



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

JUL 13 1970



LM091760

Mr. Charles F. Flinger, Controller
Agency for International Development

Dear Mr. Flinger:

We have examined into selected payroll records applicable to centrally-paid American employees of the Agency for International Development, and have made an evaluation of the agency's methods of determining employee entitlement to pay and leave. We are apprising you of our findings because we believe that you may wish to consider them in conjunction with your current plans for redesigning the centralized payroll system.

Our work has indicated that the agency's methods of determining employee entitlement to pay and leave need to be improved in three major areas. We have found that (1) unreconciled differences between employee rolls maintained for payroll and personnel purposes prevent management from ensuring that all payrolled persons are authorized employees of the agency, (2) the established method of controlling the time and attendance of transferred employees while they are in an in-transit status has been ineffective, and (3) primary reliance on the work of individual time-keepers for the computation of employee leave balances has resulted in two different sets of leave balances for most of the employees, neither of which is a reliable record of employee entitlement to leave.

The details of our findings in each of these areas are included in the attachment to this letter entitled United States General Accounting Office Observations and Suggestions for Improvement with respect to Methods of the Agency for International Development in Determining Employee Entitlement to Pay and Leave, dated July 13, 1970.

Based on the results of our work as a whole, we have concluded that the design of the payroll system is defective because it is based on a concept which does not provide for sufficient controls to ensure that valid data has been taken into account in determining employee entitlement to pay and leave. We believe that the system relies too heavily on the compilation of unverified data generated by numerous individuals throughout the agency and on centrally-directed efforts to monitor the

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work of those individuals on an after-the-fact basis. In our opinion, the experience gained to date from the operation of the payroll system shows that the implementation of this centralized-monitoring concept has been too large a task to be practical.

Accordingly, we recommend that the system be redesigned to place primary reliance on controls exercised by organizational units within the agency and on automatic controls applicable to the data compiled by the organizational units. We have noted that your current plans for redesigning the system contemplate greater reliance on organizational units. We urge you, however, to consider our findings in their entirety in arriving at the planned redesign of the system because we believe that correlated corrective action is needed in each of the areas identified by our work.

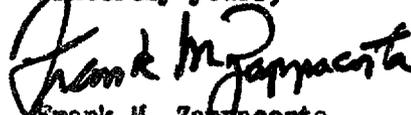
We recommend also that immediate corrective action be initiated to establish the organizational unit controls and the reporting requirements needed for the planned redesigned system. We recognize that a changed concept cannot be fully implemented until the central data processing aspects of the planned system are designed. We believe, however, that immediate corrective action would, in addition to improving existing controls as soon as possible, facilitate the eventual installation of the planned redesigned system.

In view of our findings and your plans for redesigning the payroll system, we believe that you should consider withdrawing the agency's resubmission of the existing system for design approval by the General Accounting Office, which was resubmitted on December 9, 1968.

Another matter to be considered in redesigning the payroll system is the proposed common data processing facility for the foreign affairs community. We have advocated that the joint working group that has been formed to implement plans for a common data processing facility direct its efforts toward the development of common systems to the maximum extent practicable, the improvement of systems design and programming of all computer applications, and the consideration of existing or proposed plans of the foreign affairs agencies for the upgrading or changing of their existing computer systems. We therefore suggest that you coordinate your plans for redesigning the payroll system with the joint working group.

We will appreciate your continuing to keep us informed on all planned and actual changes in the design of the centralized payroll system.

Sincerely yours,


Frank M. Zappacosta
Assistant Director

Attachment

UNITED STATES GENERAL ACCOUNTING OFFICE
OBSERVATIONS AND SUGGESTIONS FOR IMPROVEMENT
WITH RESPECT TO
METHODS OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT
IN DETERMINING EMPLOYEE ENTITLEMENT TO
PAY AND LEAVE

JULY 13, 1970

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UNITED STATES GENERAL ACCOUNTING OFFICE
OBSERVATIONS AND SUGGESTIONS FOR IMPROVEMENT
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PAY AND LEAVE

GENERAL COMMENTS

The observations and suggestions for improvement that follow are based on examinations into selected payroll records applicable to centrally-paid American employees of the Agency for International Development. Based on the results of this work as a whole, we have concluded that the design of the agency's centralized payroll system is defective because it is based on a concept which does not provide for sufficient controls to ensure that valid data has been taken into account in determining employee entitlement to pay and leave.

