Audit Report

OFFICE OF THE INSPECTOR GENERAL

CONTROLS OVER TIME AND ATTENDANCE FOR THE DEFENSE COMMISSARY AGENCY

Report No. 95-036 November 22, 1994

Department of Defense

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Acronyms

DBMS	Defense Business Management System
DeCA	Defense Commissary Agency
OPM	Office of Personnel Management
T&A	Time and Attendance

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

November 22, 1994

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Audit Report on Controls Over Time and Attendance for the Defense Commissary Agency (Report No. 95-036)

We are providing this report for your information and use. It discusses the adequacy of controls over time and attendance reporting at commissary stores, regions, service centers, and the headquarters. Management comments on a draft of this report were considered in preparing the final report.

The Director, Defense Commissary Agency, and the Director, Defense Finance and Accounting Service, provided timely and responsive comments. The Director, Defense Commissary Agency, indicated that a verification process on the invalid payments and overpayments will be accomplished by April 1, 1995. We will track those actions in our audit follow-up system. We request that the Director, Defense Finance and Accounting Service, provide by January 20, 1995 a date for implementation of the software change to the payroll system to stop payment of uncertified time and attendance.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Robert J. Ryan, Audit Program Director, at (703) 604-9418 (DSN 664-9418) or Mr. John Yonaitis, Audit Project Manager, at (703) 604-9423 (DSN 664-9423). The distribution of this report is listed in Appendix D. The audit team members are listed on the inside back cover.

Robert J. Lieberman
Assistant Inspector General
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Office of the Inspector General, DoD

Report No. 95-036 **November 22, 1994**
(Project No. 3LA-2002.02)

CONTROLS OVER TIME AND ATTENDANCE FOR THE DEFENSE COMMISSARY AGENCY

EXECUTIVE SUMMARY

Introduction. The Defense Finance and Accounting Service provides support for a payroll of about $388 million for 19,000 Defense Commissary Agency (DeCA) employees in the continental United States, as of October 1, 1993, and maintains the data bases of the Defense Business Management System. Prior to October 1, 1993, the Defense Information Technology Services Organization maintained the Defense Business Management System data bases. Personnel from DeCA stores, regions, service centers, and headquarters enter payroll data into the Defense Business Management System for processing time and attendance. The continued use of the Defense Business Management System for those functions is under review. However, our results and recommendations are applicable to any designated payroll system.

Objective. Our initial audit objective was to determine whether the FY 1993 financial statements for the Commissary Operations Fund were presented fairly and in accordance with generally accepted accounting principles. We did not audit the completed financial statements for FY 1993. As part of our modified approach, we audited the adequacy of internal controls for selected commissary operations. This report discusses the adequacy of internal controls over the recording and reporting of time and attendance data and the effectiveness of internal controls for DeCA payrolls.

Audit Results. During FY 1993, DeCA controls over the recording and reporting of time and attendance data were not adequate to ensure that the presence or absence of employees was completely and accurately recorded and reported for the purposes of computing pay, leave, and allowances. As a result, unsupported payments of $573,598 were made to DeCA employees; supporting documentation for premium payments of $2,999 and 2,074 hours of leave was inaccurate or missing; and time and attendance data for payments of $407,651 were not properly certified in the Defense Business Management System. Additionally, DeCA intermittent employees received premium payments of approximately $36,833 and DeCA part-time career employees received payments of approximately $348,797 for hours of work contrary to established Office of Personnel Management policies on entitlements for intermittent employees and employment of part-time career employees (Finding A).

Controls were inadequate to prevent former and transferred DeCA employees from receiving unauthorized payments and overpayments during FY 1993. As a result, undue entitlements of $104,743 were paid to 46 employees and no action was being taken to recover the undue entitlements (Finding B).

Internal Controls. The audit identified material internal control weaknesses. Implementation of the DoD Internal Management Control Program was not effective to ensure that controls over the recording and reporting of time and attendance data were adequate. Part I contains information on the controls assessed and Part II contains details on the material weaknesses.

Potential Benefits of Audit. DeCA will determine the amount of monetary benefits when it identifies the reported unauthorized payments and overpayments and acts to recoup those payments. See Appendix B for a summary of potential benefits resulting from audit.

Summary of Recommendations. We recommend that the Director, DeCA, establish adequate policies and procedures for time and attendance recording and reporting, comply with Office of Personnel Management guidance on premium pay and part-time career employment, provide adequate training on time and attendance reporting, periodically review time and attendance recording and reporting procedures, identify unauthorized payments and overpayments to active and inactive employees, and recoup funds, as appropriate. We also recommend that the Director, DeCA, and the Director, Defense Finance and Accounting Service, establish controls to stop automatic payments after a predetermined number of pay periods pass without supervisory certification.

Management Comments. DeCA and the Defense Finance and Accounting Service concurred with all recommendations and provided a completion date or a planned completion date for each recommendation except the recommendation to stop employees' pay when the time and attendance is not certified. The Defense Finance and Accounting Service stated that a system change request is being prepared to stop payments if no certified time and attendance is reported for two consecutive pay periods. A discussion of the managements' comments is in Part II and the complete texts are in Part IV.

Audit Response. We consider the comments from DeCA and the Defense Finance and Accounting Service to be responsive to the recommendations. However, we request that the Director, Defense Finance and Accounting Service, provide a date by January 20, 1995 for implementation of the software change to the payroll system to stop payment of uncertified time and attendance.

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This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

Part I - Introduction

Background

The Defense Commissary Agency (DeCA) was established on October 1, 1991, as a result of the consolidation of the Military Departments' commissary systems. DeCA employs about 19,000 civilian personnel within the continental United States, for which the Defense Finance and Accounting Service is responsible for paying wages of about $388 million from the appropriated Commissary Operations Fund, a part of the Defense Business Operations Fund.

The Defense Business Management System (DBMS) is used by the Columbus Center of the Defense Finance and Accounting Service to process DeCA payrolls for employees in the continental United States. Due to the large number of DeCA employees, the DBMS has been separated into an east and west data base. The Columbus Center of the Defense Finance and Accounting Service maintains the data bases. Before October 1, 1993, the Defense Information Technology Services Organization maintained the DBMS data bases. The Columbus Center processes the payments of the employees using the time and attendance data entered into the DBMS at DeCA stores, regions, service centers, and headquarters. The continued use of DBMS for the payroll and time and attendance functions is under review. However, our results and recommendations are applicable to any designated payroll system.

Objectives

The initial audit objective was to determine whether the FY 1993 financial statements for the Commissary Operations Fund were presented fairly and in accordance with generally accepted accounting principles. However, we did not audit the completed financial statements for FY 1993; instead, as part of our modified approach, we audited the adequacy of internal controls for selected commissary operations. This report discusses the adequacy of internal controls over the recording and reporting of time and attendance data and the effectiveness of internal controls for payrolls for DeCA employees.

