



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

CIVIL DIVISION

February 5, 1970

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Dear Admiral Galloway:

As a part of our examination of the financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, for the fiscal year ended June 30, 1969, we have made a review of the accounting records and procedures at the Gorgas Memorial Laboratory in Panama City, Republic of Panama. In this connection, we noted a need for improving the administrative procedures relative to vacation time (leave) earned by Panamanian nationals employed by the Laboratory in order to fully comply with the provisions of the Panamanian Labor Code and to properly recognize the liability for employees' accrued leave in the financial records of the Institute.

Compliance with Panamanian Labor Code

Panamanian nationals employed by the Laboratory earn one day of leave for each eleven consecutive days in the service of the Laboratory or 30 days for each eleven continuous months of work. The Panamanian Labor Code generally requires employees who accumulate 30 days of leave to take this leave within three months of the date on which it was earned, but permits accumulation of up to 60 days leave by specific agreement between the employer, the employee and the Panamanian Labor Authority. The code prescribes penalties ranging from \$5 to \$100 for any violation of its provisions.

We found that the Laboratory did not maintain current records as to leave earned and accumulated by its Panamanian employees. It has been the Laboratory's practice to compute leave balances only once annually, with the result that it has not been in a position to promptly notify its employees when the maximum permissible leave had been accumulated.

The Laboratory had on file specific agreements, as required by the code, permitting employees to accumulate leave to a maximum of 60 days. We noted, however, that in several instances Panamanian employees had accumulated leave balances in excess of 60 days. It appears that in these cases the Institute may have been subject to the penalties provided by the Panamanian Labor Code.

We discussed our observations with Institute officials who agreed to look into this matter so that adequate compliance with the Labor Code would be obtained. Also, they advised us that procedures would be

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established to maintain a current record of the leave accumulated by each employee

Liability for accrued leave

The Institute does not recognize employees' accrued leave as a liability in its financial records. We believe that this balance represents a liability of the Institute which should be recognized in its accounts and financial statements. We discussed this matter with Institute officials who agreed to recognize the liability in the Institute's future financial statements.

We would appreciate receiving your advice as to the actions taken with respect to these matters.

We wish to acknowledge the cooperation extended to our representatives during their review.

Sincerely yours,

FREDERICK K RAHEL

Frederick K Rahel  
Assistant Director

Rear Admiral Calvin S. Galloway, USN Retired  
President, Gorgas Memorial Institute  
of Tropical and Preventive Medicine,  
Incorporated

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cc Director, CD  
Mr. Charam CD  
Director, FOD  
Regional Manager New Orleans  
Mr. Selkowitz CD