We believe that the system relies too heavily on the compilation of unverified data generated by numerous individuals throughout the agency and on centrally-directed efforts to monitor the work of those individuals on an after-the-fact basis. We advocate a redesigned system that places primary reliance on controls exercised by organizational units within the agency and on automatic controls over the data compiled by the organizational units.

INABILITY TO ENSURE THAT PAYROLLED PERSONS
ARE AUTHORIZED EMPLOYEES OF THE AGENCY

We have found that persons included on the payroll do not correspond with persons included on the roll that is maintained for personnel purposes, and that the differences between the two rolls cannot be readily

reconciled. Because personnel actions are the authority for including employees on the payroll, the unreconciled differences between the two rolls prevent management from ensuring that all payrolled persons are authorized employees of the agency.

We have noted that a procedure has been established for comparing the persons on the payroll with the persons on the personnel roll. We understand, however, that the comparison has never been an effective tool for checking the validity of persons included on the payroll because the two rolls were not designed to be compatible.

The established method of comparing the two rolls is to match the social security numbers of persons listed on each roll. As of March 25, 1970, such a comparison showed that about 1,810 items did not match. These items consisted of unmatched social security numbers included on both rolls.

We examined into a randomly-selected sample of the unmatched items to determine the probable nature of all the unmatched items. Our resulting estimate of the composition of the unmatched items is shown below:

Unmatched items with matching names		900
Remaining unmatched items:		
Listed on personnel roll only	515	
Listed on payroll only	<u>395</u>	<u>910</u>
Total		<u>1,810</u>

As indicated above, about half of the non-matching items represented persons whose names appeared on each roll. Most of these items in our sample appeared to be employees who had been identified on the two rolls with non-matching social security numbers. The remaining items in this

category were identified as non-matching items because of persons who had been included more than once on the same roll.

We believe, therefore, that significant progress can be made toward making the two rolls compatible by improving data processing procedures to eliminate the high incidence of clerical errors in the maintenance of employee records.

We did not review personnel records to determine the status of the estimated 515 persons who were included only on the personnel roll, but we understand that certain categories of authorized employees are not supposed to be included on the centralized payroll. In our opinion, the existence of this kind of incompatibility between the two rolls creates a special opportunity for salary payments to be made to unauthorized persons so that a comparison of the rolls would not disclose them. Although we have found no evidence that such unauthorized payments have been made, we believe that a special effort should be directed toward eliminating this aspect of incompatibility between the two rolls.

With respect to the estimated 395 persons listed only on the payroll, our tests indicated that about 340 were persons who had not been paid for the most recent pay period. We identified most of the persons of this type in our sample as inactive employees, although not all had been identified on the payroll with a drop indicator. Those unpaid persons who could not be positively identified as inactive employees were carried on the payroll as consultants and when-actually-employed employees--two categories which we believe should be considered as synonymous with inactive employees during periods when they are not employed.

We believe that the removal of all inactive employees from the payroll as they become inactive would be a useful step in making the two rolls compatible. It appears that such a step would substantially reduce the number of persons to be investigated because of their seemingly unauthorized appearance on the payroll. We believe that the separate handling of inactive employees would also provide better control over the occasional payments that are frequently made to employees after they have become inactive.

Our tests indicated that the remaining persons who appeared only on the payroll, estimated to be 55 persons, had been paid for the most recent pay period. We found no evidence in our sample that persons of this type were not entitled to be paid except for the fact that they were not included on the personnel roll. Such omissions from the personnel roll, however, would seem to call for a thorough investigation of each case as it is disclosed, but this is not practical under present circumstances. We believe that it would be practical if all unnecessary differences between the two rolls, as previously described, were eliminated.