Scope and Methodology

We limited our review to the internal controls and systems used for recording and reporting time and attendance data and to pay DeCA employees within the continental United States. We obtained computer-processed pay history files of all DeCA employees contained in the DBMS and serviced by the Columbus Center of the Defense Finance and Accounting Service to determine the amounts paid each employee. The files included 497,900 computer-processed

pay records for 26 pay periods beginning September 20, 1992, and ending October 2, 1993, with payments totaling about $388 million. The computer-processed files accurately recorded the amounts paid.

From the universe of 232 commissary stores located within the continental United States, we judgmentally selected 16 stores for review by including both large and small commissary stores from each DeCA region and commissary stores previously managed by the Army, Navy, Air Force, and Marine Corps. We did not use statistical sampling procedures to conduct this audit. We interviewed personnel responsible for recording and reporting time and attendance, and analyzed the procedures used from November 30, 1992, to May 15, 1993, to record, input, and certify time and attendance data to determine whether those procedures were adequate and consistent with the policies of the Office of Personnel Management (OPM) and DoD. In addition, we reviewed the procedures used to separate employees who resigned, transferred, retired, or died.

From the judgmental sample of 16 stores, we selected 800 time and attendance records (T&A records) for detailed review by judgmentally selecting 25 employees from each of the 16 stores, including full-time, part-time, intermittent, general schedule, and wage grade employees. We obtained the employees' T&A records for two nonconsecutive pay periods between October 1, 1992, and January 31, 1993. Eight records were not available because six employees were on leave without pay, and two employees were no longer employed by DeCA. Using OPM and DoD guidance as the basis for our analysis, we reviewed the time and attendance data recorded on the employees' T&A records. We compared the hours recorded on the T&A records with the hours recorded on the computer-processed pay records and recalculated them based on actual hours worked, as determined by our review.

We reviewed the hours and pay recorded on the computer-processed pay records for all intermittent and part-time career employees in the DBMS to determine whether OPM policies and procedures were appropriately applied and to identify potential overpayments.

From the six DeCA regions in the continental United States, we obtained the names, social security numbers, and effective dates of separation for those employees who resigned, transferred, retired, were placed on leave without pay, died, or whose employment was terminated before May 31, 1993. We reviewed payroll records for all 219 employees who separated before December 31, 1992. We reviewed the computer-processed pay records from 26 pay periods beginning September 20, 1992, and ending October 2, 1993, to determine whether those employees received pay after the effective dates of separation.

We also compared all the computer-processed pay records located in the east data base of DBMS with those located in the west data base for the 26 pay periods to determine whether employees received pay from both data bases for the same pay period.

This financial related audit was made from October 1992 through September 1993 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Appendix C lists the organizations visited or contacted.

Internal Controls

Controls Assessed. We evaluated internal controls applicable to compliance with laws, regulations, and procedures for recording and reporting time and attendance data.

Internal Control Weaknesses. The audit disclosed material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Controls were not adequate to ensure that the presence or absence of employees was completely and accurately recorded and reported for the purposes of computing pay, leave, and allowances (Finding A), or to prevent unauthorized payments and overpayments to former and transferred DeCA employees (Finding B). DeCA had not included time and attendance reporting procedures in its annual assurance statements for FYs 1992 or 1993, because DeCA did not consider time and attendance issues a material concern that warranted inclusion. All recommendations in this report, except recommendation A.2., if implemented, will correct the weaknesses. Potential monetary benefits were identified; however, the exact amount of the monetary benefits could not be determined. We have requested DeCA to determine the exact amount of unauthorized payments and collectibility of the payments, and to report through the follow-up process the amounts collected or determined uncollectible. Appendix B summarizes the benefits resulting from the audit. Copies of the final report will be provided to the senior officials responsible for internal controls within the Office of the Secretary of Defense, DeCA, and the Defense Finance and Accounting Service.

Prior Audits and Other Reviews

Since DeCA began operations on October 1, 1991, no previous audits or reviews directly related to the recording and reporting of time and attendance data at DeCA have been performed.

Other Matters of Interest

DeCA has taken some positive action to improve procedures for the recording and reporting of time and attendance data. Official written policies and

procedures on DBMS operating requirements for DeCA Headquarters, regional resource management offices, districts, service centers, central distribution centers, and management support centers were established in DeCA Directive 70-9, "Defense Business Management System (DBMS)," May 31, 1993. The directive details the personnel responsibilities and procedures for recording and reporting time and attendance. It includes provisions for certifying time and attendance data recorded on T&A records and in the DBMS, the proper recording of time and attendance data on the T&A records, the preparation and retention of supporting documentation for the T&A records, and the implementation of OPM policies. The directive was issued at the end of our audit; and it does not fully address the recommendations for corrective action included in this report.

Part II - Findings and Recommendations

Finding A. Controls over Time and Attendance

DeCA controls over the recording and reporting of time and attendance data were not adequate to ensure that the presence or absence of employees was completely and accurately recorded and reported for the purposes of computing pay, leave, and allowances during FY 1993. The condition occurred because DeCA had not established adequate written policies and procedures for the recording and reporting of time and attendance, and it did not follow established Office of Personnel Management guidance on premium pay and part-time career employment. Additionally, training in time and attendance reporting and quality assurance reviews of time and attendance reporting procedures were not accomplished. As a result, unsupported payments of $573,598 were made to DeCA employees; $2,999 in premium payments and 2,074 hours of leave could not be verified; and $407,651 of payments were not properly certified in the Defense Business Management System. Additionally, DeCA intermittent employees received premium payments of approximately $36,833 and DeCA part-time career employees received payments of approximately $348,797 for hours worked, contrary to established Office of Personnel Management policies on entitlements for intermittent employees and employment of part-time career employees.

Background

The individual T&A record (DeCA Form 70-4) is prepared by DeCA employees at stores, regions, service centers, and the headquarters to record hours worked, leave taken, and any exceptions to the employees' daily scheduled work assignments. The records are support for the payroll data entered into the DBMS. A designated time and attendance clerk normally inputs information contained on the T&A record and supplemental documents into the DBMS. At the end of each 2-week pay period, the data should be certified by the employees' immediate supervisors or someone designated to certify the time and attendance information.

Chapter 1, title 5, Code of Federal Regulations, "Administrative Personnel," January 1, 1992, sets forth the regulations, criteria, and conditions that the OPM has prescribed for various types of employment and the administration of pay and leave. Agencies are subject to specific OPM requirements to varying degrees, pursuant to statute, regulation, or formal agreement between OPM and the agencies.

