Office of
INSPECTOR GENERAL

Audit Report

Review of USITC's Personnel - Payroll Functions and Activities

Report No. IG-03-93

September 1993

Date Issued

INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

September 27, 1993

REVIEW OF USITC'S PERSONNEL - PAYROLL FUNCTIONS AND ACTIVITIES

Approximately $30 million, 68% of the USITC's Fiscal Year (FY) 1992 appropriation, was dedicated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. The objectives of this audit were to evaluate the USITC policies applicable to personnel - payroll functions and activities and the way in which these policies are implemented in order to identify any areas of non-compliance with Federal Laws and regulations, improvements to internal controls, or increased efficiency.

This review was conducted by Urbach Kahn & Werlin PC in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The results of their review are presented as an attachment to this report.

We are pleased to report that the findings identified in this review indicate that significant policy and procedural changes were adopted throughout the Commission to correct the internal control weaknesses identified in an audit report that we issued in September 1990. After conducting a comprehensive review of the Commission's personnel management functions and activities, we reported significant weaknesses in the payroll related functions, including that timesheets were not properly supported and signed; overtime was frequently not properly documented, authorized or reported; and compensatory time and credit hours were not properly recorded or controlled.

During this review, we found that relevant guidance had been developed on payroll related functions and employees were substantially complying with the policies and procedures. The findings and recommendations are mostly refinements to policy and procedures. We know that implementing the changes was a difficult process and wish to acknowledge the efforts of the Office of Finance and Budget (OFB) and Personnel.

The findings and recommendations presented on pages 6 through 13 of the report are as follows:

-- Personnel management specialists and their assistants should have limited supplemental responsibilities.

-- OFB staff should periodically test compliance with time and attendance policies.

-- Timekeepers should not have direct access to General Services Administration National Payroll Center personnel.

-- Timekeepers who do not meet the exception criteria should not maintain their own time and attendance records.

-- OFB staff should periodically test compliance with compensatory time policies and Administration should clarify the existing policy directive.

Other matters and suggestions are presented on pages 14 and 15 of the report.

Compensatory time was the one area in which the most problems were identified. Although dramatically improved from the last audit, the need for clarification of guidance and increased monitoring for compliance was apparent. Additional guidance is needed on justifications, the maximum pay limitation, payments to terminated employees, and use of annual leave when the employee has a compensatory time balance. Increased monitoring is needed to ensure that offices properly record compensatory time earned, estimated times are not claimed, and time and attendance records are properly reconciled.

The Director of Administration concurred with the recommendations and suggestions. A summary of the Director's comments is presented after each finding and other matter on pages 6 through 15 of the report. The Director's comments are presented in their entirety as an appendix to the report.

Jane E. Altenhofen

Jane E. Altenhofen
Inspector General

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INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT

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UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT

United States International Trade Commission
Office of Inspector General

We have performed certain agreed-upon procedures related to the personnel-payroll functions and activities within the United States International Trade Commission (USITC). The procedures for the review, as identified in Section II of this report, were agreed to by USITC's Office of Inspector General and were performed solely to assist USITC in evaluating and improving their personnel-payroll functions and activities. This report is intended solely for the information of USITC. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The objectives of this engagement included the performance of agreed-upon procedures by Urbach Kahn & Werlin PC (UKW) to determine findings with respect to the following:

- The adequacy and effectiveness of internal control procedures (including automated systems),
- The adequacy and accuracy of personnel-payroll systems,
- Whether USITC's policies and procedures are in compliance with Federal laws and regulations, and
- The efficiency and effectiveness of the personnel-payroll systems.

Our engagement findings are included in Sections III and IV of this report.

Urbach Kahn & Werlin PC

Washington, DC
June 18, 1993

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Worldwide Coverage through Urbach Hacker Young International

SECTION I
BACKGROUND

Background

The United States International Trade Commission (USITC) is an independent agency of the United States Government created by an act of Congress. USITC conducts investigations and reports findings relating to international trade and economic policy matters on behalf of both the Congress and President.

USITC has a full-time, permanent staff of approximately 450 individuals, with budget appropriations for fiscal years 1992 and 1993 of $42,434,000 and $44,852,000, respectively. Approximately 65 percent of the budget represents personnel compensation and benefits.