In our opinion, the inability to ensure that all payrolled persons are authorized employees of the agency is a basic defect in the payroll system. We believe that the precise number of authorized active employees of the agency should be known at all times and that each of those employees should be identifiable in terms that will permit overall controls over the other data needed to determine employee entitlement to pay and leave. Because personnel actions are the authority for including employees on

the payroll, we believe that one of the purposes of the personnel roll should be to provide the means for establishing such controls.

Accordingly, we suggest that the personnel roll be incorporated into the design of the payroll system for the purpose of establishing overall controls over determinations of employee entitlement to pay and leave.

INEFFECTIVE METHOD OF CONTROLLING THE TIME
AND ATTENDANCE OF IN-TRANSIT EMPLOYEES

We have found that employees who have been transferred, with authority to perform international travel prior to reporting at their new assignments, are frequently in an in-transit status for extended periods, and that the agency has weak controls over the time and attendance of such employees while they are in an in-transit status. As a result, invalid determinations have been made of their entitlement to pay and leave.

Part of the difficulty in controlling the time and attendance of in-transit employees stems from the varying circumstances governing their in-transit periods. The circumstances can vary from a relatively simple case of direct travel between two assignments to a complex case involving several periods of travel to different locations for a combination of leave and temporary work assignments prior to reporting at the permanent assignment location. Moreover, a complex case sometimes involves an employee whose plans either had not yet been firmly determined when he entered into the in-transit status or were changed during the in-transit period.

To control the time and attendance of in-transit employees, the agency has established two basic requirements, but only one has been

followed in a reasonably consistent manner. The one that has been followed requires the employee's timekeeper at the losing office to continue reporting the employee's time and attendance until the end of his authorized in-transit period, with the timekeeper at the gaining office commencing to report on the employee's time and attendance upon his arrival.

Although supplementary requirements have also been established for time and attendance reporting by other timekeepers while in-transit employees are working on temporary assignments, the reporting required of the timekeeper at the losing office is the official reporting for pay and leave purposes during the entire in-transit period. This arrangement results in the computation of pay and leave balances for in-transit employees on the supposition that such employees continued to be in a valid work status throughout their in-transit periods.

The second basic requirement for controlling the time and attendance of in-transit employees is that an accounting shall be made for the employee's in-transit time when the employee submits his travel reimbursement voucher at the close of the in-transit period. As indicated by the required accounting, both the employee's timekeeper and central payroll personnel are then required to make any needed adjustments to the employee's leave balances, and central payroll personnel are required also to make any needed adjustments to the employee's pay.

We have noted that the required accounting has not always been made, and that even when an accounting was made, the needed adjustments to pay

and leave records have not always been made. In some cases, the lack of readily available data has made it difficult, if not impossible, to reconstruct the pay and leave records of employees who have been in an in-transit status.

The examples that follow illustrate how the existing requirements for controlling the time and attendance of in-transit employees have resulted in invalid determinations of their entitlement to pay and leave.

Example of failure to adjust pay for identified excess travel time

A new employee, hired on January 7, 1968, for work in Vietnam, reported to Vietnam on January 27, 1968, after spending 10 work days in a temporary assignment status. In this instance, both the required reporting by timekeepers and the required accounting for the employee's in-transit period were accomplished properly, but the adjustment shown to be needed by the accounting was not accomplished.

The accounting for the in-transit period, completed on February 26, 1968, showed that the employee had taken more than the time allowed for travel to Vietnam, and that the excess travel time was to be charged as leave without pay. The adjustment was not made to the employee's pay, however, until the first pay period in 1969, which was after our review had disclosed that the adjustment had been overlooked.

Example of incomplete reporting and no accounting for in-transit period

A new employee for Vietnam, in training at Washington, D. C. until June 20, 1968, reported to his first overseas assignment at Taipei on July 14, 1968--a lapse of 15 work days. In this instance, the required

timekeeper reporting was accomplished through June 29, 1968, but the employee nevertheless was paid for the entire period on the apparent assumption that adjustments, if any, would be made subsequently on the basis of the required in-transit accounting.