In accordance with DoD Manual 7220.9-M,"DoD Accounting Manual," chapter 16, "Civilian Employee Pay System Standards," December 14, 1987, T&A records should show that each employee is entitled to his or her normal pay or to a greater or lesser amount by showing the number of hours present,

premium pay entitlements as authorized by OPM, the nature and length of absences, and proper certifications by authorizing officials. Supplemental documents, such as overtime approval forms, applications for leave, military leave orders, or certificates of attendance, may be required to verify that the hours recorded on the T&A records for premium pay or leave were accurate and properly authorized. The DoD Accounting Manual also prescribes internal control techniques for operating accounting systems, and the principles, standards, and related requirements for DoD pay systems for civilian employees paid from appropriated funds. The manual requires that adequate written policies and procedures be established and implemented, all personnel be adequately trained in their functions, sufficient controls be installed, and management oversight be implemented to ensure compliance with payroll system requirements. See Appendix A for a summary of the OPM and DoD guidance.

Complete and Accurate Time and Attendance Data

DeCA controls over the recording and reporting of time and attendance data were not adequate to ensure that the presence or absence of employees was completely and accurately recorded and reported for the purposes of computing pay, leave, and allowances during FY 1993. Specifically:

o T&A records were inadequate and unreliable, and insufficiently supported.

o Reported time and attendance data were not certified in the DBMS by supervisors with direct knowledge of the presence or absence of employees.

o DBMS entry codes were inadequately controlled.

o DeCA intermittent employees received premium pay for night or holiday work for extended periods.

o DeCA part-time career employees worked more hours than OPM policies allowed.

Adequacy of T&A Records. T&A records were inadequate and unreliable. Because properly authorized T&A records are the source document for payroll data entered into the DBMS and the basis for payment, each record, in accordance with OPM and DoD guidance, should accurately show the employees' time and attendance data, as well as information pertaining to all

categories of premium pay. Our review of 792 T&A records showed that 683 (86 percent) inaccurately showed or lacked one or more of the following supporting data:

- o pay period dates,
- o start and stop times,
- o total hours worked,
- o premium pay entitlements*,
- o leave entitlements,
- o source of alterations or corrections to the T&A record, and
- o signature of the certifier of the time and attendance data in the DBMS.

Our comparison of the DBMS pay records with the 683 T&A records showed that 48,527 hours of work and leave, totaling $573,598 in employee payments, were not supported by T&A records that adequately and accurately displayed all entitlements to pay and leave and all the proper authorizations.

Support for T&A Records. T&A records were insufficiently supported. Documents, such as overtime approval forms, leave requests or approvals, and documents detailing the periods of employees' exposure to adverse environmental conditions, are required by OPM and DoD guidance (see Appendix A) to ensure that overtime is controlled and properly funded, employee leave is properly maintained, and employees are paid only for actual exposure to adverse conditions, such as cold storage work. Of the 792 T&A records reviewed, 663 showed hours for overtime, leave, or cold storage work. Of the 663 records, 197 (30 percent) had inaccurate or missing supporting documentation. Our comparison of the DBMS pay records with the 197 T&A records showed that $2,999 of premium pay for overtime and premium pay for cold storage work, and 2,074 hours of leave were not supported.

Certification of Time and Attendance. Reported time and attendance data were not certified in the DBMS by supervisors with direct knowledge of the presence or absence of employees. The DoD Accounting Manual states, in part, that the authorized official responsible for reviewing and approving time and attendance is to know the presence and absence of employees for whom approval is given.

Of the 16 commissary stores sampled, 11 (69 percent) designated only 1 or 2 supervisors per store to certify the reported time and attendance data in the

*Premium pay entitlements recorded on T&A records were considered inaccurate if unsupported by the recorded start and stop times, if incorrectly classified or coded, and if unauthorized according to OPM policies.

DBMS for all store employees. Because the 16 commissary stores employed from 37 to 190 intermittent, part-time, and full-time employees with varying work schedules, the probability of one or two supervisors having firsthand knowledge of the presence or absence of all store employees was remote.

Our analysis of certification procedures and T&A records for all commissary stores in our sample disclosed that a supervisor with direct knowledge of the employees' presence or absence did not certify the time and attendance recorded on 511 (65 percent) of 792 T&A records. A comparison of the DBMS pay history records with the 511 T&A records showed that immediate supervisors did not certify 29,890.25 hours of work, representing $407,651 in payments.

DBMS Entry Codes. DBMS entry codes were inadequately controlled. Controls over entry into DBMS should prevent unauthorized use of the system. Specifically, entry into DBMS should be limited to authorized individuals. Further, user identification codes and passwords should be unique because they identify the holder as an authorized user of the system and provide management a method of monitoring system utilization. At 8 (50 percent) of the 16 commissary stores we visited, the sharing of entry codes and passwords was a common practice. Personnel responsible for entering time and attendance data into the DBMS were sharing the user identification codes and passwords of personnel responsible for certifying time and attendance data in the DBMS. At one of the stores, an employee having access to the time, attendance, leave and earnings, and certification in the DBMS was also responsible for maintaining a file containing user identification codes and personal passwords for all authorized DBMS users at the store.

Intermittent Employees. DeCA intermittent employees received premium pay for night or holiday work for extended periods. OPM guidance states, in part, that intermittent employees are not normally entitled to premium pay.

OPM policy for determining an employee's entitlement to premium pay states that an employee is entitled to premium pay for night, holiday, or Sunday work performed as part of his or her regularly scheduled work. OPM defines an intermittent work schedule as one in which the nature of the work is so sporadic and unpredictable that a tour of duty cannot be regularly scheduled in advance. Therefore, intermittent employees, by definition, are not normally entitled to premium pay for night, holiday, or Sunday work.

On a temporary basis, and if known in advance of the workweek, intermittent employees may be entitled to premium pay for special projects, or when working in a position with a regular schedule during the absence of a full-time or part-time employee. However, if the work requirements are expected to last for more than two consecutive pay periods, OPM policy requires that the intermittent employee's appointment be changed to part-time or full-time, and the employing agency must issue a Standard Form 50, Notification of Personnel Action, documenting the change.

Intermittent employees were consistently granted premium pay for night or holiday work at 6 (38 percent) of the 16 sampled commissary stores. Consequently, we further reviewed the computer-processed pay records for all

DeCA intermittent employees in the DBMS from September 20, 1992, through May 15, 1993, to determine whether OPM policies and procedures were appropriately applied throughout DeCA. Of the 3,605 employees identified in the DBMS as intermittent, 1,349 (37 percent) received premium pay for night or holiday work for more than 2 consecutive pay periods. The computer-processed pay records for the 1,349 intermittent employees showed that the employees received approximately $36,833 in premium pay after the end of the second consecutive pay period, and that the employees were not converted to part-time or full-time schedules.

Part-time Career Employees. DeCA part-time career employees worked more hours than OPM policies allowed. OPM policies for part-time career employment (in accordance with statutory requirements governing part-time career employment as contained in United States Code, title 5, section 3401-3408, and Public Law 95-437) do not permit an employee to work longer than 32 hours per week for more than 2 consecutive pay periods.

