and mailed to the sites. This extra mailing, however, delays the paychecks.

Under current payroll procedures, employees specify the mailing address for their checks on special request forms. Employees can change the address by submitting to FHWA's payroll office in Washington a "Request for Check Mailing" form. To change the mailing address for the current pay period's check, the form must be received in Washington by the last Friday of the pay period.

By using established procedures, CDFD employees at construction sites who desire earlier receipt of paychecks can change their mailing addresses frequently by submitting address changes to the

Denver CDFD office along with their original T&As for the pay period. Since T&As go to Washington by express mail from Denver on the second Wednesday of each pay period, the address changes should be received by the cutoff for making check address changes.

This procedure could eliminate the extra check mailing from Denver for a number of employees working at construction sites and therefore speed up receipt of checks by the employees. For this system to work, however, CDFD employees will have to ensure that all address changes are received in Washington headquarters by the last Friday of the pay period. This would require that CDFD employees notify headquarters of address changes about 12 days before the date checks are actually received by the employees.

#### Uniform payroll system creates additional administrative costs for CDFD

In order to review T&As in Denver and comply with time constraints for payroll processing under UPS, CDFD uses express mail to forward payroll forms to FHWA headquarters. This procedure results in an added administrative cost. CDFD employees raised this concern and noted other increased administrative costs under the new system, such as the requirements to report work hours and cost accounting data on separate forms rather than the one form used under the old payroll system. CDFD employees also were concerned with a program instruction in UPS not to accept compensatory time entries for more than 2 days a week.

UPS was designed to meet unique system requirements of the Federal Aviation Administration, such as flexibility to record changes that could occur during a single work shift. Various control features were incorporated into the system. For example, compensatory time entries would not be accepted for more than 2 days per week. Entries for 3 or more days would result in conversion to paid overtime. This system control was in accord with Transportation policy in effect at the time of our review. FHWA officials stated, however, that the Department is drafting a directive that would allow employees to accumulate up to 160 hours of compensatory time. When implemented, this directive should reduce overtime costs and provide greater flexibility in work scheduling. This change will also require programming changes which would satisfy most concerns of CDFD employees on reporting compensatory time.

#### Changes being considered in project cost accounting system

CDFD monitors its project costs through an accounting system which provides a detailed analysis of project costs. This system enables project engineers to monitor and control reimbursable costs which are billed to other government entities. It also provides a



basis for estimating future jobs. It is essential that CDFD receive cost reports promptly in order to effectively monitor total construction costs.

Prior to CDFD implementing UPS in October 1981, project cost reports were generated at Denver. Data from the T&A reports were input into the system. Upon conversion to UPS, processing of the project cost reports was assigned to FHWA headquarters in Washington.

CDFD employees informed us that the project cost reports were not being received promptly at CDFD and that, in some cases, project cost data were being maintained manually in order to have current cost information available. Also, UPS resulted in additional paperwork since forms in addition to the T&As were required to account for project costs.

FHWA officials in Washington said they were considering restoring the cost reporting system to CDFD with processing to be completed locally. If implemented, this change should resolve the problem of timeliness of cost accounting data reported by CDFD employees.

#### Department and agency did not act against employees

As part of our review, we contacted a number of CDFD employees who signed the payroll complaint letter. Each employee contacted stated that no action was taken against them as a result of their involvement in the payroll complaint letter. We found FHWA receptive to valid concerns regarding problems with the UPS system.

#### CONCLUSIONS

The decision to implement UPS was made by the Department in order to improve payroll efficiency and reduce processing costs. Previously, 18 separate payroll systems were used to pay Department personnel. The new system did cause some problems and added administrative costs for the Central Direct Federal Division. However, most of the concerns can be resolved within the framework of the UPS system. Other concerns should be resolved when proposed changes to departmental policies or procedures are implemented.

#### RECOMMENDATIONS

To correct the T&A certification problem at CDFD and other departmental organizations where similar problems exist, the Secretary of Transportation should:

- Review the current T&A certification process departmentwide. This review should identify changes needed in existing procedures to ensure that all work periods are properly certified.

--Request, in situations where early certifications are necessary, a deviation from our requirement that certifications not be made earlier than the close of the last day of the pay period.

In addition, the Secretary of Transportation should direct the Administrator of the Federal Highway Administration to require:

- Amended T&A reports be submitted to FHWA headquarters in time to be processed in each pay period's checks, thereby reducing the need for prior period adjustments.
- Whenever possible, CDFD employees desiring faster delivery of their paychecks should request that their checks be mailed directly to their work sites rather than to Denver. This procedure would expedite final delivery to the employees by eliminating one of the two current mailings.