

DOCUMENT RESUME

02476 - [A1812844]

[Energy Research and Development Administration's Accounting System for Accounts Receivable]. FGMSD-77-25; B-159687. June 22, 1977. 4 pp.

Report to Robert W. Fri, Acting Administrator, Energy Research and Development Administration; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

Issue Area: Energy: Energy Research and Development (1605); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Div.

Budget Function: Natural Resources, Environment, and Energy: Energy (305); Interest: Other Interest (90?); Miscellaneous: Financial Management and Information Systems (1002).

Authority: Federal Claims Collection Act.

The Energy Research and Development Administration's (ERDA) accounting system for accounts receivable, including related billing and collection procedures, was reviewed at the Oak Ridge, Tennessee, field office. The review was limited to the accounting systems of the Oak Ridge Operations and its major contractor, Union Carbide Corporation, Nuclear Division. Findings/Conclusions: The accounting, billing, and collection systems for accounts receivable were operating effectively in accordance with the accounting system approved by the Comptroller General in March 1975. Receivables were promptly and accurately recorded; internal regulations for billing and collecting accounts were effectively followed, and, as a result, losses from bad debts were minimal. Adequate interest charges were established and collected on overdue accounts. (Author/DJM)

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

02476

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

JUN 22 1977

B-159687

The Honorable Robert W. Fri
Acting Administrator, Energy Research
and Development Administration

Dear Mr. Fri:

This report reviews the Energy Research and Development Administration's (ERDA's) accounting system for accounts receivable, including related billing and collection procedures; it is part of a multiagency review on which we plan to issue an overall report to the Congress.

Based on our review at ERDA's Oak Ridge, Tennessee, field office, we conclude that the accounting, billing, and collection systems for accounts receivable are operating effectively in accordance with the accounting system approved by the Comptroller General in March 1975. Specifically, we found that:

- Receivables were promptly and accurately recorded.
- Internal regulations for billing and collecting accounts receivable were effectively followed and, as a result, losses from bad debts were minimal.
- Adequate interest charges were established and collected on overdue accounts.

We noted, too, that your Office of Internal Review examined revenues, cash, and accounts receivable for fiscal year 1975 at Oak Ridge and reported that (1) revenues were recorded in the month earned, (2) billings were promptly made and accurately computed, (3) Oak Ridge personnel regularly reviewed its accounts for money due and followed up to assure collection, and (4) collections were promptly recorded in the accounts.

SCOPE OF REVIEW

We reviewed the billing and collection procedures used to obtain payment for services provided by the ERDA field

office in Oak Ridge, Tennessee; the Oak Ridge office consists of the Oak Ridge Operations and eight contractors. Our review was limited to the accounting systems of the Oak Ridge Operations and its major contractor, Union Carbide Corporation - Nuclear Division.

We also reviewed related work that ERDA did at its Oak Ridge field office and the major contractor at this site. As a result we were able to substantially reduce our tests of the accounting records.

We also tested the accuracy of interest charges and collection of these charges for overdue accounts by examining 79 transactions for \$99 million in uranium enrichment services.

ACCOUNTS RECEIVABLE ACCURATELY RECORDED

ERDA was prompt and accurate in recording accounts receivable and disclosing estimated uncollectible accounts.

As of September 30, 1976, ERDA reported accounts receivable of \$317.8 million of which \$118.5 million was controlled by the Oak Ridge field office. The receivables at this location were accounted for by either ERDA or one of its eight contractors and were generated through the sales of uranium enrichment services to United States and foreign power plants and research activities.

Of the \$118,529,942 in accounts receivable, \$98,879,987 was accounted for by ERDA. We verified the accuracy of over \$41 million of these recorded receivables by tracing the invoices to shipping documents. Also we traced the billings to the payments later received.

Of the \$19,649,955 in accounts receivable accounted for by the other eight contractors, \$17,352,348 was accounted for by the Union Carbide Corporation - Nuclear Division. ERDA's auditors had confirmed 88 percent of the accounts receivable of this contractor as of January 31, 1976; no discrepancies were disclosed by this confirmation. Also, the contractor's auditors had conducted reviews of accounts receivable for the last 3 fiscal years. The resulting audit reports stated that accounts receivable and allowances for uncollectible accounts were fairly stated in accordance with generally accepted accounting principles and applicable regulations.

EFFECTIVE BILLING AND COLLECTION EFFORTS

Internal regulations for billing and collecting accounts receivable complied with the Federal Claims Collection Act's

requirements by providing prompt, aggressive collection action that was followed effectively.

The ERDA regulations provided for prompt billing with followup letters and other appropriate action at 30-day intervals when claims became delinquent. We found that ERDA was billing the customer on the same day the uranium enrichment service was provided. Also, 95 percent of these bills were paid within 30 days. For the few accounts which were late, collection efforts were made through oral and written communications. ERDA wrote off only one claim with a value of about \$5,000 in fiscal year 1976.

The major contractor had collection procedures which included (1) sending invoices, (2) sending past due notices at 60, 90, 120, and 150 days after the original invoice, and (3) referring claims to the legal department after 180 days. Our test of selected accounts showed that these procedures were being followed and most receivables were ultimately collected. Although the contractor had \$17,352,348 in receivables, only 24 claims with a total value of \$351 were written off in fiscal year 1976.

INTEREST CHARGED ON DELINQUENT RECEIVABLES

Interest at the rate of 12 percent per year was charged on ERDA's Oak Ridge Operations accounts which were not paid within 30 days of the invoice date. We examined 79 transactions by ERDA for \$99 million in uranium enrichment services and found that nearly all amounts were received within the interest-free period. In those cases where payment was late, interest was charged.

The Oak Ridge Operations collected \$724,430 in interest from overdue accounts receivable during fiscal year 1976. During the same period, accounts receivable for the Oak Ridge Operations were generally above \$100 million.

Our examination of Union Carbide Corporation - Nuclear Division transactions showed that interest charges were assessed at the 12-percent rate. However, the computer program used to calculate interest on delinquent accounts allowed foreign customers a 60-day interest-free period. This practice did not conform to ERDA's policy of charging interest on accounts over 30 days old. We discussed this matter with responsible personnel during our review. The computer program was adjusted to charge interest to foreign customers after 30 days.

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We wish to thank you for the courtesies and cooperation extended to our staff during this review.

We are sending copies of this report to the House Committees on Government Operations and Appropriations and to the Senate Committee on Governmental Affairs; Congressman Newton I. Steers; Senator Robert Packwood; the Director, Office of Management and Budget; and the Secretary of the Treasury.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. L. Scantlebury". The signature is written in a cursive style with a large, sweeping initial "D" and a long, horizontal flourish extending to the right.

D. L. Scantlebury
Director