Part-time career employees were working more hours than OPM allowed at 13 (81 percent) of the 16 sampled commissary stores. Consequently, we further reviewed the computer-processed pay records for all DeCA part-time career employees in the DBMS from September 20, 1992, through May 15, 1993, to determine whether OPM policies and procedures were appropriately applied throughout DeCA. Of 2,894 DeCA employees who were identified as part-time career employees in the DBMS, 506 (17 percent) worked more than 32 hours per week for more than 2 consecutive pay periods. Those employees received approximately $348,797 in pay, over 17 pay periods between September 20, 1992, and May 15, 1993, for the hours exceeding 32 hours per week.

DeCA Policy and Procedures

DeCA had not issued comprehensive policies and procedures to ensure adequate recording and reporting of time and attendance. None of the 16 commissary stores sampled had official written policies and procedures. A draft directive for the recording and reporting of time and attendance was available; however, it was not distributed to all commissary store-level personnel responsible for the recording and reporting of data. Because no official DeCA guidance was distributed, commissary store personnel followed guidance provided by individual regions or the procedures formerly used by the Military Departments before the formation of DeCA. For example, some commissary stores were still using the Military Departments' procedures for recording and reporting the time and attendance data, including premium pay and leave. However, the

procedures were not compatible with the DBMS. Because of inadequate guidance at the commissary stores, responsible personnel at the commissary stores did not ensure that:

o all T&A records would support time and attendance data as reported in the DBMS. Without complete and accurate supporting T&A records, an adequate audit trail is not available to ensure that all hours in a basic work week are accounted for and that unauthorized changes to T&A records are detected.

o T&A records were supported by supplemental documents showing proper time and attendance information and authorizations for premium pay and leave. Without adequate support for T&A records, an audit trail is not available to verify that the hours recorded and reported for premium pay or leave are accurate and executed by personnel acting within the scope of their authority.

o time and attendance data in the DBMS were certified by supervisors who knew of the employees' actual presence or absence and were capable of detecting discrepancies between the time and attendance data recorded in the DBMS and the data on the T&A record. When someone other than the employees' immediate supervisor certifies the employees' time and attendance in the DBMS, the potential for unauthorized changes or undetected errors exists.

o DBMS entry codes were properly controlled. Disclosure and the shared use of user identification codes and personal passwords are material security control weaknesses that increase the chance for misuse or alteration of the time and attendance data in the DBMS. They also increase unauthorized persons' access to Privacy Act information.

OPM Policies

DeCA did not provide adequate guidance on OPM policies on entitlements for intermittent employees and employment of part-time career employees to ensure adequate recording and reporting of time and attendance. OPM states, in part, that intermittent employees are not normally entitled to premium pay, and in accordance with public law, part-time career employees are not to work longer than 32 hours per week for more than two consecutive pay periods. Intermittent employees were granted premium pay for extended periods without evidence that the employees were converted to part-time or full-time schedules. The appointments of the 1,349 intermittent employees, previously noted in the report, should have been changed to part-time or full-time, thereby entitling them to benefits (for example, leave, service credit, health, and retirement) appropriate to the work schedule and appointment. Additionally, part-time career employees worked more hours than allowed by OPM. Part-time career employees who consistently work a full-time schedule should have their appointment changed to full-time, either on a short-term (the not-to-exceed date should be specified in the personnel action) or permanent basis. Such change would entitle the employees to all full-time employee benefits, such as holiday pay, annual and sick leave, and health insurance.

Training and Quality Assurance Reviews

DeCA training of payroll personnel in time and attendance reporting procedures, and quality assurance reviews of time and attendance reporting procedures were not accomplished to ensure the adequate recording and reporting of time and attendance.

Training. DeCA was not providing its payroll personnel with adequate training in time and attendance reporting. Responsible personnel should be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions regarding the recording and reporting of time and attendance to include employment policies and the administration of pay and leave. Training is necessary to ensure that responsible personnel are able to identify and correct incomplete or inaccurate time and attendance data. Personnel at 7 (44 percent) of the 16 commissary stores we visited had not received any type of formal training in time and attendance reporting procedures.

Quality Assurance Reviews. The DeCA Internal Review Office had not performed quality assurance reviews of existing procedures for time and attendance recording and reporting. Reviews of time and attendance recording and reporting should be performed periodically to ensure that DeCA and OPM policies are being followed and that time and attendance data are accurately recorded and reported for computing employees' payroll, leave, and earnings. As noted earlier, DeCA personnel were not following OPM policies; and errors in payments occurred because DeCA had not periodically reviewed procedures for time and attendance reporting. Our interviews with personnel at the commissary stores disclosed that no in-depth DeCA reviews had previously occurred.

Summary

Although DeCA Directive 70-9 was issued on May 31, 1993, to provide instruction on personnel responsibilities and procedures for recording and reporting time and attendance, the potential for the reported conditions to occur still exists. For example, time and attendance data in the DBMS could continue to be certified by someone other than employees' immediate supervisors because the DeCA directive does not specifically prohibit the sharing of DBMS entry codes, and it does not require that immediate supervisors certify time and attendance data. Additionally, part-time career employees can continue to work more hours than allowed by OPM because of a lack of clear DeCA direction. DeCA written policies and procedures should ensure the proper assignment of responsibility, the separation of duties, and the adherence to OPM policy so that time and attendance data are properly and accurately recorded on T&A records and reported in DBMS to compute pay, leave, and allowances.

Recommendations and Management Comments

We recommend that the Director, Defense Commissary Agency:

1. Issue comprehensive policy and procedures on time and attendance reporting. The policy and procedures should include controls to ensure that:

a. complete and accurate time and attendance records include compliance with Office of Personnel Management, Department of Defense, and Defense Commissary Agency policies,

b. adequate documentation support premium pay and leave recorded on time and attendance records,

c. the proper certification of time and attendance data is entered in the Defense Business Management System, and

d. adequate controls exist over Defense Business Management System entry codes.

Management Comments. DeCA concurred with the recommendation, stating that DeCA Directive 70-9, "Financial Management for Payroll," was revised August 31, 1994, and contains comprehensive policy and procedures. The directive contains step-by-step procedures on how to complete accurate time and attendance records; support premium pay and leave; prepare proper certifications; and control DBMS access codes.

2. Establish procedures to ensure compliance with Office of Personnel Management guidance on entitlements for intermittent employees and on employment of part-time career employees.

Management Comments. DeCA concurred with the recommendation, stating that the revised DeCA Directive 70-9 includes specific guidance on employee entitlements. As a continuing action, in basic and advanced commissary operations briefings, the managers are informed of the laws, regulations, and policies affecting intermittent employees.

3. Provide training to responsible personnel on the recording and reporting of time and attendance and on the requirements of Office of Personnel Management, Department of Defense, and Defense Commissary Agency policies.

Management Comments. DeCA concurred with the recommendation, stating that training videos for timekeepers and supervisors/certifiers will be distributed during CY 1995. Additionally, DeCA Directive 70-9 will be updated and changed to reflect the changing payroll trends and procedures.

