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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
502 U.S. CUSTOMHOUSE, SECOND AND CHESTNUT STREETS
PHILADELPHIA, PENNSYLVANIA 19106

DEC 4 1970



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Commanding General
United States Army Electronics Command
Fort Monmouth, New Jersey 07703

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Dear Sir:

We have examined selected civilian payroll transactions and personnel actions processed at the United States Army Electronics Command, Fort Monmouth, New Jersey, during the period September 21, 1969, to September 26, 1970.

Our examination of payroll transactions and personnel actions was directed toward an evaluation of the adequacy and effectiveness of the civilian pay system, including the internal controls. On a statistical sampling basis we examined the payroll and personnel records for both classification act and wage board employees.

On the basis of our review, we believe that ECOM's civilian pay system is adequate and effective, that pay actions are processed in accordance with applicable laws and regulations, and that the verification procedures generally insure the detection and correction of errors. However, we did note a few errors which we brought to the attention of ECOM officials during our review and at the exit conference. Details concerning these errors are described below.

1. In the processing of severance pay ECOM overpaid 8 employees a total of \$1,596.35 and underpaid 3 employees a total of \$152.39. These payments resulted from erroneous calculations of the severance payments, incorrect amounts on the Notification of Personnel Action (SF 50), late notification that employees were rehired by other Federal agencies, failure of payroll clerks to adjust final payments when they were not identical to previous payments, and erroneous deductions from severance pay for overpayments previously made to employees. Corrective action was taken on all these errors after they were called to the attention of ECOM officials.

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We made the following recommendations to ECOM officials for improving the controls over severance pay:

(1) recompute the severance pay for all employees who received severance pay during 1970, excluding those payments reviewed by GAO, (2) establish a separate severance pay payroll account, (3) show amount of the last payment due for severance pay on the SF 50, (4) include a statement on SF 50 that severance pay will be discontinued upon acceptance of Federal employment, and (5) require that a former employee who is receiving severance pay certify upon the receipt of each payment that he has not been reemployed by the Federal Government.

2. Two errors were noted in processing within-grade increases. One error resulted in an employee being underpaid \$68.38 when a within-grade increase was not made at the proper time. The other error resulted in an employee being overpaid \$21.60 when two quality increases were granted within a 50-week period, whereas a minimum period of 52 weeks was required at the time. Corrective action was taken on these errors after they were called to the attention of ECOM officials.
3. In our review of deductions for Federal employees' group life insurance, we found that ECOM failed to withhold the increased deductions for the full pay period in which the Federal Employees Salary Act of 1970 was enacted, as provided in the act. On the basis of the number of cases we found in our sample, we estimate that about 5,400 classification act employees were overpaid a total of about \$1,500. ECOM officials stated that they did not plan to collect the overpayments because of the cost involved.
4. With regard to internal review, we found that the ECOM Internal Review Division has not made any examinations in the civilian payroll area since our last payroll review, in October 1968. We noted, however, that the ECOM Inspector General made an inspection from February to April 1970 of the time and attendance controls and procedures used at ECOM. Many deficiencies were noted by them during their inspection. Our limited review of controls and procedures for time and attendance showed that action had been taken to correct those deficiencies.

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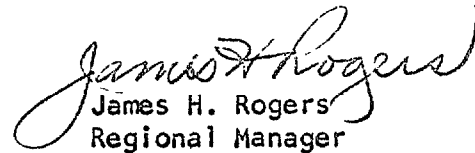
We would appreciate receiving your comments on the above matters, especially with respect to any additional corrective actions taken since our exit conference.

We wish to acknowledge the cooperation extended to our staff during this review.

In accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 8, Chapter 3, the payroll records covering the period ending September 26, 1970, may be transferred to the Federal Records Center.

A copy of this letter is being sent to the District Manager, Northeastern District, U.S. Army Audit Agency, Philadelphia, Pennsylvania.

Sincerely yours,


James H. Rogers
Regional Manager