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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C. 20548

CIVIL DIVISION

MAR 14 1969

Mr. Clarke Harper
Associate Administrator
for Administration
Federal Aviation Administration
Washington, D. C. 20590

Dear Mr. Harper:

We have reviewed selected administrative operations and related financial transactions of the Office of Headquarters Operations (HQ) in the Washington headquarters office, Federal Aviation Administration (FAA), Department of Transportation, for the purpose of settling the accounts of certifying officers covering fiscal years 1965 through 1967. In addition to the financial transactions applicable to FAA Headquarters Operations, our review included those applicable to the operations of FAA's Europe, Africa, Middle East Region and the Bureau of National Capital Airports (BNCA) for which HQ maintains separate accounting records.

Our review was directed primarily toward evaluating current administrative procedures and controls, and included such tests of financial transactions as we considered appropriate. In determining the scope of our work, we considered the extent of internal audit coverage of payroll activities.

During our review, we noted several deficiencies which resulted, in our opinion, from inadequate supervision and review of the work performed by the HQ accounting personnel. Further, we noted a general lack of familiarity with pertinent agency regulations at the supervisory level. We discussed this matter with HQ officials who agreed and recognized the need for adequate supervision and review and more detailed written procedures to augment those comprising FAA's accounting system. The officials stated, however, that at the present time, there were not enough qualified personnel available in HQ to carry out all of the needed corrective actions, particularly those dealing with better supervision over HQ accounting operations.

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Some of the deficiencies found during our current review have been included in reports previously issued to FAA on the activities of HQ. In commenting on our previous reports, FAA agreed generally with our findings and indicated that corrective actions had been or would be taken. The deficiencies noted during our current review are discussed in detail below. Where appropriate, corrective actions taken or promised have been recognized. We are not in a position at this time to evaluate the continuing effectiveness of all of the corrective actions taken or promised by HQ officials. We plan, however, to examine into these areas during our future audits of financial transactions at the FAA headquarters office.

TRAVEL ACTIVITIES

1. Need for strengthening policies and procedures for issuing annual travel orders

At the time of our review, FAA's travel regulations provided that annual travel orders should be limited in number and should be issued to only those employees that are subject to recurring trips or to frequent unscheduled emergency trips. The agency regulations are consistent with the provisions of the Standardized Government Travel Regulations.

In a report to you dated April 28, 1967, we stated that blanket (annual) travel orders, permitting travel anywhere within the continental United States, and, in some instances, without any limitation as to mode of transportation, had been issued to about 980, or 25 percent, of the FAA employees located at the headquarters office. We found that many of these employees were performing administrative duties (e.g., personnel, budgeting, information) which did not require them to be in a continual travel status and that they could obtain specific travel orders without undue hardship. In commenting on our report, you agreed with our finding and stated that FAA would clarify and expand regulations and criteria applicable to the issuance of annual travel orders. You stated also that the use of annual travel orders would be limited to those cases considered essential

During our current follow-up review on this matter, we were advised that, for fiscal year 1968, about 900 employees located at FAA headquarters had been issued annual travel orders. Our review showed that many of these orders permitted the employee to travel anywhere in the continental United States and permitted the employee to select any of several modes of transportation, all of which had been deemed in advance to be advantageous to the Government.

HQ accounting office officials stated that they did not have control over the issuance of annual travel orders. The officials stated, however, that they had called this matter to the attention of the Director of Management Services in the hope that more explicit guidelines would be issued in order to reduce the number of annual travel orders issued each year.

In July 1968, FAA revised its travel regulations and restricted eligibility for annual travel orders to employees that are required to travel regularly and frequently. Under the revised regulations, frequent travel is considered to be an average of nine trips per year.

2. Pretrip approvals by supervisors should be documented

We found that the usual practice for approving trips made by FAA employees having annual travel orders did not require an advance notification of travel for each individual trip. Upon completion of the trip, the supervisor documented his approval by signing the traveler's reimbursement voucher. This practice was followed regardless of whether continental or geographical area annual travel orders were involved. Thus, while the employee was actually in a travel status, and until his travel voucher was approved upon his return, there was usually no evidence that he had been officially authorized to perform the specific trip.