4. Instruct the Defense Commissary Agency internal review office to perform periodic quality assurance reviews on the effectiveness of time and attendance policies and procedures at all organizational levels.

Management Comments. DeCA concurred with the recommendation, and on September 16, 1994, instructed personnel in the DeCA Internal Review Office to include a review of time and attendance policies and procedures at all organizational levels in their review schedule beginning in CY 1995.

Finding B. Controlling Payments for Separated Employees

Controls were inadequate to prevent former and transferred employees of DeCA from receiving unauthorized payments and overpayments during FY 1993. The condition occurred because the Defense Finance and Accounting Service had not programmed the DBMS to automatically stop payments to employees that DeCA had not separated from the DBMS and whose time was not certified in the DBMS. As a result, undue entitlements of $104,743 were paid to 46 employees and no action was being taken to recover the undue entitlements.

Separation Procedures

When an employee is separated by resignation, transfer, retirement, or death, the effective date of the separation must be entered on the employee's personnel record layout in the DBMS to prevent the DBMS from automatically generating hours and authorizing payments for that employee. Our interviews with commissary store personnel disclosed that personnel at 5 (31 percent) of the 16 stores sampled were not aware of the requirement to enter a separation date into the DBMS. Personnel were unaware of the requirement because of inadequate time and attendance policies and procedures, training, and quality assurance reviews, as discussed in Finding A.

Former and Transferred Employees

Controls were inadequate to prevent former and transferred employees of DeCA from receiving unauthorized payments and overpayments. Actions to separate an employee from a DeCA activity and remove the employee's pay record from the DBMS should be promptly performed to prevent the generation of hours and authorization of payments for former or transferred employees. However, our comparison of DBMS pay records for the 219 employees that DeCA identified as former employees with the DBMS pay records located in the east data base of DBMS and those located in the west data base showed that undue entitlements of $104,743 were paid to 46 employees. Specifically:

o Thirty-four former DeCA employees received payments of $83,581 after their effective dates of separation. The payments continued because DeCA had not promptly removed the employees from the DBMS; therefore, the DBMS continued to automatically generate hours worked for the former employees and authorized payments to them.

o Twelve transferred employees were paid $21,162 in undue entitlements because they were paid comparable amounts from both the east and west data bases of DBMS for up to two consecutive pay periods. The employees transferred to other positions within DeCA with payroll records maintained by another data base in the DBMS. However, the employees' records were not promptly removed from the losing data base. The 12 employees were overpaid because the losing data base of DBMS automatically continued to generate hours that were originally scheduled for those employees and automatically authorized payments to them because no exceptions were entered into their work schedule matrix.

DeCA was not aware of the undue entitlements, and therefore, had taken no action to collect the overpayments. We have requested DeCA to determine the exact amount of unauthorized payments and the collectibility of the $104,743 and to report through the audit follow-up process the amounts collected or determined uncollectible.

DBMS Programming

The Defense Finance and Accounting Service had not programmed the DBMS to automatically stop payments to former or transferred employees that DeCA had not separated from the DBMS and whose time was not certified in the DBMS. DBMS, as currently programmed, will not automatically stop payments for employees whose time and attendance data have not been certified. DBMS is programmed to generate hours and make payments to employees based on an assigned matrix that identifies the employees' work schedules. Payable amounts are altered only if an exception, such as a termination code, is entered into the matrix in DBMS. DBMS does not automatically stop payments even when a supervisor fails to certify employees' time and attendance after numerous pay periods.

A DoD review is under way to consider replacing the DBMS with another DoD system. However, it should be noted that the conditions included in this report concerning the DeCA use of time and attendance recording and reporting procedures would be applicable to any designated payroll system that DeCA uses that makes use of exception reporting for computing payroll entitlements.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Director, Defense Commissary Agency:

a. Issue comprehensive policy and procedures on requiring prompt action to remove a separated employee from the Defense Commissary Agency time and attendance records and remove a separated employee's pay record from the Defense Business Management System to prevent the generation of hours and authorization of payments for former or transferred employees.

b. Identify all unauthorized payments and overpayments for all former employees provided by us under separate cover and take the appropriate action to recoup those payments.

c. Report to the Inspector General, DoD, the actions taken to recoup former and transferred employee overpayments and the dollar amounts actually collected from those employees.

Management Comments. DeCA concurred with the recommendation, stating that the revised DeCA Directive 70-9 provides the procedures for entering a separation date into DBMS for a terminated employee. DeCA is reviewing the unauthorized payments and overpayments made to former employees and expects to submit collection requests to DFAS-CO by April 1, 1995. As of October 12, 1994, DeCA had identified $42,440 in invalid payments and overpayments. Of the amount identified, $5,265 had been collected.

2. We recommend that the Director, Defense Commissary Agency, and the Director, Defense Finance and Accounting Service, establish controls to automatically stop payments when a supervisor fails to certify employees' time and attendance after a predetermined number of pay periods.

DeCA Comments. DeCA concurred with the recommendation, stating that it will continue to emphasize that timekeepers, supervisors and certifiers follow the correct procedures for entering and certifying employees in DBMS. However, the Defense Finance and Accounting Service is responsible for making changes to the system.

Defense Finance and Accounting Service Comments. The Defense Finance and Accounting Service concurred with the recommendation and stated that a system change request is being prepared to stop payments if there is no certified time and attendance data for two consecutive pay periods.

Audit Response. Comments from DeCA and the Defense Finance and Accounting Service are responsive. However, we request that the Director, Defense Finance and Accounting Service, provide a date for implementation of the software change to the payroll system to stop payment of uncertified time and attendance.

Part III - Additional Information

Appendix A. Office of Personnel Management and DoD Guidance

Guidance	Reference	Description
T&A records	DoD 7220.9-M; chapter 16[1]	Time and attendance documents, together with any necessary supporting documents, such as approved applications for leave, overtime approvals, etc., are to be maintained for each employee, and sufficient internal controls are to be established to preclude unauthorized changes to completed time and attendance documents.
Pay period dates	DoD 7220.9-M; chapter 16	The time period shown on T&A records shall correspond to the length of a pay period.
Start and stop times	DoD 7220.9-M; chapter 16	Daily starting and ending times should be present on T&A records to show whether an employee is entitled to premium pay or should be charged leave, and to support premium pay or leave hours recorded on the T&A records.
Total hours worked	DoD 7220.9-M; chapter 16	T&A records should show the number of hours worked by day and week and in total.
Premium pay	DoD 7220.9-M; chapter 16	Employees may be paid premium pay as authorized by applicable laws, regulations, and legal decisions.
Premium pay for overtime work	5 CFR[2]; chapter 1; parts 532.503, 550.111, 550.112, 551.501, 610.111	Full-time, part-time, and intermittent employees whose basic pay does not exceed the minimum rate for GS-10 are entitled to receive overtime premium pay for hours of work officially ordered or approved in excess of the normal 40 hours in a workweek or 8 hours in a day.
Premium pay for night work	5 CFR; chapter 1; parts 550.121, 550.122	Employees whose rate of basic pay is established under the General Schedule, as instituted by 5 United States Code (U.S.C.) 5332 and as adjusted by the President, are entitled to receive premium pay for regularly scheduled work performed between 6 p.m. and 6 a.m. An employee is entitled to night pay when on holiday leave or in an official travel status. However, an employee is not entitled to night pay for a period of paid leave when the total amount of that leave in a pay period is 8 hours or more. An employee is entitled to night pay when temporarily assigned to a tour of duty that includes night work.
Premium pay for holiday work	5 CFR; chapter 1; part 610.202; and FPM[3]; supplement 990-2; book 610; S2-1	**Identification of Holidays.** Holidays falling on nonworkdays are observed on the workday immediately preceding the holiday, and holidays that fall on Sunday or the day in lieu of Sunday are observed on the workday immediately following the holiday.