The required accounting had not been processed and no adjustments had been made to the employee's pay or leave balances as of the end of January 1969. If an accounting had been processed, available evidence indicated that a pay adjustment would have been in order because the employee's annual leave balance was insufficient to cover the unexplained time elapsing between the employee's last day of reported work at Washington, D. C. and the day of reporting at Taipei.

Example of reporting discrepancies with no accounting or charges for absences

An employee stationed in Afganistan departed from his post on December 22, 1967, with authority to take home leave, to work on temporary assignments, and to return to his post on February 14, 1968. His authorized absence was subsequently extended, and he returned to Afganistan on March 29, 1968--an absence of more than 3 months.

Throughout this absence, the employee's timekeeper at Afganistan performed the required reporting of his time and attendance. In addition, a timekeeper at Washington, D. C. reported his presence on temporary duty during 2 days of the absence.

After his return to Afganistan, the employee submitted his travel reimbursement voucher but the required accounting for his activities during the in-transit period had not been processed as of the close of

1968. On his travel voucher, the employee claimed travel expenses from Afganistan to Dayton, Ohio, to Afganistan, with the return trip to Afganistan routed through Washington, D. C., where a travel delay of 2 work days occurred. An additional travel delay of 4 work days occurred on the return trip at Kabul where the employee was authorized a maximum of 2 days temporary duty. The employee also indicated on his travel voucher that he spent 13 work days on temporary duty at Washington, D. C., during the time that his claimed travel expenses showed him to be in Dayton, Ohio, but this apparent discrepancy was partially offset by the timekeeper-report previously referred to which confirmed that the employee was on temporary duty during 2 days of the claimed 13-day period.

Because the required accounting was not made for the in-transit period, the determination of this employee's entitlement to leave was invalid throughout the year 1968 and continued to be invalid at the close of 1968. Moreover, the discrepancies between the employee's activities as reported by timekeepers and the activities claimed by the employee have raised unanswered questions with respect to the proper charges for leave taken during the in-transit period.

Example of loss of control over
in-transit employee

An employee stationed in Vietnam departed from his post on June 3, 1968, with authority to take home, annual, and compensatory leave, to work on temporary assignments, and to return to Vietnam on September 3, 1968. His authorized absence was subsequently extended to September 25, 1968, and was then continued beyond that date with an unspecified termination

date. We were informed that the employee was transferred to an office at Washington, D. C. on December 29, 1968--about 7 months after his departure from Vietnam.

Throughout the 7 months of absence, the employee's timekeeper in Vietnam performed the required reporting of his time and attendance. In addition, various timekeepers in Washington, D. C. reported him on temporary duty during much of the in-transit period, but the validity of some of these reports was questionable. For example, two different timekeepers reported his presence during the same times in two separate reporting periods. A timekeeper in the Washington personnel office for Vietnam submitted several of the reports, apparently because the employee was found to be unassigned to a temporary duty office during those periods. A medical certificate was filed covering 48 hours of the in-transit period while he was in Washington, D. C., but the employee had not been reported as being on sick leave at that time.

When this employee departed from Vietnam, his leave records showed that he was entitled to substantial annual leave, but he was actually entitled to almost no annual leave because of leave taken during two in-transit periods in 1967, which had not yet been recorded on his leave records. The delayed recording of leave taken in 1967 was not accomplished until late in 1968, and when it was accomplished, the charge to leave differed from what was shown to be proper by the accounting made for the 1967 in-transit periods.

After the employee's assignment to Washington, several efforts were made to prepare an accounting for his 7 months of in-transit time in 1968,

but the problem had not been satisfactorily resolved by March 1969. Available evidence indicated that the employee's leave balance was insufficient to cover his unexplained in-transit time during 1968 and that an adjustment to his pay was in order, but the amount of the adjustment was not readily determinable because of the uncertainty with respect to his actual activities during the in-transit period.

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Our inquiries have indicated that a significant amount of in-transit time occurs within the agency, but we have found no readily available data that measures it. We also have found no practical means to identify the extent that in-transit time has not been properly recorded in employee pay and leave records. We noted, however, that as of June 24, 1970, a backlog of about 3,500 documents accounting for leave taken by individual employees had accumulated at the central payroll location but had not been processed. We were informed by a responsible payroll official that sufficient manpower had not been available to process these documents, but we noted that the backlog was smaller than it had been in 1969.

