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PROPRIETY
OF THE
FOREIGN NATIONAL PAYROLL
IN AID/KENYA

Audit Report No. 3-615-82-05
December 28, 1981

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Inspector General for Audit
Nairobi, Kenya

December 28, 1981

TO : Mrs. Allison Herrick, Director, USAID/Kenya

THRU : Mr. Grover Robinson, Director RFMC

FROM : Ray D. Cramer *Ray D. Cramer*
Regional Inspector General for Audit/Nairobi

SUBJECT: Memorandum Report on the Propriety of the
Foreign National Payroll in AID/Kenya
Audit Report No. 3-615-82-05.

Our brief examination of the propriety of the AID Kenya foreign national payroll, administered by AID's Regional Financial Management Center (RFMC), indicates that overall, the system is functioning properly and employees are being accurately paid. There are indicators that some foreign nationals may be being paid for overtime which was not performed. Additionally, time and attendance reporting procedures appeared to be lax in a couple of AID/Kenya offices. Subsequent to issuance of our draft audit report, RFMC and USAID/Kenya took prompt action to correct the noted deficiencies.

BACKGROUND

In January 1981, the processing of AID/Kenya's foreign national payroll was transferred to the U.S. Government's Regional Accounting and Management Center (RAMC) located in Paris. Under this arrangement, all the data base information needed to prepare a foreign nationals paycheck is generated by the various AID offices located in Nairobi, Kenya, transmitted to RFMC (also located in Nairobi), and subsequently forwarded to RAMC where it is entered into an automated system. Adjustments to the data base (promotion, periodic step increase, allotment, etc.) are prepared by the RFMC and sent to RAMC to update the system. RFMC also prepared bi-weekly time and attendance (T&A) reports which detail, for each employee, the number of regular hours worked, overtime, leave taken, etc. RAMC processes this information and prepares paychecks which are mailed to RFMC for distribution to the employees.

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AUDIT FINDINGS

Mission Foreign National Employees Are Being Accurately Paid

Our limited examination of the Mission's foreign national payroll leads us to the conclusion that employees are being accurately paid. There do not appear to be any unauthorized persons receiving paychecks. Additionally, our sample of information in the data base at RAMC did not reveal any inconsistencies which would affect the accuracy of the payroll.

A split payroll operation can easily be manipulated to produce paychecks for fictitious employees (ghosts). To determine whether ghosts existed on the Mission payroll, we obtained the paychecks for Pay Period 21 when they were first received in Kenya and verified them against the Mission staffing pattern. We also required each foreign national employee to show his U.S. Government identification at the time he picked up his paycheck. These tests confirmed that only bonafide employees were receiving paychecks.

A payroll can also be manipulated by entering erroneous grade and step levels in the data base at RAMC. We obtained detailed personnel information from RAMC for 17 employees and checked all details in the RAMC files against personnel records maintained at AID/Kenya. We also checked an additional 17 employees to insure that information on grade level/step at RAMC was in agreement with Mission personnel records. These tests did not reveal any discrepancies.

Possibility Exists That Overtime is Paid when Work is not Performed

There is a possibility that the AID/Kenya Mission is paying overtime to some foreign national employees when work is not being performed. When a person works evening or weekends, he is required to sign in and out on a log book at the guard desk. This log book could be a means to check on whether the individual receiving overtime was physically at the office during the time claimed. As discussed below, we could not verify that the overtime was actually performed.

Our comparison of overtime with overtime which could be supported by the log book, revealed numerous instances where we could not verify that the employee was in the building. For example, during Pay Period 18, there were 48 instances of overtime reported on time and attendance cards. In 32 instances (67 per cent of the cases) the overtime could not be substantiated by the log book.

We recognize that simple failure of the guard not requiring employees to sign in and out could explain to some extent why this is occurring. However, there is a possibility that some fraudulent overtime claims were processed

with the payroll. We feel the likelihood of this occurring was enhanced because (a) overtime had become a routine method of doing business in some of the AID elements, and was therefore less likely to be carefully scrutinized, (b) contrary to USAID regulations, foreign nationals were initiating the overtime authorization and not waiting until overtime was requested/approved by a supervisor, (c) some overtime authorizations appeared to be completed after the overtime was performed, and (d) employees were left unsupervised during the periods they worked overtime.