Personnel

USITC's Office of Personnel (PN) currently has a staff of eight who are responsible for managing the staffing and training needs of USITC. The primary functions of the Office of Personnel, according to the U.S. Office of Personnel Management's Federal Personnel Manual, include:

- Planning, organizing, directing, coordinating and controlling all personnel management programs conducted within USITC.
- Determining that personnel management programs support USITC's missions, meet the needs of management and employees, and are consistent with the basic goals of Federal personnel management.
- Insuring that personnel management is carried out effectively and efficiently in accord with applicable laws, executive orders, presidential policies, regulations, and standards.
- Implementing positively and vigorously the principle of selection and promotion on the basis of ability, merit, and fitness in staffing USITC.

PN maintains official files on all active USITC personnel which include hiring, promotions, raises, awards, training and benefit information. USITC's personnel policies and procedures have been developed in accordance with the Federal Personnel Manual and other Federal laws and regulations. The Office of Personnel also uses the Department of Energy's (DOE) PayPers System as an automated database system to assist PN in preparing personnel forms and reports, and in complying with the data requirements of the US Office of Personnel Management.

Payroll

The payroll function within USITC is the responsibility of the Office of Finance and Budget (OFB). Timekeeper activities and the handling of payroll records are monitored by the Chief of Finance. USITC uses the General Services Administration's (GSA) National Payroll Center in Kansas City, Missouri for the processing of their payroll. USITC provides GSA with time and attendance (T&A) and payroll records from which GSA generates payroll checks, pay and leave statements, master payroll reports and general ledger accounting information. USITC's T&A policies and procedures closely follow guidance outlined in GSA's Timekeeper Handbook.

SECTION II
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

Objectives

UKW was engaged to perform agreed-upon procedures related to the personnel-payroll functions and activities within USITC. The objectives of this engagement included the performance of agreed-upon procedures UKW to determine findings with respect to the following:

- The adequacy and effectiveness of internal control procedures (including automated systems),
- The adequacy and accuracy of payroll systems,
- Whether USITC's policies and procedures are in compliance with Federal laws and regulations, and
- The efficiency and effectiveness of the personnel-payroll systems.

Scope

UKW conducted its review from June 1 to June 18, 1993 at the offices of USITC in Washington, DC. UKW's engagement staff met with numerous USITC employees with responsibilities over the personnel-payroll functions and activities, reviewed USITC policies and directives, and tested personnel-payroll transactions and records from fiscal year 1993.

Methodology

The general procedures performed by UKW were as follows:

- Document an understanding of USITC's accounting and reporting processes and the primary aspects of the personnel-payroll control environment by observing and reviewing USITC's existing procedures and processing routines.
- Assess the significance and degree of risk for key systems of USITC's personnel-payroll internal controls.
- Assess the computer related controls at USITC, DOE, and GSA.
- Review USITC's compliance with those laws and regulations that govern personnel-payroll internal control, accounting and management systems.
- Conduct a survey of USITC staff to document their understanding of the systems of internal control for personnel-payroll functions and activities.
- Review USITC personnel policies.
- Review of the segregation of functional responsibilities.

- Interview accounting, management, and other personnel who are assigned responsibilities for ensuring adherence to internal control structure policies and procedures for personnel-payroll.

- Review USITC's compliance with US Office of Personnel Management reporting requirements.

- Observe personnel in the performance of their assigned personnel-payroll duties,

- Select a sample of employee pay records from payroll periods during the 1993 fiscal year (to include new hires and terminated employees) and perform the following procedures:

  ✓ Verify the calculation of gross pay,

  ✓ Verify the calculation of pay adjustments under the Performance Management Recognition System,

  ✓ Verify quality step increases,

  ✓ Verify the calculation of deductions,

  ✓ Verify the calculation of net pay,

  ✓ Verify that the salary rate and grades were properly approved,

  ✓ Verify that income tax withholdings were proper,

  ✓ Verify that employees approved voluntary deductions, and

  ✓ Trace payroll data to the *Consolidated Payroll Report* provided by the GSA National Payroll Center.

- Determine whether USITC complied with Federal laws and regulations, and the adequacy of the approval process for:

  ✓ Hiring and processing new employees,

  ✓ Managing employee benefits, including leave,

  ✓ Effecting within-grade increases,

  ✓ Effecting career promotions,

  ✓ Developing performance plans and evaluations as they relate to merit pay, quality step increases, and performance and incentive awards, and

- ✓ Effecting terminations.

