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# REPORT TO THE CONGRESS

096806



## BY THE COMPTROLLER GENERAL OF THE UNITED STATES



### Improving Civilian Payroll Operations Of The Military District Of Washington

Department of the Army

In fiscal year 1975, the U.S. Army Military District of Washington automated payroll system processed pay and allowances of about \$383 million for 24,000 employees.

Because of weaknesses in internal controls, the District's computerized payroll system could not be relied upon to insure an accurate payroll or to protect the Government from improper payments.

The Army has taken or plans to take actions to assure that the District's civilian payroll system includes minimum standards of internal controls.

OCT. 9, 1975

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**096806**



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-152073

To the President of the Senate and the  
Speaker of the House of Representatives

This report discusses opportunities for improving civilian payroll operations of the U.S. Army Military District of Washington and is intended to show the type of audit GAO makes of automated payroll systems to assess the adequacy of controls to safeguard the Government against losses from errors or fraud.

The Department of the Army generally agreed with the recommendations contained in the report and has taken or plans to take action to correct the weaknesses noted. The Army added that a new standardized civilian payroll system now being designed will include specific controls to insure that these weaknesses are precluded.

We made our review 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).

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of General Services; and the Secretaries of Defense and the Army.

A handwritten signature in black ink, reading "James A. Atwater".

Comptroller General  
of the United States

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D I G E S T

Because of weaknesses in internal controls in the Army's computerized payroll system for the Military District of Washington, the system could not be relied upon for an accurate payroll or to protect the Government from improper payments. (The system processed pay and allowances of \$383 million in fiscal year 1975.)

D. 244

For example:

- In a test of controls, GAO was able to produce paychecks for people who were not on the payroll.
- Physical control over negotiable instruments was inadequate. As a result 13,534 blank U.S. Treasury checks and \$460,600 in blank Treasury bonds were left unattended and could have been stolen.
- Insufficient separation of duties made it possible to alter or initiate unauthorized transactions, an unsuitable situation when checks and bonds are involved.
- Programed instructions to the computer did not include enough edit checks to detect missing or invalid input data. As a result GAO found a large number of errors in employee computer records.

Internal controls are a must in a computerized payroll system. To reduce the possibility of unauthorized payments, fraud, and errors, critical processing functions should be divided among pay clerks and other employees; computer programs should provide necessary checks and edits of data entering the system; and there should be effective physical control over equipment, files, and negotiable instruments.

Recognizing the need to improve civilian pay systems, the Department of Defense recently began development of one standardized system for all military services and Defense agencies. The Army's standard system will be used as a model for all Department activities.

The Department estimates that savings of \$40 million over the estimated 7-year life of the new system will be possible if the system is operated on a regional basis.

The Army's standard system was not implemented by the District at the time of GAO's review. It is contemplated that the new system will be implemented during fiscal year 1976. GAO made recommendations and suggestions to the Department to assist the District in improving its present system and to help insure that the new system is designed to preclude the problems noted. (See pp. 5, 7, 11, 12, 13, and 14.) The Army and the District generally agreed with GAO's recommendations and said that corrective actions have been or would be initiated.

## CHAPTER 1

### INTRODUCTION

The U.S. Army Military District of Washington was established in 1971 as a separate command under the supervision of the Army Chief of Staff. The District is the principal payroll processing point for civilian employees of the Department of Defense in the Washington, D.C., area. In fiscal year 1975, the District's computerized payroll system processed pay and allowances of about \$383 million for about 24,000 employees of 11 major offices, agencies, and commands. (See app. I.)

GAO has established basic standards for Federal payroll systems. These standards require that all employees be paid promptly and accurately and that the agency keep reliable payroll records. To meet these basic requirements, the District's system should control

- computers and other automated data processing equipment,
- computer programs,
- personnel operating the system,
- data entering the system,
- processing of the data in the system, and
- output products that are produced by the system.

Although the control techniques to be used depend upon the conditions and requirements of each system, in the final analysis the network of system controls is the key factor in determining the reliability of the system.

