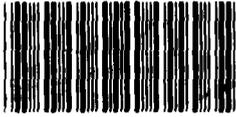


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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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FOR RELEASE ON DELIVERY
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STATEMENT OF
DONALD L. SCANTLEBURY
DIRECTOR
FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION
BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

GAO 00007
HSE 02906

Madam Chair and Members of the Subcommittee:

As the Comptroller General advised the Subcommittee in his letter of November 1, 1978, the testimony presented by Mr. Krieger and Mr. Cronin on Thursday, October 26, received considerable press coverage. Certain of these press accounts have been critical of the present Secretary of Housing and Urban Development, apparently with the misunderstanding that the audit made by the General Accounting Office took place during the present administration and, hence, have been critical of Secretary Harris. We regret that this matter was not reported more accurately. It would be unfortunate if the highlighting of this one point obscured the importance of the issue that your hearings are bringing out. Mr. Krieger's statement and your questions emphasized the importance of management's involvement in all aspects of the personnel system and how good accounting systems and the feedback that they provide would serve this aim.

AGC 00023

In followup inquiries to this Office by representatives

[The Payroll System at HUD] 709689

of the press, this Office has made it clear that the report was issued in June 1975 and covered a period prior to that time, obviously before Secretary Harris assumed responsibility as Secretary of Housing and Urban Development. In re-reading the statement presented by Mr. Krieger and by reviewing the transcript of the hearing the emphasis on the broader issues is clear, however, the date of the report did not come up. This undoubtedly accounted for some of the impressions which were carried over into the news coverage. There was no intention on the part of Mr. Krieger or Mr. Cronin to obscure this point in any way. The example cited with respect to HUD was only one of many examples covered in the testimony and it may well be that the fictitious name of "Donald Duck" had a great deal to do with the fact that the press gave it such a wide coverage. The check made out to "Donald Duck" I might add was a dummy computer transaction and no check was ever issued.

The testimony states that corrective action is in process. The corrective action referred to was the introduction of a new payroll system called TOPPS (Terminally Operated Personnel/ Payroll System) which was to include measures to correct the problems we had reported. Originally this system was to have been operational in April 1976 and HUD officials advised us that, since the introduction of the new system was imminent, they did not consider it practical to make any changes to the system that was to be replaced.

In May 1976, they determined that TOPPS could not be completed as originally scheduled and have furnished us a copy of a letter they wrote advising us that they would not bring the new system into operation until a later date and therefore they were taking action to correct many of the problems we had noted with the existing system. The letter, however, was not received by GAO and we did not know about this action. I might add that I was advised by HUD last evening that the letter was never sent. They indicated it was informally forwarded to GAO staff members but it never came to my attention or Mr. Cronin's.

We met yesterday with officials of HUD and they outlined the changes in payroll procedures they had implemented in 1975 and 1976 to correct the problems we reported. We have not had a chance to check out whether the controls they told us about have been effectively implemented but it appears to us they would correct the problems we reported if they work as described to us. The Committee may wish to ask HUD whether their auditors have tested the controls to see if they work. HUD has meanwhile proceeded with TOPPS and now plans to have it operational in January 1979.

We appreciate having the opportunity to set the record straight on this matter. Also, we at GAO are pleased you have undertaken these hearings which can do much to encourage agencies to place higher priority on the need for adequate financial and auditing controls. Without such controls,

the door is open for fraud, abuse and errors which do much to weaken public confidence in Government.

Mr. Cronin, Mr. Donlon and I will be pleased to try to answer any questions you may have.

Overmuch Overtime

Part 1117

IF AN OFFICE CLINIC was dispensing an awful lot of aspirin and the boss asked why, several problems might be found. One nurse could be handing out the pills casually; some employees might be malingering; pressures in one shop could be causing a rash of headaches, and the clinic might be nursing along some illnesses that need stronger medicine.

That is analogous to what a House panel has learned in its probe of federal agencies' handling of vast amounts of overtime pay—about \$1.5 billion last year. Some overtime is justifiable. But Rep. Gladys N. Spellman's subcommittee has found rampant abuse, and some possible fraud. In some departments, payroll management seems to have been incredibly lax. HUD has tightened up its systems since 1975, when investigators tricked a computer into issuing a \$99,000 paycheck to "Donald Duck." But the Defense Department is still paying out some \$400 million in overtime and can't account for much of it.

Besides straightening out their payroll systems, federal managers obviously need to crack down on

supervisors who let ordinary work drift into overtime or dispense premium pay as a morale-builder or reward for favored employees. Situations where civil servants do overtime work routinely need attention too. Last year, for instance, about 2,700 immigration inspectors got nearly \$15 million in overtime pay. Some of that was unavoidable, but Congress should reassess the 1931 law that sets higher overtime rates for those agents than for other law-enforcement officers. It should also be found out how much the agents' hours could be reduced by better management, not just expansion of the force.

In addition, repeated overtime strains people as well as payrolls. One official described State Department security agents as "well-to-do, but overworked and financially over-extended" because they have come to count on premium pay. That trap can quickly wear good people down. Yet reducing their hours is painful relief if it means slashing their pay. The situation is a sharp reminder that cracking down on abuses is only part of the management challenge being spotlighted by the House inquiry.

Sixth Indicted In Federal Overtime Fraud

An Arlington woman was indicted by a federal grand jury in Alexandria yesterday on 34 counts of filing false claims for overtime while employed at the U.S. Forest Service Office in Rosslyn.

Louise S. Garner of 1427 S. 28th St. is the last of six former forest service employes to be charged in connection with the scheme in which the employes were accused of filing more than \$50,000 in claims for overtime they did not work, according to Assistant U.S. Attorney Leonie Brinkema.

Harold C. Peele, the alleged ring-leader of the scheme, was sentenced last Friday to serve three years in prison.

The other five employes were characterized as having lower levels of participation than Peele, who was originally indicted on 129 counts, Brinkema said.

Garner was charged yesterday with making 34 false claims between March 1, 1975, and Feb. 25, 1978, for which she received less than \$3,000.

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Tuesday, November 7, 1978

THE WASHINGTON POST

MIKE CAUSEY

The Federal Diary

Donald Duck Time: Events at the Department of Housing and Urban Development are being divided into two major time zones: Before Donald Duck, or After Donald Duck.

HUD officials are furious over the recent bad press they got when it was revealed that \$99,000 was earmarked for a Donald Duck. The snafu did happen at HUD, but that was before the present administration took office. Since the new team has been in place, there have been payroll problems. But no checks for Donald Duck.