We believe FAA should adopt procedures that would require some sort of documented pretrip approval. Such procedures for travel under annual orders would have a number of advantages. Overall administrative control of travel would be strengthened at all levels in the agency because there would be (1) evidence of review and approval of a proposed expenditure of funds, and (2) a record showing that each trip had received prior supervisory approval which could serve as a complete record for the audit of travel vouchers. Predocumented trip approval also would provide a means of accumulating statistical data, on a current basis, on travel costs and practices. In addition to its administrative control aspects, documented pretrip approval would enable HQ officials to obligate, on a current basis, funds to cover the estimated travel cost.

Recommendation

We recommend that FAA's Office of Management Services develop the necessary procedures and forms for documenting advance approval of travel performed under annual travel orders.

3. <u>Need to improve controls over advances to employees</u>

In our report dated April 28, 1967, we stated that there was a need to improve controls over advances to employees. In our prior review, we noted that there were several outstanding travel advances in amounts exceeding travelers' needs and that certain advances were not liquidated in a timely manner. In commenting on our report, you agreed with our findings and stated corrective actions would be taken.

During our follow-up review of this matter, we examined the accounts of 41 employees who had an outstanding annual travel advance as of June 30, 1967, to cover frequent or continuous travel. Our examination showed that 12 of these 41 employees had submitted six or less travel vouchers during the current fiscal year. One of them had not submitted any travel vouchers during the year, three of them had submitted only one or two vouchers.

Our examination of the travel vouchers submitted by the remaining 29 employees showed that 15, or about 52 percent, had been advanced travel funds in amounts substantially greater than the 2-month period specified in FAA's regulations.

We also examined outstanding advances at June 30, 1967, totaling about $21,500, made to 18 employees to cover authorized movements of household effects. We found that these advances had been outstanding for extended periods of time. For example, advances totaling about $7,800 made to 11 of the 18 employees had been outstanding for periods ranging from 2 to 16 months. There was no documentary evidence in the files to indicate whether these employees had accomplished the household moves.

The remaining 7 employees who had originally received advances totaling about $13,700 had applied vouchers totaling about $5,350 toward their advances. However, the balance of about $8,350 had remained outstanding in the employees' possession for periods up to 6 months after submission of their vouchers.

In addition, our review of advances outstanding at June 30, 1967, made to 48 employees for single trips showed that, of $18,865 advanced, $7,280 or 39 percent was not repaid within 30 days after completion of the trips.

We believe that the above deficiencies in the administration of advances to employees occurred because, contrary to FAA's prescribed policies and procedures, FAA employees and responsible supervisors did not perform proper reviews of the advance accounts on a systematic basis.

Subsequent to the completion of our review, we were advised by HQ officials that all outstanding advances for single trip and household effects movements had been cleared as of June 30, 1968. The officials stated, however, that many employees were reluctant to repay their annual travel advance or to reduce it to a more realistic amount.

PAYROLL OPERATIONS INCLUDING TIME AND ATTENDANCE

1. Discrepancies noted in the processing of payrolls and time and attendance records

FAA's internal auditors made a review of payroll operations at the Washington headquarters for fiscal year 1967. On the basis of their review, FAA's internal auditors stated that there was a high degree of accuracy in payroll computations and that salary payments were made timely. Although the internal auditors' report included several deficiencies relative to the maintenance of time and attendance records, no other significant deficiencies specifically related to the preparation of payrolls were reported.

