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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Status, Progress, And Problems In Federal Agency Accounting During Fiscal Year 1978

The Comptroller General approved the designs of seven executive agencies' accounting systems during fiscal year 1978. Sixty percent of the Government's accounting systems have now been approved.

Seventy-two percent of the 131 unapproved systems are in the Departments of Defense and of Health, Education, and Welfare. More than half of the Federal budget is accounted for by the 95 unapproved systems of these two departments.

GAO recommends that the Congress ensure that agencies have adequate resources to improve their accounting systems but that no funds are used to develop and design systems which do not conform with the Comptroller General's principles and standards.



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AUGUST 24, 1979



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

B-115398

To the President of the Senate and the  
Speaker of the House of Representatives

Section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) makes the head of each executive agency responsible for establishing and maintaining accounting systems that conform to principles and standards prescribed by the Comptroller General. Accounting systems that we evaluate and determine to conform to our principles and standards are approved by formal letter to the head of the agency.

Accounting systems are approved in two phases. First, we approve the principles and standards the agencies adopt for their accounting systems. Then we approve the systems designs, including the basic controls provided for in the automatic data processing portion of a computerized system. We are also responsible for reviewing the accounting systems of the executive agencies to see whether they are operating in accordance with the approved design.

At September 30, 1978, we had approved principles and standards for all but 3 of the executive agencies' 326 accounting systems and we had approved 195, or 60 percent, of the accounting system designs. The 40 percent unapproved comprises 131 accounting systems in 13 departments and 13 independent agencies and the District of Columbia government.

This past fiscal year is the first year in the last five that agencies have not made good progress in securing approval of their accounting systems. Only seven accounting system designs qualified for our approval last year which compares with an average of 26 approvals in each of the preceding 4 years.

The Departments of Defense and of Health, Education, and Welfare (HEW), account for 95 of the unapproved systems, or 72 percent. Of the 70 Defense systems that are unapproved, we have completed work on 15 and found them acceptable except for two major problems. These are:

--The accounting controls over such assets as equipment, weapons, and furniture are not adequate to ensure that items are not lost, stolen, or misplaced.

--The systems used to account for major appropriations do not have a system of subsidiary accounts that can be used to record and systematically accumulate the cost of specific items purchased and expenses incurred in carrying out specific operations. Also, the accounts are not kept on an accrual basis.

If the Department of Defense would correct these problems, 15 defense systems could be approved in a relatively short time. A number of other Defense systems must correct these same problems, in addition to others, before they can be approved.

No accounting systems were qualified for approval by HEW in fiscal year 1978. For several years, HEW has progressed slowly in designing adequate accounting systems. A particular problem has been the agency's almost complete concentration on recording accounting information that could show expenditures in relation to appropriations. However, the information did not provide the necessary cost data that would allow agency managers to base decisions on lowest cost alternatives. Recently, HEW has adopted a plan for designing new accounting systems for most of its major components. These new systems will eventually provide the needed cost data, but they will not be completed for several years.

We believe that HEW and Defense systems, which account for more than half of the Federal budget, must meet the requirements established by the Congress for the control and use of Government funds. We are convinced that the need for, and benefits from, effective financial management are worth the effort and cost to design and operate accounting systems that can be approved.

During this past year, the Director of the Office of Management and Budget approved the updated regulations for administrative control of funds for several departments and agencies. At the same time he encouraged those agencies that had not done so to secure General Accounting Office approval of their systems. Agency implementation of the updated regulations will help strengthen the control and use of funds. We are now working with the Office of Management and Budget on other steps it might take to guide and encourage agencies in improving their financial management systems.

It has been our desire for some time to approve all the executive agency accounting systems by the end of 1980. Until now, that goal did not seem unrealistic considering the time that agencies have had to comply with the requirement the Congress enacted in 1950. However, too many agencies have designed and are operating systems that do not meet our

requirements--requirements that are founded on legislation enacted by the Congress and on sound accounting theory.

For instance, our requirement for effective control over and accountability for property is based, in part, on Public Law 84-863 which amended Section 113 (c) of the Budget and Accounting Procedures Act of 1950 and provides that,

"The accounting systems required by this subsection shall include adequate monetary property accounting records as an integral part of the system."

Public Law 84-863 also provides for agency accounts "to be maintained on an accrual basis to show the resources, liabilities, and costs of operations \* \* \*." Accordingly, the maintenance of accounts on the accrual basis is one of our basic requirements.

Another provision of Public Law 84-863 states that

"For purposes of administration and operation \* \* \* cost-based budgets shall be used by all departments and establishments and their subordinate units."

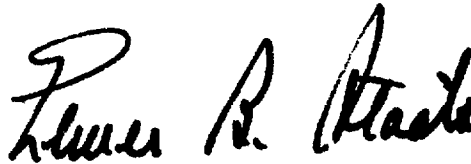
An informed management must be able to compare actual costs with the planned costs contained in its operating budgets. To accomplish this, we require an accounting system which records and reports the cost of operations.

Requirements such as the three listed above have been ignored by many agencies in designing their present accounting systems. Consequently, they do not meet the needs of Government managers and do not conform to the requirements the Congress has specified for them. Many agencies are now reluctant to make changes in their accounting systems to make them conform, partly because of the cost involved in doing so. What they overlook is the cost which results from operating inadequately designed systems. (See examples in ch. 4.)

With a mounting Federal debt, continued budget deficits, an escalating rate of inflation, a voters' protest against increased taxes, and the recent revelations of fraud, waste, and abuse of the taxpayer's money, there was never a time when the Federal Government was in greater need of tight financial management and improved accounting controls. The operation of an accounting system in accordance with our approval can do much to deter fraud and improve agency management.

We recommend that the Congress ensure that agencies have adequate resources to improve their accounting systems but that no funds are used to develop and design systems which do not conform with the Comptroller General's principles and standards.

We are sending copies of this report to the Director, Office of Management and Budget, and to the heads of other departments and agencies.

A handwritten signature in black ink, appearing to read "Thomas R. Staebgen". The signature is written in a cursive, flowing style with a large initial 'T'.

Comptroller General  
of the United States

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#### ABBREVIATIONS

ERDA	Energy Research and Development Administration
GAO	General Accounting Office
IDA	Integration of Disbursing and Accounting
NASA	National Aeronautics and Space Administration



## CHAPTER 1

### INTRODUCTION

This report, our ninth on the status, progress, and problems in Federal agency accounting, covers fiscal year 1978 and responds to the recommendation of the House Committee on Government Operations (H. Rept. 1159, 90th Cong., 2d sess. 3 (1968)).

With the exception of Government corporations subject to the Government Corporation Control Act (31 U.S.C. 841 et seq.) and certain quasi-Government entities that, by law, are subject to the act, all executive departments and agencies are required by 31 U.S.C. 66(a) to adopt accounting systems that conform to principles and standards prescribed by the Comptroller General. These departments and agencies are required to obtain the Comptroller General's approval of their accounting systems and to demonstrate that the systems do so conform.

We are reporting information obtained primarily through our cooperative accounting systems work with the departments and agencies and through the evaluation and approval processes.

Chapter 2 summarizes the status of Federal agencies' accounting systems at September 30, 1978. Chapter 3 is our observation of agency progress and problems during fiscal year 1978. The results of reviews of accounting systems in operation reported in fiscal year 1978 pursuant to 31 U.S.C. 66(c) are presented in chapter 4.

## CHAPTER 2

### STATUS OF DEPARTMENT AND AGENCY

#### ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1978

##### MAINTENANCE OF SYSTEMS

The head of each executive agency is responsible for establishing and maintaining systems of accounting and internal control which conform to the principles, standards, and related requirements prescribed by the Comptroller General.

##### COMPTROLLER GENERAL REQUIREMENTS

We have established a two-phase procedure for examining agency accounting systems that are submitted to the Comptroller General for approval. Approval is an agreement between us and the submitting agency that the proposed systems conform to our prescribed principles and standards. Under the two-phase procedure, we first examine the accounting principles and standards established by an agency as the basis for its accounting system. After the principles and standards are approved, the next step is to examine the design--procedures and practices that will be followed to perform the agency's accounting--to determine whether it conforms to the approved principles and standards.

In addition, after the design of a system is implemented, we review the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs. (See Ch. 4.)

##### STATUS OF APPROVALS

At September 30, 1978, we had approved 195 of 326 accounting system designs identified as being subject to approval. The number approved included the seven systems we approved during fiscal 1978. Six statements of principles and standards were approved during the period, bringing the total of systems with approved principles and standards to 323.

At the beginning of the period, 330 accounting systems had been identified by agencies as being subject to approval; during the period, that number was decreased by 4. (The number of Defense accounting systems decreased by 17, but the number of systems in civil agencies increased by 13.) We

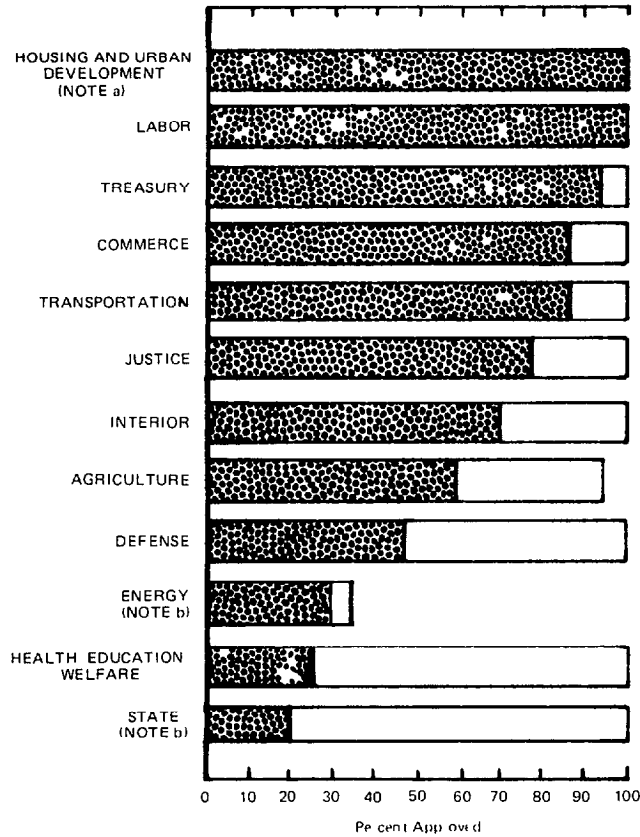
expect additional changes in the future. For example, the District of Columbia government is shown as having only one system. Actually, it has numerous accounting systems but has not as yet identified them. Conversely, the Department of Agriculture expects to replace its existing 18 systems with only 6.

Significant changes in statements of principles and standards or system designs require Comptroller General approval to maintain the approved status. Each year we receive several requests for reapproval. Most, if not all, of the systems approved in the fifties and early sixties have been updated and undoubtedly will require reapproval.


The chart on the next page shows the approval status of accounting systems for each department. Of the 12 departments, 10 had principles and standards approved for all of their accounting systems, but only 2 had all of their designs approved. In the Department of Housing and Urban Development, the designs of the subsystems within its approved system have not yet been completed.

The following chart compares the percentage of approved accounting system designs at the close of the 1978 fiscal year with the approval percentage a year earlier.

APPROVAL STATUS BY DEPARTMENT  
At September 30 1978



 DESIGNS AND PRINCIPLES AND STANDARDS

 PRINCIPLES AND STANDARDS ONLY

a/ Designs of subsystems have not been completed

b/ While more than half of the systems have been approved the largest systems accounting for the major portion of the operations of the Department have not been approved

The table below summarizes the status of accounting systems subject to approval at September 30, 1978.

STATUS OF ACCOUNTING SYSTEMS

	<u>Principles and standards</u>		<u>Designs</u>		<u>Subject to approval</u>
	<u>Approved</u>	<u>Unapproved</u>	<u>Approved</u>	<u>Unapproved</u>	
Civil departments and agencies					
Agriculture	17	1	11	7	a/ 18
Commerce	8	-	7	1	8
Energy	5	1	4	2	6
Health, Education, and Welfare	31	-	6	25	31
Housing and Urban Development	1	-	1	-	1
Interior	13	-	9	4	13
Justice	13	-	10	3	13
Labor	2	-	2	-	2
State	8	-	5	3	8
Transportation	8	-	7	1	8
Treasury	19	-	18	1	19
Executive Office of the President	4	-	4	-	4
Independent agencies	<u>56</u>	<u>1</u>	<u>44</u>	<u>13</u>	<u>57</u>
Total non-Defense	185	3	128	60	188
Percent	98	2	68	32	100
Department of Defense					
Air Force	34	-	23	11	34
Army	22	-	10	12	22
Navy (including Marine Corps)	60	-	27	33	60
Defense agencies	<u>21</u>	<u>-</u>	<u>7</u>	<u>14</u>	<u>21</u>
Total Defense	137	-	67	70	137
Percent	100	-	49	51	100
District of Columbia Government	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	b/ <u>1</u>
Total	<u>323</u>	<u>3</u>	<u>195</u>	<u>131</u>	<u>326</u>
Percent	99	1	60	40	100

a/Number of systems will be reduced to six when planned consolidations have been made

b/Actual number of accounting systems not yet determined

CHAPTER 3

AGENCY PROGRESS AND PROBLEMS

APPROVALS DURING FISCAL YEAR 1978

During fiscal year 1978 statements of principles and standards and designs were approved for the following systems.

	<u>Approval date</u>	
<u>Civil Departments</u>	<u>Principles and standards</u>	<u>System designs</u>
Department of Agriculture: Rural Electrification Administration		Sep. 27, 1978
Department of Commerce	a/Nov. 8, 1977	
Department of the Interior: National Park Service	a/Sep. 29, 1978	
<u>Independent Agencies</u>		
Small Business Administration: Surety Bond Guarantee Program		June 2, 1978
National Transportation Safety Board	June 14, 1978	
ACTION		Aug. 24, 1978
Consumer Product Safety Commission	Sep. 11, 1978	
Commodity Futures Trading Commission	Sep. 20, 1978	
Federal Elections Commission	Sep. 20, 1978	
<u>Military Departments</u>		
Department of the Air Force: Retail Stock Fund Direct Reporting		Sep. 18, 1978
Department of the Army: Headquarters Materiel Development and Readiness Command (DARCOM) Funds Distribution		July 10, 1978
Procurement Appropriations Program and Fund Control		Aug. 16, 1978
Communications Command Funds Distribution		Aug. 21, 1978

a/ Reapproval

The need for better accountability in the Federal Government was never greater. Budget deficits continue to feed a mounting Federal debt and an increasing rate of inflation. Productivity is slipping. Voters are bringing pressure on legislators to reduce taxes by eliminating fraud, waste, and abuse.

