



UNITED STATES GENERAL ACCOUNTING OFFICE  
 REGIONAL OFFICE  
 143 FEDERAL OFFICE BUILDING, 50 FULTON STREET  
 SAN FRANCISCO, CALIFORNIA 94102

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IN REPLY REFER TO

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JUL 10 1970

Director  
 Naval Area Audit Service, San Francisco  
 50 Fulton Street  
 San Francisco, California 94102

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 DLG 05805  
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Dear Sir:

We are enclosing a copy of the report of our review of [civilian compensation at Mare Island and Hunters Point Naval Shipyards.]

We reviewed the report and workpapers of your audit (052210/53710, 8 January 1970) of the San Francisco Bay Naval Shipyard, Vallejo, California (NAVSHIPYD). We were informed that it included both Mare Island and Hunters Point employees and that no other payroll audit had been performed recently at Hunters Point.

Based on our review of the following areas we believe that your audit did not adequately cover the timekeeping procedures at Mare Island and completely ignored the timekeeping procedures at Hunters Point, the propriety of salary rates of Hunters Point employees and waivers processed by Mare Island. We believe that your findings regarding payments exceeding maximum pay limitations and independent unannounced pay check distributions require further action than indicated by management's reply.

Timekeeping

We were informed that your staff used the Naval Audit Service Audit Program No. 2, Revision No. 2, August 1968, Timekeeping and Civilian Payroll to guide the scope of their work. This program requires the following verification of timekeeping procedures:

"\*\*\*Make unannounced observations of clocking stations and mustering procedures. Note the supervision and control of clocking stations. Test check the identity of a number of employees, particularly those working in outlying areas remote from clocking stations, to establish that cards of absentees and late arrivals are not being punched by fellow employees and that there is an employee for each time and attendance report."

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We found no indications that the auditors made any independent observations of clocking stations at the Mare Island Naval Shipyard or that they made any audit effort at the Hunters Point Naval Shipyard.

We believe that your audit should have included independent observations of clocking stations at Mare Island and a review of Hunters Point to adequately verify the timekeeping procedures at the two sites.

#### The Propriety of Salary Rates of Hunters Point Employees

Your workpapers and our discussions with the auditors disclosed that their review of the propriety of salary rates was limited to the examination of promotions during March 1969 and within grade increases during February 1969 for Mare Island employees. Their review did not extend to Hunters Point records.

The Employment Division at Hunters Point processes the personnel actions and maintains the Official Personnel Folders for the installation's employees. Since its functions are separated from the Mare Island Employment Division, the auditors should have reviewed the personnel actions processed by both Employment Divisions.

#### Waivers Processed by Mare Island

The Mare Island Payroll personnel told us that they disagreed with some of the waivers of claims for payroll overpayments granted by the Navy Accounting and Finance Center (NAFC). In each of two cases, Payroll reviewed the circumstances of the employee's request for waiver and recommended that the NAFC deny the request. In one case NAFC approved the waiver and in the other case recommended that the General Accounting Office approve the waiver.

The NAAS auditors told us that they decided not to include a review of waivers processed by the Mare Island Payroll Branch in their audit because they believed that the area did not warrant the time required. We believe that the NAAS auditors should have included the examination of waivers in their audit to evaluate the basis for the Payroll Branch's recommendations and to determine whether or not the NAFC's action was justified.

Director  
Naval Area Audit Service

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### Payments Exceeding Maximum Pay Limitations

You reported that "NAVSHIPYD payroll processing procedures do not sufficiently control premium payments to ensure that total permissible maximum pay is not exceeded." This was based on your identification of eight employees who were paid, contrary to the provisions of FPM 550.1-2d, in excess of the maximum rate of pay of a GS-15. The \$698 overpayments were caused by a NAVSHIPYD procedure which excluded overtime and premium pay from the computation of the maximum allowable pay.

Your recommendation, which was implemented, was that the NAVSHIPYD include all applicable earnings in the computation of the maximum amount payable to an individual. This recommendation should prevent future overpayments but will not correct the overpayments which you identified.

We believe that the NAAS should recommend that Mare Island correct the overpayments.

### Independent Pay Check Distributions

You reported that "NAVSHIPYD's independent unannounced pay check distributions, \*\*\*are not sufficiently comprehensive to accomplish the required control."

Your report stated the following:

" C. At NAVSHIPYD, pay checks are distributed by leading-men and other personnel who also certify time and attendance records. This is done under authority granted by NAVCOMPT to all Naval shipyards in 1962 and based on recommendations proposed by the Philadelphia Naval Shipyard and subsequently approved by the General Accounting Office. NAVCOMPT made its authorization subject to the conditions set forth in the Philadelphia Naval Shipyard proposal, providing for distribution by disbursing office personnel of an average of 160 checks per pay day, with a goal of 240 checks per pay day, with annual coverage of all applicable shipyard areas. Thus, the goal for the independent distribution at the Philadelphia Naval Shipyard was 6,240 pay checks per year, or about 65 percent of its personnel complement of 9,600 at that time."

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You concluded, after comparing the number of check distributions observed during 1967, 1968, and 1969 to the personnel strength of 14000 at Mare Island and 7800 at Hunters Point, that these distributions did not approach the level on which NAVCOMPT based its approval. You recommended that NAVSHIPYD increase its independent unannounced pay-check distributions to cover an adequate number of personnel and all shipyard areas at least once each year.

NAVSHIPYD's reply was that the unannounced distributions would be increased to a goal of about 100 pay checks every pay day - a procedure which you stated should correct the deficiency. This would result in a distribution of about 2600 pay checks a year. Assuming the number of employees remains the same in 1970, only 12 percent of the shipyard personnel would be included, far short of the goal established by the Philadelphia Naval Shipyard plan.

We discussed the inadequacy of the goal with Mare Island Comptroller Department personnel. They told us that new procedures will require an independent distribution of all pay checks during at least one pay period in each calendar year. We recommend that the NAAS review this procedure and its implementation to insure that the requirements of the NAVCOMPT Manual are met.

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We would appreciate your comments on the above matters, and advice as to any action you plan to take. A copy of this letter is being sent to the Auditor General of the Navy for his information.

Very truly yours,



A. M. Clavelli  
Regional Manager