During our review of the payroll operations for fiscal year 1967, we noted the following types of discrepancies:

a. Three employees were granted within-grade increases at the improper date.

b. No income taxes were withheld from a cash award paid to an employee.

c. Differences in annual leave taken and recorded on the payroll control (FAA Form 1936-1), the bond and leave work listing, T&A exception control list, and the payroll register for Block D were not reconciled for the pay period ending January 13, 1968.

d. In four cases, accumulated leave without pay was not deleted from employees' master records when the employees were promoted.

e. In two cases, accumulated leave without pay was understated; in one case, advanced sick leave was not approved; and in one case, the sick leave balance was overstated.

f. The payroll office did not have an up-to-date file showing the names of timekeepers and the organizational group for which each timekeeper could certify time and attendance reports. HQ officials informed us that the file was being brought up to date.

g. There were differences between the dates or amounts of leave shown on travel vouchers and those shown on the time and attendance records. We noted also that some time and attendance records did not even show that the employee was in a travel status.

We believe that the discrepancies noted in our current review indicate the need for closer supervision of the time and attendance and payroll clerks by their supervisors.

2. Need for improved control over holiday pay and leave balances

FAA maintains its leave accounts on ADP equipment which prints leave balances on the time and attendance (T&A) cards before the cards are sent to timekeepers for the next pay period. Leave taken, however, is posted when the cards for the current period are being processed. Thus, there is a lag of two pay periods between leave actually available and the balance shown on the T&A card. This situation could result in overdrawn leave balances even though the T&A cards sent to timekeepers show a sufficient balance to cover the leave taken during the current period. Because the agency operating offices are not to keep duplicate T&A records, the only current record of an employee's leave balance would be his unofficial record, if he maintained such a record.

We found also that FAA's current T&A card does not provide adequate means by which timekeepers can differentiate between work and nonwork holidays. Although the T&A card has a column for recording holidays, it was to be used only to record holidays worked. We noted many instances where timekeepers entered "8" in the "Holiday" column when no work was performed. However, the payroll clerks, because of their knowledge of the employee's job, questioned and deleted the entry after checking to determine that the "8" did not represent a "worked" holiday. If HQ payroll clerks had not noted and questioned the entries, the employees concerned would, in all probability, have received premium pay for the holidays.

HQ officials agreed that the absence of current leave balances on the present T&A record precludes effective audit of leave balances by their payroll personnel.

Recommendation

To provide improved control over holiday pay and leave administration, we recommend that FAA revise its T&A record and related procedures to provide for (1) the maintenance by timekeepers of leave balances, i.e., beginning balance, accrual, leave used, and ending balance, and (2) separate columns to differentiate between work and nonwork holidays. The revised leave records could continue to be mechanized for accounting, analytical, and statistical purposes, to the extent needed for management control and surveillance.

3. Need for improved control over pay of employees with irregular scheduled tours of duty

In our review of T&A records supporting the payment of premium pay (i.e., night differential, Sunday pay, holiday pay) to employees working irregular scheduled tours of duty, we noted that the HQ payroll office did not maintain lists of employees assigned to the various shifts. Also, we noted that many employees were being paid Sunday premium pay for an entire 8-hour shift when only a small portion of the shift fell on Sunday For an example, we noted that some irregular-tour employees began shifts at 11 30 p.m., some began at 11 00 p.m., and some ended shifts at 12·30 a.m.

To improve internal control over entitlement to premium pay, we believe that the payroll office should keep an up-to-date list of the employees assigned to various shifts and check such lists against T&A records. Also, we believe that FAA should determine whether shifts can be arranged so that employees would not receive Sunday premium pay for an 8-hour shift when they actually work only a half hour on Sunday.

We were advised by HQ officials that the payroll office was in the process of updating its list of employees assigned to various shifts. The officials stated that when the updating is completed the payroll office will begin checking such lists against T&A records.

Recommendation

We recommend that FAA procedures be revised to require that (1) all payroll offices maintain an up-to-date listing of the employees working various irregular shifts and (2) the payroll office use such listings to verify entitlement to premium pay and to determine the accuracy of T&A records. We further recommend that FAA study overall shift assignments (which are presently varied in nature and overlapping to some degree) to determine whether shifts can be arranged so that employees will not become entitled to Sunday premium pay when only small amounts of time are worked on Sundays.