- Select a sample of time and attendance forms and verify:
  - ✓ Forms conform to GSA standards,
  - ✓ Forms have proper supervisory approval,
  - ✓ Overtime and leave are properly coded, supported and authorized, and
  - ✓ Overtime and leave agree to annual attendance records and the *Consolidated Payroll Reports*.
- Review a sample of employee annual attendance records to verify proper certification, reconciliations, and ceiling limitations.
- Select a sample of employees with compensatory time balances and ensure employees earn and use compensatory time in accordance with USITC policy.
- Verify and review supporting documentation for performance awards.
- Test payroll report reconciliations to the general ledger.
- Perform analytical procedures.
- Review areas where significant accounting problems exist.
- Review, where applicable, actions taken in response to the internal control structure recommendations contained in previous personnel-payroll reports.

Conclusions

The results of our procedures did not disclose any significant instances of non-compliance with federal laws and regulations, or USITC policies and procedures. We did, however, identify certain findings and recommendations, and other matters, which are discussed under sections III and IV of this report.

SECTION III
FINDINGS AND RECOMMENDATIONS

1) PERSONNEL MANAGEMENT SPECIALISTS AND THEIR ASSISTANTS SHOULD HAVE LIMITED SUPPLEMENTAL RESPONSIBILITIES.

Condition

We noted that personnel management specialists are occasionally appointed Acting Director in the absence of the Director. We also noted that one of the personnel management specialist assistants is authorized as an alternate timekeeper. This authorization allows her to pick up employee pay checks from the Office of Finance and Budget as well as timekeep. Personnel management specialists and their assistants are the only employees with access to the DOE PayPers System for the generation of SF-50s, thus performance of both of these functions provides for an inadequate segregation of duties.

Criteria

The fourth specific standard in GAO's Standards for Internal Controls in the Federal Government states "Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals."

Cause

USITC staff are aware of this issue and, in this regard, believe that other system controls are in place which mitigate the potential problems which may result from an inadequate segregation of duties.

Effect

Personnel management specialists and their assistants have the ability to generate, authorize and access payroll documents, a condition which increases the risk of unauthorized transactions not being identified during the normal course of business.

Recommendation

We recommend that USITC implement procedures which provide for an adequate segregation of duties for those occasions when personnel management specialist is Acting Director or an alternate timekeeper.

Management's response

"AGREE. This recommendation will be implemented by issuance of a 'delegation of authority' memo to staff which will address the segregation of duties for those occasions when personnel management specialist is Acting Director or an alternate timekeeper."

2) *OFB STAFF SHOULD PERIODICALLY TEST COMPLIANCE WITH TIME AND ATTENDANCE POLICIES.*

Condition

In connection with the testing of time and attendance procedures, we noted the following exceptions to USITC's policies:

- 30 of 50 annual attendance records tested were missing a supervisory signature for the semi-annual review.
- 20 of 50 time and attendance records required a Request for Leave form. However, for 7 of these records the form was not in the T&A file.
- Of the 50 annual attendance records tested, 13 had compensatory time balances. However, 7 of the 13 used annual leave prior to using the compensatory time available. (*See finding 5 for additional information.*)
- 4 of 50 annual attendance records tested had discrepancies reconciling to the *Consolidated Payroll Report*.
- 1 of 50 time and attendance records (SF 3575) tested did not have the leave hours taken indicated on the form for less than a full day.
- 1 of the 2 employees in our sample with overtime exceeded the recommended limit for hours worked without a meal break. (*See finding 5 for additional information.*)
- 1 of 50 time and attendance records tested was missing a supervisor's signature.
- 1 of 50 time and attendance records tested was approved by a supervisor who did not have an authorization card on file (SF-123).
- 1 of 50 time and attendance records tested did not have a schedule for use of restored leave.
- 1 of 50 time and attendance records tested was not tracking compensatory time for an employee with a compensatory time balance. (*See finding 5 for additional information.*)

Criteria

USITC Directive 2201.1 - Time, Attendance and Payroll Services Handbook and Directive 4304.1 - Overtime and Compensatory Time outline required procedures and policies related to time and attendance and other payroll areas. Although OFB has a policy for periodic (annual) testing of time and attendance records, they apparently did not perform these tests due to staff limitations.

Cause

It would appear that staffing limitations has precluded OFB from conducting reviews of actual practices by timekeepers to ensure proper compliance with established USITC policies.

Effect

While it does not appear that these discrepancies have resulted in any additional cost to USITC, payroll, leave and compensatory time balances may be incorrectly reported. Inadequate reviews by supervisors may not ensure adequate compliance with laws and policies.