Part of the problem is the failure of agencies during the past 29 years to comply with the congressional mandate that they have accounting systems which qualify for approval by the Comptroller General. We realize that mere approval does not resolve the problems. But the implementation and operation of accounting systems which have tight internal controls and which reveal the cost of operations can do much to deter fraud and improve agency management. Our experience in working with the agencies has shown that those who devote the time and effort required to design and implement a system that is in accordance with our requirements generally have fewer problems and are able to manage their operations more efficiently and effectively than those agencies without such a system.

This chapter discusses the problems certain agencies are having in getting their accounting systems qualified for approval. We have not included those agencies making satisfactory progress.

#### PROBLEMS AND STATUS OF SYSTEMS

##### Department of Agriculture

Accounting systems subject to approval	18
Accounting system designs approved	11
Unapproved systems	7

Early in calendar year 1973, the Department of Agriculture began developing a central accounting system for its administrative funds as well as for certain program funds of its agencies. Five accounting systems are excluded from the central accounting system and are scheduled for separate designs. These systems are used to process and record transactions involving the following programs:

- Loan and grant programs of the Farmers Home Administration.
- Loan programs of the Rural Electrification Administration.

--Grant and other programs administered by the  
Agricultural Stabilization and Conservation Service.

--Programs administered by the Food and Nutrition  
Service.

--Forest Service Timber Sales.

Eventually, the 6 systems will replace the Department's 18 systems, as shown in appendix III.

A statement of principles and standards for the central system will be approved in fiscal year 1979. Development and implementation efforts for the central system are underway at the Department's National Finance Center in New Orleans, Louisiana. The designs for the automatic data processing portion of some of the subsystems of the central system have been informally submitted but designs for the accounting portions have not.

During fiscal year 1978 we approved the accounting system design for the loan programs of the Rural Electrification Administration. Statements of principles and standards are expected to be submitted for Forest Service Timber Sales and for the Food and Nutrition Service in fiscal year 1979. The statement of accounting principles and standards for the Food and Nutrition Service is a revision of the statement we approved in June 1978. We approved the accounting principles and standards for the other three program systems in fiscal year 1977.

At September 30, 1978, we were evaluating the accounting system design for program operations of the Agricultural Stabilization and Conservation Service. A system design has not been received for any of the remaining unapproved program fund systems. The Food and Nutrition Service obtained the services of a contractor during fiscal year 1978 to assist in the development of a financial management system for the programs it administers. The Farmers Home Administration has engaged a contractor to develop its loan program system.

The Department plans to submit the design for the central system in October 1979. Completion of system designs for an informal 1/ submission of the program fund systems is expected as follows:

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1/An "informal" submission is made to GAO representatives for evaluation; a "formal" submission is made to the Comptroller General for approval.



Agricultural Stabilization and Conserva-  
tion Service

Submitted	
Forest Service Timber Sales	Oct. 1979
Farmers Home Administration	Oct. 1979
Food and Nutrition Service	Oct. 1979

The Department and its constituent agencies have indicated that they expect to expend about 43 staff-years on these design efforts during fiscal year 1979.

The target dates represent slippage from last year. In view of the scope of the work involved in developing the central system, we are concerned that such slippages might occur again in 1979. For the most part, efforts on the central system have been concentrated on the centralization and automation of accounting activities previously performed by the various agencies. We expect this type of concentration to continue during most of fiscal year 1979. In our opinion, the Department and its agencies will have to exert extra effort to meet their target dates.

Department of Commerce

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

A new accounting system for the National Technical Information Service has been under development since March 1975. This system design, informally submitted for evaluation during fiscal year 1976, conforms to our approval requirements. However, for the past 2 years the agency has been contemplating a change in the design based upon the enactment of legislation authorizing profits to be retained. Therefore, as of September 30, 1978, the Department has not requested our formal approval.

Department of Defense

Prior to 1972, only four Department of Defense accounting systems were approved. Between 1972 and 1977, Defense made substantial progress in obtaining approval of 68 more accounting systems, all of which were approved by the end of fiscal year 1977. However, during fiscal year 1978 Defense qualified

only 4 accounting systems for approval, and at the end of that year a total of 67 Defense systems had been approved. The decline in the number of total approved systems from 72 to 67 is due to the deletion, redesign, or consolidation of 9 previously approved systems.

The majority of the approvals between 1972 and 1977 were for industrial fund, stock fund, payroll, and other types of systems that do not account for the bulk of the Defense dollars spent in day-to-day operations worldwide. When the military services and Defense agencies documented and submitted some of their major appropriated fund systems for our evaluation, we found serious problems with these systems' designs.

The major deficiencies in these accounting systems were a (1) lack of accounting control over property both real and personal, and both expendable and nonexpendable, (2) a lack of accounts in which to accumulate the costs of specific operations, and (3) the use of obligations, disbursements, or accrued expenditures in lieu of costs.

All Government property should be under general ledger control from the time it is acquired until it is consumed or disposed of. At the Department of Defense, this is not the case. The logistics function as it exists in the military services is completely separate from the financial accounting function. Accounting in the private sector and as required in the Budget and Accounting Procedures Act of 1950, as amended, should serve as a control of resources including property. Defense needs to revise its systems of accounting to achieve monetary control of property in addition to the item control provided in its logistics systems.

The accumulation and reporting of significant cost information (as distinct from obligation, disbursement, and accrued expenditure data) are essential to effective financial management. Such information is needed to keep costs within limits of cost-based operating budgets, to achieve maximum efficiency and economy, to make meaningful comparisons of performance, to plan, and to generally exercise management control. We have issued a series of audit reports on the need for improved cost information for foreign military sales, depot maintenance activities, and medical services in the Department of Defense. These reports provide specific examples of the improvements needed in accumulating, recording, and reporting cost information to assure that Defense can recover costs when required and make valid cost comparisons and evaluations of the management of its programs.

Financial management as practiced in the Defense Department is interpreted to consist of obligating all funds within the availability period but not exceeding obligational authority. This concept is so pervasive that the responsibility for operating efficiently and economically is generally subordinated. Most Defense accounting systems are designed essentially to track obligational authority and obligations incurred not to effect financial controls of assets, liabilities, expenses (costs), or revenue.

The accounting principles and standards for the Department of Defense, which have been approved by the Comptroller General, state that Defense will maintain its accounting systems on the accrual basis with financial transactions being recorded in the accounts as they occur. All transactions affecting property are to be recorded in monetary terms in the accounts. Defense officials agree with this policy and have taken some steps to make the necessary changes in their accounting systems. However, procedures and regulations for implementing the policy have not yet been developed and issued by the Office of the Secretary of Defense. Until the necessary changes have been incorporated into the designs of Defense accounting systems, Defense will continue to have accounting problems related to property, accrual, and cost accounting, and the systems involved will not qualify for approval by the Comptroller General.

Several Defense industrial fund systems will not qualify for approval until two problems are resolved. Those problems concern the recognition of industrial fund revenue and general ledger control over certain investment items procured under the fast payback program.

We are continuing to evaluate those Defense systems that are not affected by the problems discussed above, and we anticipate approving approximately seven Defense systems in fiscal year 1979.

Department of the Air Force

Accounting systems subject to approval	34
Accounting system designs approved	23
Unapproved systems	11

During fiscal year 1976, 11 Air Force accounting systems were approved. In fiscal year 1977 and 1978 we approved only one Air Force accounting system each year. The primary reason for this slowdown in approvals is the failure to resolve the

two Defense-wide problems. Those problems deal with the lack of accounting control over property and the failure to operate the specific accounting systems on the full accrual basis with separate operating accounts to accumulate the cost of operations. The Air Force, like the Army, Navy, and Defense agencies, is required to comply with the Office of the Secretary of Defense accounting requirements. Since Office of the Secretary guidelines have not yet specifically required compliance with GAO's principles and standards in these areas, none of the services have met the requirements of the 1950 act, as amended. The Air Force, like the other services and the Defense agencies, is reluctant to redesign its systems in accordance with GAO's principles, since it does not feel that the benefits it would receive would justify the expense. We feel just the opposite.

Department of the Army

Accounting systems subject to approval	22
Accounting system designs approved	10
Unapproved systems	12

In fiscal year 1978 we approved the designs of three funds distribution control systems: (1) Procurement Appropriations Program and Fund Control System, (2) U.S. Army Materiel Development and Readiness Command Funds Distribution System, and (3) U.S. Army Communications Command Funds Distribution System. During that period we completed our evaluation of the Standard Army Civilian Payroll System design was completed. The design was approved early in fiscal year 1979.

We have evaluated several of the Army's unapproved systems on an informal basis and have brought the systems' shortcomings to the Army's attention. The major problems have been the lack of adequate property accounting, inadequate integration among systems, accounting for costs, and incomplete or inadequate design descriptions necessary for the understanding of the system design features.

Status of the inventory of systems

Changes continue to be made from year to year in the inventory of the Army's accounting systems. Although the inventory is intended to be flexible, it should be sufficiently complete to track the progress made toward systems approval.

Not included in the inventory is the system (or systems) of accounting for the procurement program and other program activities within the Commodity Commands and Arsenals in the U.S. Army Materiel Development and Readiness Command. They are not included in the inventory because the staffs of that Command and of the Army Comptroller failed to resolve their differences.

The Army uses a number of nonstandard systems at the Commodity Commands to account for procurement appropriation activities. The Army has planned to standardize the system for use by the Commodity Commands for more than 15 years.

The Army has improved its headquarters-level system controls over the distribution of procurement funds obligation authority. However, it has made no substantive progress toward the design of an installation-level, standard procurement accounting system.

A contractor recommended that the Army design and develop a standard system for procurement accounting. Rather than adopting the better features of the various procurement systems or designing a new system, the Army Materiel Development and Readiness Command indicates that it is studying an existing automated system of another command with a view toward adopting it. The Army Comptroller's staff, on the other hand, wants to adopt the Army's Standard Finance System. In our opinion, neither of these alternatives is satisfactory. This issue is a real one; it has been dragging for years and needs top management attention. The system, whatever its boundaries, should be added to the inventory of accounting systems subject to approval so that it can receive the attention it deserves.

Two systems have been added to the inventory; these are automated payroll systems for (1) Army military retired personnel and (2) Army reserve components, including National Guard personnel. Not all classes or types of reserve pay and National Guard pay will be computed and controlled through the latter system. We are concerned that the Army has not made plans to submit for our approval the system designs applicable to the payrolls that are not included in the reserve components payroll system.

#### Planning approval milestone dates

The scheduled approval dates for Army systems included in appendix III of this report were provided to us by the Department of the Army through the Department of Defense. All systems except one are scheduled to be submitted for approval in fiscal year 1979; we do not believe that goal is a realistic one.

The Army officials that provided the submission dates are aware that approvable systems will not be submitted by those dates. Some of the systems have not yet been developed; others do not even have general functional system requirements defined and approved. One person has been tasked to describe the design of four systems, all of which are scheduled for submission to GAO in fiscal year 1979.

We believe that Army management should ensure that realistic scheduled milestones or target dates are provided to the Office of the Secretary of Defense. The dates should reflect the result of careful planning and assessment of the status of the system design, as well as the Army's plans and resources available for development of the systems.

#### Other matters of concern

The organization of the Army and assignment of responsibilities within that service pose constraints to achieving effective accounting system designs. The automatic data processing function and the related management process are so powerful in the Army that the accounting system design function has been subordinated to it. As a result, designs tend to lack an adequate description of the accounting features of systems, and the ADP managers constrain the development of accounting system designs. Specifically, the requirements of Army regulation AR-18-1, which governs automated systems, serves as the criteria for designing accounting systems, rather than AR-37-54, which embodies the Army's accounting principles and standards as approved by the Comptroller General.

The Secretary of the Army should give the managers who are responsible for the design function sufficient authority to design accounting systems that provide essential and reliable information to management officials. The authority should be sufficient to enable those managers to report on the custody and use of resources under their management in accordance with the Budget and Accounting Procedures Act of 1950, as amended.

#### Department of the Navy

Accounting systems subject to approval	60
Accounting system designs approved	27
Unapproved systems	33

Progress in approving Department of the Navy accounting systems has reached a stalemate because the two major Defense-wide problems discussed previously have not been resolved. No Navy systems were approved in fiscal year 1978, and it is unlikely that any appropriated fund systems will be approved in fiscal year 1979.

The Navy contends that the extensive design changes required to bring their systems into conformance with the laws enacted by the Congress will be costly to implement, and should be designed and implemented only after a cost benefit analysis confirms they are justified. The Navy has begun work to resolve the property problem, but much work must be done before Navy systems designs will meet our principles and standards and qualify for approval.

Payroll systems and industrial fund accounting systems are not affected by the basic property and cost issues as are the appropriated funds. Their submission to GAO therefore should continue without major system design problems.

Approval of industrial fund systems will be held up, however, pending development of adequate accounting procedures for the capitalization of fixed assets (fast payback items) and recognition of revenue. If these two issues are resolved, we estimate that three Navy industrial fund systems could be approved in fiscal year 1979.

Navy projects, such as the Integration of Disbursing and Accounting (IDA), represent an opportunity for standardization in Navy financial management systems. We are continuing to support these projects. However, before these systems will qualify for GAO approval, the accounting issues mentioned above must be resolved and incorporated into the accounting systems which affect IDA .

Department of Defense agencies

Accounting systems subject to approval	21
Accounting system designs approved	7
Unapproved Systems	14

Approval of accounting systems in the Defense agencies has been severely affected by the delay in resolving the Defense-wide accounting problems mentioned previously. During fiscal year 1978, six systems were submitted for our evaluation but none could be approved. Five systems could not be approved because of the two major problems involving

accounting control over property and the accumulation of the cost of operations. Because of the delay by Defense in getting these problems resolved, we do not foresee approving these five systems until at least September 1980. The other system was not approved because of inadequate documentation and the agency's delay in submitting the necessary revised documentation.