In view of the varying circumstances governing in-transit periods and the numerous opportunities for errors and omissions, as illustrated in the above examples, we believe that the agency's established method of waiting until an in-transit employee completes his in-transit period, and then attempting to reconstruct his in-transit activities, is an unsatisfactory method for determining employee entitlement to pay and leave. We suggest that consideration be given to currently maintaining an in-transit employee's pay and leave status based on precise departure

and arrival dates at all work locations, pre-authorized travel time, authorized leave periods, and any subsequent adjustments claimed by the employee and found to be justified.

We recognize that implementation of the above suggestion would require strong controls over employee time and attendance within all organizational units of the agency, including units controlling the time and attendance of in-transit employees while they are on temporary assignments during their in-transit periods. We believe, however, that stronger organizational control is needed, especially because of the difficulties encountered in relying primarily on individual timekeepers for the computation of employee leave balances, which is discussed in the next section.

UNRELIABLE EMPLOYEE LEAVE BALANCES

We have found that the agency's method of arriving at employee leave balances has become increasingly unmanageable with the passage of time and that two different sets of leave balances now exist for most of the employees, neither of which is a reliable record of employee entitlement to leave. The two sets of leave balances have been created because the payroll system provides for centralized monitoring of timekeeper-computed leave balances--a function that is intended to be accomplished by comparing the timekeeper-computed balances with balances that are machine-computed partially on the basis of time and attendance data reported by the timekeepers.

The prescribed comparison is intended to identify for correction all mathematical and clerical errors made by the timekeepers in computing

employee leave balances. In actual practice, however, the differences identified by the comparison can include such other discrepancies as errors in arriving at the machine-computed balances and valid adjustments which have been made in one but not the other set of balances. As a consequence, each overall difference identified by the comparison must be thoroughly researched to determine the nature of the individual discrepancies causing the difference.

As of June 13, 1970, unresolved differences existed in the two sets of leave balances for about 5,000 employees, which was approximately 70 percent of the regular active employees on the payroll at that time. Some of these differences included discrepancies that had accumulated over extended periods because payroll personnel had been unable to resolve them as they occurred. Our tests have confirmed that the satisfactory resolution of many of the discrepancies requires detailed and time-consuming reviews of numerous payroll records, and that both sets of balances are frequently incorrect.

We understand that the agency made a special effort to solve this problem during 1969 by bringing timekeepers to Washington, D. C. so that they could examine the records for employees under their jurisdiction and make the needed corrections. We observed that prior to this exercise--in March 1969--differences existed in the leave balances of approximately 5,900 employees, and that immediately after the exercise--in September 1969--the number had been reduced to about 5,400. We were informed that concentrated work since then has permitted the further reduction to the current total of about 5,000, but that substantial reductions are difficult because new differences are being constantly created.

To some extent, the leave balance discrepancies can be attributable to the agency's method of controlling the time and attendance of in-transit employees, which has been described in the preceding section. A discrepancy can arise from this source, for example, when only the timekeeper-computed balances or only the machine-computed balances have been adjusted for leave taken during in-transit periods. As stated in the previous section, a large number of unprocessed documents accounting for employee in-transit periods has accumulated at the central payroll location, but the extent that those documents have not been taken into account by the timekeepers can be determined only by separately reviewing individual cases.

We have noted that the agency's current plans for redesigning the payroll system include a recommendation for moving the responsibility for leave balance computations from the timekeepers to the central payroll location. In view of the results experienced to date from timekeeper-computed leave balances, we believe that this change is justified. We believe, however, that effective implementation of the change will require the establishment of stronger controls over employee time and attendance at the operating unit level, together with firm requirements for reporting needed data to the central payroll location.

As previously indicated, we believe that strong organizational control will also be needed to satisfactorily control the time and attendance of in-transit employees while they are working on temporary assignments. We suggest that immediate steps be taken to establish the needed organizational control and reporting requirements applicable to all employees of the agency.