Recommendation

We recommend that OFB periodically perform internal testing procedures of T&A records (without regard to quarterly timekeeper meetings) to ensure records are in compliance with USITC's policies and procedures.

In addition, we believe USITC may improve compliance by providing a general checklist for problem areas which should be reviewed by timekeepers before timesheets are submitted to OFB.

Management's response

"AGREE. OFB will provide a general checklist for timekeepers to use as they complete biweekly timesheets. OFB will continually review and revise the Review of Annual Attendance Record form, completed during timekeeper reviews, to include new problem ares. In addition, as time permits, OFB will increase timekeeper reviews from once to twice annually. OFB will also review all problem areas during quarterly timekeeper meetings."

3) *TIMEKEEPERS SHOULD NOT HAVE DIRECT ACCESS TO GSA NATIONAL PAYROLL CENTER PERSONNEL.*

Condition

In connection with our review and survey of eleven timekeepers within USITC, we noted that at least one timekeeper has contacted GSA National Payroll center staff to make adjustments to certain employees' pay and leave data, thus confirming an inadequate segregation of duties.

Criteria

GAO's Standards for Internal Controls in the Federal Government requires that "key duties and responsibilities in authorizing, processing, recording, and reviewing transactions" be separated. The noted condition circumvents this separation of duties.

Cause

Timekeepers were likely not aware of the inherent weaknesses in this process.

Effect

Transactions and authorizations may be inappropriately overridden and timekeeping practices could develop inconsistencies.

Recommendation

USITC should discuss this situation with both the timekeepers and GSA and implement enhanced procedures to ensure that GSA does not process any payroll adjustments without the consent of specific individuals at OFB.

Management's response

"AGREE. OFB discussed this situation with GSA and in order not to cause a possible delay in a salary payment, GSA prefers not to be limited to whom they can talk to in order to clear up a current payroll processing problem. However, OFB has implemented procedures with GSA where GSA will not process payroll adjustments without OFB (or the Office of Personnel where appropriate) approval. These procedures will be reviewed and enhanced as required, and discussed during quarterly timekeeper meetings."

4) TIMEKEEPERS WHO DO NOT MEET THE EXCEPTION CRITERIA SHOULD NOT MAINTAIN THEIR OWN TIME AND ATTENDANCE RECORDS.

Condition

In connection with our review and survey of eleven timekeepers within USITC, we noted that four timekeepers maintain their own time and attendance records. Two of the four timekeepers are responsible for in excess of 20 employees' time and attendance records and, as such, do not meet the exception criteria which allows timekeepers to maintain their own time and attendance records. The two other timekeepers do meet the exception criteria.

Criteria

Title 6 of the GAO's Policy and Procedures Manual for Guidance of Federal Agencies states, in part, that employees may maintain their own time and attendance records in certain situations.

USITC Administrative Order 92-03 provides additional authority for certain timekeepers to maintain their own timesheets under written authorization by the agency head. Furthermore, it states that designated and alternate time and attendance clerks are to maintain each others' time and attendance forms on a routine basis. In the event that one of the timekeepers is absent, the other timekeeper can keep his/her own time and attendance records during that absence. However, these requirements only apply in offices of 10 or fewer permanent staff positions.

Cause

Both timekeepers questioned who do not meet the exception criteria indicated that they have not been informed that they are not to maintain their own time and attendance records.

Effect

Since the supervisor signing and authorizing the time and attendance records has many employees under his/her direction, the supervisor may not be aware of the timekeepers' time and leave taken. Therefore, the time and attendance records have a significantly greater potential for abuse.

Recommendation

Alternate timekeepers should be used to maintain the time and attendance records of the designated timekeeper. In the event that the alternate timekeeper is absent, the designated timekeeper can maintain his/her own time and attendance records during that absence.

Management's response

"AGREE. OFB will include reminders in this area on the general checklist for timekeepers and in the Review of Annual Attendance Record form, and will also include it as a topic at all quarterly timekeeper meetings. The timekeepers who were improperly keeping their own time are now authorized or are no longer doing it."