This report contains only those matters which required action by the Secretary of Defense and the Secretary of the Army. On February 27, 1975, and March 28, 1975, we issued two reports to the District's Comptroller covering matters which could be handled at the District level. Some of the findings we noted indicated

- a need for more effective training and supervision of timekeepers,

--opportunities to reduce costs by reducing the number of computer printouts and by issuing composite checks, and

--a need to insure that insurance deductions are correct.

In general the District has either taken or plans to take action on the matters we reported.

## CHAPTER 2

### A NEW STANDARDIZED PAYROLL SYSTEM

#### PLANNED FOR DEPARTMENT OF DEFENSE

In our report to the Congress, "Opportunities for Improving Computerized Civilian Payroll Processing Operations, Department of Defense" dated March 24, 1975, we summarized the many deficiencies noted during our reviews at 66 computerized payroll processing and design activities.

Recognizing the need to improve civilian pay and allowance systems in the Department of Defense, the Assistant Secretary of Defense (Comptroller) recently initiated a plan to develop one standardized payroll system for all the military services and Defense agencies. The Army's standard system will be used as a model for all Defense activities. Defense estimated that savings of \$40 million over the estimated 7-year life of the new system would be possible if the system were operated on a regional basis.

We believe that the standard system, if properly designed and implemented, is a good idea.

The Army's standard system was not implemented at the Military District of Washington at the time of our review. It is contemplated that the new system will be implemented during fiscal year 1976. The recommendations and suggestions included in this report are made to assist the District in improving its present system and to help insure that the new standard system is designed to preclude the problems we have noted.

## CHAPTER 3

### NEED FOR BETTER INTERNAL CONTROL

#### OVER PAYROLL SYSTEM PROCEDURES

Internal controls are an essential element in a computerized payroll system. To reduce the possibility of unauthorized payments, fraud, and errors, the duties of pay clerks and other employees should be separated; computer programs should provide necessary checks and edits of data entering the system; and there should be effective physical control over equipment, files, and negotiable instruments.

The District's payroll system does not contain adequate and effective controls to protect the Government from losses resulting from errors, fraud, or other improper acts.

#### BLANK CHECKS AND BONDS LEFT UNATTENDED IN UNLOCKED RECEPTACLES

In one section of the District's processing center, 13,534 blank U.S. Treasury checks were in an unlocked safe and Treasury series E savings bonds having a total face value of \$460,600 were unattended in an open cart. This section of the center opened into corridors leading to other areas of the building and to the outside. The section was unattended, and we observed traffic of persons not assigned there. This situation could have resulted in the bonds and checks being stolen and their possible later fraudulent use could have resulted in a major loss.

District officials agreed with our suggestion to establish adequate physical control over safekeeping and use of blank checks and bonds and advised us that all negotiable instruments are now kept in a locked vault until needed for payroll processing and that the computer area is now locked and bolted during payroll processing. We believe that these controls should reduce or eliminate the potential for unauthorized use of blank checks and bonds.

#### INCOMPLETE AND OUTDATED PAYROLL SYSTEM DOCUMENTATION

The payroll system is not fully documented. Descriptions of the sequence of payroll processing and the logic of automatic data processing operations are incomplete and outdated.

Comprehensive and current systems documentation is necessary for efficient operation and success of any data processing system. System documentation describes the system objectives, the flow of data within the system, and the functions of the different processing steps and their interrelationships. It contains both flow charts and descriptive material.

Documentation is required to permit operating, management, and review personnel to understand the system's design and how it operates; to evaluate internal controls; and to maintain continuity in operations, especially where turnover is a problem.

#### Recommendation

We recommend that the Secretary of the Army direct the District to update and complete payroll system documentation and to maintain the documentation thereafter on a current basis.

#### Agency comments

In a letter dated July 18, 1975, the Acting Assistant Secretary of the Army (Financial Management) advised us that the District has initiated action to update the documentation and to keep it current.

#### LACK OF SEPARATION OF DUTIES COULD CAUSE FRAUDULENT OR ERRONEOUS PAYMENTS

One of the basic principles of internal control is dividing the execution of critical functions between two or more persons, a technique often referred to as separation of duties. Errors are more likely to be detected when duties are separated, and fraud is less likely to be detected when its success depends on collusion.

