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MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Conditions in Payroll Branch, Fiscal Division, Office of the Comptroller

1. On September 18 the Inspector General received an anonymous letter, addressed to him by name and title, alleging a seriously deteriorating situation in the Payroll Branch, Fiscal Division. This letter alleged among other things that personnel were being driven to the point of exhaustion, that overtime was excessive, that unsound changes were being made in basic procedures, that morale was terrible, and that most personnel were seeking to escape through resignation or reassignment. The letter concluded with an indication that Congress would probably be informed of these "slave conditions" unless some changes were made.

2. Knowledge of conditions in the Comptroller's Office already in the possession of this Staff, plus the evident sincerity of the complaining letter, resulted in an immediate spot investigation of conditions in the Payroll Branch. This investigation included personal interviews with all personnel in the Branch present for duty, discussions with the Chief of the Fiscal Division, with the Acting Comptroller, and with representatives of the Management Staff familiar with the area. Reference was also made to the earlier Inspector General's Survey of the Comptroller's Office and to last year's Management Staff report on the Fiscal Division.

3. This investigation revealed a substantial basis for many of the allegations contained in the letter of September 18. The conditions uncovered are discussed in detail below. Specific recommendations for the correction of deficiencies are set forth at the conclusion of this memorandum.

DISCUSSION

A. The Payroll Branch by its very nature has a number of inherent problems which will always have some adverse effect on morale. The impact of these factors will vary according to the quality of supervision, but will always be present to some degree. Among these factors are:

1. Low Grade Structure

The Payroll Branch has a T/O of 25. Of these, 17 are GS-5's or below. A Wage and Classification audit made as a result of the IG's survey of the Comptroller's Office in 1954 resulted in the upgrading of four supervisory positions. These upgradings have provided some additional incentive. However, the fact remains that the personnel of Payroll Branch are predominantly limited to GS-5 positions. This low grade is particularly hard on several married men with families recruited into the Branch during the past several years.

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2. Routine Work

The work in the Payroll Branch consists of an endless two week cycle of auditing and posting information from T&A's, batching T&A cards according to type, processing personnel changes, and other related routine operations repeated endlessly upon thousands of similar accounts. At first there may be some challenge in learning the intricacies of the work, but for the more intelligent an onerous routine soon develops. In a sense this problem will become more acute as the Agency completes a full change-over from the manual system of computing pay to an exclusively machine system. Several personnel who were well satisfied with the manual type of payroll work are seeking transfers to escape from what is characterized as the drudgery of feeding machines.

3. Limited Opportunity for Advancement

Payroll work does not particularly equip one for advancement into other areas of responsibility. It is essentially an operation within itself and once one has been tagged as a payroll clerk it is difficult to obtain broader assignments or advancement elsewhere in the Agency. The chronic shortage of personnel in the Branch contributes to the difficulty of obtaining assignments elsewhere because supervisors are understandably reluctant to release personnel without suitable replacements. At the present time there are five people in the Payroll Branch seeking assignments elsewhere in the Agency without much prospect of success.

4. Inexorable Deadlines

It is a simple fact that the Agency expects to be paid on time every other Friday. No failure to meet a deadline would create more havoc than a failure on the part of the Payroll Branch. The personnel, especially the more conscientious, operate continuously under the pressure of this deadline. No excuses justify failure. At the present time the Branch is operating at 80 per cent of capacity with the prospect of losing several more individuals without replacement in the near future. New personnel take time to train. When the Branch is consistently under strength, little time to train new people is available and increasingly the full burden of meeting deadlines falls upon the few old hands. In addition, there are seasonal influxes of summer employees, there are changes in bond deduction procedures, there are retroactive pay increases, and in fact there are always additional problems thrust upon the Branch which must be dealt with within the inexorable two week deadline. Some employees are not temperamentally suited for pressure of this nature and undoubtedly some loss in personnel stems from this factor.

5. Inordinate Turnover

At the present time, only 20 of the authorized T/O of 25 are on board in the Branch, not counting usual absences for leave and sickness. Three of these are resigning, one is going on maternity leave, and five others are seeking reassignment. Since the first of the year, 13 other individuals have left the Branch either through reassignment or resignation.