[1]DoD Accounting Manual (DoD 7220.9-M), chapter 16 - "Civilian Employee Pay System Standards," December 14, 1987.
[2]5 Code of Federal Regulations, chapter 1 - "Office of Personnel Management," January 1, 1992, edition.
[3]Federal Personnel Manual.

Guidance	Reference	Description
Premium pay for holiday work (cont'd)	5 CFR; chapter 1; parts 532.507, 550.131	**Premium Pay for Holiday Work.** An employee is entitled to receive premium pay for work performed on a holiday not exceeding 8 hours. Part-time employees are not entitled to holiday premium pay unless the holiday falls on a day a part-time employee is scheduled to work and the employee actually works that day. An intermittent employee is not eligible for holiday pay.
Premium pay for Sunday work	5 CFR; chapter 1; parts 532.509, 550.171	A full-time employee is entitled to receive Sunday pay for each hour of work performed on a Sunday that is not considered overtime work and does not exceed 8 hours for each regularly scheduled tour of duty which begins or ends on a Sunday. Part-time employees are not entitled to premium pay for Sunday work.
Premium pay for cold storage work	5 CFR; chapter 1; part 532	Wage grade employees are entitled to receive environmental differential pay for work involving unusually severe hazards or working conditions. For employees at the commissary stores, this includes work in the cold storage area, such as a walk in freezer.
Proper certifications by authorizing officials	DoD 7220.9-M; chapter 14[4]	Source records necessary for audit trail purposes shall identify the preparer and approver of data. Also, corrections should be validated.
Support for T&A records	DoD 7220.9-M; chapter 16	Time and attendance documents shall be supplemented by such related information as DoD Components may require in support of pay entitlements.
Written approval for overtime pay	DoD 7220.9-M; chapter 16; and 5 CFR; chapter 1; parts 532.503, 550.111, 551.501	Emphasizes the need to prepare and retain written approval for overtime pay, and states in part, that each DoD activity is responsible for controlling overtime, for ensuring that overtime worked is properly funded, and as a rule, for ensuring that overtime is approved in writing in advance of working the time. Also, unless overtime is included in the regularly scheduled workweek, it must be ordered or approved in writing by an officer or employee to whom the necessary authority has been specifically delegated.
Support for leave taken	DoD 7220.9-M; chapter 16	Support for the T&A record for employees taking leave must include a request and approval of leave, and be initialed or signed by the employee or supported by an application for leave that has been approved by a supervisor designated to make such approvals. Further, documentation for the leave taken must show the dates, times, and types of leave taken.
Period of exposure to adverse environmental conditions	5 CFR; chapter 1; part 532.511; part 532, subpart E, appendix A	Environmental differential pay for cold storage work is payable on an actual exposure basis.

[4]DoD Accounting Manual (DoD 7220.9-M), chapter 14 - "Internal Control," July 27, 1987.

Appendix B. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.1.	Internal Control. Will provide increased controls on recording and reporting time and attendance data.	Nonmonetary.
A.2.	Compliance. Adherence to Office of Personnel Management policy will ensure that time and attendance is properly and accurately recorded and reported.	Nonmonetary.
A.3.	Internal Control. Adequate training will strengthen operations.	Nonmonetary.
A.4.	Internal Control. Periodic reviews will strengthen operations.	Nonmonetary.
B.1.a.	Internal Control. Will provide increased controls to prevent overpayments.	Nonmonetary.
B.1.b. B.1.c.	Internal Control. Will recoup funds.	Monetary. To be determined.
B.2.	Internal Control. Will provide increased controls to prevent overpayments.	Nonmonetary.

Appendix C. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Under Secretary of Defense for Personnel and Readiness, Washington, DC

Defense Organizations

Defense Commissary Agency Headquarters, Fort Lee, Petersburg, VA
Defense Commissary Agency Central Region Headquarters, Little Creek Naval Amphibious Base, Norfolk, VA
  Commissary Store, Fort Campbell, Christian, KY
  Commissary Store, Fort Monroe, Hampton, VA
  Commissary Store, Norfolk Naval Base, Norfolk, VA
Defense Commissary Agency Midwest Region Headquarters, Kelly Air Force Base, San Antonio, TX
  Commissary Store, Brooks Air Force Base, San Antonio, TX
  Commissary Store, Fort Hood, Killeen, TX
  Commissary Store, Randolph Air Force Base, San Antonio, TX
Defense Commissary Agency Northeast Region Headquarters, Fort Meade, MD
  Commissary Store, Fort Belvoir, Springfield, VA
  Commissary Store, Quantico Marine Corps Base, Quantico, VA
Defense Commissary Agency Northwest Region Headquarters, Fort Lewis, WA
  Commissary Store, Elmendorf Air Force Base, Anchorage, AK
  Commissary Store, Fort Richardson, Anchorage, AK
Defense Commissary Agency Southern Region Headquarters, Maxwell Air Force Base, AL
  Commissary Store, Eglin Air Force Base, Fort Walton Beach, FL
  Commissary Store, Pensacola Naval Air Station, Pensacola, FL
Defense Commissary Agency Southwest Region Headquarters, El Toro Marine Corps Air Base, Santa Ana, CA
  Commissary Store, El Toro Marine Corps Air Station, Santa Ana, CA
  Commissary Store, Imperial Beach Navy Outlying Landing Field, Imperial Beach, CA
  Commissary Store, Long Beach Naval Station, Long Beach, CA
  Commissary Store, Miramar Naval Air Station, San Diego, CA
Defense Electronics Supply Center, Dayton, OH

Defense Organizations (cont'd)

Defense Finance and Accounting Service - Columbus Center, Columbus, OH
Defense Finance and Accounting Service, Richmond Detachment, Richmond, VA
Defense Information Technology Services Organization, Dayton, OH

Non-Defense Organizations

Department of Transportation, Office of the Inspector General, Washington, DC
Office of Personnel Management, Washington, DC
Social Security Administration, Baltimore, MD