The duties of payroll clerks and persons operating the District's computer are not adequately separated to insure effective control over computer instructions.

Each payroll clerk handles a transaction from beginning to end. The clerk instructs the computer to make all permanent changes--such as new hires, promotions, transfers, and separations of employees--for assigned payroll records. He then reviews computer error messages and maintains payroll records used to determine whether the instructions were valid and whether data processing was done correctly. As

a result each clerk not only controls the initiation of a transaction but also determines whether the processed transaction is correct and proper.

This situation presents a strong potential for errors and unauthorized or fraudulent payments. For example:

- We simulated the role of a dishonest pay clerk and initiated payroll transactions in which the computer printed paychecks in amounts of \$715.30, \$797.29, and \$810.29 to fictitious employees. We believe that, in the absence of separation of duties, neither manual nor mechanized internal controls used by the District would have prevented the issuance of these checks.
- District payroll clerks used unauthorized procedures to instruct the computer to make supplemental payments to separated employees. To avoid required paperwork, including special written approval, payroll clerks bypassed prescribed procedures by creating new computer employee records, such as those set up for newly hired employees, and then instructed the computer to make payments. After the payments were made, the payroll clerks inactivated the records. Although the separated employees were entitled to the payments in these instances, the ability of the payroll clerks to bypass prescribed procedures to make payments to persons not in an active pay status without another person's intervening to determine whether such payments were proper and correct shows a serious weakness in controls.
- Twelve employees were overpaid \$5,593 for holiday work because a payroll clerk incorrectly coded computer instruction documents and then failed to detect the incorrect entries on both computer-generated and manually prepared control records. If another person had been responsible for checking the accuracy of the payments, the errors might have been precluded.

In discussing payroll clerks' duties, a District official explained that the payroll office was organized in accordance with Army Regulations (AR 37-105), which provide that a payroll clerk have total responsibility for all payroll processing operations pertaining to a group of civilian employees, including keeping control records. Since the regulations are in force at all Army payroll processing locations, similar weaknesses in control may be occurring Army-wide.

Separation of duties was also a problem in the system's computer operations. The computer system analyst who designs the District's computer programs also regularly operates the computer, without supervision, to process biweekly payrolls.

Permitting an individual familiar with the design of computer programs to operate the computer during payroll processing allows for improper manipulation of the payroll system because it provides an opportunity to make changes in the system without prior approval and thorough checking by other persons. As we suggested, the District issued an official policy statement which directed that analysts or programmers not operate the computer during payroll processing.

#### Recommendation

We recommend that, to insure that the District, as well as other Army payroll processing activities, effectively separates duties, the Secretary of the Army direct responsible officials to revise AR 37-105 to provide for adequate separation of duties relative to payroll clerk functions.

#### Agency comments

In commenting on our report, the Acting Assistant Secretary stated that duties in the Civilian Pay Branch of the District have been separated to the extent practicable. Also, senior payroll technicians have been assigned to each payroll section with the specific assigned duty of auditing manual computations made by each payroll clerk and auditing all error messages generated by the system.

The Acting Assistant Secretary added that the Army is developing a new standard Army civilian payroll system and that consideration is being given to provide for adequate separation of duties. Also, AR 37-105 will be revised with the implementation of the new system.

#### PAYROLL CLERKS CHANGE EMPLOYEE EARNINGS RECORDS WITHOUT REVIEW

District procedures permit payroll clerks to change year-to-date earning and deduction totals in employees' computer records without review by other persons.

Allowing payroll clerks to change these totals at will provides opportunities for concealing errors or fraud and makes it difficult to determine whether unauthorized payments are being made.

For example, in our tests of programmed controls--in which we processed simulated payroll transactions--we were able to reactivate the payroll master file for an inactive employee, print a paycheck for this employee, and change the year-to-date totals so that the amount of the check was not shown in the employee's pay record.