5) *OFB STAFF SHOULD PERIODICALLY TEST COMPLIANCE WITH COMPENSATORY TIME POLICIES AND ADMINISTRATION SHOULD CLARIFY THE EXISTING POLICY DIRECTIVE.*

Condition

In connection with our testing of 25 selected employees, we noted the following exceptions:

- 8 of 25 attendance records with compensatory time had used both annual and compensatory time in the period tested. Of the 8, we noted 5 which used annual leave prior to using the compensatory time available. USITC directive 4304.1 outlines policy relating to "use or lose" annual leave. In this regard, the Director of Personnel intended the Directive to apply to the last three pay periods of the year. We noted, however, that the interpretation of when 'use or lose' annual leave actually occurs varied within USITC. (In our testing, we interpreted 'properly scheduled use or lose' annual leave to only apply to the last three pay periods of the year. In addition, we interpreted, as policy, that restored leave may be used before compensatory time should be included). *See finding 2 for additional instances.*

- 1 clerical error made in a March 1993 attendance record, and related to compensatory time, was noted. The result was an inflated compensatory time balance of 16 hours. Had the timekeeper made the proper reconciliations at any time between March of 1993 and June of 1993, the error would have been detected. (This was corrected by the timekeeper during the engagement.)

- 1 overtime authorization of 7 tested had no explanation for the need for overtime.

- USITC directive 4304.1 states "For productivity, safety and health reasons, managers should limit overtime (whether for pay or compensatory time off) to not more than 4 hours on workdays and 8 hours on non-workdays, unless extenuating circumstances dictate otherwise. Also, employees should be reminded to take meal breaks during lengthy periods of overtime." The following are instances noted in which employees exceeded the recommended limit for compensatory hours worked. *See finding 2 for related issues.*

  - ✓ 1 instance was noted in which an employee worked 10.7 compensatory hours, resulting in an 18.7 hour workday with one half hour break. In addition, we noted the time and attendance was not coded correctly on the timesheet. The incorrect coding, however, had no effect on the number of hours.

  - ✓ 1 instance was noted in which an employee worked 18.2 hours, resulting in 10.2 compensatory hours.

  - ✓ 13 instances were noted in which employees worked nine hours (or more) on non-workdays.

  - ✓ 8 instances were noted in which employees worked five compensatory hours (or more) on workdays, resulting in 13 hour (or more) workdays.

In connection with the above compensatory time issues, the information on the time records precluded an accurate determination as to whether or not meal breaks were taken and/or encouraged in accordance with policy.

- USITC does not have an established policy regarding the non-payment of compensatory time to terminated employees. USITC should establish this policy to ensure the consistent application of such benefits, and this policy should be considered for a revised directive on overtime and compensatory time. In FY 1993, the Director of Administration sought guidance from the General Counsel on whether agency policy on compensatory time could be changed to provide that employees would not receive payment for any compensatory time balances remaining at the time they leave the agency. The General Counsel advised the Director that she had doubts that such a plan, if adopted, would withstand a challenge from adversely affected employees and, as such, suggested that he request an opinion from the Comptroller General before he recommended that the Commission adopt such a policy. We believe there is little, if any, difference in this proposed change in policy and the existing carryover limit at the end of the year and, accordingly, believe that such a change could be adopted.

- USITC appears to have inconsistent practices regarding the handling of compensatory time limited by the maximum pay limitation. The overtime and compensatory time directive should be amended to indicate that compensatory time is limited based on employees' current pay level and, in addition, that lost compensatory time cannot be "restored" at a later date.

- Other issues concerning amended timesheets and overtime justifications, as reported in 'Other Matters' 5 and 6 (pages 14 and 15 of this report), also related to approving and recording compensatory time.

Except for those instances noted in Finding 2 and above, compensatory time was properly approved and reported and in general, ITC complied with their policies regarding sick leave and credit hours. We note, however, that the number of exceptions noted above indicate that further corrective actions are required in order to ensure full compliance with applicable policy and directives. Nonetheless, we noted that there was no one who had compensatory time in excess of 50 hours carried from one leave year to the next.

Criteria

USITC Directive 4304.1 - Overtime and Compensatory Time outlines required procedures and policies related to overtime and compensatory time. The attributes tested in our samples are required under USITC policies.

With regard to compensatory time, the Directive 4304.1 currently reads:

> "Earned compensatory time must be used before annual leave is used, with one exception: 'properly scheduled use or lose' annual leave must be used prior to earned compensatory time".

Cause

Reviews of actual practices by timekeepers have not been performed on a regular basis to ensure proper compliance with established USITC policies. In addition, USITC Directive 4304.1 11a. may not have been interpreted as intended.