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Under Secretary of Defense for Personnel and Readiness
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Commissary Agency
Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations

Office of Management and Budget
U.S. General Accounting Office
- National Security and International Affairs Division, Technical Information Center
- National Security and International Affairs Division, Defense and National Aeronautics and Space Administration Management Issues
- National Security and International Affairs Division, Military Operations and Capabilities Issues

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

- Senate Committee on Appropriations
- Senate Subcommittee on Defense, Committee on Appropriations
- Senate Committee on Armed Services
- Senate Committee on Governmental Affairs
- House Committee on Appropriations
- House Subcommittee on Defense, Committee on Appropriations
- House Committee on Armed Services
- House Panel on Morale, Welfare and Recreation, Committee on Armed Services
- House Committee on Government Operations
- House Subcommittee on Legislative and National Security, Committee on Government Operations

Part IV - Management Comments

Defense Commissary Agency Comments

DEFENSE COMMISSARY AGENCY
HEADQUARTERS
FORT LEE, VIRGINIA 23801-6300

REPLY TO ATTENTION OF

OCT

IR

MEMORANDUM FOR INSPECTOR GENERAL, LOGISTICS SUPPORT DIRECTORATE,
400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

SUBJECT: Audit Report on Controls Over Time and Attendance for the Defense Commissary Agency (Project No. 3LA-2002.02)

Reference: DoDIG Memorandum, August 17, 1994, SAB.

Per your request in referenced memorandum, attached are our comments to the recommendations, monetary benefits, and the internal control weaknesses addressed in Part I of subject report.

RONALD P. McCOY
Colonel, USAF
Chief of Staff

Attachment:
As Stated

DEFENSE COMMISSARY AGENCY REPLY

SUBJECT: Audit Report on Controls Over Time and Attendance for the Defense Commissary Agency (Project No. 3LA-2002.02)

Finding A. Controls Over Time and Attendance

Recommendation 1. Issue comprehensive policy and procedures on time and attendance reporting. The policy and procedures should include controls to ensure that:

a. complete and accurate time and attendance records include compliance with OPM, DoD, and DeCA policies,

b. adequate documentation support premium pay and leave recorded on time and attendance records,

c. the proper certification of time and attendance data is entered in the Defense Business Management System (DBMS), and

d. adequate controls exist over DBMS entry codes.

Action Taken. Concur.

a. DeCA Directive 70-9, Financial Management for Payroll, was revised August 31, 1994. It now contains comprehensive policy and procedures on time and attendance. The directive has been distributed to all CONUS activities within DeCA. The directive contains step-by-step procedures on how to complete DeCA Form 70-4, Individual Daily Time and Attendance Record. The directive includes procedures on which codes are to be used on DeCA Form 70-4, along with definitions for these codes. The procedures for the various types of leave, overtime and compensatory time, holiday and excused absences for relocation purposes are some of the other subjects covered in DeCA Directive 70-9. Also, quarterly In-Process Reviews (IPRs) are held with DFAS-CO, DLA and DeCA to discuss and provide workable solutions to payroll and personnel problems created by timekeepers and certifiers not following the correct procedures for T&A. The next IPR is scheduled for November 2, 1994, at which point the DoDIG recommendations will be thoroughly reviewed to determine if further actions, to include a change to DeCA Directive 70-9, are required to ensure the accuracy of T&A.

b. DeCA Directive 70-9 provides the required documentation needed to support major categories of leave taken by employees. The directive also references procedures on premium pay (night differential and shift differential). This topic will also be covered in the discussions at the next quarterly IPR with DFAS-CO, DLA, and DeCA.

c. DeCA Directive 70-9 contains specific procedures for certifying T&A. Chapter 4 of the directive mainly addresses the necessary functions required of the timekeeper and the supervisor to ensure accuracy and efficiency of T&A documents and the input of data into the DBMS. On February 18, 1994, a memorandum was sent to the CONUS Region Commanders/Directors advising them to place greater emphasis on the elimination of timekeeper/certifier payroll errors, and to ensure immediate corrective actions are taken to eliminate any problems. On March 22, 1994, a message was sent to all DeCA supervisors and certifiers telling them how to properly make time and attendance adjustments in DBMS at the point of certification. A T&A video is currently being made to actually show the procedures of how to enter T&A into DBMS and states the responsibilities of supervisors concerning certification of the data in DBMS once it has been entered into the system. The video is scheduled for production around mid-January 1995 and should be distributed to the field around March 31, 1995. A video specifically for certifiers, detailing how to properly certify T&A in DBMS and how to make changes to payroll data will also be completed and distributed not later than December 31, 1995.

d. In the March 22, 1994 message previously mentioned, supervisors and certifiers were informed that the practice of loaning passwords for any purpose was strictly prohibited within DeCA. To reiterate this policy along with those stated above, DeCA currently holds an hour class at each Commissary Management Course held at the Headquarters. This issue is also discussed at each quarterly IPR with DFAS-CO, DLA, and DeCA. Not later than October 31, 1994, another memorandum will be sent to all DeCA timekeepers, supervisors, and certifiers to stress the importance of not sharing/loaning their unique DBMS passwords. The memorandum will also point out some of the problems caused by the improper use of DBMS passwords.

Recommendation 2. Establish procedures to ensure compliance with OPM guidance on entitlements for intermittent employees and on employment of part-time career employees.

Action Taken. Concur. DeCA Directive 70-9 includes specific guidance on employee entitlements. As a continuing action, managers are briefed in Basic and Advanced Commissary Operations courses on proper use of other-than-full-time employees. Managers in these classes are informed of the laws, regulations, and policies affecting their use of part-time and intermittent employees.

Recommendation 3. Provide training to responsible personnel on the recording and reporting of time and attendance and on the requirements of OPM, DoD, and DeCA policies.

Action Taken. Concur. As stated in reply to recommendation 1c, training videos for timekeepers and supervisors/certifiers will be

printed and distributed during CY 1995. Also, DeCA Directive 70-9 will be updated and changed accordingly to reflect changing trends and procedures in the payroll arena. The first scheduled change for DeCA Directive 70-9 will be February 1995 and will include feedback from the November 2, 1994 IPR and any actions taken as a result of this report.

Recommendation 4. Instruct the DeCA Internal Review Office to perform periodic quality assurance reviews on the effectiveness of time and attendance policies and procedures at all organizational levels.

Action Taken. Concur. On September 16, 1994, DeCA Internal Review Office was instructed to include in the CY 95 Internal Review Schedule a review of time and attendance policies and procedures at all organizational levels. The Internal Review Office was also advised this should be an area of review in future years as well.