In February 1978 we wrote to the Defense officials responsible for the five accounting systems affected by the Defense-wide accounting problems and requested that they each take the necessary action to conform with Defense policies. Even though the Office of the Assistant Secretary of Defense (Comptroller) representatives concurred with this proposal, none of the five agencies involved has yet taken decisive action to modify its system design.

#### Department of Energy

Accounting systems subject to approval	6
Accounting system designs approved	4
Unapproved systems	2

During the past fiscal year, we began working with the Department of Energy on developing an approvable statement of accounting principles and standards for its operations. This work is expected to be completed during fiscal year 1979.

Except for accounting being done by power marketing administrations, the former Energy Research and Development Administration's (ERDA) accounting system is being used throughout the Department of Energy. (Our March 1963 approval of the former Atomic Energy Commission's accounting system design was transferred to ERDA.) The Department plans to seek approval of its new accounting system designs after its accounting principles and standards are approved.

#### Department of Health, Education, and Welfare

Accounting systems subject to approval	31
Accounting system designs approved	6
Unapproved systems	25

None of this Department's accounting system designs were approved during fiscal year 1978, although three had been scheduled for approval. We are presently evaluating, or



are assisting HEW in preparing for submission, the accounting system designs of five agencies.

Last year we reported that we were encouraged when the Department established a high priority for obtaining approval of its accounting system designs. Various components of the Department have issued (or plan to issue) contracts to develop system designs to be submitted for our approval. These contractual efforts include the Office of Education's ADP documentation, and the Public Health Service's service and supply fund.

During the past fiscal year, slippages have occurred in the planned submission of some systems. While the Department appears to be actively pursuing its goal of having all of its systems approved by the end of fiscal year 1980, an issue has arisen which will delay approvals until resolved.

This issue arose when we were evaluating an accounting system for the Health Services Administration, which provides accounting for Public Health Service and Indian Health Service hospitals. We feel that the management of these hospitals, as well as other operating components of the Health Services Administration, should be provided information on the full cost of their operations. Health Services' system design does not provide for furnishing this information. The Department feels that the hospitals are provided with information which is sufficient for managing hospital operations. Attempts to resolve the issue with Health Services have thus far been unsuccessful.

The Department's inventory of systems subject to approval increased by 12 in fiscal year 1978. This was due primarily to the need to provide separate accounting systems for the various Social Security Administration programs and the Health Care Financing Administration.

During this fiscal year we assigned two additional staff members to our work at the Social Security Administration. An agreement was signed in June 1976 providing for a joint Social Security Administration, Office of the Secretary, and GAO project to further Social Security's preparation, review, and approval effort. This agreement was extended to the Health Care Financing Administration to cover systems which were transferred to it from the Social Security Administration during fiscal year 1977. One of the provisions of this agreement was for GAO to provide these agencies with review guides for use in describing the designs of these systems. Our efforts to develop these review guides began in fiscal year 1978 and should be concluded early in fiscal year

1980. Both of these agencies will then establish target dates for submitting the systems involved and proceed with developing the necessary descriptions.

The Department had advised us that it is developing a new accounting system for the Office of the Secretary. This system will be submitted for approval and will be a prototype for future adaptation by most of the other major components of the Department. We believe this new system will allow the Department to design a system that will overcome the problems which have prevented approval of some systems in the past.

Many of the operations which in the past have been accounted for through the working capital fund, will be removed from the fund. Accounting for the remaining working capital fund operations will be included as part of the reapproval of the Office of the Secretary system design.

The Department has developed procedures to be followed by its components in providing accounting control over audit disallowances. We evaluated these procedures and found them acceptable.

We are hopeful that the momentum developed by the Department during the past 2 years in qualifying its accounting system designs for approval will not diminish. Early resolution of problems as they occur is essential to the Department's securing prompt approval of its systems. The Department and its constituent agencies can obtain Comptroller General approval of their systems only if they continue their increased level of effort, including the application of adequate systems development resources on a continuing basis.

Department of the Interior

Accounting systems subject to approval	13
Accounting system designs approved	9
Unapproved systems	4

During fiscal year 1978, the Department's power agencies were transferred to the Department of Energy and the Mining Enforcement and Safety Administration was transferred to the Department of Labor. As a result, the number of unapproved accounting system designs within the Department of the Interior was reduced to four.

The Department has progressed slowly in getting its accounting systems approved; since 1974 it has qualified only two system designs for approval. Although the Department intended to submit three of its four unapproved systems to us for approval during fiscal year 1978, none was submitted. Submission target dates have continued to slip over the past few years, principally because of a lack of in-house staffing at the Department and Bureau levels to properly design approvable accounting systems. Further, the position of Assistant Secretary for Policy Budget and Administration remained vacant from December 1976 until March 1979. In our opinion, the lack of leadership and concern has adversely affected system design development efforts and financial management improvements.

For the past several years we have recommended that the Department's staffing be increased for systems design development, not only at headquarters but also at the Department's four bureaus having unapproved accounting systems. During fiscal year 1977, the Department established a division of management systems and analysis within the Office of the Secretary. However, because of budgetary restraints only two professional staff members in this division have been devoted to system design work and their efforts have been on a part-time basis. Without additional staffing, it is extremely doubtful that three of the four unapproved accounting systems of the Department will qualify for approval by the end of fiscal year 1979.

Department of Justice

Accounting systems subject to approval	13
Accounting system designs approved	10
Unapproved systems	3

No accounting systems were approved in fiscal year 1978, although two were scheduled for approval. The unapproved systems in the Department which are scheduled for approval in fiscal year 1979 are the:

- Law Enforcement Assistance Administration's Education Program Accounting System.
- Departmental Working Capital Fund.

The Law Enforcement Assistance Administration has submitted its initial documentation of the education program accounting system design. The Department of Justice has

advised that its working capital fund accounting system is being merged into its approved legal activities and general administration accounting system. The design for the working capital fund will be approved as a change to the legal activities and general administration accounting system.

The Department of Justice and its constituent agencies are planning to commit about 4 staff-years to completing these unapproved systems during fiscal year 1979. If this commitment is maintained, most of the Department's accounting systems should be developed and ready for approval before the end of fiscal year 1979. The only exception will be the Bureau of Prison's commissary accounting system which is not scheduled for submission until 1981.

#### Department of State

Accounting systems subject to approval	8
Accounting system designs approved	5
Unapproved systems	3

Progress in securing approval of accounting systems in the Department of State has been very slow. No systems were approved during fiscal year 1978 and only three system designs have been approved over the past 15 years.

The two largest and most important systems--the system for the Department and the system for the Agency for International Development--are among those not approved. Since 1959 the Department has set and missed numerous target dates for submitting these systems for approval.

The design of the departmental accounting system has been under development for more than 5 years. Although the design description has been completed and submitted to us for informal comment, the Department acknowledges that, as a result of our comments, a sizable task remains. The Department now plans to employ a contractor to restructure the design so that it can be approved by fiscal year 1981. The system design would also include the Department's foreign service buildings program. The Department has also selected a contractor to design a cost accounting system for its Foreign Service Institute during fiscal year 1979.

We approved the design of the Department's Western Hemisphere Payroll System during fiscal year 1977. By fiscal year 1980, the Department plans to develop and design an approvable payroll system to cover its employees at Eastern Hemisphere posts.

The Agency for International Development's unapproved general accounting system consists of nine segments. Through January 1969 we had approved four segments. Three of these have been updated and informally resubmitted during the past fiscal year for our evaluation and comment. The remaining six segments were planned for submission during fiscal year 1979. However, the agency recently hired a contractor to evaluate the structure of its existing accounting system and to prepare a conceptual framework for a new automated accounting system based on a design that would be developed and submitted for approval during fiscal year 1980. Another contractor has been assisting the Agency in updating its accounting principles and standards statement which will be resubmitted for approval during fiscal year 1979.

The Department is currently devoting about 3 staff-years to accounting system design development work, and the Agency is using about 2 staff-years. The Department is hopeful that its approved budget for fiscal year 1980 will permit the hiring of three additional systems accountants. Although the Department's and the Agency's in-house staffs devoted to this work are qualified, we do not believe that they alone can accomplish the task of developing the designs of their respective accounting systems; the systems are too large and complex. We are encouraged to learn that both the Department and the Agency have enlisted the services of contractors to assist them in developing approvable accounting system designs. Otherwise, it would be doubtful that either accounting system design would reach an approval stage for many years.

#### Department of Transportation

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

The accounting system for the Federal Aviation Administration is the only unapproved system in the Department of Transportation. The Federal Aviation Administration is developing a new accounting system. The design, excluding payroll, was being prepared by a contractor under a contract awarded in June 1974. In early 1977, however, the contractor ceased work without completing the design.

Since that date we have been working directly with the Federal Aviation Administration's staff on the design of its accounting system. Progress has been slow. However, the

agency is hopeful that work will be completed during fiscal year 1979.

The Federal Aviation Administration may submit its payroll system for separate approval. Also, the payroll system may be redesigned to serve as the departmental payroll system.

#### Department of the Treasury

Accounting systems subject to approval	19
Accounting system designs approved	18
Unapproved systems	1

During fiscal year 1978 the Department of the Treasury implemented its new departmentwide Treasury Payroll/Personnel Information System (TPPIS). This system replaces the Fiscal Service Payroll System which the Comptroller General approved in 1967. Although the Department ultimately envisions a single TPPIS system, the current plans are to operate TPPIS at two locations, using a different computer language at each location and possibly different types of computers. We therefore are requiring the Department to separately describe the design of TPPIS as it will be operated at each location. We may approve TPPIS as two distinct systems.

The Bureau of the Mint is in the process of designing its bullion and monetary accounting system. The Bureau expects to submit this system in June 1979.

A recent study by the Customs Service of its approved appropriation accounting system pointed out certain areas that require improvement. Customs is now in the process of redesigning its appropriation accounting system. This project is targeted for completion in fiscal year 1981.

The Bureau of Engraving and Printing was authorized by the Congress to finance the acquisition of new equipment and to increase its working capital through surcharges to customers. The Bureau anticipates that the necessary changes to its approved accounting system to effect this authority will be formally submitted for reapproval in fiscal year 1979.

#### Civil Aeronautics Board

The Board's statement of accounting principles and standards was reapproved in July 1977. The new statement of accounting principles and standards places additional

requirements on the Board's administrative accounting system; those requirements necessitate a redesign of this system.

The Board currently estimates that it will complete the accounting system redesign and informally submit it for evaluation in September 1980. We believe that a firm commitment of resources must be made to this redesign development and submission. Without such a commitment, we doubt that the Board will be able to meet its September 1980 target for approval.

#### Federal Home Loan Bank Board

The Federal Home Loan Bank Board's statement of accounting principles and standards was approved in June 1972. It has not yet successfully achieved approval of its accounting system design.

We were hopeful that the design could have been approved during fiscal year 1978 and began working more closely with the Board toward this objective. However, the Board did not devote sufficient resources to complete the development of its accounting system design. The Board's accounting system design can be approved during fiscal year 1979 only if it decides to provide the necessary resources to accomplish the necessary development work.

#### Federal Mediation and Conciliation Service

The Service's statement of accounting principles and standards was approved in December 1969. Numerous planned target dates for submitting the system's design to us have been established but have not been achieved.

Work was started in fiscal year 1978 on design preparation but was curtailed because of staff changes. The Service indicated that a concerted effort will be made to complete the accounting system design and informally submit it for evaluation in April 1979. In view of past slippages, we believe a firm commitment of resources to the system design development and submission is needed to assure that further slippage does not occur. Without such a commitment we are skeptical that the Service's system will be approved in the near future.

#### National Labor Relations Board

The National Labor Relations Board has one accounting system subject to our approval. Its submission for approval has been postponed at least seven times since June 1972.

The latest postponement was from September 1978 to September 1979. A lack of personnel assigned to the system design has caused delays in the past. The Board is now devoting about 5 staff-years annually to accounting systems development work. Further, during fiscal year 1978, it hired a contractor to study the design requirements for the agency's financial accounting system. The Board plans to follow the recommendations of this study and concentrate on the development and documentation of its accounting system design so that it can be submitted for approval during fiscal year 1979.

#### Veterans Administration

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

The unapproved accounting system is the compensation, pension, and education benefits system. Work on this system started in 1972. Target dates for approval have consistently slipped.

The Veterans Administration has now established 1981 as the date it plans to submit the system for approval. Even that date is optimistic unless the agency works closely with our financial management staff until then.

#### District of Columbia Government

Public Law 94-399, approved September 4, 1976, created the Temporary Commission on Financial Oversight of the District of Columbia and assigned it the responsibility for improving the District government's accounting and other financial management systems. Public Law 95-386, approved September 26, 1978, assigned the Commission the responsibility for auditing the District government's financial statements for fiscal years 1980 through 1982. The Commission's work is to be done by contractors.

Public Law 94-399 requires the Comptroller General to approve, disapprove, or modify plans and designs prepared by the Commission's contractors for the improvement of the financial management systems of the District government. The law requires the Comptroller General to submit each plan and design to the Congress within 60 days after he receives it and after he consults with the Commission. The law further provides that plans and designs approved or modified by the Comptroller General will become a part of the District government's financial planning, reporting, accounting control, and



operating procedures. Plans and designs disapproved by the Comptroller General cannot become a part of the District government's procedures unless the Congress adopts a concurrent resolution overriding the action of the Comptroller General.

Through September 30, 1978, the conceptual design for the District government's new financial management system was the only plan or design submitted to the Comptroller General for approval. The Comptroller General approved the conceptual design, subject to an understanding with the Commission's Executive Director that certain matters would be given further consideration. The Comptroller General submitted the conceptual design to the Congress on March 10, 1978.

During the year, the Commission awarded contracts for the design and implementation of the following systems: central accounting, budgeting, and payroll; cash management; water and sewer billing; and District of Columbia General Hospital billing. The Commission plans to award contracts for the design and implementation of additional systems during fiscal year 1979. These systems include: traffic tickets, welfare eligibility and payments, and supply management. The Commission expects nearly all of the new systems to be implemented on or before October 1, 1979.

