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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

CIVIL DIVISION

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Dear Mr. Attorney General

We made a review of the payroll and leave records processed and maintained by the Payroll Section, Administrative Division, Department of Justice, through January 11, 1969. The departmental organizations serviced by the Payroll Section included the Legal Activities and General Administration area, Bureau of Narcotics and Dangerous Drugs, Law Enforcement Assistance Administration, and the Bureau of Prisons Central Office personnel.

Our review included an examination of payroll and leave records for selected periods and an evaluation of the procedures followed by the Payroll Section.

We found that, generally, the payroll functions had been satisfactorily performed. Corrective action was taken or was to be taken regarding the specific errors found during our review.

We believe, however, that there is a need to improve the recording of employees' leave and to initiate internal audit of payroll and leave procedures. Our comments on these matters follow.

NEED TO IMPROVE THE RECORDING
OF EMPLOYEES' LEAVE

In our selective test of leave records for one pay period during the 1968 leave year, we found an error rate of 12 percent resulting in overstatements and understatements of leave balances totaling about \$3,000.

Our selective test included a review of leave records of 217 of the 4,223 employees included on payrolls processed by the Payroll Section during the 23d pay period in the 1968 leave year. We found 36 errors in the leave records of 27 employees. The errors found resulted in overstatements of employees' leave balances totaling \$921 and understatements totaling \$2,070. If the pay period selected is representative of the leave year, we estimate that errors in the leave records in terms of dollars for the 4,223 employees could be substantial.

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Most of the errors resulted from inaccurate computations and incorrect postings which we believe could be minimized by exercising greater care in computing and recording leave balances. We believe, however, that the significant number of errors found shows a need for additional measures to ensure accurate recording of employees' leave balances.

Recommendation

We believe that the high rate of error indicates a need for corrective action. Accordingly, we recommend that procedures be established to provide for the verification of computations and leave entries on biweekly time and attendance reports by personnel other than those responsible for the day-to-day maintenance of such records.

NEED TO INITIATE INTERNAL AUDITS OF PAYROLL AND LEAVE PROCEDURES

Section 113 of the Budget and Accounting Procedures Act of 1950 provides that

"The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide * * * effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit * * *."

The Department of Justice internal audit staff has been assigned the responsibility for planning and executing the Department's internal audit and inspection program. However, we were informed by a member of the internal audit staff that because of limited audit resources, internal audits of payroll and leave functions have not been made at the Department's headquarters. We believe that if such audits had been made, the need to improve the recording of employees' leave would have been disclosed.

We recognize that because of limited audit resources, the time required for audit of payroll and leave administration must compete with the demands for internal audit of other areas. Since personnel services is a major element of the Department's operating costs, we believe that the Department's internal audit staff should periodically test and evaluate the adequacy of internal controls over payroll and leave functions.

Recommendation

We recommend that the internal audit staff conduct periodic audits of payroll and leave procedures designed to provide management with

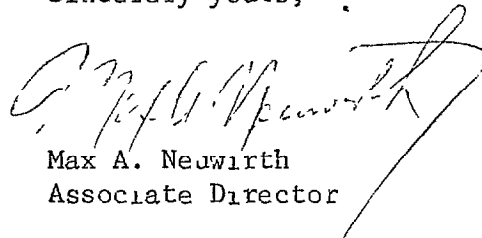
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essential information concerning the adequacy of the procedures and controls

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We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. We will appreciate your comments and advice as to any action taken or planned on the matters discussed in this report.

Sincerely yours, .

A handwritten signature in dark ink, appearing to read "Max A. Newirth", with a large, sweeping flourish extending from the end of the name.

Max A. Newirth
Associate Director

The Honorable
The Attorney General