According to a District official, it is normal practice for payroll clerks to change year-to-date totals in making supplemental payroll payments, recording canceled checks, and making other adjustments to employees' computer records.

We suggested that the District revise existing procedures to require that changes to year-to-date totals be independently reviewed by persons other than those making the changes.

District officials agreed with our suggestion and stated that changes made to an employee's year-to-date earnings are now reviewed by payroll supervisors who insure that the changes are supported by proper documentation.

#### COMPUTER EQUIPMENT, PROGRAMS, AND FILES LEFT UNSECURED

The room in which the computer and tape files were located was not locked and was unattended during payroll processing. Further, there were no procedures to control access to the tape files.

All computer equipment should be physically secure and computer programs used for payroll processing, files containing historical records, and other machine media files should be strictly controlled and protected. Inadequate safeguarding could result in damage to equipment and records and unauthorized changes to computer programs, files, or historical records.

District officials agreed with our suggestion that better security be maintained over computer equipment, programs, and files. They told us that computer equipment is now in a controlled area, access is limited to authorized personnel, and computer programs and files are in the custody of a librarian.

#### AUTHORIZATION FOR OVERTIME PAYMENTS NOT VERIFIED

The payroll office makes payments for overtime work without knowing whether the employee was authorized to work

overtime. This practice could result in making unauthorized payments.

For example, the District paid an employee of the Office of the Army Chief of Staff for 92-1/2 hours of overtime for 1 biweekly pay period without evidence of authorization. Although officials of the Office of the Army Chief of Staff assured us that the employee was entitled to this payment, the payroll office had no way of knowing, at the time the payment was made, whether this unusually large number of overtime hours had been authorized.

Army regulations require that written overtime authorizations be sent to the payroll office. The District, however, does not have written procedures stressing the need for evidence of authorization before making overtime payments. We believe that payroll clerks may not have realized that they should insist that this evidence be furnished.

Acting on our suggestion, the District has issued written procedures instructing payroll clerks to obtain evidence of authorization before making overtime payments. We believe these procedures will help to insure that only authorized overtime payments are made.

## CHAPTER 4

### NEED FOR BETTER COMPUTER

#### PROGRAM CONTROLS AND OPERATIONS

Whenever practicable, well-designed "controls" should be written into computer programs to insure that data processed is accurate and complete. The District needs to make better use of programmed computer controls in processing payroll data.

#### DETECTION OF MISSING OR INVALID DATA

The District payroll system did not have enough edit checks programmed into the computer to identify or reject all missing or invalid data entering the system. When possible the computer programs should contain edit checks to detect missing and invalid data so that invalid pay transactions are rejected and payroll data is accurate and reliable.

We processed the following test transactions which the computer's edit routines should have rejected or identified by printing an error message but did not.

- We simulated a payment to an employee at a base rate of pay that was inconsistent with his designated grade and step. The computer accepted the erroneous test data and printed a simulated paycheck, representing an overpayment to the employee.
- The system accepted incompatible leave rates and service computation dates (i.e., dates used to compute time of Government service) and entered these in the employees' computer records. (Employees' leave rates are based on service computation dates; if the two are not compatible, leave may be accruing at an incorrect rate.)
- The computer printed a simulated paycheck for \$9,999.99 for 1 biweekly pay period by using the District's nonstandard pay procedures (i.e., procedures for special payments, in which pay actions are manually computed, keypunched, and entered into the computer for check preparation).
- Simulated salary payments were made which, if processed as actual payments, would have violated Federal regulations which state in general that no employee can receive more than 80 hours of basic

(straight-time) pay or 32 hours of Sunday pay in a biweekly period.

--We processed a promotion higher than grade 5 for a General Schedule employee before his year in grade had expired. (General Schedule employees must be in a grade at least 1 year before they can receive promotions to a level above grade 5.)

--We entered invalid codes (i.e., symbols representing information in a brief form) into the computer on input documents for payroll deductions for retirement, labor union dues, and other deductions. The processing of an invalid retirement deduction code resulted in an error in a simulated payment to an employee.