## CHAPTER 4

### ACCOUNTING SYSTEMS IN OPERATION

#### AND FINANCIAL MANAGEMENT

In addition to approving executive agencies' accounting systems, section 112(c) of the Accounting and Auditing Act of 1950 requires us to review both approved and unapproved accounting systems of executive agencies from time to time. In these reviews we determine whether the accounting and related financial management operations are carried out efficiently, effectively, and economically. We also determine whether they conform to the principles, standards, and related requirements prescribed by the Comptroller General and to the systems' approved designs. We evaluate the usefulness and accuracy of information provided to management and to the Department of the Treasury by the systems. We also evaluate the effectiveness of internal controls (including internal audit) over receipts and expenditures, assets and liabilities, and obligations of appropriations.

The Accounting and Auditing Act of 1950 directs us to report the results of our reviews, as appropriate, to the Congress, the heads of Federal executive agencies, the Director of the Office of Management and Budget, and the Secretary of the Treasury. When requested by committee chairmen and individual members of the Congress, we make reviews of accounting systems and financial management matters and report the results to the requester. Of the 33 reports issued in fiscal year 1978, 9 were made in response to direct requests. Whenever our reports contain recommendations to the head of an agency, section 236 of the Legislative Reorganization Act of 1970 requires responses by the agency to the House Committee on Government Operations and the Senate Committee on Governmental Affairs.

The following sections of this chapter provide highlights of our reviews on which reports were issued during fiscal year 1978. Generally, the reviews showed improvements were needed in:

- Accounting and financial management by the Department of Defense to assure full recovery of costs in sales of equipment parts and services to foreign governments.
- Procedures used by the Department of Defense for establishing the yearly foreign military sales ceiling.

- The Army's procurement appropriations and financial control systems to achieve control over foreign military sales and other activities.
- The Air Force's accounting for its procurement appropriations.
- Accounting and workload measurement systems for Defense hospitals.
- Accounting and financial management of Army Commissary gains and losses.
- Defense's uniform depot maintenance cost accounting systems.
- Policies and procedures applicable to recovery of costs of administering military and civilian allotment programs.
- Defense's administrative examination of military pay matters.
- Accountable officer operations, especially those related to automated payment systems.
- The Federal Government's bill-paying performance.
- Controls over Bureau of Indian Affairs' administrative costs.
- Federal agencies' cash management procedures and practices.
- Accounting for billings and accounts receivable, and collection of delinquent amounts owed the Government.
- Federal agencies' use of airline discount airfares and teleticketing procedures.
- Servicing of direct loans under the business development assistance program.
- Internal audits of accounting reports and systems.

We suggest that agencies examine accounting systems and related financial matters that we have not recently reviewed to assure themselves that these deficiencies or others do not exist in their accounting and financial management systems. In this connection, see appendix I.

The results of reviews on which we reported during fiscal year 1978 are summarized in the following sections.

IMPROVEMENTS IN ACCOUNTING AND FINANCIAL  
MANAGEMENT STILL NEEDED TO ASSURE FULL  
RECOVERY OF COSTS FROM FOREIGN GOVERNMENTS

In six reports on the Foreign Military Sales Program, we pointed out that the Department of Defense had not adequately recovered all of the costs incurred in selling goods and services to foreign governments. This was due, in part, to a lack of adequate accounting systems to accumulate these costs and a lack of effective internal review to assure full recovery of the costs. The Arms Export Control Act of 1976, other statutes, and Office of Management and Budget instructions set forth the conditions under which these costs should be recovered. Defense appropriations subsidize such costs to the extent that they are not reimbursed by foreign governments and others.

In our tests of foreign military sales transactions during fiscal year 1978, we identified \$259 million in sales costs which were not recovered during fiscal years 1976, 1977, and 1978 because of inadequate accounting systems and policies for pricing, billing, and collecting these costs. The unrecovered costs consisted of:

- \$107 million in charges for the use of U.S. Government assets.
- \$69 million in charges for equipment and spare parts sold from the Defense inventory.
- \$83 million in costs which were intentionally not billed to foreign governments.

We also identified \$97 million in additional cost recoveries or savings which should be made in future years, as follows.

- \$69 million should be recovered from using increased factors to compute the cost of security assistance personnel retirement benefits to be charged to foreign countries.
- \$28 million should be saved, and costs for repairing unneeded items should be prevented, if the Air Force properly and consistently implements a proposed unserviceable equipment repair and replacement system.

Continued failure to charge for  
using Government assets

The Department of Defense generally has not charged foreign governments for the use of U.S. Government-owned assets in producing items for foreign military sales. As a result, the U.S. Government had not been reimbursed for millions of dollars in asset-use charges.

The Arms Export Control Act of 1976 provides for the U.S. Government to be reimbursed for the use of its assets to produce items sold to foreign governments. Because of a lack of management attention and misunderstood or ignored policies, the U.S. Government lost as much as \$107 million over several years on just those foreign military sales which we reviewed.

We recommended that the Secretary of Defense form a task force to oversee the application and collection of asset-use charges. We also recommended that Defense ensure that the military services understand and effectively implement foreign military sales pricing policies established by the Department of Defense. The Department agreed that substantial effort is needed to keep Defense personnel informed on pricing policies, but felt that a task force would duplicate actions already underway and that conferences, seminars, training, and field visits would satisfy our recommendations. 1/

Defense continues to improperly  
subsidize foreign military sales

The Arms Export Control Act of 1976 requires that a charge be placed on items which are sold to foreign governments and which must be replaced in the Defense inventory. The Department of Defense, however, is subsidizing the Foreign Military Sales Program by not charging foreign governments enough for equipment and spare parts. Based on selected cases, we estimated that \$69 million in costs had not been charged to foreign governments because of weaknesses in pricing policies and guidance.

We recommended that the Secretary of Defense assign specific responsibility for administering the Department's pricing policy and monitoring pricing systems to an organization which could provide careful surveillance over these functions. 2/

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1/ FGMSD-77-20, Apr. 11, 1978.

2/ FGMSD-78-51, Aug. 25, 1978.

In reply to our recommendation, Defense stated that the existing Defense organization provided adequate surveillance over the pricing function, but agreed that management improvements were needed. A new accounting and financial management system was prescribed which should help assure adherence to Defense pricing policies.

More management attention and control  
needed to preclude unwarranted waiver of  
cost recovery in foreign military sales

The Arms Export Control Act of 1976 specifies the circumstances under which the Department of Defense could waive the recovery of certain costs under the Foreign Military Sales Program. In the first 15 months following the passage of the act, Defense authorized or considered waivers of about \$500 million. The Congress was not informed of the amounts being waived or the reasons for granting the waivers because Defense is required neither to obtain congressional approval before authorizing waivers nor to report the amounts and reasons for waivers.

We recommended that the Congress amend the Arms Export Control Act to require that Defense include the value of, and explanation for, cost waivers in the required notification reports on foreign military sales. The Defense Department stated that it could, if required by the Congress, provide waiver information on a classified basis, but felt that such information should not be included in the required reports.

We also reported that Defense and military service officials had intentionally undercharged foreign governments \$83 million in 1975 and 1976. These undercharges resulted in the subsidization of foreign governments through the Foreign Military Sales Program.

We recommended that every effort be made to recover the amounts identified and that actions be taken to assure that all costs are included in billings for foreign military sales. The Defense Department Comptroller requested that the military departments take corrective action on those cases in which Defense pricing directives were not followed. 1/

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1/ FGMSD-78-48A, Sept. 26, 1978.

Inadequate methods used to account  
for and recover personnel costs

In response to a May 14, 1976, request by the Chairman, Senate Committee on Armed Services, we reviewed the accounting and reimbursement for all military and civilian personnel who administered the Foreign Military Sales Program in fiscal year 1977. The Chairman, Senate Committee on Appropriations, in an October 5, 1977, letter, requested that we follow up on the reported results of our first review and examine similar accounting and reimbursement data for fiscal year 1978.

Recovery of the full costs of administrative personnel used in the program is required by law. We reported to the Congress that no adequate systems existed to account for and report the actual number of administrative personnel involved in the program. As a result, the Defense Department had no assurance that the surcharge used to recover the cost of administering the Foreign Military Sales Program was adequate. We also reported that the factors included in the surcharge to recover military and civilian personnel retirement costs were not high enough to fully recover these costs.

As a result of our recommendations, 1/ the Defense Department attempted to develop a standard security assistance manpower accounting system. We subsequently reported that this new system did not provide reliable data because inconsistent methods were used to gather the data. 2/ Defense has since revised the instruction for this standard system to provide more consistency in data collection methods. The Defense Department has also adopted new retirement cost factors for security assistance personnel. According to Defense officials, these new factors will be used to prepare fiscal year 1980 budgets for several different security assistance programs. We estimate that using these new factors for foreign military sales and training provided to foreign governments will result in the recovery of an additional \$69 million in costs annually.

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1/ FGMSD-77-22, Oct. 21, 1977.

2/ FGMSD-78-47, July 25, 1978.

Action needed to improve Air Force's  
accounting for return of unserviceable  
material

In a September 29, 1978, report to the Secretary of Defense, we stated that the Air Force had been accepting millions of dollars of unserviceable equipment (equipment in need of repair) from foreign governments and giving them credit for it without determining if the Air Force had a need for the equipment.

The Defense Department's Foreign Military Sales Program provides for the repair of military equipment sold to foreign governments when the equipment becomes worn or broken. The Air Force allowed air logistics centers to give credit at the rate of 75 percent of its current inventory price for unserviceable equipment if the Air Force had a foreseeable requirement for the equipment. Because of ineffective management and control, the air logistics centers were accepting all unserviceable equipment regardless of need.

In response to our suggested corrective action, the Air Force discontinued the credit program and adopted a repair and replacement system under which foreign governments will be required to pay all repair and related costs. If the system is properly and consistently implemented at the air logistics centers, we estimated that it could save as much as \$28 million annually, as well as the costs incurred in repairing unneeded items.

We recommended that the Secretary of the Air Force designate a representative to oversee implementation of this new system and require that the Air Force Audit Agency review the effectiveness of this system after it becomes operational. 1/

ARMS SALES CEILING BASED ON  
INCONSISTENT AND ERRONEOUS DATA

On November 16, 1977, Congressman Lee H. Hamilton asked us to examine the procedures by which the Department of Defense accounts for the value of foreign military sales agreements and by which the yearly foreign military sales ceiling is established. The review was requested after the Defense Security Assistance Agency disclosed that its previously reported estimate of \$9.9 billion for fiscal year 1977

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1/ FGMSD-78-60, Sept. 29, 1978.



foreign military sales was understated by \$1.4 billion because it had erroneously followed superseded accounting practices.

In an interim report, we said that our review of a \$1.4 billion adjustment disclosed substantial accounting inconsistencies and errors resulting in an overstatement of \$594 million for those fiscal year 1977 sales which related to articles and services subject to the arms sales ceiling. We recommended that the Defense Security Assistance Agency require that all price changes be recorded as adjustments to sales totals for the fiscal year in which the original sales agreement was signed. We also recommended that fiscal year 1977 accounting records be corrected and revised sales totals reported to the Congress and fiscal year 1978 accounting records be reviewed. 1/ The Defense Security Assistance Agency disagreed, in part, with the method we used to determine sales figures and did not accept the conclusions or recommendations made in the report. We plan to issue our final report on this matter in fiscal year 1979.

#### ARMY EFFORTS TO RESTORE INTEGRITY IN FINANCIAL MANAGEMENT SYSTEMS

We reported to the Chairman, House Committee on Appropriations on the progress the Army has made to correct a financial management breakdown which resulted in \$225 million in violations of the Anti-Deficiency Act. This breakdown was caused by the Army's failure to design and implement an effective procurement appropriation accounting system. Also, contributing to the breakdown was the Army's failure to adequately control fund allocations, reprogramings, and transfers as well as its failure to accurately account for customer orders.

The Army had recorded over \$1.5 billion in adjustments to correct its accounts and had made progress in improving its accounting and reporting systems as recommended in a previous report. 2/

We recommended that the Army complete the design and implementation of its new procurement appropriation program and fund control system as quickly as possible and develop a plan for a standard installation-level procurement appropriation accounting system. The Department of Defense

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1/ FGMSD-78-30, Apr. 12, 1978.

2/ FGMSD-76-74, Nov. 5, 1976.

agreed with these and other recommendations for improving Army financial management. 1/

LOSS OF ACCOUNTING INTEGRITY IN  
AIR FORCE PROCUREMENT APPROPRIATION

At the request of the Chairman, House Committee on Appropriations, we reviewed Air Force financial management systems to determine if the Air Force was experiencing problems similar to those described in our November 5, 1976, report entitled "Serious Breakdown in the Army's Financial Management Systems."

We reported that the Air Force had, over several fiscal years, improperly recorded at least \$82.3 million in customer orders and \$50 million in cooperative logistics cash advances, and had improperly transferred \$64 million between procurement accounts. Also, a transfer of \$7.5 million in fund resources was made from a fiscal year 1975 account to a fiscal year 1973 account to avoid showing an overobligation in the fiscal year 1973 accounting records. These errors were due to the use of improper accounting procedures and, as a result, the Air Force did not know the correct balances of its procurement appropriations for each fiscal year from 1971 through 1976. 2/

Prior to our review, the Air Force had revised its accounting procedures for customer orders. The Air Force concurred with our recommendations that it revise its accounting procedures for cooperative logistics cash advances and that the Air Force Audit Agency

- review these revised procedures,
- determine the feasibility of correcting erroneous prior year fund resources balances, and
- determine that unobligated customer order balances are being properly transferred to the ensuing fiscal year accounts.

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1/ FGMSD-78-28, Apr. 27, 1978.

2/ FGMSD-77-81, Nov. 1, 1977.