4. <u>Unnecessary reproduction and shipment of pay records</u>

We were advised by payroll personnel that a copy of each biweekly payroll listing is produced and sent to FAA's emergency evacuation post.

In a letter to the heads of departments and agencies dated September 3, 1963, on the subject of guidelines for developing fiscal procedures for emergency evacuation, the Comptroller General stated, in part.

> "3. ***The establishment of elaborate special fiscal procedures which must be maintained currently for eventual use solely or primarily during an emergency evacuation should be avoided.***
>
> "4. To the extent possible and practical, pay, leave, and travel data should be sent from the evacuated installation to the safehaven post as soon as possible <u>after</u> the evacuation order has been issued so that they will be available to support future payments.***" (Underscoring supplied.)

HQ officials advised us that they would discuss this matter with the Director, Office of Management Services, to ascertain whether they could discontinue reproducing and sending to the safehaven post copies of each biweekly payroll listing.

<u>ACCOUNTS RECEIVABLE AND ADVANCES</u>

During our review, we noted several weaknesses in the handling of accounts receivables and advances for other than those for employees travel. See page 4 for travel advances. FAA has two classes of accounts receivable accounts. billed and unbilled. These weaknesses together with the corrective action taken or promised by HQ officials are summarized below·

1. For the billed receivables, some of the detailed listings of individual accounts receivable balances did not support the June 30, 1967, balances in the general ledger.

For BNCA, accounts receivable totaling about $1.4 million had not been reconciled by HQ accounting personnel. Although HQ accounting personnel had reconciled the detailed listings of accounts receivable for HQ and European Region activities to preliminary general ledger balances, such reconciliations were made before any adjusting and closing entries were prepared by the General Ledger Section Because the reconciliation for HQ and European Region activities did not consider the adjusting and closing entries, the detailed listings of billed accounts receivable for these activities were not in agreement with the general ledger control account at June 30, 1967.

HQ officials agreed with our findings and, subsequently, advised us that the detailed listings of billed accounts receivables applicable to BNCA, HQ, and European Region activities had been reconciled to the general ledger control account. We were advised also that HQ accounting personnel will reconcile the accounts receivable on a monthly basis in accordance with FAA regulations (Chapter 9 of 2700.3).

2. For unbilled receivables which consists of revenue earned under reimbursable agreements, some of the monthly worksheet summaries of unbilled revenue (Schedule 11, Inventory of Unbilled Receivables) for the headquarters and European Region activities were not in agreement with the June 30, 1967, balances in the general ledger.

HQ officials agreed with our findings and, subsequently, advised us that the detailed listings of unbilled receivables had been reconciled to the general ledger control account as of June 30, 1968. In addition, we were advised that HQ had issued new procedures to improve the control over recording unbilled accounts receivable and related income accruals.

3. Although accounts receivable are scheduled monthly for headquarters and European Region to show the length of time outstanding, adequate follow-up collections were not being taken. At June 30, 1967, we identified about $1.3 million and about $35,200 of accounts receivable that were over 1 year old for headquarters and European Region activities, respectively. As of June 30, 1967, 12 headquarters accounts receivable, totaling about $100,200, had been outstanding since January 1963. Some of these accounts had been outstanding since May 1960. In addition, we

noted that some accounts receivable due from headquarters employees had been outstanding for over two years.

Accounts receivable for BNCA were not being scheduled monthly to show the length of time outstanding, therefore, monthly reviews were not being made to detect delinquent accounts receivable for the purpose of sending collection letters.

We brought these matters to the attention of appropriate HQ officials who subsequently furnished us a detailed listing of accounts receivable outstanding as of July 31, 1968. Our review of the detailed listing showed that of the accounts receivable outstanding for over 1 year at June 30, 1967, about \$149,300 and about \$18,200 for headquarters and the European Region respectively, were still outstanding at July 31, 1968.

The Chief, Accounting Operations Division, has requested authorization from the Manager, HQ, to write-off about \$8,600 of the \$149,300 and the entire amount of about \$18,200 for the European Region.

