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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
7014 FEDERAL BUILDING 1961 STOUT STREET  
DENVER, COLORADO 80202

MAR 26 1973

Major General John P. Jolly  
Adjutant General  
New Mexico National Guard  
Santa Fe, New Mexico 87501

Dear General Jolly

We have completed our review of the Army National Guard Technician Payroll system. The areas of primary interest were the adequacy of internal controls and internal audit and the effectiveness of leave administration. We found the majority of the current internal controls adequate and effective in assuring accurate and complete payroll processing

During the review we suggested several corrective measures aimed at strengthening the present system, and your staff implemented or plans to implement the following:

1. The Technician Personnel Office (TPO) improved its procedures for granting leave advances and will require all future overdrawn leave to be liquidated through leave without pay or a cash settlement. The TPO instructed the technician who had 26 hours of overdrawn annual leave at the beginning of calendar year 1973 to liquidate the leave through a cash settlement.
2. The Civilian Payroll Office (CPO) refined its method of tracking leave used by technicians who have obtained leave advances to prevent future overdrawn leave.
3. The TPO secretary began logging all personnel actions which result in pay changes rather than just within grade step increases.

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4. Transmittal slips will be used for documents sent from the CPO to the ADP center to provide more assurance of complete processing.

5. The CPO will begin using document control registers for recording and reconciling incoming source documents and outgoing pay change slips.

6. Payroll related documents will be initialed by the senior payroll clerk as evidence of his independent review. This will also provide an audit trail.

7. The CPO established a new policy to ensure that court leave is granted only when written evidence of attendance is provided. Technicians claiming court leave will be charged for annual leave until they furnish this written evidence.

8. The Comptroller sent a letter to one of the timekeepers outside the Santa Fe area reminding him that he must mail his time and attendance cards at the close of business on the last Friday of the pay period to be in compliance with AGO Regulation 37-03.

In our opinion, the Technician Payroll system could be further improved through implementation of the following suggestions

1. A formal control which would assure that technicians do not take annual leave during their first 90 days of service should be established at the CPO. A written control would provide continuity in the absence of the senior payroll clerk, who currently relies on his memory.

2. If possible, internal reviews of civilian pay should be programmed annually to ensure that internal reviews of other areas do not preclude payroll audits.

3. The Examination Branch auditors should follow their review guidelines unless modifications are approved by the branch chief.

4. Although New Mexico has a relatively small number of technicians, wherever feasible, no individual should be assigned more than one of the following seven functions

- a recording and reporting time and attendance
- b supervision of technicians at operating levels

- c. computation of pay entitlements, document control, and records maintenance
- d. payroll processing
- e. payroll certification
- f. keypunching
- g. operating punched card accounting machines

Separation of these functions would provide more accurate payroll processing, since personnel would not be checking their own work as supervisor/timekeepers must do now when certifying time and attendance cards. Moreover, the risk of collusion or unauthorized tampering with payroll documents would be minimized.

Within the constraints of existing personnel and economic feasibility, consideration might also be given to the following

1. The ADP center could furnish a biweekly list of all payroll change actions directly to the TPO as an independent verification of the accuracy and completeness of CPO and ADP's payroll processing. Because the current key internal controls within the system require the senior payroll clerk to verify some of the payroll data which he has processed, the validity of these controls is questionable. A separate list from the ADP center to the TPO would preclude the introduction of unauthorized pay changes at the CPO.

2. The ADP center should keep its normal pay and other work decks of punch cards under lock and key when not in use. Locks would discourage tampering and unauthorized changes during off duty hours.

3. Timekeepers should keep their time on a positive rather than an exception basis in accordance with National Guard Bureau Pamphlet 37-105, Chapter 4, paragraph 4-1a. Although it may not be practical to monitor the duty status of technicians in outlying locations on a continuous basis, such technicians could inform timekeepers of their duty status at least once per day.

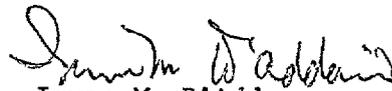
4. There should be two qualified operators in the ADP machine room while the time and attendance register and payroll are being processed. The presence of another operator would serve as a deterrent to unauthorized card or program changes.

We wish to extend our appreciation for the courtesies and cooperation extended to our representatives during the review

Your comments on the actions taken or promised by your staff and our additional suggestions for system improvement will be appreciated.

This letter serves as a basis for clearing your accounts through calendar year 1972.

Sincerely yours,

  
Irwin M. D'Addario  
Regional Manager

cc: Mr. Maurice Rowe  
U.S. Army Audit Agency