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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

OCT 27 1970

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Dear Senator Goodell

NEW

This letter is in response to your August 1970 request concerning the progress of the Department of Health, Education, and Welfare in correcting payroll procedures which permitted overpayments of salaries as well as other payroll weaknesses. The news items enclosed with your request apparently relate to findings commented on in our report to the Congress on need for improvements in the automated central payroll system of the Department of Health, Education, and Welfare (B-164031, January 17, 1969). A copy of this report is enclosed.

Your inquiry indicates special interest with respect to corrective actions on checks issued either in wrong amounts or to persons not entitled to payments. We reported that five former employees had cashed salary checks to which they were not entitled, amounting to \$7,411. By September 1, 1970, the Department had collected \$6,654 of these overpayments. We also noted that 1,451 Government paychecks amounting to \$288,233 had been returned to the Department by the payees or the agents designated to handle paychecks because the checks had been issued erroneously, and that 89 checks amounting to \$15,757, representing refunds from overpaid employees, had been received by the Department.

The report showed that the overpayments and the payments to wrong parties were part of a pattern of weaknesses in payroll processing which included errors in computing employees' earnings, leave, and payroll deductions, errors in issuing savings bonds; delays in forwarding to other agencies amounts withheld from salaries; and the retention for periods as long as 2 years of cash and checks in an unlocked file drawer. Among the improvements that we believed to be needed were (1) effective controls over checks, cash documents, and magnetic tapes, (2) use of predetermined control totals, programmed controls, and system documentation; (3) revised instructions to assist clerks in applying pertinent payroll laws and regulations; and (4) more effective supervision of payroll activities.

The Department has initiated action to correct the errors and to collect the overpayments cited in our report. In addition, a departmental task force--consisting of systems, programming, accounting, and other management specialists--has been assigned to redesign the payroll system to ensure the accuracy of future payrolls. The Department has

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089934

B-164031

also engaged a consulting firm to assist the task force. Further, the Department's Audit Agency is reviewing the planning for the redesign of the payroll system to help ensure that adequate controls are installed

The old payroll system, which we reviewed, is being used to prepare payrolls until the new system becomes operational. Improvements to the old system appear to have reduced the incidence of salary overpayments; nevertheless, overpayments have continued to occur.

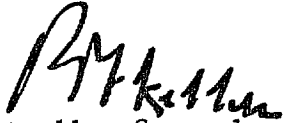
The Department's records showed that during the period January 1, 1969, through September 17, 1970, the Department identified and forwarded to its General Counsel 189 salary overpayments amounting to \$72,379. The General Counsel was of the opinion that in 83 cases involving overpayments of \$41,882 recovery could be waived under the authorization of 5 U.S.C. 5584. This authorization permits the recovery of salary overpayments to be waived if they occur through no fault of the employees and recovery would be against equity and good conscience and not in the best interest of the Government.

The Department's scheduled date for completing its new payroll system is January 1971. Our Office has been monitoring the Department's efforts to design and install an effective payroll system.

The material enclosed with your request is returned herewith.

Sincerely yours,

Assistant


Comptroller General
of the United States

Enclosures - 2

The Honorable Charles E. Goodell
United States Senate