UNIFORM ACCOUNTING AND WORKLOAD  
MEASUREMENT SYSTEMS NEEDED  
FOR DEFENSE HOSPITALS

The Department of Defense did not have uniform procedures for preparing budget estimates, accounting for and reporting operating costs, or measuring the workload of medical facilities, for which about \$2.5 billion was programed in fiscal year 1977. As a result, Defense could neither make meaningful cost comparisons between, nor evaluate the efficiency of, the military services' medical facilities. Because Defense instructions contained little or no guidance to the military services on maintaining and reporting workload and accounting information for medical activities or on submitting budget data, each military service prescribed its own procedures. We previously reported that these variances in procedures had contributed to Defense's failure to recover about \$12 million in reimbursable medical services. 1/

We recommended that Defense initiate uniform procedures for accumulating and reporting military medical facility costs and develop and issue uniform staffing criteria. We also recommended that financial and workload information be analyzed by managers to better allocate medical resources. The Department of Defense initiated actions to implement these recommendations. 2/

ARMY COMMISSARY ACCOUNTING FOR GAINS AND  
LOSSES NEEDS IMPROVEMENT

From July 1974 through September 1976, the Army stock fund absorbed \$9.5 million in commissary losses from unidentifiable causes. Although we reported in March 1975 that these losses should be borne by the commissary customers, the accounting system was not changed. We also reported that discounts earned by the fund from prompt payment for purchases, which totaled \$1.2 million for the first 9 months of 1977, should have been passed on to commissary patrons but were not. The Department of Defense said that (1) the accounting system for Army commissaries would be revised to insure proper handling of these inventory losses and gains and (2) the stock fund would be reimbursed for past and future losses from unidentifiable causes. 3/

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1/ FGMSD-76-102, Mar. 8, 1977.

2/ FGMSD-77-8, Jan. 17, 1978.

3/ FGMSD-78-43, July 17, 1978.

MORE DIRECTION NEEDED TO  
ESTABLISH A UNIFORM DEFENSE  
MAINTENANCE ACCOUNTING SYSTEM

Over the past 15 years, the Department of Defense has unsuccessfully attempted to establish a uniform depot maintenance cost accounting system. In a May 22, 1978, report to the Secretary of Defense, we observed that the most recent attempt, begun in 1975, had encountered substantial difficulties in its implementation stage.

A uniform accounting system is needed to enable Defense Department management officials to assess the effectiveness of the military services' depot maintenance operations by comparing the cost data produced by each of the services under this system. The latest attempt at a uniform system, however, had not produced comparable data because the services continued to use diversified approaches in developing such data. These varied approaches were used because the system guidelines were not sufficiently comprehensive, the Defense handbook was not followed or was misinterpreted, and Defense did not provide the necessary leadership to insure that managers knew the objectives and uses of the system.

To implement a useful uniform cost accounting system, we recommended that the Department of Defense establish a focal point to oversee implementation of the system. That focal point would also provide (1) more complete instructions which would be subject to limited interpretations and (2) comparable data on depot maintenance operations. <sup>1/</sup> The Defense Department has advised us that actions are being taken or have been taken on these recommendations.

RECOVERY OF COSTS OF ADMINISTERING  
MILITARY AND CIVILIAN ALLOTMENT PROGRAMS--  
A CONGRESSIONAL POLICY QUESTION

The Federal Government's payroll allotment program permits military and civilian personnel to have money withheld from their pay and sent directly to financial institutions and insurance companies. Although the benefits to the recipients are nearly identical, the Government charges these institutions only for processing allotments of civilians working in the United States. The Government does not charge the same or similar organizations to handle military allotments or allotments of civilians working overseas. As a

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<sup>1/</sup> FGMSD-78-35, May 22, 1978.

result of these procedures, the Government does not recover any portion of the \$5.6 million spent annually to process allotments for military personnel or civilians overseas and recovers only about half of the \$2.6 million cost to process allotments of civilian personnel in the United States. We reported what options are available to the Congress in deciding what cost recovery policy should be applied to the payroll allotment program. 1/

ADMINISTRATIVE EXAMINATION  
OF MILITARY PAY MATTERS

In an April 13, 1978, report to the Assistant Comptroller, Navy Financial Management Systems, we estimated that based on a statistical sample, Navy-wide disbursing accounts contained about \$1.7 million in errors for the 6-month period ending June 30, 1975. These errors consisted of \$792,000 in travel overpayments and underpayments and about \$950,000 in leave errors. We also reported a large number of errors in the disbursing accounts of three ships and one foreign station. Many of these errors had not been corrected because of the Navy's reluctance or inability to provide resources for an effective examination program at the Navy's Finance Center and Fleet Accounting and Disbursing Centers. Such examinations are required by law.

The travel and leave errors generally resulted from

--constant rotation of disbursing personnel on ships and at foreign stations,

--lack of experience of military disbursing officers,

--lack of formal training of many disbursing clerks, and

--extremely complex and ever-changing military travel regulations.

To improve disbursing error detection and correction of those errors, as well as to enable Navy financial managers to evaluate or improve the quality of disbursing, we recommended that the Navy evaluate Fleet Accounting and Disbursing Center staffing policies as well as the use of statistical sampling when auditing ship and foreign station accounts. We also recommended that policy and procedures be established for

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1/ FGMSD-78-52, Sept. 29, 1978.

comparing travel voucher leave computations with official leave accounts and making any necessary corrections. 1/

The Navy concurred with our recommendations and initiated action to perform the suggested evaluations as well as to improve existing policy and procedures for making leave comparisons.

IMPROVEMENTS NEEDED  
IN ACCOUNTABLE OFFICER  
OPERATIONS

Federal receipts and expenditures will total almost one trillion dollars in fiscal year 1979. Federal agencies have designated accountable officers--certifying and disbursing officers--who are responsible for the legality, propriety, and correctness of these transactions. In several reviews we found that agencies needed to improve internal controls over receipts and expenditures. We also found that agencies needed to periodically review how their automated disbursement systems operate so that certifying and disbursing officers could be assured that internal controls reasonably protect the Government against theft and error.

In reports to the Department of Housing and Urban Development, the Drug Enforcement Administration, and the Food and Drug Administration, we informed those agencies of the general need to improve controls over receipts, disbursements, imprest funds, and obligations. These agencies agreed and have taken action to strengthen them. 2/

In a report to the Congress, we pointed out that computerization of agency disbursements has presented problems to accountable officers. Prior to automated systems, these officers could physically examine source documents supporting the payment. Today, however, such an examination is virtually impossible. Disbursement information is now recorded on magnetic tape, for example, making it impossible to visually inspect and verify that disbursements are legal, proper, and correct. To assure certifying and disbursing officers that internal controls reasonably protect the Government against theft and error, we stated that agencies need to periodically review the details of their payment system's

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1/ FGMSD-78-29, Apr. 13, 1978.

2/ FGMSD-77-76, Nov. 8, 1977; FGMSD-77-74, Dec. 27, 1977; and FGMSD-77-75, Dec. 28, 1977.

operations, so that accountable officers will be assured that internal controls reasonably protect against theft and error. 1/

We recommended that the Office of Management and Budget issue guidelines requiring department and agency heads to:

- Designate an operating official at the assistant secretary or comparable level to review each automated payment system and the controls built into it.
- Direct that such reviews be made at least annually, supplemented by interim checks of major system changes.
- Direct the certifying or disbursing officer to certify or disburse automated payments only when notified by the designated operating official that the automated system and the controls built into it are operating effectively.
- Require a written statement from the designated operating official if the official determines that the system is not operating effectively and that corrective action could not be taken before the next voucher preparation. This statement should enumerate the steps planned to accomplish adequate system controls and to recoup erroneous payments that may result before corrective action can be taken.
- Provide that, when significant system deficiencies are identified, the designated operating official must assume responsibility for subsequent certification that, on the basis of available evidence, the payments are otherwise proper. The official should continue to certify payments until he or she informs the head of the agency in writing that the system is operating effectively.

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1/ Federal agencies generally agreed that payment systems should be reviewed periodically to assure their reliability. Also the Joint Financial Management Improvement Program is studying various suggestions for improving disbursement procedures.

FEDERAL GOVERNMENT'S BILL  
PAYMENT PERFORMANCE IS GOOD  
BUT COULD BE IMPROVED

Many companies doing business with the Federal Government have complained that Federal agencies are slow in paying their bills. To determine how well the Government does as a bill payer, we sampled and analyzed 3,263 contractor invoices totaling \$34.1 million, as well as responses from 950 contractors concerning the payment performance of Federal agencies.

The analysis showed that about 61 percent of the Government's bills and 81 percent of the dollar total were paid within 30 days, the accepted period in commercial practice. Nearly 85 percent of the bills and 98 percent of the dollar total were paid within 60 days. When adjusted for delays caused by contractors and other causes not attributable to Federal agencies, 70 percent of the bills and 83 percent of dollar amount were paid within 30 days.

Although only 16 percent of the companies questioned indicated that they were dissatisfied with the Government's payments, delays in making payments harm the contractors' cashflow and reduce the Government's opportunity to benefit from cash discounts. Delayed payments may also cause contractors to stop doing business with Federal agencies.

Permeating the entire payment process was the lack of a Federal standard establishing when payment is due. Government procurement regulations and the standard contract payment clauses did not specify due dates. We also observed that improving Federal payment performance would require changes in Federal procurement policy and in agency payment procedures.

To improve the Federal Government's bill payment performance, we recommended that the Director, Office of Management and Budget, together with the Departments of the Treasury and Defense and the General Services Administration require Federal agencies, when practical, to

- include payment terms in each contract and purchase order;
- develop due date standards for major types of goods and services;
- explore the extended use by both civil and military agencies of procedures for paying bills without a receiving report;



- authorize the use of imprest funds to pay small bills on delivery;
- decide how close to the due date agencies should schedule bills for payment; and
- continue to monitor payment performance, making sure that agencies are adopting procedures to pay bills on time and evaluating the need for further improvement. 1/

MORE EFFECTIVE CONTROLS OVER BUREAU  
OF INDIAN AFFAIRS' ADMINISTRATIVE  
COSTS ARE NEEDED

The Chairman, Senate Subcommittee on the Department of the Interior and Related Agencies, asked us to review the Bureau of Indian Affairs' administrative costs because available evidence suggested that such costs were excessive. The Chairman's office asked us to consider all elements of control over the costs, including the budgetary and appropriation processes, administrative fund control procedures, and accounting system procedures. The review also considered, as requested, whether the Bureau had reduced its administrative costs for fiscal years 1977 and 1978 by about \$8.5 million as requested by congressional committees.

We reported that the Bureau had made only about \$.8 million of the requested reduction and had reduced funds for programs to benefit Indian people by the remaining \$7.6 million. The report noted that, to avoid making the reductions, the Bureau had

- netted reductions against directed program increases,
- charged programs for computer services, and
- claimed that the reductions would have prevented it from providing essential services.

Our report mentioned that the Bureau's reasons for maintaining its level of administrative costs were inconsistent with reports showing duplication and overlap in administrative functions. The report also discussed other financial system weaknesses normally contributing to high administrative costs, and it pointed out that the Bureau was not legally required to make the reductions specified in congressional committee reports.

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1/ FGMSD-78-16, Feb. 24, 1978.

If the Congress desired greater control over the Bureau's administrative costs, we recommended either a separate appropriation or a dollar limitation in the existing appropriation. To improve controls over administrative costs, we also recommended that the Bureau budget those costs and related personnel by office or program and use the budgeted amounts as cost control elements.

Our report discussed serious, widespread weaknesses in the Bureau's financial management system and pointed out the urgency for improvement. As a result, the Bureau brought in an accounting firm to help devise a financial system that will satisfy its needs and meet the principles and standards prescribed by the Comptroller General. 1/

#### IMPROVED CASH MANAGEMENT NEEDED

Because of the substantial amount of interest the Government pays on the public debt--about \$49 billion, or 9 percent of the 1979 budget--the Department of the Treasury published more detailed cash management guidelines in March 1978. Essentially, these guidelines require Government agencies to promptly collect and deposit amounts owed the Government, establish procedures preventing premature disbursement of Government funds, and ensure that recipients maintain minimum cash balances of Federal funds. We issued several reports last year which show that agencies need to more closely adhere to these guidelines and improve their cash management practices.

#### Department of Defense

In March 1978, we reported to the Secretary of Defense that central finance offices, finance and accounting offices, and ships were maintaining about \$50 million in excess cash. These excess balances occurred because Defense and military service guidelines for computing cash requirements were either not clear or were not followed. If the \$50 million had been returned to the Treasury, the Government could have potentially saved \$3.2 million annually in interest costs.

We recommended that Defense issue guidelines for determining the level of cash balances that should be maintained by central finance offices overseas and clarify criteria for determining the frequency of cash replenishment at finance

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1/ FGMSD-78-17, Feb. 15, 1978.

and accounting offices. We also recommended that the Secretary of the Navy develop detailed guidelines for determining cash needs for ships. The Department of Defense has taken corrective action to improve its cash management. 1/

#### Farmers Home Administration

In April 1978, we reported to the Administrator of the Farmers Home Administration that excessive delays in depositing loan repayments were occurring. These delays were attributed to the time required to mail the payments from county offices to the Administration's National Finance Office in St. Louis and the time required for the National Finance Office to process receipts. We estimated that Government interest costs could be reduced by \$642,000 for each day that deposits were accelerated.

After we informed the agency of these delays, additional personnel were hired, and processing time at the Finance Office was reduced to 1 day. Even considering the costs of the additional personnel, the Government saved about \$2.53 million annually. In addition, the Administration is studying alternatives which could reduce or eliminate mail delays. 2/

#### Department of Energy

Because the Department of Energy had not established adequate procedures to monitor Federal cash balances in the hands of contractors who were funded by checks-paid, letters of credit, contractors had \$1.8 million more than they needed in their bank accounts to compensate banks for their services. We estimated that this could be costing the Government about \$120,000 annually in additional interest costs.

Checks-paid, letters of credit were established as a Federal funding tool because of their advantage in minimizing Federal cash in the hands of contractors and other recipients. Although banks usually require a minimum balance to be maintained to compensate them for their services, accounts should be monitored to preclude higher cash balances than required.

In our August 1978 report to the Controller of the Department of Energy, we recommended that the Department improve its checks-paid, letter-of-credit procedures and monitor

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1/ FGMSD-78-20, Mar. 17, 1978.

2/ FGMSD-78-23, Apr. 18, 1978.

contractor accounts more closely. The Department has taken corrective action. 1/

#### U.S. Customs Service

In August 1978, we reported to the Congress that the Treasury Department's Customs Service could save millions of dollars annually in interest costs by eliminating deferrals allowed in collecting import duties and alcohol taxes and by improving collection of overdue accounts. During fiscal year 1976, about \$9.6 million in interest expense was incurred by the Government that might have been avoided if deferrals had not been permitted and the amount due had been collected sooner.