Effect

In at least one case, the compensatory time balance was inflated. Other cases have indicated that the annual leave balance and the compensatory time balance were not correct.

Recommendation

We recommend that the recommendations for finding 2 also be extended to compensatory time. In addition, USITC should amend USITC Directive 4304.1 11a. to clarify the definition of 'properly scheduled use or lose' annual leave.

The Directive will also need to be amended to incorporate a policy regarding the payment of compensatory time to terminated employees as well as the limitation of compensatory time based on current pay level.

Management's response

"AGREE. OFB will provide a general checklist for timekeepers to use as they complete biweekly timesheets and continually review and revise the Review of Annual Attendance Record form to include new problem areas. OFB will also review all problem areas during quarterly timekeeper meetings. USITC Directive 4304.1 on overtime and compensatory time will be reviewed and revised as required."

SECTION IV
OTHER MATTERS AND SUGGESTIONS

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Our review also identified the following suggestions or other instances non-compliance which we did not consider significant to the operations of USITC:

1) ***Personnel management evaluation system***—The Office of Personnel is currently in the process of establishing a formal personnel management evaluation system for performing internal reviews of personnel policies and procedures. Although lack of guidance from the US Office of Personnel Management has apparently delayed the development of this system, we believe USITC should continue their effort and begin implementation as soon as possible.

   "Response: AGREE. The Office of Personnel is continuing to develop evaluation criteria and expects to complete one formal review by the end of the year."

2) ***Privacy Act Notice***—15 of 49 official personnel folders tested did not have a Privacy Act Notice, apparently due to the age of the folder. FPM Supplement 293-31 states that offices should "affix to the front panel of each folder (SF 66) printed before January 1981 in their custody and to each folder received from the NPRC, a Standard Form 66-B, Official Personnel Folder Safeguarding Provisions Label. The label summarizes requirements for protecting the privacy of the contents of folders and is to be used on all such OPF's."

   "Response: AGREE. A stock of SF-66-B's has ben ordered and are being affixed to official personnel folders as they are retrieved for routine personnel actions."

3) ***Form S-7 cards***—The Office of Personnel's file for Form S-7 cards are not maintained in a locked file cabinet within the Office. In order to more fully conform with regulations regarding the security of such records, and reduce the possibility of unauthorized access, the cards should be maintained in a locked cabinet.

   "Response: AGREE. We have asked for a locksmith's estimate to modify our current card containers. The alternative solution will be the purchase of new lockable cabinets."

4) ***Excessive compensatory time***—USITC's employees may exceed the maximum pay limitation if timesheets with excessive compensatory time, are submitted late to GSA. This situation may result since these timesheets are manually processed and the maximum pay limitation control is bypassed. All timesheets which are submitted to OFB after the Monday following the pay period should be reviewed and approved by OFB to ensure the pay limitation is not exceeded. *(Also see finding 5.)*

   "Response: AGREE. All late and/or amended timesheets which include overtime and/or compensatory time earned, are reviewed and approved by OFB prior to being submitted to GSA, to ensure that pay limitations are not exceeded."

5) ***Amended timesheet procedures***—USITC's timesheet procedures indicated that there is confusion relating to amended timesheet procedures. An administrative announcement should be published reminding employees and timekeepers that all timesheets must be submitted on Friday and, if an employee anticipates working on the weekend, that such time should only be indicated on an amended timesheet to be submitted on the following Monday. Estimates should not be used. (Also see finding 5.)

"Response: AGREE. This is clearly stated in the Time, Attendance, and Payroll Services Handbook (USITC Directive 2201.1 - V-3). However, a reminder will be published. OFB is currently reviewing timesheets each pay period to assure estimates are not used, and will also discuss this area at quarterly timekeepers meetings."

6) ***Overtime justifications***—USITC should consider the extent to which overtime justifications are necessary. One office justifies overtime with various general explanations. Overtime approvals for this office consist of a blanket form with a standard explanation of the need for overtime. A second office appears to submit overtime forms without any justification. *(Also see finding 5.)*

"Response: AGREE. USITC Directive 4304.1 on overtime and compensatory time will be reviewed and revised as required."

7) ***Files for terminated employees***—Two instances were noted in which the OPF for a terminated employee had not been transferred to the National Personnel Records Center (NPRC) within the required 30 to 90 days after separation. PN staff should consider reviewing their OPF files to ensure files for terminated employees are transferred to NPRC on a timely basis.