The need for better edit checks was also apparent from the results of our limited examination of employees' computer records. We identified more than 400 employee computer records which contained questionable leave and life insurance information. We examined 87 of these records and found that 73 of them contained errors.

#### Recommendation

We recommend that the Secretary of the Army direct the District commander to improve the system's edit routines so that, to the extent practicable, erroneous or incomplete data does not enter the system.

#### Agency comments

In his letter to us, the Acting Assistant Secretary said that action has been taken to improve some of the system's edit checks. Additional edit checks cannot be included in the system because the capacity of the computer has been reached. The new standard system will provide for more comprehensive edit checks.

#### DUPLICATE PAYMENTS ARE POSSIBLE

The District controls employees' individual master payroll records in its system by assigning a different employee identification number to each record. Thus, if there are two or more active computerized payroll records being maintained for the same employee, each record will contain a different employee identification number. Under this system there is no automatic way to detect more than one active master record for the same employee.

Although we did not find any unearned paycheck issued to an employee having more than one master record, we believe the District's inability to detect multiple master records weakens its control over duplicate payments. For example:

- The payroll office did not have knowledge of those employees who had more than one active master record. We noted 17 such employees.
- Two employees were carried on active master records for organizations they were previously assigned to from 4 to 6 months after they transferred to other organizations served by the District. The payroll clerks who kept these records did not know that each of these employees had two master records or that they had transferred.
- The computer printed unearned paychecks for three employees because they each had two active master records. These checks were canceled before they reached the employees by the payroll office.

We believe the District should identify employees by social security numbers for better control of its payroll processing operations. Army regulations require that social security numbers be used for payroll purposes when "a unique identification of individuals" is needed. The District's use of these numbers would provide system capability for identifying employees with more than one master record and would reduce possibilities for fraudulent or erroneous issuance of unearned paychecks.

We discussed this matter with a District official who explained that assigned employee identification numbers had been used for a number of years and that, in the past, the need for controlling employees' records by social security numbers had not seemed important enough to justify the cost of including this feature in the system.

#### Recommendation

We recommend that the Secretary of the Army require the District to revise its payroll system to (1) identify employee records in the payroll master file by social security numbers and (2) use computer program routines to produce messages alerting the payroll office to multiple payments to one employee.

### Agency comments

The Acting Assistant Secretary agreed with our recommendations and stated that the District has take action to insure that only one active payroll master record is maintained for each employee. In addition, the District payroll office now has implemented procedures to ascertain that multiple payments are not made to any individual for the same period. The Acting Assistant Secretary also pointed out that under the new system standard employee records in the payroll master file will be identified by social security account numbers.

### AUTOMATING MANUAL PAY COMPUTATIONS

The computer is not fully used to identify and calculate

- life insurance deductions for part-time employees;
- additional life insurance deductions for employees who earn premium pay by working evening and night shifts;
- premium pay for Sunday and holiday work; and
- environmental pay to wage board employees who work under adverse conditions, such as exposure to severe physical hardships.

A District official told us that, although these types of pay actions occurred each pay period and could have been fully automated, they were not automated or were only partially automated. We believe that, since these were recurring pay actions, the computer could identify and calculate them faster and with fewer errors.

### Recommendation

We recommend that the Secretary of the Army require the District to use the computer to identify and calculate life insurance deductions for part-time employee, additional life insurance deductions for evening and night-shift workers, Sunday and holiday pay, and environmental pay for wage board employees.

### Agency comments

The Acting Assistant Secretary stated that the District would not implement our recommendation because it would require a major redesign of the present system. He advised us, however, that, when the new standard system is implemented at the District, it will include automation of the recurring pay actions indicated in our recommendation.

## CHAPTER 5

### NEED FOR IMPROVEMENT IN CONTROLS

#### OVER PERSONNEL AND TIMEKEEPING ACTIVITIES

Controls over personnel and timekeeping operations do not insure that salary payments are correct and that leave records are accurate.

#### VERIFICATION OF EMPLOYEE PAY CHANGES

The payroll office changes employees' pay and leave entitlements on the basis of data received from all personnel offices served by the District. After payroll processing is completed, the payroll office provides the personnel offices with biweekly computer listings of employees' pay and deductions and quarterly listings of their leave accruals and usage.