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This constitutes an inordinate turnover which seriously affects the ability of the Branch to perform its mission. The work of the Branch, though not overwhelmingly difficult, nevertheless requires considerable time in which to develop sufficient proficiency to handle the large volume of work expected. Furthermore, this inordinate turnover increases the burden both in mental strain and in physical overtime on the few individuals who constitute the hard core of the Branch.

B. In addition to the foregoing morale problems generally characteristic of most payroll units, the Payroll Branch in this Agency faces two additional problems resulting from its unusual and secret responsibilities.

1. Recruiting Difficulties

Surprisingly enough, there are some individuals who by temperament and interest are favorably disposed to payroll work. These individuals are not large in number but happily they do exist, usually among the ranks of the older working women. The backbone of the present Payroll Branch is composed of about five such women, some of whom have been with the Agency and its predecessors since 1945. The goal of recruiting should, of course, be to obtain as many of these individuals as possible. Unfortunately there are several obstacles to realizing this objective. For one thing, there is the delay in security processing which often means that an individual specially recruited for payroll work will find and take another job of a similar nature before his clearance is approved. This means that the Payroll Branch is forced to take many individuals from the Clerical Pool whose aptitude and interest in payroll work are low. Furthermore, many of these clerk-typists were drawn to the Agency by the lure of intelligence and the prospects of overseas duty. When individuals of this nature find themselves assigned to the Payroll Branch they frequently become disaffected and resign.

One resignation occurred during the course of the investigation for precisely this reason. The individual concerned was an attractive young woman from California with over two years of college and a background in technical writing. Placing her in Payroll Branch, though perhaps understandable because of the personnel shortage, was nevertheless an extreme case of misassignment as she resigned from the Agency within 90 days seriously disaffected. In a DD/P area division she probably would have been a happy and contented employee. The Agency cannot afford repeated instances of such misassignment. The solution requires greater coordination between the Comptroller and the Director of Personnel to insure that the Payroll Branch is given a legitimate opportunity to obtain from the Pool those individuals who by temperament and background are most apt to adjust to payroll type work. The problem is acute for there are only eight people out of an authorized strength of 25 who are reasonably content in the present Payroll Branch. Unless recruiting is intensified and more properly directed, the Branch is faced with an insoluble personnel problem.

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2. Lack of Agency Administrative Discipline

In addition to its other problems, the Payroll Branch is to a large extent at the mercy of unit T&A clerks throughout the Agency. Payroll procedures require that all T&A's be received in the Payroll Branch by 3:00 p.m. on the Monday immediately following a Friday payday. In addition, if the Branch is to expeditiously process and post the information from the T&A's, such information must be accurate and entered according to standard instructions. Errors in T&A's require the payroll clerks to go through a time-consuming process of checking back with the originating component in order to correct the T&A's and insure that personnel are properly paid. It is an undeniable fact that in this Agency, T&A's are frequently late and characterized by widespread errors and omissions. The Management Staff report issued in the summer of 1955, pointed out this deficiency in detail and further concluded that the efforts to institute machine posting of leave data in the summer of 1955 failed primarily because errors in the T&A's were so widespread and frequent that an unacceptable amount of time had to be devoted to manual corrections.

The Chief of the Payroll Branch considers his number one problem to be the inaccuracies in the T&A's and the failure of Agency administrative personnel generally to adhere to the provisions of applicable regulations. He further complains that existing regulatory issuances, particularly Tentative Regulation 20-650, are vague and imprecise, and that his efforts to tighten administrative procedures have been unsuccessful. In this area of administrative efficiency the Agency compares in a markedly unfavorable way to the FBI. Much of the success and low cost obtained by the FBI in its payroll procedures stems from the tight discipline within that organization. This is not discipline purely for the sake of regimentation but discipline aimed at making the work of all individuals easier. Agency efforts to date to obtain greater accuracy and promptness in the submission of T&A's have been unsatisfactory. The Payroll Branch suffers as a consequence and is, of course, personally powerless to correct the situation.

C. The foregoing paragraphs point out problems generally characteristic of the Payroll Branch in CIA. Taken as a whole, they are serious and require corrective action. However, they are not in themselves the sole cause for the recent demoralizing and chaotic period which among other things led to the September 18 letter of complaint. The cumulative effect of these generally recognized factors set the stage, but it required a serious supervisory error to precipitate the demoralizing conditions uncovered in this investigation.