We believe that the need for more timely reviews and follow-up collection action is demonstrated by the fact that about 24 percent of the \$149,300 headquarters accounts receivable had been outstanding since 1960.

4. Our review of the current collection follow-up procedures showed that the form letters used by HQ had not been prepared in accordance with FAA regulations (Chapter 9 of 2700.3). In place of a series of collection letters, HQ had developed three different types of form letters The type of form letter used was determined on the basis of who was delinquent in making payment. For example, one type of letter was used to request payment from another Government agency, another type of letter applied to transactions within FAA, and the third type to FAA employees and persons or companies outside the Government. We found, however, that regardless of which type of form letter was used, the content of the letter was the same for the first and all subsequent requests for payment.

We were advised by HQ officials that a new series of collection form letters would be developed to comply with FAA regulations.

5. The subsidiary records for outstanding balances in General Ledger Accounts--1210, Advances to U. S. Government Agencies, 1240, Advances to Others, 2310, Advances from U. S. Government Agencies, and 2320, Advances from Others--as of June 30, 1967, were not scheduled and reconciled with the general ledger.

Subsequently HQ officials advised us that these accounts had been reconciled with the general ledger.

In our opinion, most of the deficiencies noted in our current review resulted from inadequate observance of the prescribed procedures and lack of knowledge on the part of supervisors in the work flow within the accounting office. The latter situation is illustrated by the fact that some of the deficiencies enumerated above could have been avoided by (1) the transmittal of information from one section of the accounting office to another and (2) the use of ADP machine runs setting forth transactions and balances relating to billed amounts which were available to, but not used by accounting personnel. We believe that adequate supervision and review could have strengthened the effectiveness of control over the accounting for receivables.

INCORRECT REPORT OF SECTION 1311
UNLIQUIDATED OBLIGATIONS

We examined selected obligations listed in the required Section 1311 reports certified by the responsible HQ official as being valid unliquidated obligations for headquarters, European Region, and BNCA activities as of June 30, 1967. We noted 13 items, totaling about $48,870, had been paid prior to June 30, 1967, and thus were not valid unliquidated obligations at the close of fiscal year 1967. HQ accounting personnel were unable to identify the expenditures with the related obligation. Therefore, the unliquidated obligation had remained outstanding at the close of the fiscal year.

In addition, we noted that HQ accounting personnel subsequently had cancelled unliquidated obligations totaling about $33,800 during the period of July 1967 through December 1967. These obligations were cancelled because HQ did not consider them to be bona fide obligations even though they had previously certified that these same obligations met with the requirements of Section 1311(a) as of June 30, 1967.

Also, in our review of obligations pertaining to headquarters operations, we noted that HQ had reported and certified about $85,665, representing 61 supporting source documents, as outstanding unliquidated obligations as of June 30, 1967, for trip and change of station travel applicable to reimbursable programs under FAA's operations appropriation for fiscal year 1966. Bureau of the Budget Circular A-56 Revised (Sec. 1.3d) provides that the maximum time for beginning allowable travel and transportation, including that for household goods and personal effects, shall not exceed two years from the effective date of the employee's transfer.

The obligations were established initially on the assumption that the employees would transport their household goods and personal effects to the new duty station. We selected 7 of the 61 supporting source documents representing about $24,000 or 28 percent of the reported obligations, for review We found that the travelers had not accomplished their household movements within the specified 2-year period of time. Instead, the travelers had decided to store their household goods. The quarterly storage costs were being paid by FAA. Thus, we believe that HQ should have reported as obligations only that amount applicable to unpaid storage charges.

We believe that the above deficiencies indicate a need for a more comprehensive review of unliquidated obligations recorded at the end of each fiscal year. HQ officials agreed with our findings and advised us that corrective action would be taken.

MISCLASSIFICATION OF COST CODING

Our test of the unliquidated obligations disclosed that the Accounting Operations Division had not taken exception to the misclassification in cost coding made by the BNCA operating staff at the airports. We also noted similar deficiencies in the accounting records applicable to headquarters and European Region activities. Such misclassifications could result in the use of erroneous information in such areas as internal management reports, budget submissions, and negotiations for landing fees.

