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

INTERNATIONAL DIVISION

OCT 25 1972



Mr. Bruce A. Wilburn
Associate Director
Office of Administration and Finance
ACTION

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Dear Mr. Wilburn:

As part of our continuing examination of fiscal procedures at the Peace Corps we have examined a selected number of pay records for the period January 10 through January 23, 1971, for employees paid by its Washington office. The leave records for these employees were reviewed for calendar year 1970.

We found that a number of clerical errors were made in maintaining the leave records, and noted serious procedural weaknesses in the payroll system.

Details of our findings follow:

Pay and leave records

We selected for one payroll period a random sample of 100 of the 932 employees payrolled by the Peace Corps Washington Office. Except for two errors amounting to \$144 involving the failure to act on employees' waivers for life insurance, we found discrepancies only in the records relating to leave.

For five employees, errors resulted in overpayments of \$208 and under payments of \$688. We brought these errors to the attention of agency officials who took corrective action. We noted 13 other errors involving potential over and underpayments of \$966 in reviewing the leave records.

Errors in the leave records included:

- Failure to reduce leave accrual when leave without pay reached a multiple of 80 hours.
- Undercredit of annual leave due to failure to change leave category at the proper time.

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- Failure to credit new employee for the amount of leave earned at completion of 90-day waiting period.
- Over and undercredit to sick leave because of computation errors.
- Leave used but not subtracted from balance; in another instance leave balance was reduced by incorrect number of hours.
- Employee paid overtime and also credited with compensatory time for same period of work.
- Leave without pay charged when employee had compensatory leave to his credit.
- Failure to charge part-time employee with leave taken and improper accrual of leave.

These types of errors were also noted by the agency's internal auditors. Its report issued in December 1969 disclosed that an unacceptable number of undetected or uncorrected errors are being introduced into the payroll system which are the basis for improper payments and erroneous records. It was noted that insufficient training or supervision of the timekeepers, coupled with ineffective review procedures and techniques in the payroll section, have resulted in a payroll system with inadequate management control.

We conclude that these findings showed a need for the Agency to better train its timekeepers and supervisors and to assure that the payroll section makes appropriate reviews of the time and attendance cards.

Payroll procedures

Subsequent to our review Peace Corps payroll procedures continued to be revised. The number of employees serviced was substantially increased because of the merger effective July 1, 1971, of Peace Corps and several other volunteer groups. We noted the following procedural weakness during our review, and we suggest that you review your current payroll system to ensure that these problems have been resolved.

Lack of control totals in processing payrolls

Although the payroll procedures provided for the use of a Payroll Control Register as a means to maintain controls for the automated staff payroll system, this Register was not being maintained. The Register was intended to provide control totals for the payroll and such other control totals as employees on the active payroll, new employees and terminated employees.

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In addition an earnings record was not being maintained to show for each employee his gross earnings, the amount of all deductions by type, and the net pay for each period.

These types of controls are, in our opinion, needed for an effective payroll system.

Payroll checks prepared for a terminated employee

We found three pay checks being held by the Agency for delivery were prepared for a terminated employee. This type of error indicates a serious breakdown in payroll controls such as the lack of control totals described above. Additional errors in making payments to terminated employees were reported to management by the Agency's internal auditors.

In the instance we noted either the personnel office failed to forward to the payroll section in a timely manner the required copies of the personnel action showing the employee was to be removed from the payroll or the payroll section failed to act on such information. In addition the individual responsible for certifying the time and attendance card failed to realize that the individual was no longer working for the Agency.

We conclude that such errors require the breakdown of several payroll controls.

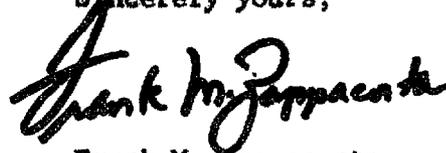
Other procedural weaknesses noted during our review follow:

- In some instances required written authorization was not available to support overtime work. Where such authorizations were made they apparently were not being used to control the number of overtime hours worked.
- Some of the timekeepers were not making postings of the leave taken until the close of the pay period. This increases the probability for overlooking charging employees for leave taken.
- Written procedures for processing payrolls do not fully represent current practices.
- Four undelivered salary checks were being retained in the custody of agency personnel for periods in excess of that permitted by regulations.
- About 23 percent or 211 retirement records for employees were not being currently maintained or contained other discrepancies. When employees retired many of the retirement records were not being forwarded in a timely manner to the Civil Service Commission, resulting in delays in retirees receiving benefits.

Please advise us as to the progress being made to resolve the aforementioned procedural matters and to improve the reliability of maintaining the attendance and leave records.

We appreciate the cooperation given our Staff.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank M. Zappacosta". The signature is written in a cursive style with a large initial "F".

Frank M. Zappacosta
Assistant Director

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<p>TITLE</p> <p style="text-align: right;">Assistant Director</p>	

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