In accordance with Inspector General procedures, we have referred this matter to the Office of Inspections and Investigations for their determination as to whether any fraudulent activity has taken place. We also feel that RFMC and the other AID/Kenya offices should tighten controls over overtime.

In response to our draft report, the Directors of RFMC and USAID/Kenya advised us:

"A rigid sign in/sign out system has been established. Without exception, persons entering or leaving AID reception area on workdays between the hours of 4:45 p.m. and 7:00 a.m. and weekends and official holidays must sign the official sign in/sign out register. Factory Guards have been instructed to report anyone who refuses to cooperate.

In addition the sign in/sign out register has been redesigned to include the following information:

(1) Date, (2) Name (to be printed), (3) Office, (4) Time-In, (5) Time-Out, (6) Purpose (Personal - Authorized Overtime-Uncompensated overtime), (7) Remarks and (8) Signature. This information will facilitate verification of authorized overtime worked per T&A cards with the sign in/sign out register. Timekeepers periodically will routinely confirm O/T hours claimed on T&A's with the official sign in/sign out register. Any overtime hours authorized and claimed which cannot be confirmed with the sign in/sign out register will not be paid."

Time and Attendance Procedures Should Be Strengthened

The time and attendance card (T&A) is the basic document used by RAMC to determine an employees pay and leave charges. RAMC has to rely on the AID missions to keep accurate records of time and attendance, and the supervisors certification that reported data is correct and proper for payment. Consequently, USAIDs must ensure that strict controls

are maintained over the preparation, approval, and submission of time and attendance data.

Time and attendance reporting procedures generally were adequate in the AID/Kenya organizations we surveyed. We did notice a few instances where proper controls were not followed which lessens the assurance that accurate data is reported to RAMC. These instances are discussed below:

- In a few organizations the timekeeper, in addition to preparing the timecards, was certifying that they were approved and correct for payment. The timekeeper should be responsible for accumulating regular hours worked, overtime, and leave charges. The appropriate supervisor should be responsible for reviewing the completed T&A cards and certifying that they are correct for payment.
- In one organization a foreign national secretary was certifying the timecards as correct for payment.
- One organization had six different timekeepers. Three of them were responsible for keeping their own time and attendance data. Numerous timekeepers facilitate the ease of timecard preparation, but weaken the controls for ensuring that accurate data is reported. Additionally, an employee should not prepare his own time card.
- In all organizations we surveyed, the supervisors were giving the time cards back to the timekeepers after they were certified as being correct. Supervisors should return time cards directly to the controllers office. Timecards could easily be altered after the required certifications are completed.
- The RAMC has prepared a handbook explaining how to properly prepare timecards. However, this handbook had not been circulated to all timekeepers in the mission.

Officials at RAMC told us that errors frequently existed in timecards submitted by AID/Kenya. These errors were primarily caused by carelessness; and included mistakes such as using incorrect codes, completing mark sensing blocks which do not reconcile with the regular hours worked, and placing signatures which overlap into the mark sensing data field. T&A cards with these type of errors delay payroll processing because they have to be manually corrected before they can be processed by the computer.

In response to our draft report, the Directors of RFMC and USAID/Kenya advised us:

"RFMC's Payroll specialist now reviews T&A cards with each Timekeeper and takes immediate action to have corrected any problems/errors noted. The payroll specialist will maintain a record of problems/errors noted. In the event Timekeeper continues to encounter problems or fails to accurately complete T&A cards, the Timekeeper's supervisor will be requested to take appropriate action.

The Mission has obtained from RMC/Paris a supply of the Timekeeper's Handbook. Copies have been provided to each Timekeeper.

A Mission Order has been issued which contains instructions for Timekeepers, Alternates, and Supervisors on the preparation of T&A Cards."

CC: Deputy Administrator
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