1. For the past several years the Office of the Comptroller, in collaboration with the Management Staff, has been giving serious thought and study to changing the Agency vouchered payroll system from a manual "exception" basis to a machine "computation" basis. Studies have been prepared and consultations held with other Government agencies, notably the FBI, the Navy Department and the General Accounting Office. In April of this year a staff study was submitted to the Comptroller recommending the introduction of the computation system. The study not only recommended the introduction of the computation system but also called for the transfer of the Payroll Branch from Fiscal Division to the Machine Records Division.

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Introduction of the computation system was apparently approved but decision on the physical transfer of the Payroll Branch was withheld pending a trial of the computation system.

2. At approximately the same time, because of continuing low morale in the Payroll Branch, a new Branch Chief was recruited from the Machine Records Division. This new Branch Chief took over in May 1956, and in June, under his direction, the computation system was instituted. The personnel of the Branch were divided on the desirability of the change but in general were willing to go along with the computation system as such. However, the change to the computation system was accompanied by a further and more drastic change to a functionalized breakdown of duties within the Payroll Branch. Prior to that time, each payroll clerk was assigned a vouchered area or block of payroll cards for which he or she was solely responsible including all processing from the receipt of T&A's through final posting. This was known as the block system and gave each payroll clerk a goal and a sense of responsibility and pride in the successful administration of a particular segment of the total Agency payroll. The functionalized system, however, was predicated on the belief that every individual performs a particular phase of the payroll procedure more efficiently than some other segment of the procedure. The object therefore of the functionalized system was to have those clerks who audited fastest do all the auditing; those who filed fastest do all the filing; those who operated adding machines most efficiently do all the adding. The introduction of this functionalized system completely demoralized the Branch. Not one of the 19 individuals interviewed, other than the Branch Chief, had anything good to say about the functionalized system. In fact, without exception they blamed the effort to introduce this system for the recent chaos in the payroll system, for the excessive low morale, and for most of the other troubles of the Branch.

3. These troubles proved to be numerous. For one thing, under the functionalized system no one person was responsible for a given block of accounts and therefore no one was able to answer inquiries with any assurance. The vouchered payroll of the Agency became a sort of grab bag with each clerk doing a piece here and a piece there. Pride in work was destroyed and in its place bickering and complaining about who was doing the most work became common.

4. Even more serious was the excessive overtime imposed on the Branch in an effort to make the system work. Since July 1 the Branch has worked 1,440 hours of overtime. This is over 16 per cent of the total working time of the Branch. Furthermore, this additional workload was not carried by all personnel of the Branch equally. Five of the Branch personnel present for duty worked little or no overtime mostly for good and sufficient reasons. The remaining 15 had to carry the entire load. The amount of overtime worked by some of these individuals is staggering. One woman worked 149 hours of overtime in this three month period. Six others worked in excess of 100 hours of overtime in the same period. There is no question but that this onerous overtime resulted in frayed nerves and overwrought personnel.

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5. It is true that overtime was placed on a voluntary basis and that no one was verbally pressured to contribute to the overtime work. However, when the work is there and must be done the conscientious employee feels a compulsion to do it. Within Payroll Branch the pressures of the work and the inexorable deadlines compelled the performance of overtime. In the face of such conditions it is specious to say that overtime is on a "voluntary" basis. Some individuals appreciate some overtime as a means of earning more money; however within Payroll Branch some of the most conscientious employees, including section chiefs, worked themselves to near exhaustion.