"Response: AGREE. The two personnel assistants have been enrolled in a course on Records Retirement, after which they will construct a schedule for preparing and disposing of any pending files."

Appendix

AD-Q-630

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

August 30, 1993

MEMORANDUM

TO: Inspector General

FROM: Director, Office of Administration Lorri Goodrich

SUBJECT: Draft Report, "Review of USITC's - Personnel-Payroll Functions and Activities"

As requested by your memorandum dated July 29, 1993, (IG-Q-043), submitted herewith is the Office of Administration's response to the subject draft audit report. In accordance with Section 11 of the USITC Directive 1701, the Commissioners have had an opportunity to comment on the response and the Chairman has approved it (see attached memorandum).*

The attached response includes the actions to be taken and the target completion dates.

Please call me at 205-3131 or Bill Stuchbery at 205-3135 if you have any questions.

ATTACHMENTS

cc: Director, Office of Personnel
Director, Office of Finance and Budget

Note: Memorandum not included in audit report.

ADMINISTRATION'S RESPONSE TO THE DRAFT AUDIT REPORT
REVIEW OF USITC'S - PERSONNEL-PAYROLL FUNCTIONS AND ACTIVITIES

RECOMMENDATION:

1. Personnel Management Specialists and their assistants should have limited supplemental responsibilities.

   We recommend that USITC implement procedures which provide for an adequate segregation of duties for those occasions when personnel management specialist is Acting Director or an alternate timekeeper.

RESPONSE: AGREE

This recommendation will be implemented by issuance of a "delegation of authority" memo to staff which will address the segregation of duties for those occasions when personnel management specialist is Acting Director or an alternate timekeeper.

TARGET COMPLETION DATE: September 30, 1993

RECOMMENDATION:

2. OFB staff should periodically test compliance with time and attendance policies.

   We recommend OFB consistently perform internal testing procedures of T&A records in conjunction with quarterly timekeepers meetings to ensure records are in compliance with policies and procedures.

   Alternatively, we believe USITC may improve compliance by providing a general checklist for problem areas which should be reviewed by timekeepers before time sheets are submitted to OFB.

RESPONSE: AGREE

OFB will provide a general checklist for timekeepers to use as they complete biweekly timesheets. OFB will continually review and revise the Review of Annual Attendance Record form, completed during timekeeper reviews, to include new problem areas. In addition, as time permits, OFB will increase timekeeper reviews from once to twice annually. OFB will also review all problem areas during quarterly timekeeper meetings.

TARGET COMPLETION DATE: December 31, 1993

RECOMMENDATION:

3. Timekeepers should not have direct access to GSA National Payroll Center personnel.

   USITC should discuss this situation with both the timekeepers and GSA and implement enhanced procedures to ensure that GSA does not process any payroll adjustments without the consent of specific individuals at OFB.

RESPONSE: AGREE

OFB discussed this situation with GSA and in order not to cause a possible delay in a salary payment, GSA prefers not to be limited to whom they can talk to in order to clear up a current payroll processing problem. However, OFB has implemented procedures with GSA where GSA will not process payroll adjustments without OFB (or the Office of Personnel where appropriate) approval. These procedures will be reviewed and enhanced as required, and discussed during quarterly timekeeper meetings.

TARGET COMPLETION DATE: December 31, 1993

RECOMMENDATION:

4. Timekeepers who do not meet the exception criteria should not maintain their own time and attendance records.

   Alternate timekeepers should be used to maintain the time and attendance records of the designated timekeeper. In the event that the alternate timekeeper is absent, the designated timekeeper can maintain his/her own time and attendance records during that absence.

RESPONSE: AGREE

OFB will include reminders in this area on the general checklist for timekeepers and in the Review of Annual Attendance Record form, and will also include it as a topic at all quarterly timekeeper meetings. The timekeepers who were improperly keeping their own time are now authorized or are no longer doing it.

TARGET COMPLETION DATE: December 31, 1993

RECOMMENDATION:

5. OFB staff should periodically test compliance with compensatory time policies and administration should clarify the existing policy directive.

   We recommend that the recommendations for finding 2 should be extended to compensatory time.

   In addition, USITC should amend USITC Directive 4304.1 11a. to clarify the definition of properly scheduled use or lose' annual leave. The Directive currently reads:

   "Earned compensatory time must be used before annual leave is used, with one exception: 'properly scheduled use or lose' annual leave must be used prior to earned compensatory time".