We recommended that the Secretary of the Treasury require importers to pay duties when goods are released by Customs, charge interest to importers when they elect to defer or are delinquent in their payments, and improve Customs' billing and collection procedures. The Department of the Treasury generally agreed with our recommendations and has begun studying possible corrective actions. 2/

In a related September 1978 report, we informed Congressman Bill Gradison that the Customs Service's New York regional office was substantially delaying depositing checks. Import documents were received, reviewed, assigned a control number, and entered into the computer system before the duty payment checks were deposited. We also reported that the Customs Service prepared instructions requiring the deposit of duties and taxes on receipt. This new system should eliminate delays in depositing checks received. 3/

#### ACCOUNTING FOR BILLING, ACCOUNTS RECEIVABLE, AND COLLECTIONS

In our fiscal year 1977 report on the "Status, Progress, and Problems in Federal Agency Accounting Systems," 4/ we discussed our reviews of seven agency accounting systems used to bill, collect, record and report accounts receivable.

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1/ FGMSD-78-53, Aug. 3, 1978.

2/ FGMSD-78-50, Aug. 21, 1978.

3/ FGMSD-78-58, Sept. 20, 1978.

4/ FGMSD-78-24, May 26, 1978.

During fiscal year 1978, we completed this multiagency review of accounts receivable and issued two additional reports to agency heads. In addition, we issued a summary report to the Congress on the results of this work.

Our work at the National Aeronautics and Space Administration (NASA) showed that the agency was promptly collecting amounts due from other Federal agencies and the public under an accounting system approved by the Comptroller General in June 1969. However, internal accounting procedures did not assure that accounts receivable were accurately recorded and reported. Specifically, the \$267.2 million balance of accounts receivable reported to the Department of the Treasury on September 30, 1976, was incorrect because:

- NASA had already collected about \$200.6 million of the recorded and reported accounts receivable.
- About \$13.3 million of accounts receivable from the public was improperly classified as accounts receivable from Federal agencies.
- About \$14.7 million of accounts receivable was neither recorded nor reported.

Officials at NASA stated that procedures were being revised to improve the accuracy of reported accounts receivable. 1/

Our reviews at the Department of the Interior's Bureau of Land Management, the Bureau of Reclamation, and the Geological Survey also showed that improvements were needed in the accounting, billing, and collection systems for accounts receivable. 2/ Specifically, at one or more of the Interior agencies reviewed, we found that

- recorded receivables were not accurate,
- allowances were not established for uncollectible accounts receivable, and
- delinquent accounts were not promptly identified for followup actions.

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1/ FGMSD-77-89, Oct. 21, 1977.

2/ FGMSD-77-66, Feb. 3, 1978.

Interior officials initiated action to improve the recording, reporting, and collection of accounts receivable.

In our overall report to the Congress entitled "The Government Needs To Do A Better Job Of Collecting Amounts Owed By The Public," we summarized the results of our multi-agency review, as well as other reviews that identified similar problems in controlling and collecting amounts owed the Government. Because the issues in this report are Government-wide, we sent it to all departments and agencies and made recommendations to the Secretary of the Treasury and the Director, Office of Management and Budget, to strengthen the accounting for accounts receivable in particular and financial management in general. The Treasury Department and the Office of Management and Budget agreed to take corrective action. 1/

On December 18, 1978, the Subcommittee on Taxation and Debt Management Generally, Senate Finance Committee, held hearings on improving Government collection of amounts owed by the public. At these hearings the Comptroller General testified on the results of our Government-wide reviews of how agencies handle accounts receivable and how the Government can be more productive in collecting its debts by following commercial practices.

#### GOVERNMENT-WIDE OPPORTUNITIES FOR SAVINGS BY USE OF AIRLINE DISCOUNT FARES

Although Federal travel regulations require use of the lowest available air fares, most employees who qualified for discount fares generally did not obtain them. This situation existed because agencies had not emphasized their use to employees or kept records to determine whether discount air fares were being used when they should have been. As a result, millions of dollars have been spent unnecessarily on commercial air travel, which was estimated to cost the Federal Government at least \$470 million in 1976.

In our report to the Congress, we recommended that the Administrator of General Services help other Federal agencies make greater use of discount airline fares by regularly informing them of current discount air fares between commonly traveled locations. We also recommended that the heads of departments and agencies maintain and regularly analyze records on the use of discount fares to ensure that discounts are taken whenever possible. Many of the agencies agreed

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1/ FGMSD-78-61, Oct. 20, 1978.

that substantial benefits could be derived by making greater use of discount air fares and through more effective administrative controls over Federal employee airline travel. 1/

NEED TO IMPROVE SERVICING OF  
DIRECT LOANS UNDER BUSINESS  
DEVELOPMENT ASSISTANCE PROGRAM

In May 1978, we reported on the loans and management assistance services provided to businesses by the Economic Development Administration, Department of Commerce. The report contained statistics showing a high number of the agency's loans to be past due and noted that, as a result, the terms of many of these loans had to be renegotiated. At the time of our review, about \$89 million, or 29 percent, of the agency's loans, was past due.

In our report to the Assistant Secretary for Economic Development, we concluded that his agency's loan program should assure that the loan arrangements provide identifiable benefits and guarantee prompt and accurate repayment of loans. Accordingly, we recommended that loan servicing be improved by regularly visiting borrowers who are delinquent in loan repayments and by assisting these borrowers as necessary so the program objectives can be achieved and loans can be repaid. The Economic Development Administration agreed that loan servicing can and should be improved and has begun corrective action. 2/

INTERNAL AUDITS OF ACCOUNTING  
REPORTS AND SYSTEMS

Section 113 (a)(3) of the Accounting and Auditing Act of 1950 requires the heads of executive departments and agencies to provide appropriate internal audit of their systems of accounting and internal control. Internal audit responsibilities include determining whether financial operations are conducted properly and whether financial reports are presented fairly. (In app. I, we have identified the specific financial areas that should be reviewed by an agency's internal audit staff.) Proper conduct of financial operations requires compliance with the principles, standards, and related requirements for accounting prescribed by the

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1/ FGMSD-78-46, July 21, 1978.

2/ FGMSD-78-34, May 15, 1978.

Comptroller General. At September 30, 1978, the departments and agencies had over 11,000 professional and administrative personnel engaged in internal audit activities.

In fiscal year 1977 we began a series of audits on the level of effort that the internal audit organizations of Federal agencies are devoting to auditing agency financial operations. In fiscal year 1977 we issued reports on the Departments of Agriculture, the Interior, Justice, and Labor, and the Veterans Administration. In fiscal year 1978 we issued reports on the National Aeronautics and Space Administration and the Department of Housing and Urban Development.

The National Aeronautics and Space Administration internal audit staff has been reduced by 50 percent since 1967. The reduced audit staff has been unable to adequately audit internal operations at headquarters and several field centers and component installations. 1/ Our review of the Department of Housing and Urban Development showed that the internal auditors were providing adequate audit coverage of all the Department's internal financial operations except for 14 of their revolving funds with assets of over \$11 billion. 2/

In addition, at the request of the Chairman, Subcommittee on Government Efficiency and the District of Columbia, Senate Committee on Governmental Affairs, we surveyed 418 organizational units in the executive branch to determine whether financial audits were conducted, what findings were reported, who conducted the audits, and to whom the findings were reported. We found that many Federal organizational units were not receiving annual financial audits of their accounts and records. One hundred and thirty-three units with total annual funding in excess of \$20 billion said they had not received a financial audit during fiscal years 1974 through 1976, although 58 of these units reported they did receive nonfinancial audits. 3/

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1/ FGMSD-78-12, Dec. 27, 1977.

2/ FGMSD-78-25, Apr. 12, 1978.

3/ FGMSD-78-36, June 6, 1978.



SUMMARY OF MAJOR AREAS  
OF FINANCIAL INTEREST FOR REVIEW AND  
EVALUATION BY AGENCY INTERNAL AUDIT ORGANIZATIONS

CASHGeneral

Internal controls  
Adequacy of records and procedures  
Cash accounts identified by appropriations and/or fund  
Periodic or surprise cash counts  
Reconciliation of cash with Treasury Department  
fund balances  
Compliance with laws and regulations  
Reports

Collections

Physical control  
Cash recorded immediately after receipt  
Timely deposit of cash receipts  
Excessive funds on hand  
Cash in transit--cutoff dates

Disbursements

Preaudit before approval for disbursement  
Disbursement recorded promptly in records  
Disbursement in transit at time of cutoff

Imprest Funds

Compliance with fund restrictions  
Advances  
Reimbursements--service provided  
Adequacy of invested capital

Other

Investments

RECEIVABLES

Internal controls  
Compliance with laws and regulations  
Receivables identified by appropriation and/or fund

Classification of receivables:  
 Interagency/fund  
 External  
 Price established on documentation for:  
 Actual cost  
 Estimated cost  
 Accounts reviewed, delinquent accounts identified  
 Provisions for doubtful accounts  
 Controls--adjustments and writeoffs  
 Collection and liquidation of receivables

ADVANCESTravel

Internal controls  
 Administrative control over travel  
 Compliance with travel regulations  
 Control over Government travel regulations  
 Timely settlement of employees' travel advances  
 Authorized expenses

Contractors

Liquidation--services provided/returned

Grantees

Liquidation--services provided/returned

PROPERTY

Internal controls  
 Policy, procedures, and recordkeeping  
 Integrated property and financial records  
 Account classification:  
 Furniture/fixtures  
 Equipment  
 Plant and equipment  
 On assignment--to others  
 On assignment--from others  
 Supplies and materials  
 Property valuation established on documentation for:  
 Cost  
 Estimated  
 Salvage  
 Compliance with laws and regulations

**Physical control:**

- Acquisition
- Removal
- Utilization of property
- Excess property
- Identification
- Timely recording in the property/financial records
- Control over loss/writeoffs
- Reconciliation of physical inventories with property records/financial records
- Depreciation/obsolescence
- Evaluation of maintenance costs and economic value

**LIABILITIES**

## Internal controls

## Account classification:

- Accounts payable
- Contract provisions
- Accruals
- Intergovernmental/fund
- Advance payments
- Contingencies
- Unfunded
- Long-term debts
- Timely recording of liabilities
- Accounts identified by appropriation/fund
- Liquidation of liabilities
- Support/pricing of liabilities

**ADMINISTRATIVE CONTROL OF FUNDS**

## Internal controls

## Separation of accounts by appropriation/fund:

- Apportionment
- Subdivision of funds
- Obligations
- Disbursements
- Reporting
- Compliance with laws/regulations
- Incurring obligations:
  - Authority
  - Availability of funds--
    - Precertification
    - Commitment accounting
    - Compliance with section 1311 criteria
    - Timely recording
- Policy and procedures
- Liquidation and recoupment of excess obligations

Use of "M" accounts  
 Reprogramming/transferring of funds  
 Accounting for proceeds  
 Status of funds reports

### REVENUES

Internal controls  
 Revenue accounts identified by appropriation/fund:  
   Fees, fines  
   Reimbursements to appropriation  
 Authorized services  
 Established fees:  
   Total costs--supported by accounting records  
   Estimated/negotiated  
   Statutory  
 Timely recording of billings  
 Adjustments/writeoffs  
 Compliance with laws and regulations  
 Comparison amounts billed/cost of services provided

### COSTS

Internal controls  
 Timely recording in accounts  
 Separation of costs:  
   Pay and allowance  
   Direct  
   Indirect  
   Depreciation  
   Contracts/grantees  
   Unfunded  
 System integrated with financial records  
 Basis for costs  
 Cost reports--full disclosure and usefulness to management  
 Comparison of costs to measurement standards  
 Compliance with laws and regulations  
 Allocation of costs

### REPORTS

Full disclosure of financial condition  
 Compliance with laws and regulations  
 Supported by accounting system  
 Usefulness to management  
 Timeliness of reports  
 Accurate, reliable, truthful  
 Comparison of budgeted/programed costs with actual costs  
 Footnoted as required

OTHER

Approved systems implemented  
Followup of prior recommendations

STATUS OF APPROVALS AND EVALUATIONS

	<u>Defense</u>	<u>Civil</u>	<u>D.C. Government (note a)</u>	<u>Total</u>
<b>PRINCIPLES AND STANDARDS:</b>				
Approved during FY 1978	-	4	-	4
Approved as of Sept. 30, 1977, adjusted total	<u>137</u>	<u>181</u>	<u>1</u>	<u>319</u>
Approvals as of Sept. 30, 1978	137	185	1	323
Submitted informally for evaluation	-	2	-	2
Not under evaluation	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	-	3	-	3
Total systems subject to approval at Sept. 30, 1978	<u>137</u>	<u>188</u>	<u>1</u>	<u>326</u>
<b>SYSTEM DESIGNS:</b>				
Approved during FY 1978	4	3		7
Approved as of Sept. 30, 1977, adjusted total	<u>63</u>	<u>125</u>	<u>-</u>	<u>188</u>
Approvals as of Sept. 30, 1978	67	128	-	195
Submitted informally for evaluation	27	25	1	53
Not under evaluation	<u>43</u>	<u>35</u>	<u>-</u>	<u>78</u>
	70	60	1	131
Total systems subject to approval at Sept. 30, 1978	<u>137</u>	<u>188</u>	<u>1</u>	<u>326</u>

a/Actual number of accounting systems not yet determined.