Finding B. Controlling Payments for Separated Employees

Recommendation 1. We recommend that the Director, DeCA:

a. Issue comprehensive policy and procedures on requiring prompt action to remove a separated employee from DeCA time and attendance records and remove a separated employee's pay record from the DBMS to prevent the generation of hours and authorization of payments for former or transferred employees.

b. Identify all unauthorized payments and overpayments for all former employees provided by us under separate cover and take the appropriate action to recoup those payments.

c. Report to the Inspector General, DoD, the actions taken to recoup former and transferred employee overpayments and the dollar amounts actually collected from those employees.

Action Taken. Concur.

a. DeCA Directive 70-9 provides the procedures on actions required of the timekeeper to enter a separation date in DBMS for a terminated employee. This directive instructs the timekeeper to enter a separation date for a terminated employee on the exact day the employee terminates. The directive also instructs the timekeeper to notify their Region Liaison Office (LO) and their servicing DLA Office of Civilian Personnel (OCP) when an employee terminates. This is done because the servicing DLA OCP has the capability of removing the employee from the personnel database and the OCP is also responsible for ensuring the proper paperwork is forwarded to DFAS-CO for the ultimate removal of the employee from the DBMS payroll database. Since the conversion to DLA for personnel support in early FY 94, DeCA employees no longer have access capability to enter the personnel and payroll databases to

remove a separated employee from DBMS. This function can only be performed by DLA personnel. DeCA will continue to stress the importance of entering a separation date into DBMS to timekeepers, supervisors, and certifiers. At the November 2, 1994 IPR, we will request DLA place more emphasis on removing separated employees from both personnel and payroll databases in a timely manner.

b. All three enclosures were reviewed for validity. Enclosure 1 contained a total of 97 employees with a total net dollar value of $360,065.52 (the DoDIG report reflects $359,724.01); however, it includes a debit balance for one employee that actually should be zero. The 34 people listed on enclosure 2 with a total net dollar value of $58,039.46 were also included in enclosure 1; therefore, all DeCA review efforts were concentrated on enclosure 1. Enclosure 3 contained 12 employees with a total net dollar value of $12,712.83. Total net dollar value reviewed by DeCA was $372,778.35 ($360,065.52 from enclosure 1 and $12,712.83 from enclosure 3). The following results were noted:

Enclosure 1.

(1) A total net dollar value of $325,569.80 in payments appeared to be valid payments based on our review of SF-50s, Time and Labor Exception (TALE) records, and DFAS-CO adjustment records. These payments involved 73 employees on enclosure 1.

(2) A total net dollar value of $32,384.86 in payments appeared to be invalid payments based on the same review documents mentioned in (1) above. However, these payments are still being reviewed by DeCA because we have not received some supporting documentation from the employing activities. The projected date of final verification is February 28, 1995. These payments involve 27 employees on enclosure 1 (7 of the employees had both valid and invalid payments).

(3) Overpayments with a total net dollar value of $2,110.86, involving four employees from enclosure 1 were given a very limited review by DeCA because we could not find any supporting documentation either at DFAS-CO, the region, or at the employing activity. This was due to having only a social security number for the payment and not being able to match that number with a name.

Enclosure 3.

(1) A total net dollar value of $4,172.86 (three employees) had already been repaid to DFAS-CO at the time the DoDIG report was done.

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(2) A total net dollar value of $1,092.14 (one employee) is currently being collected by DFAS-CO. The employee is on a time-payment plan for this amount.

(3) Total net dollar value of $596.08 for one employee was actually a lump-sum leave payout that occurred alter the employee transferred to another activity. DFAS-CO stated this was a valid payment.

(4) Total net dollar value of $6,851.75 for six employees is still being reviewed by DeCA and DFAS-CO. Projected date of final verification is February 28, 1995.

Upon completion of our verification process for the invalid payments in enclosure 1 and the overpayments in enclosure 3, DeCA will submit collection requests to DFAS-CO for all employees concerned by April 1, 1995.

c. As stated above, upon completion of our verification process we will submit the names of those employees who are definitely indebted to DeCA to DFAS-CO, requesting they prepare formal debt packages to these employees. The amounts collected by DFAS-CO will be reported to the DoDIG as they are received. As we anticipate this to be an on-going process, we cannot provide a projected date of completion for collecting the funds. This process will depend largely on both the reaction time provided by DFAS-CO and their priorities as far as debt management is concerned. DeCA will make this a top priority and will push the process through DFAS-CO as diligently as possible.

Recommendation 2. We recommend that the Director, DeCA, and the Director, Defense Finance and Accounting Service, establish controls to automatically stop payments when a supervisor fails to certify employees' time and attendance after a predetermined number of pay periods.

Action Taken. Concur. DeCA will continue to emphasize to timekeepers, supervisors and certifiers the importance of following the correct procedures for entering T&A data and certifying employees in DBMS. There is no other method available for DeCA employees to stop payments in DBMS. DFAS-CO responded to this recommendation in a memorandum dated September 8, 1994, stating DFAS-CO-LA currently has a system change request (SCR) in draft form that would discontinue the payment of all uncertified T&A. In essence, the SCR in part reads: "As part of the on-line retention of information and adjustment feature, pay periods where the time is uncertified will be retained on-line for future certification. However, pay will not be generated either during the normal pay processing cycle or through the special pay feature until certified". DFAS-CO did not give a projected implementation date for this SCR because, to date, the SCR has not been funded or scheduled for implementation in a future DBMS software release.

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Monetary Benefits. The amount of monetary benefits is undetermined at this time as we are still determining the amount of unauthorized and overpayments made.

Internal Control Weaknesses. We concur that internal control weaknesses existed in the areas addressed in the report and actions are being taken to correct these areas.

Defense Finance and Accounting Service Comments

DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

OCT 26 1994

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, LOGISTICS SUPPORT DIRECTORATE, INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to DoD IG Draft Report, "Controls Over Time and Attendance for the Defense Commissary Agency," (Project Code 3LA-2002.02)

We have reviewed the draft DoD Report, "Controls Over Time and Attendance for the Defense Commissary Agency." We concur with the finding and recommendation in Part B.2. The following comments are provided in regards to Recommendation B.2. which calls for DeCA and DFAS to establish controls to automatically stop payments when a supervisor fails to certify employees' time and attendance (T&A) after a predetermined number of pay periods.

A System Change Request (SCR) is being prepared to stop payments if there is no certified T&A data for two consecutive pay periods. The first time the T&A data is not certified, employees will be paid according to the uncertified T&A. If there is no certification for two consecutive pay periods, employees will not be paid for the second pay period.

The uncertified T&A records will be maintained in suspense in the system until certified. When the T&A certifier enters the system, the system will automatically bring up the prior pay period(s) uncertified records first. The T&A certifiers will have the opportunity to make changes, which will result in retroactive pay adjustments for previous pay periods if necessary.

If you have any further questions regarding these comments, please contact Mrs. Susan Eldridge on (703) 607-1538.

Michael E. Wilson
for Deputy Director for Finance

cc: DFAS-CO/DI
DFAS-HQ/GC (Tom Tresslar)
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