   We found that the interpretation of when 'use or lose' annual leave actually occurs varied within USITC. In our testing, we interpreted 'properly scheduled use or lose' annual leave to only apply to the last three pay periods of the year. This definition should be explicitly stated in the Directive.

RESPONSE: AGREE

OFB will provide a general checklist for timekeepers to use as they complete biweekly timesheets and continually review and revise the Review of Annual Attendance Record form to include new problem areas. OFB will also review all problem areas during quarterly timekeeper meetings. USITC Directive 4304.1 on Overtime and Compensatory time will be reviewed and revised as required.

TARGET COMPLETION DATE: December 31, 1993

OTHER MATTERS AND SUGGESTIONS

1. The Office of Personnel is currently in the process of establishing a formal personnel management evaluation system for performing internal reviews of personnel policies and procedures. Although lack of guidance from the U.S. Office of Personnel Management has apparently delayed the development of this system, we believe USITC should continue their effort and begin implementation as soon as possible.

RESPONSE: AGREE

The Office of Personnel is continuing to develop evaluation criteria and expects to complete one formal

review by the end of the year.

TARGET COMPLETION DATE: December 30, 1993

2. 15 of 49 official personnel folders tested did not have a Privacy Act Notice, apparently due to the age of the folder. FPM Supplement 293-31 states that offices should "affix to the front panel of each folder (SF 66) printed before January 1981 in their custody and to each folder received from the NPRC, a Standard Form 66-B, Official Personnel Folder Safeguarding Provisions Label. The label summarizes requirements for protecting the privacy of the contents of folders and is to be used on all such OPF's.

RESPONSE: AGREE

A stock of SF-66-B's has been ordered and are being affixed to official personnel folders as they are retrieved for routine personnel actions.

TARGET COMPLETION DATE: January 31, 1994

3. The Office of Personnel's file for Form SF-7 cards are not maintained in a locked file cabinet within the Office. In order to conform with regulations regarding the security of such records, and reduce the possibility of unauthorized access, the cards should be maintained in a locked cabinet.

RESPONSE: AGREE

We have asked for a locksmith's estimate to modify our current card containers. The alternative solution will be the purchase of new lockable cabinets.

TARGET COMPLETION DATE: September 30, 1993

4. USITC's employees may exceed the maximum pay limitation if timesheets, with excessive compensatory time, are submitted late to GSA. This situation may result since these timesheets are manually processed and the maximum pay limitation control is bypassed. All timesheets which are submitted to OFB after the Monday following the pay period should be reviewed and approved by OFB to ensure the pay limitation is not exceeded.

RESPONSE: AGREE

All late and/or amended timesheets which include overtime and/or compensatory time earned, are reviewed and approved

by OFB prior to being submitted to GSA, to ensure that pay limitations are not exceeded.

TARGET COMPLETION DATE: Completed

5. USITC's timesheet procedures indicated that there is confusion relating to amended timesheet procedures. An administrative announcement should be published reminding employees and timekeepers that all timesheets must be submitted on Friday and, if an employee anticipates working on the weekend, that such time should only be indicated on an amended timesheet to be submitted on the following Monday. Estimates should not be used.

RESPONSE: AGREE

This is clearly stated in the Time, Attendance, and Payroll Services Handbook (USITC Directive 2201.1 - V-3). However, a reminder will be published. OFB is currently reviewing timesheets each pay period to assure estimates are not used, and will also discuss this area at quarterly timekeepers meetings.

TARGET COMPLETION DATE: December 31, 1993

6. USITC should consider the extent to which overtime justifications are necessary. Different offices justify overtime with varying detailed explanations. For example, overtime approvals for the General Counsel's office consist of a blanket form with a standard explanation of the need for overtime.

RESPONSE: AGREE

USITC Directive 4304.1 on Overtime and Compensatory time will be reviewed and revised as required.

TARGET COMPLETION DATE: December 31, 1993

7. Two instances were noted in which the OPF for a terminated employee had not been transferred to the National Personnel Records Center (NPRC) within the required 30 to 90 days after separation. PN staff should consider reviewing their OPF files to ensure files for terminated employees are transferred to NPRC on a timely basis.

RESPONSE: AGREE

The two personnel assistants have been enrolled in a

course on Records Retirement, after which they will construct a schedule for preparing and disposing of any pending files.

TARGET COMPLETION DATE: September 30, 1993