None of the personnel offices that we visited had procedures for verifying that pay and leave entitlements shown on the listings agreed with personnel office records. As a result there is a lack of assurance that the processed pay and leave data are correct and proper.

District officials generally agreed that personnel office verifications of processed entitlement data would provide greater assurance of its accuracy and would help to preclude manipulation or fraud.

To facilitate personnel office verifications, payroll office computer listings should be revised to identify all changes to pay and leave entitlements. Presently, the listings do not clearly identify these changes.

#### Recommendations

We recommend that the Secretary of Defense direct the Secretary of the Army to require that personnel offices served by the District's payroll system (see app. I) completely verify computer-stored pay and leave entitlement data and thereafter verify, on a pay-period basis, the payroll processing of all changes.

We further recommend that the Secretary of the Army require the District to give personnel offices computer listings of payroll processing results in a form that will clearly identify all changes in pay and leave entitlements.

### Agency comments

The Acting Assistant Secretary agreed in principle that a complete verification of leave and pay entitlement data would further insure accuracy of the computer-stored data. He indicated that consideration is being given to requiring under the new Army standard system that listings showing pay and leave data be furnished to personnel offices for verification.

### CERTIFICATION OF TIME AND ATTENDANCE REPORTS

Time and attendance reports are the basic documents for determining employees' biweekly earnings and annual and sick leave balances. They are prepared by timekeepers in the organizations served by the District. The payroll office does not have complete lists of persons authorized to certify these reports and therefore cannot be sure the reports are being certified by only authorized persons.

We examined 200 time and attendance reports and found that 32 of the 41 persons (80 percent) who certified the reports were not listed on the payroll office's records as having certifying authority.

The payroll office should have complete and accurate lists of persons authorized to certify time and attendance reports. Army regulations require that the names of persons authorized to certify these reports be forwarded to and kept by the payroll office. A payroll office official attributed the District's failure to comply with this requirement to changes that continually occur in personnel and in organizations served by the District and the relatively low priority the District gives to this aspect of control.

Acting on our suggestion, the District is now maintaining signature cards for those persons authorized to certify time and attendance reports.

### TIMEKEEPING AND PAYCHECK AND BOND DISTRIBUTION FUNCTIONS

Of 16 timekeepers we interviewed, 7 distributed paychecks and savings bonds to persons for whom they kept time and attendance records. To the extent practicable, employees who prepare or approve time and attendance reports or other personnel documents should not distribute paychecks and bonds. Separation of these duties would reduce opportunities for fraudulent or other irregular acts.

Acting on our suggestion the District has emphasized to all of the organizations it serves the need for insuring that timekeeping and paycheck and bond distribution functions are separated to the fullest extent practicable.

## CHAPTER 6

### SCOPE OF REVIEW

Our evaluation of the District's payroll system included a review of the system design; an evaluation of procedures and practices relating to the preparation, flow, and processing of pay actions; an evaluation of internal controls in the manually operated and automated parts of the system; and a limited examination of employees' records to evaluate controls over leave administration.

In examining the automated part of the system, we reviewed, tested, and evaluated the system's internal controls over the preparation of payroll and leave data, conversion of the data into computer input form, computer processing of the data, detection and correction of erroneous data, and distribution and verification of computer output.

We made our review at the District's Finance and Accounting Office and its Automatic Data Processing Support Activities, Washington, D.C., and at selected offices and agencies within the Department of Defense and the Department of the Army, in the Washington, D.C., area, which are provided payroll services by the District.

