DEC 2 1 1971

Commanding General
United States Army, Hawaii
Schofield Barracks, Hawaii 96557

Attention: Comptroller

Dear Sir:

We have completed our audit of civilian payrolls processed by the United States Army, Hawaii (USARHAW) Civilian Payroll Section at Fort Shafter, Hawaii. Of the 5,855 civilians paid by the Civilian Payroll Section, a random sample of 100 employees was selected for review. Emphasis was given to those employee accounts with permanent pay changes during the period October 25, 1970 through October 23, 1971.

In the conduct of our audit we (1) examined the accounting and internal controls used to ensure that payroll functions are being discharged correctly and in compliance with the requirements of applicable laws and regulations, (2) reviewed personnel actions prepared by the Civilian Personnel Division, and (3) considered the internal audit work performed by the Army Audit Agency during the period March 6 to June 25, 1970.

With the exception of certain matters described below, we found that the selected transactions examined were generally handled in a satisfactory manner. The results of our review were formally discussed with the members of your staff upon completion of our work on December 6, 1971. We were advised at that time that consideration would be given to correct the findings disclosed by our review.

NEED TO FULFILL CORRECTIVE ACTIONS
RELATED TO ARMY AUDIT AGENCY'S
FINDINGS AND RECOMMENDATIONS

The Army Audit Agency's audit resulted in five recommendations pertaining to functions performed by the Civilian Payroll Section and the Civilian Personnel Division. At the time of our review, the corrective actions that the Command advised would be taken had been taken only on one recommendation. Corrective action had not been taken on the remaining four recommendations which relate to the (1) preparation and submission of wage and tax statements (W-2 forms), (2) conversion of unused compensatory time to paid overtime, (3) recomputation of service computation dates, and (4) computation of severance pay.

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We also noted that the Civilian Personnel Division, although aware of a $333.00 overpayment in severance pay since its disclosure by Army Audit in June, 1970, waited 17 months, until our review in November 1971, to notify the terminated employee of his indebtedness to the Government.

Recommendations

We recommend that the Command,

1. Assure that satisfactory corrective actions are taken in regard to the audit findings as soon as possible.

2. Assure that timely notification and collection of overpayments are made after an indebtedness is detected.

NEED TO IMPROVE PROCEDURES AND INTERNAL CONTROLS TO ENSURE PROPRIETY AND ACCURACY OF SEVERANCE PAYMENTS

Erroneously prepared severance pay documents for three of the four employees we reviewed, were forwarded by the Civilian Personnel Division to the Civilian Payroll Section for payroll processing. The Civilian Personnel Division is responsible for the propriety and accuracy of severance pay computations.

The Civilian Personnel Division computed that one employee was entitled to 33 weeks of severance pay totaling $5,934.60, even though this employee had previously received 22 weeks of severance pay totaling $3,546.40 in 1969. This resulted in an overpayment to the employee of $462.60. The Federal Personnel Manual sets forth a 52-week lifetime limitation on the number of weeks an employee can receive severance pay. Therefore, the Civilian Personnel Division should have limited the employee to 30 weeks of severance pay.

The incorrect computations for the other employees occurred because the Civilian Personnel Division credited more service to one employee than he was entitled to and erroneously computed the weekly severance pay entitlement for the other employee.

The procedures and controls for severance pay used by the Civilian Personnel Division are not adequate to ensure the propriety and accuracy of severance payments. Detailed operating instructions to ensure proper computations and procedures for independent verification of each entitlement have not been developed to minimize the possibility of errors.

The types of errors being made indicate that the personnel are either careless or are inadequately trained in computing severance payments in accordance with applicable regulations. For example, for the employee that was overpaid, all the documentation related to the previous severance payments was in the personnel folder.

The Army Audit Agency in their review found a 35 percent error rate in severance pay and recommended an independent verification of computations and the preparation of detailed operating instructions. The Command established a checklist covering the computation of severance pay in July, 1970.

We believe that the checklist could be useful in computing severance pay, however, we found that it was not always used and it requires unnecessary computations to determine the amount of entitlement.

Recommendations

Because of the significant number of errors being made by the Civilian Personnel Division, we recommend that,

1. All severance payments made by USARHAW since January 1, 1968 be recomputed to determine their propriety and accuracy. (Our last audit covered the period ending December 31, 1967.)

2. A training program be conducted for personnel responsible for making severance pay computations.

3. Guidelines and procedures be developed to assist personnel in computing severance pay.

4. Provisions be established requiring independent verification of all severance pay entitlements.

5. The second page of the checklist be revised to require the use of the tables in the Federal Personnel Manual on service and age factors to preclude unnecessary manual computations.

NEED TO IMPROVE PROCEDURES TO ENSURE TIMELY PAYMENTS OF PAY INCREASES AND PROMPT REMOVAL OF TERMINATED EMPLOYEES' RECORDS FROM THE PAYROLL

The late processing of within-grade increases and employee termination actions by the Civilian Personnel Division is resulting

in (1) employees receiving pay increases subsequent to the proper pay period and (2) employees' records remaining on the payroll after termination.

Personnel actions for five of 20 employees reviewed were sent to the Civilian Payroll Section after the effective date of the within-grade increases. This required the Civilian Payroll Section to adjust the employees' pay records and make retroactive payment to the employees involved.

We also noted that employee termination actions were received in the Civilian Payroll Section as late as five months after the employees had ceased employment. Although the Civilian Payroll Section can stop paying these employees based on time and attendance reports, it cannot remove their records from the payroll until a personnel action is received.

Civilian Personnel officials informed us that the personnel actions were not being processed in a timely manner because of workload requirements and/or problems in obtaining the necessary input documentation from the employee's organizational unit.

Recommendation

Since it was not within the scope of our audit to evaluate the effectiveness of civilian personnel management, we recommend that the Command evaluate this problem and take appropriate steps to ensure that personnel actions are processed in a timely manner.

ERRONEOUS PAYMENT OF PREMIUM PAY

The Civilian Payroll Section did not credit one employee with eight hours of Sunday premium pay which resulted in a $11.12 underpayment. We brought this matter to the attention of the Chief of the Civilian Payroll Section and action was taken to pay the employee.

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A copy of this letter report is being sent to the District Manager, Pacific District, United States Army Audit Agency, for his information. An additional copy of this report is furnished for enclosure with those audited records, that do not include severance pay, when they are shipped to the Federal Records Center for permanent filing.

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

We would appreciate receiving your written comments on these matters and your advice of any action taken or proposed. Also, we would be pleased to discuss these matters with you or your representatives at your convenience.

Sincerely yours,

(Signed) C. Roman

C. Roman
Director

cc:
District Manager, U.S.
Army Audit Agency

JES/HEL/GFS/CHR:jss
(9)
2--Addressee
1--cc
1--Assoc. Dir., DD - F. Browne
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1--Mr. Lewis
1--W/P (Mr. Sterling)