We discussed this matter with appropriate HQ officials. We were informed that accounting personnel in the headquarters office would be required to check the cost codings on the documents and resolve any questionable codings with their branch chiefs.

DEFICIENCIES NOTED IN APPOINTMENTS OF CERTIFYING OFFICERS

During our examination of various types of disbursement vouchers, we noted certain deficiencies in the appointment of authorized certifying officers which need further clarification. Some of the deficiencies found were

1. During fiscal year 1967, 19 of the 22 authorized certifying officers were authorized to certify all classes of vouchers. FAA regulations (Chapter 1, Paragraph 5b(1) of 2700.7A) provide that an employee may be designated to certify all types of vouchers or may be limited to certain types. However, Treasury Department Circular 680 provides that the "Signature Card for

Certifying Officer", SF-210 should show the class of vouchers to be certified. We believe that the appointment of certifying officers should be limited to the class of vouchers for which he is cognizant of and may truthfully certify to the facts stated in the voucher.

HQ officials agreed and stated that there was a need to reconcile the differences between the Treasury Department and FAA regulations.

2. FAA regulations (Paragraph 374 of 2730.3) provide that the payroll disbursement schedules shall be certified by a duly authorized certifying officer who does not compute amounts payable, maintain payroll records, or distribute pay checks. Further, the regulations specify that the schedules shall not be certified by the supervisor of the payroll office. During our examination, we noted that the Chief of the Payroll Branch had been certifying the payroll disbursement schedules for payment.

HQ officials agreed and stated that, in their opinion, the FAA regulation should be amended to permit the payroll office supervisor or his assistant to certify the payroll disbursement schedules for payment. However, the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 6, Chapter 3, Section 15.3, provides that the certification function should not be invested in the immediate supervisor of the payroll office. The General Accounting Office Policy and Procedures Manual states that the certifying officer shall make such examination of the basic facts underlying the payroll vouchers as is necessary, taking into consideration the system of internal control, to assure the correctness and validity of the payments being made.

OTHER MATTERS

During our review, we noted several additional matters which we brought to the attention of the appropriate HQ officials who informed us that corrective action would be taken. These other matters were

1. FAA regulations provide for the use of a General Journal to record miscellaneous or special transactions which are not within the scope of the journals described in FAA's regulations (Chapter 7 of 2700.3). We found, however, that the Accounting Operations Division does not maintain a General Journal for the headquarters, European Region, and BNCA activities.

2. FAA regulations provide for the use of a Journal Voucher, SF 1017G, to document transactions when there is no other appropriate posting media available. The regulations require that the form be approved by the Chief, Accounting Operations Division, or the Chief, General Accounting Branch, when delegated such authority. Generally, we found that the forms had not been approved by either the Chief, Accounting Operations Division, or the Chief, General Accounting Branch. In addition, we noted that some of the forms did not have the necessary documentary support attached nor were they appropriately cross-referenced to such support.

3. A division chief administratively approved his own travel vouchers under redelegation by the head of an office. A staff chief authorized his own travel under redelegation by the head of a service. Both situations are contrary to FAA travel regulations relating to delegation and redelegation of authority.

4. FAA employees appointed as members of emergency organizations (defense readiness) are issued travel orders covering travel to emergency evacuation points on an indefinite basis, i.e., until revoked. We found that no periodic review was made to determine whether each employee having such a travel order was still part of the defense readiness organization. We believe that, at least at the beginning of each fiscal year, a positive determination should be made that all such orders are still applicable.

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In accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 8, Chapter 3, the records of financial transactions through June 30, 1967, may be transmitted to the Federal Records Center for storage in compliance with your records management program.

We wish to acknowledge the courtesy and cooperation given to our representatives during our review. Your written comments and advice as to action taken or to be taken on matters in this report will be appreciated.

Sincerely yours,

James D. Martin

James D. Martin
Assistant Director