6. Furthermore, the inability of the payroll clerks to deal effectively with telephone requests for information added to the sense of frustration induced by the functional system. Many people expressed the belief that some recent resignations for "personal reasons" really had their source in the confusion and demoralization associated with the functional system. As an example, one of the most hard working and capable of the supervisory personnel in the Branch has submitted her resignation effective October 20. She states as her reason that she must drive her son, who is an Agency employee with a badly damaged heart, to work. Since she does not have a parking space she must leave home at 6:00 a.m. in the morning in order to drive him to work and then secure a parking place along Ohio Drive. Careful discussion with this employee revealed that she has no other job and will have to find one when she leaves the Agency. She loves payroll work, has two sons in the Agency and basically does not want to leave. However, she is overworked and distraught by conditions and feels that only a resignation will solve her problem. Her loss will be a serious blow to the Branch and the reasons behind this resignation are certainly not consistent with the Agency's repeatedly expressed interest in the welfare of its people. This may well be a case where a parking space should be provided for compassionate reasons. If this personal problem is solved it will probably save a valuable employee for the Agency and will in addition have a very healthy effect on morale in the Branch generally.

7. The Branch Chief recruited from Machine Records Division in May, cannot be held primarily responsible for the chaos created by the functional system which he introduced. He is a young GS-9 whose entire experience lay in the machine records area. He viewed the problems of the Payroll Branch, at least initially, in terms of his previous experience and to him such experience indicated that the functional system had much to offer in increased efficiency. He may have also felt that the decision to introduce the computation method of payroll tabulating inferred introduction of the functional division of work as well, although the two by no means follow. Inquiries indicate that the Management Staff, though favoring the computation method of tabulating payrolls, is opposed to a functionalized division of work. The Management Staff further advised that not even the FBI with all its efficiency and discipline has undertaken a functional division of work because of its adverse effect on the morale of the payroll clerks.

8. Even though the personnel in the Branch opposed the Branch Chief's decision to introduce the functionalized division of work, many of them

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nonetheless sense his sincerity and determination and feel that he has the makings of a good Chief once he has learned more about payroll operations from the non-machine point of view. The Branch Chief, himself, after three months of experimentation realized that the functionalized method would not work and on 24 September, without any knowledge of the impending IG investigation, he abandoned the system although retaining the computation system of tabulating. The Branch Chief feels the system failed because of poor Agency discipline resulting in an unmanageable number of errors in T&A's, and because of his inability to mobilize a total team spirit within the Branch. Actually the system failed because it is so inherently contrary to the human values concerned in payroll work. The personnel in the Branch felt very strongly that they were being sacrificed to the machines, and that the system was so disorganized that they could take no pride in their work.

9. Irrespective of the reasons, it is clear that the system failed completely and that in the process it nearly tore the Branch apart. The inescapable fact is that a new Branch Chief was permitted to introduce a fundamental procedural change opposed by responsible members of the Branch, contrary to the views of the Management Staff, and apparently without the knowledge of higher echelon supervisory personnel. The Branch Chief sincerely felt that he was doing the right thing for the benefit of the Agency. He may have felt that he was expected to make this change. The record is unclear on this point, however it is unmistakably clear that at the Division Chief level and higher there was a serious supervisory failure in not being aware of the change, in not exploring it fully, and in not passing judgment upon a decision so crucial in its impact on the morale and well being of 20 people. The error here must be ascribed primarily to supervisory levels higher than the Branch Chief concerned.

10. With the abandonment of the functionalized system, the major cause of the recent unrest in the Payroll Branch has been removed and in fact was removed prior to this investigation. The Branch Chief is sincere and capable. He has learned from this mistake and if properly supported in the manner recommended below he should be able to bring the Branch to an acceptable level of performance. However, in order to prevent any recurrence of this unhappy situation and in order to insure continued improvement in the Payroll Branch, the following recommendations are made.

#### RECOMMENDATIONS

A. It is recommended that:

1. The DD/S admonish the Comptroller for the supervisory failure within his organization resulting in the chaotic and demoralized conditions in the Payroll Branch in recent months.

2. The DD/S direct the Comptroller and the Director of Personnel to confer and establish procedures which will insure that the Payroll Branch is given a legitimate opportunity to recruit personnel from the Pool who, by temperament and background, are most apt to adjust to payroll work.

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3. The DD/S take such measures as may be necessary to improve administrative discipline within the Agency including the tightening of administrative procedures and the enforcement of applicable regulatory issuances.

25X1A9a 4. The DD/S direct the Comptroller to examine the equity and justification of Mrs. [REDACTED] need for a parking space in the Alcott Hall area and take action to provide such a parking space should the facts so warrant.

[REDACTED]  
Lyman B. Kirkpatrick  
Inspector General

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