STATUS OF APPROVAL OF ACCOUNTING SYSTEMS

AT SEPTEMBER 30, 1978

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>DEPARTMENT OF AGRICULTURE:</b>				
<b>Office of Management Services:</b>				
Appropriated Funds-----	Aug 1968	-----	-----	(b)
Working Capital Fund-----	Oct. 1968	-----	Feb. 1972	-----
<b>Agricultural Research Service:</b>				
Appropriated Funds-----	June 1968	-----	-----	(b)
Working Capital Fund-----	do.	-----	June 1972	-----
<b>Agricultural Stabilization and Conservation Service-----</b>				
Animal and Plant Health Service-----	Feb. 1977	-----	-----	(b)
Farmers Home Administration-----	-----	(b)	-----	do.
Soil Conservation Service-----	Sept. 1977	-----	-----	do
Food and Nutrition Service-----	June 1969	-----	Mar 1974	-----
Foreign Agricultural Service-----	June 1973	-----	-----	(b)
Consumer and Marketing Service-----	May 1968	-----	-----	do.
Federal Crop Insurance Corporation-----	July 1968	-----	July 1971	-----
Federal Extension Service-----	June 1967	-----	June 1967	-----
Forest Service:	Oct. 1969	-----	Oct. 1969	-----
Appropriated Funds-----	Mar. 1969	-----	June 1970	-----
Working Capital Fund-----	do.	-----	do.	-----
<b>Rural Electrification Administration:</b>				
Administrative Accounting-----	May 1968	-----	Aug. 1957	-----
Loan Program Accounting-----	Sept. 1977	-----	Sept. 1978	-----
Centralized Automated Payroll System-----	Sept. 1967	-----	Sept. 1967	-----
<b>Total-----</b>	<b>b/17</b>	<b>b/1</b>	<b>b/11</b>	<b>b/7</b>

GAO note: Footnotes are on the last page of this appendix.

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APPENDIX III

APPENDIX III

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>DEPARTMENT OF COMMERCE:</b>				
Office of the Secretary-----	Nov. 1977	-----	Feb. 1970	-----
Bureau of the Census-----	do.	-----	May 1966	-----
Economic Development Administration-----	do.	-----	Oct. 1970	-----
Maritime Administration-----	do.	-----	Jan. 1971	-----
National Bureau of Standards-----	do.	-----	Feb. 1953	-----
National Oceanic and Atmospheric Administration-----	do.	-----	Oct. 1970	-----
National Technical Information Service-----	do.	-----	-----	Sept. 1979
Patent Office-----	do.	-----	Mar. 1971	-----
Total-----	8	-----	7	1
<b>DEPARTMENT OF DEFENSE:</b>				
Department of the Air Force:				
Departmental Level Systems:				
General Accounting and Finance System-----	Aug. 1972	-----	-----	Sept. 1980
Air Force Stock Fund-----	do.	-----	Jan. 1976	-----
Air Force Industrial Fund---	do.	-----	Sept. 1976	-----
Foreign Military Sales-----	do.	-----	-----	Sept. 1981
Command Level Systems:				
General Accounting and Finance System-----	do.	-----	-----	Sept. 1980
Major Construction-----	do.	-----	Oct. 1969	-----



<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.)				
Department of the Air Force				
(cont ).				
Command Level Systems				
(cont.):				
Depot Maintenance Industrial Fund-----	Aug. 1972	-----	-----	Sept. 1982
Central Procurement Accounting-----	do	-----	-----	Sept. 1979
Financial Inventory Accounting: Investment Items (Stock Control and Distribution, Contractor Repair, Uninstalled Engines)----	do	-----	-----	c/Sept. 1979
Financial Inventory Accounting: Stock Funds (GSD/SSD)-----	do	-----	-----	do
Field Activity Level Systems:				
General Accounting and Finance System -----	do	-----	-----	c/Sept. 1980
Job Order Cost Accounting System-----	do.	-----	Mar. 1975	-----
Medical Materiel Accounting System -----	do	-----	Oct. 1973	-----
Base Level Materiel System-----	do	-----	Jan. 1976	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Air Force (cont.):				
Field Activity Level Systems (cont.):				
Air Force Academy Stock Fund-----	Aug. 1972	-----	June 1975	-----
Commissary Stock Fund--Base Level-----	do.	-----	do.	-----
Industrial Fund Systems:				
Air Lift Services-----	do.	-----	June 1976	-----
San Antonio Real Property Maintenance Agency---	do.	-----	-----	Sept. 1981
Laundry and Dry Cleaning Services--Central Office-----	do.	-----	June 1975	-----
Laundry and Dry Cleaning Services--Base Level-----	do.	-----	do.	-----
Military Aircraft Storage and Disposal Center Cost/Billing System-----	do.	-----	May 1976	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.).				
Department of the Air Force				
(cont.):				
Field Activity Level Systems				
(cont.):				
Federal Computer Performance Evaluation and Simulation				
Center Cost System-----	Aug. 1972	-----	Apr. 1975	-----
Maintenance Cost System	do.	-----	-----	Sept. 1980
Civil Engineering Cost System-----	do.	-----	Mar. 1976	-----
Commissary Trust Revolving Fund-----	do.	-----	Aug. 1977	-----
Stock Fund Direct Reporting	do.	-----	Sept. 1978	-----
Support Services:				
Military Pay:				
Joint Uniform Military Pay System-----				
Cadet Pay--Academy-----	do.	-----	June 1974	-----
Cadet Pay--AFROTC-----	do.	-----	Mar. 1974	-----
Cadet Pay--AFROTC-----	do.	-----	Jan. 1974	-----
Air Reserve Pay and Allowance System-----	do.	-----	June 1975	-----
Retired Pay-----	do.	-----	Jan. 1974	-----
Retiree/Annuitant Pay System-----	do.	-----	-----	Sept. 1980
Automated Civilian Pay System	do.	-----	May 1976	-----
Uniformed Services Savings Deposit Program-----	do.	-----	Jan. 1974	-----
Total Air Force	34	-----	23	11

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.)				
Department of the Army:				
Departmental Level Systems:				
Program Budget Accounting:				
Accounting and Reporting-----	June 1973	-----	-----	July 1979
Procurement Funds Distribution-----	do.	-----	Aug. 1978	-----
Program Fund Distribution-----	do.	-----	-----	June 1979
Customer Order Control	do.	-----	-----	July 1979
Command Level Systems:				
U.S. Army Materiel Development and Readiness Command Funds Distribution-----	do.	-----	July 1978	-----
Army Communications Command Funds Distribution-----	do.	-----	Aug. 1978	-----
Military Traffic Management Command-----	do.	-----	c/Sept. 1980	-----
Corps of Engineers-----	Nov. 1974	-----	July 1977	-----
National Guard-----	June 1973	-----	-----	c/July 1979

Department or agency	Principles and standards		System designs	
	Approved	Scheduled for approval (note a)	Approved	Scheduled for approval (note a)
DEPARTMENT OF DEFENSE (cont.)				
Department of the Army (cont.)				
Field Activity Level Systems:				
Commodity Command				
Standard System--Stock				
Fund-----	June 1973	-----	-----	June 1979
Standard Finance System----	do.	-----	-----	c/do.
Standard Army Intermediate				
Level Supply System-----	do	-----	May 1975	-----
Test and Evaluation Command				
Activities-----	do.	-----	Aug. 1976	-----
Canal Zone Government-----	June 1964	-----	June 1964	-----
Standard Depot Management				
Information System--				
Industrial Fund-----	June 1973	-----	-----	May 1979
Support Services				
Joint Uniform Military Pay				
System--Active Army-----	do.	-----	Oct. 1973	-----
Military Pay--Academy				
Cadets-----	do.	-----	Sept. 1977	-----
Civilian Pay-----	do.	-----	-----	Dec. 1978
Transportation Disbursing				
and Reporting-----	do.	-----	-----	Aug. 1979
Facilities Engineer Job				
Order Cost Accounting-----	do.	-----	July 1977	-----
Reserve Components Pay-----	do.	-----	-----	Sept. 1979
Military Retired Pay-----	do.	-----	-----	do.
Total Army	22	-----	10	12

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.)				
Department of the Navy (includes Marine Corps):				
Departmental Level Systems:				
Office of the Comptroller---	Mar. 1973	-----	-----	FY 1980
Command Level Systems:				
Major Command/Fund Management:				
Bureau of Naval Personnel--Military Personnel-----				
	do.	-----	-----	FY 1980
Naval Education and Training Command-- Training-----				
	do.	-----	Sept. 1976	-----
Naval Supply Systems Command Claimant Accounting-----				
	do.	-----	-----	FY 1981
Office of Naval Research--Research Development, Test, and Evaluation-----				
	do.	-----	-----	c/FY 1980
Marine Corps Headquarters-----				
	do.	-----	-----	FY 1981
Naval Supply Systems Command--Stock Fund---				
	do.	-----	-----	do.
Chief of Naval Reserve-- Pacific/Atlantic Fleets-- Non-Mechanized Command Level Activities-----				
	do.	-----	Sept. 1976	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes				
Marine Corps) (cont.):				
Command Level Systems				
(cont.):				
Special Accounting and				
Reporting:				
Procurement, Accounting,				
and Reporting System--				
	Mar. 1973	-----	-----	c/FY 1980
Naval Academy Laundry---				
	do.	-----	July 1977	-----
Naval Academy Midshipmen				
	do.	-----	Sept. 1977	-----
Store-----				
Foreign Military Sales--				
	do.	-----	-----	Oct. 1980
Property Accounting----				
	do.	-----	-----	c/FY 1980
Field Activity Level Systems				
General Accounting:				
General Area Support				
	do.	-----	-----	c/FY 1980
Points-----				
	do.	-----	July 1977	-----
Fleet (Surface)				
	do.	-----	Sept. 1976	-----
Fleet (Air)-----				
	do.	-----	Aug. 1976	-----
Marine Corps Activi-				
	do.	-----	-----	-----
ties-----				
Naval Air Stations				
	do.	-----	Sept. 1977	-----
(Class II)-----				
Facilities Engineering				
	do.	-----	-----	FY 1981
Activities Engineer-				
	do.	-----	-----	FY 1981
ing Field Division/				
	do.	-----	-----	do.
Military Construc-				
	do.	-----	-----	-----
tion-----				
Naval Education and				
	do.	-----	-----	FY 1981
Training Financial				
	do.	-----	-----	FY 1981
Management System---				
	do.	-----	-----	-----
Uniform Resources Man-				
	do.	-----	-----	-----
agement System-----				

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps) (cont.):				
Field Activity Level Systems (cont.):				
General Accounting (cont.):				
Construction Battalion Center, Port Hueneme---				
	Mar. 1973	-----	-----	c/FY 1980
Non-Mechanized Resource Management System				
	do.	-----	Sept. 1976	-----
Non-Mechanized RDT&E				
	do.	-----	-----	c/FY 1980
Non-Mechanized Allotment				
	do.	-----	-----	c/ do.
CNR Reserve Personnel				
	do.	-----	-----	FY 1981
Industrial Fund Systems				
Shipyards				
	do.	-----	June 1975	-----
Ordnance Activities-----				
	do.	-----	Aug. 1976	-----
Public Works Center-----				
	do.	-----	Mar. 1974	-----
Industrial Marine Corps				
	do.	-----	Aug. 1977	-----
Military Sealift Command-----				
	do.	-----	-----	FY 1979
Naval Avionics Facility, Indianapolis-----				
	do.	-----	-----	do.
Naval Air Rework Facilities-----				
	do	-----	-----	Jan. 1981



<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>		
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	
DEPARTMENT OF DEFENSE (cont.)					
Department of the Navy (includes Marine Corps) (cont.).					
Field Activity Level Systems (cont.):					
Industrial Fund Systems continued):					
Navy Publications and Printing Service					
		Activities-----	Mar. 1973	-----	Mar. 1980
		Polaris Missile Facility, Atlantic-----	do.	-----	FY 1979
		Strategic Weapons Facility, Pacific-----	do.	-----	do
		Research, Development, Test, and Evaluation Activities-----	do.	-----	Apr. 1981
Support Services:					
Military Pay:					
		Navy JUMPS - Central Site-----	do.	-----	Sept. 1976
		Marine Corps JUMPS-----	do.	-----	June 1973
		Navy Retired Personnel-----	do.	-----	Jan. 1981
		Navy Reserve Personnel			
		Drill Pay-----	do.	-----	July 1977
		Midshipmen-----	do.	-----	July 1977
		Marine Corps Retired Personnel-----	do.	-----	Feb 1980
		Marine Corps Reserve Personnel-----	do.	-----	June 1980

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps) (cont.):				
Support Services (cont.):				
Military Pay (cont.):				
Navy Reserve Personnel--				
NROTC-----	Mar. 1973	-----	Aug. 1977	-----
Navy Reserve Personnel---				
Armed Forces Health Professions Scholarship-----	do.	-----	Aug. 1977	-----
Civilian Pay:				
General Area Support				
Points-----	do.	-----	Mar. 1975	-----
Navy Regional Finance				
Centers-----	do.	-----	June 1975	-----
Shipyards-----	do.	-----	Mar. 1975	-----
Ordnance Activities-----	do.	-----	do.	-----
Industrial Air Stations--	do.	-----	Sept. 1976	-----
Marine Corps Activities--	do.	-----	May. 1975	-----
Facilities Engineering				
Activities-----	do.	-----	Sept. 1976	-----
Military Sealift Command				
Activities-----	do.	-----	-----	Mar. 1980
Navy Standard Civilian				
Payroll-----	do.	-----	-----	May 1981
Non-mechanized Overseas				
Activities-----	do.	-----	-----	Sept. 1979
Naval Support Activity				
Rodman, Canal Zone	do.	-----	-----	Sept. 1980

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes				
Marine Corps) (cont.):				
Support Services (cont.):				
Bond Accounting:				
Navy Regional Finance				
Centers-----				
	Mar. 1973	-----	June 1975	-----
Total Navy				
	60	-----	27	33
Office of the Secretary of				
Defense and Defense Agencies:				
Office of the Secretary-----				
	Jan. 1974	-----	-----	Sept. 1981
Defense Civil Preparedness				
Agency-----				
	do.	-----	-----	(m)
Defense Communications				
Agency:				
General Appropriation				
System-----				
	do.	-----	-----	c/Sept. 1980
Communications Services--				
Industrial Fund System---				
	do.	-----	-----	Sept. 1979
Defense Contract Audit				
Agency-----				
	do.	-----	Feb. 1975	-----
Defense Intelligence				
Agency-----				
	do.	-----	-----	c/Sept. 1980
Defense Investigative				
Service-----				
	do.	-----	June 1975	-----
Defense Mapping Agency-----				
	do.	-----	-----	c/Sept. 1980