LIST OF ORGANIZATIONS WHICH RECEIVE PAYROLL SERVICES  
FROM THE U.S. ARMY MILITARY DISTRICT OF WASHINGTON  
AND THE NUMBER OF EMPLOYEES ON THE PAYROLL OF EACH  
ORGANIZATION AS OF JUNE 30, 1975

<u>Organization</u>	<u>Number of employees</u>
Office of the Army Chief of Staff (includes the Army Military District of Washington)	10,546
Army Materiel Command	2,441
Office of the Secretary of Defense	2,471
Defense Intelligence Agency	2,265
Office of the Secretary of the Army	1,568
Defense Communications Agency	1,406
Army Security Agency	1,082
Army Audit Agency	937
Military Traffic Management and Terminal Service, Department of the Army	386
Foreign Service Technology Center, Army Materiel Command	488
Defense Nuclear Agency	<u>207</u>
Total	<u><u>23,797</u></u>



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D.C. 20310

29 MAY 1975

Mr. D. L. Scantlebury  
Director  
Division of Financial and  
General Management Studies  
U. S. General Accounting Office  
Washington, D. C. 20548

(OSD Case #4067)

Dear Mr. Scantlebury:

On behalf of the Secretary of Defense I have reviewed the subject GAO report and concur with your comments regarding the necessity of revising internal controls and correcting the weaknesses uncovered in the civilian payroll operations of the U. S. Army Military District of Washington. In view of the extensive nature of the findings and recommendations contained in your report of April 4, 1975 this interim report has been prepared to advise you that action has been taken to obtain the comments of the Military District of Washington regarding the corrective action that has been taken by that command. Members of the Comptroller of the Army Staff will coordinate with the Comptroller, Military District of Washington on the corrective actions he has taken and/or plans to take in response to your recommendations. A final reply will be prepared indicating the action taken on each of your recommendations not later than 30 June 1975.

Department of the Army recognizes the necessity of revising Army Regulations (AR 37-105) to provide for adequate separation of duties relative to payroll clerk functions. We are examining the organizational changes that are required to accomplish this objective and will initiate corrective action.

As you are aware, the Department of the Army is currently engaged in the final phases of developing and testing a Standard Army Civilian Payroll System (STARCIIPS) for implementation throughout Department of the Army. We will insure that this system contains controls adequate to preclude weaknesses such as those described in the subject report.

The Department of the Army has also been given the responsibility by DOD for the development of a DOD Standard Civilian Payroll System (DODSCIPS). Mr. Maurice Moortgat of your office has been designated as the GAO consultant to the Chairman of the DODSCIPS Working Group for development of

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NOTE: On July 18, 1975, GAO received a letter containing detailed comments from the Acting Assistant Secretary of the Army (Financial Management). The letter is too voluminous to include in this report. His comments, however, are summarized in the body of the report.

Mr. D. L. Scantlebury

DODSCIPS. In addition to being consultant during the development of DODSCIPS the assistance of Mr. Moortgat will also be sought during the finalization of STARCIPS to insure findings such as those discussed in subject report are eliminated during the final development and testing of STARCIPS.

Sincerely,



Hadlai A. Hull  
Assistant Secretary of the Army  
(Financial Management)

PRINCIPAL OFFICIALS  
RESPONSIBLE FOR ADMINISTERING  
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
James R. Schlesinger	July 1973	Present
Vacant	May 1973	July 1973
Elliot L. Richardson	Jan. 1973	May 1973
ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER):		
Terence E. McClary	June 1973	Present
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY:		
Martin R. Hoffmann	Aug. 1975	Present
Howard H. Callaway	May 1973	July 1975
Robert F. Froelke	July 1971	May 1973
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT):		
Hadlai A. Hull	Mar. 1973	Present
CHIEF OF STAFF:		
Gen. Fred C. Weyand	Oct. 1974	Present
Gen. Creighton W. Abrams	Oct. 1972	Sept. 1974
COMPTROLLER OF THE ARMY:		
Lt. Gen. John A. Kjellstrom	July 1974	Present
Lt. Gen. E. M. Flanagan, Jr.	Jan. 1973	July 1974
COMMANDING GENERAL, U.S. ARMY MILITARY DISTRICT OF WASHINGTON:		
Maj. Gen. Ronald J. Fairfield	Jan. 1975	Present
Maj. Gen. Frederic E. Davison	Nov. 1973	Dec. 1974
Maj. Gen. James B. Adamson	May 1972	Oct. 1973

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