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF DEFENSE (cont.):				
Office of the Secretary of Defense and Defense Agencies (cont.)				
Defense Nuclear Agency-----	Jan. 1974	-----	-----	c/Sept. 1980
Defense Security Assistance Agency:				
Military Assistance Program-----	do.	-----	Sept. 1977	-----
Foreign Military Credit Sales Program-----	do.	-----	-----	Sept. 1981
Defense Logistics Agency:				
Standard Automated Material Management Systems--Financial System-----	do.	-----	Dec. 1973	-----
Automated Payroll, Cost, and Personnel System:				
Payroll-----	do.	-----	Feb. 1975	-----
General Ledger, Cost, and Allotment Accounting-----	do.	-----	-----	Sept. 1980
Defense Industrial Fund--Clothing-----	do.	-----	Sept. 1977	-----
World-wide Integrated Management:				
Wholesale Subsistence Stocks -----	do.	-----	-----	Sept. 1982

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for Approval (note a)</u>
<b>DEPARTMENT OF DEFENSE (cont.):</b>				
Office of the Secretary of Defense and Defense Agencies (cont.):				
Bulk Fuels-----	Jan. 1974	-----	-----	Sept. 1981
Base Operating Supply System-----	do.	-----	-----	Sept. 1979
National Security Agency-----	do.	-----	Sept 1976	-----
Office of Dependent Schools-----	do.	-----	-----	Sept 1982
Uniformed Services University of the Health Sciences-----	do	-----	-----	do
Total Office of the Secretary of Defense and Defense Agencies				
	21	-	7	14
<b>DEPARTMENT OF ENERGY:</b>				
Departmental Accounting System-----	-----	Sept. 1979	-----	FY 1980
Bonneville Power Administration:				
General Accounting System-----	July 1968	-----	Dec 1973	-----
Payroll System	do.	-----	June 1974	-----
Alaska Power Administration-----	Apr. 1971	-----	-----	FY 1980
Southeast Power Administration-----	July 1977	-----	Nov. 1952	-----
Southwest Power Administration-----	July 1952	-----	July 1952	-----
Total-----	5	1	4	2

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE:				
Department-wide (Umbrella System)--	Apr. 1970	-----	Apr. 1970	-----
Centralized Payroll System-----	do.	-----		Jan. 1981
Office of the Secretary-----	do.	-----	f/Mar. 1973	(Dec. 1980)
Working Capital Fund-----	do.	-----		(g)
Public Health Service:				
Office of the Assistant Secretary for Health-----	do.	-----		Oct. 1979
Service and Supply Fund-----	do.	-----		Apr. 1980
Health Services Administration-----	do.	-----		Oct. 1979
National Institutes of Health:				
Administrative Accounting-----	do.	-----	June 1976	-----
Service and Supply Fund-----	do.	-----		Apr. 1980
Management Fund-----	do.	-----		do.
Food and Drug Administration--	do.	-----	June 1974	-----
Alcohol, Drug Abuse and Mental Health Administration	do.	-----		Oct. 1979
Center for Disease Control	do.	-----		do.
Health Resources Administration-----	do.	-----		do.
Public Health Service Hospital				
Cost Accounting System-----	do.	-----		(c)
Indian Health Service Hospital				
Cost Accounting System-----	do.	-----		(c)
Office of Education-----	do.	-----		FY 1979

	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (cont.):				
National Institute of Education----	Apr. 1970	-----	Sept.1977	-----
Health Care Financing Administration:				
Administrative Accounting-----	do.	-----	d/June 1975	-----
Supplementary Medical Insurance System-----	do.	-----	-----	Oct. 1979
Health Insurance System-----	do.	-----	-----	do.
Health Insurance and Supplementary Medical Insurance Premium System-----	do.	-----	-----	(e)
Social Security Administration:				
Administrative Accounting-----	do.	-----	-----	Oct. 1979
Property Accounting-----	do.	-----	-----	(e)
Earnings Record System-----	do.	-----	-----	do.
Retirement and Survivors Insurance System-----	do.	-----	-----	do.
Disability Insurance System-----	do.	-----	-----	do.
Supplemental Security Income System-----	do.	-----	-----	do.
Black Lung System-----	do.	-----	-----	do.
Regional Accounting System-----	do.	-----	-----	Oct. 1979
Departmental Federal Assistance Financing System-----	do.	-----	-----	June 1980
Total-----	31	-----	6	25

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	Apr. 1968	-----	h/Apr. 1970	-----
DEPARTMENT OF THE INTERIOR:				
Office of the Secretary-----	Jan. 1970	-----	-----	Jan. 1979
Heritage Conservation and Reservation Service	May 1969	-----	-----	FY 1980
Bureau of Reclamation-----	Dec. 1971	-----	June 1974	-----
U.S. Fish and Wildlife Service---	May 1969	-----	-----	FY 1980
National Park Service-----	Sept. 1978	-----	-----	do.
Government of American Samoa-----	July 1952	-----	July 1952	-----
Trust Territory of the Pacific Islands-----	Mar. 1954	-----	Mar. 1954	-----
Bureau of Indian Affairs-----	Nov. 1972	-----	f/Jan. 1953	(FY 1980)
Bureau of Land Management-----	Feb. 1969	-----	Aug. 1971	-----
Bureau of Mines-----	June 1972	-----	Sept. 1975	-----
Denver Inter-Bureau Payroll System-----	do.	-----	f/Aug. 1977	(Sept. 1979)
Geological Survey-----	Aug. 1970	-----	Dec. 1972	-----
Departmental Integrated Payroll System-----	do.	-----	Jan. 1974	-----
Total-----	13	-----	9	4



<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF JUSTICE				
Immigration and Naturalization Service-----	May 1969	-----	Apr. 1967	-----
Legal Activities and General Administration-----	do.	-----	Feb 1973	-----
Automated Debt Collection/Information System-----	do.	-----	June 1975	-----
Centralized Payroll System-----	do.	-----	Mar. 1973	-----
Federal Bureau of Investigation:				
Administrative Accounting-----	do.	-----	Apr. 1977	-----
Payroll-----	do.	-----	June 1975	-----
Bureau of Prisons:				
Administrative Accounting-----	do.	-----	June 1974	-----
Commissary Accounting-----	do.	-----	-----	Sept. 1981
Automated Prisoners Deposit Fund-----	do.	-----	Sept 1977	-----
Drug Enforcement Administration-----	do.	-----	May 1975	-----
Law Enforcement Assistance Administration:				
Administrative Accounting	do.	-----	Sept. 1976	-----
Education Program Accounting	do.	-----	-----	June 1979
Working Capital Fund	do.	-----	-----	<u>1</u> /do.
Total-----	13	-----	10	3

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>DEPARTMENT OF LABOR:</b>				
Departmental Accounting System----	Mar. 1968	-----	Oct. 1972	-----
Federal and State Employment Security Agencies System (Federal Portion)-----	May 1970	-----	Dec. 1970	-----
Total-----	2	-----	2	-----
<b>DEPARTMENT OF STATE:</b>				
Departmental Accounting System----	Sept. 1968	-----	-----	FY 1980
Payroll Systems:				
Domestic and Western Hemisphere-----	do.	-----	Sept. 1977	-----
Eastern Hemisphere-----	do.	-----	-----	FY 1980
Agency for International Development:				
General Accounting-----	f/Dec. 1967 (FY 1979)	-----	-----	FY 1980
American Payroll-----	do.	-----	Sept. 1976	-----
Foreign Service Retirement and Disability Fund-----	Sept. 1968	-----	July 1970	-----
Working Capital Fund-----	do.	-----	May 1965	-----
International Boundary and Water Commission, United States and Mexico-----	do.	-----	f/Jan. 1953	(FY 1980)
Total-----	8	-----	5	3

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Office of the Secretary-----	June 1970	-----	Mar. 1974	-----
Federal Aviation Administration----	do.	-----	-----	l/FY 1979
Federal Railroad Administration----	do.	-----	Sept. 1976	-----
National Highway Traffic Safety Administration-----	do.	-----	Feb. 1975	-----
Transportation Systems Center-----	do.	-----	June 1976	-----
Alaska Railroad Revolving Fund----	do.	-----	Sept. 1957	-----
Coast Guard-----	do.	-----	f/Dec. 1951	(FY 1981)
Federal Highway Administration----	do.	-----	June 1967	-----
Total-----	8	-----	7	1
<b>DEPARTMENT OF THE TREASURY:</b>				
Internal Revenue Service:				
Administrative Accounting-----	May 1969	-----	Oct. 1972	-----
Revenue Accounting-----	Dec. 1972	-----	June 1974	-----
Tax Lien Revolving Fund-----	May 1969	-----	Mar. 1974	-----
Consolidated Federal Law				
Enforcement Training Center-----	do.	-----	June 1973	-----
Office of the Secretary-----	do.	-----	June 1969	-----
Working Capital Fund-----	do.	-----	Feb. 1974	-----
Bureau of Government Financial Operations:				
Administrative Accounting-----	do.	-----	Mar. 1966	-----
Central Accounting for Cash Operations-----	Oct. 1968	-----	k/Oct. 1968	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
DEPARTMENT OF THE TREASURY (cont.):				
Bureau of Government Financial Operations (cont.):				
Central Accounting for Foreign Currency-----	June 1969	-----	June 1969	-----
Investments Accounting Operations-----	Mar. 1969	-----	Mar. 1969	-----
Bureau of Customs-----	May 1970	-----	f/Nov. 1972	(FY 1981)
Bureau of Engraving and Printing-----	May 1969	-----	July 1952	-----
Bureau of the Mint:				
Administrative Accounting--- Bullion and Monetary Accounting-----	do.	-----	Jan. 1953	-----
do.	do.	-----	-----	Sept. 1979
Bureau of the Public Debt:				
Administrative accounting--- Public Debt Accounting-----	do.	-----	June 1968	-----
do.	Dec. 1968	-----	Dec. 1968	-----
Fiscal Service Payroll System----	May 1969	-----	1/May 1967	-----
U.S. Secret Service-----	do.	-----	Nov. 1971	-----
Bureau of Alcohol, Tobacco, and Firearms-----	do.	-----	May 1974	-----
Total-----	19	-----	18	1
ACTION:				
General Accounting-----	Mar. 1975	-----	Aug. 1978	-----
Payroll-----	do.	-----	-----	FY 1980
Volunteer Readjustment Allowance-----	do.	-----	-----	Sept. 1979
Domestic Volunteer Pay System----	do.	-----	-----	FY 1980
ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS				
	June 1972	-----	June 1972	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
AMERICAN BATTLE MONUMENTS COMMISSION	Aug. 1958	-----	Aug. 1958	-----
CIVIL AERONAUTICS BOARD				
Administrative Accounting-----	July 1977	-----	f/Jan. 1968	(Sept. 1980)
Payroll System-----	do.	-----	Sept. 1976	-----
CIVIL SERVICE COMMISSION				
Administrative Accounting-----	Nov 1968	-----	May 1970	-----
Retirement and Disability Fund-----	do.	-----	Nov. 1968	-----
Group Life Insurance Fund-----	do.	-----	do	-----
Employee Health Benefits Fund-----	do.	-----	do.	-----
Retired Employees Health Benefits Fund-----	do.	-----	do	-----
COMMODITY FUTURES TRADING COMMISSION	1978	-----	-----	Sept. 1979
COMMUNITY SERVICES ADMINISTRATION----	-----	Jan. 1979	-----	Sept. 1979
CONSUMER PRODUCT SAFETY COMMISSION----	Sept. 1978	-----	-----	do.
ENVIRONMENTAL PROTECTION AGENCY-----	Dec. 1973	-----	Sept. 1977	-----
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION-----	May 1971	-----	f/Feb. 1973	(Sept. 1979)

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>EXECUTIVE OFFICE OF THE PRESIDENT:</b>				
Office of Management and Budget-----	June 1967	-----	n/June 1967	-----
National Security Council-----	June 1972	-----	n/June 1972	-----
Office of the Vice President----	May 1972	-----	n/Sept. 1972	-----
The White House-----	Oct. 1969	-----	Oct. 1969	-----
FARM CREDIT ADMINISTRATION-----	Nov. 1975	-----	Mar. 1976	-----
FEDERAL COMMUNICATIONS COMMISSION----	Sept. 1958	-----	Sept. 1958	-----
FEDERAL ELECTIONS COMMISSION-----	Sept. 1978	-----	-----	Sept. 1979
FEDERAL HOME LOAN BANK BOARD-----	June 1972	-----	-----	Sept. 1979
FEDERAL MEDIATION AND CONCILIATION SERVICE-----	Dec. 1969	-----	-----	do.
FEDERAL TRADE COMMISSION	f/Aug. 1958	(Sept.1979)	Aug. 1958	-----
<b>GENERAL SERVICES ADMINISTRATION:</b>				
(note p)				
General-----	June 1965	-----	June 1965	-----
Payroll-----	do.	-----	Apr. 1973	-----
Federal Buildings Fund-----	Sept. 1977	-----	Sept. 1977	-----
INDIAN CLAIMS COMMISSION-----	Jan. 1961	-----	Jan. 1961	-----
INTERNATIONAL COMMUNICATIONS AGENCY--	Dec. 1968	-----	o/Dec. 1970	-----
INTERSTATE COMMERCE COMMISSION-----	June 1968	-----	June 1968	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION-----	June 1969	-----	June 1969	-----
NATIONAL CAPITAL PLANNING COMMISSION	Mar. 1958	-----	Mar. 1958	-----
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES: National Endowment for the Arts- National Endowment for the Humanities-----	June 1973 do.	----- -----	June 1975 do.	----- -----
NATIONAL LABOR RELATIONS BOARD-----	June 1972	-----	-----	FY 1980
NATIONAL MEDIATION BOARD-----	July 1958	-----	July 1958	-----
NATIONAL SCIENCE FOUNDATION: General Accounting----- Payroll System-----	Apr. 1969 do.	----- -----	June 1973 May 1974	----- -----
NATIONAL TRANSPORTATION SAFETY BOARD-	June 1978	-----	-----	June 1979
NUCLEAR REGULATORY COMMISSION-----	May 1977	-----	-----	Dec. 1979
RAILROAD RETIREMENT BOARD-----	June 1968	-----	Feb. 1971	-----
RENEGOTIATION BOARD-----	Sept. 1958	-----	Sept. 1958	-----
SECURITIES AND EXCHANGE COMMISSION---	June 1969	-----	June 1969	-----
SELECTIVE SERVICE SYSTEM-----	Jan. 1973	-----	June 1974	-----

<u>Department or agency</u>	<u>Principles and standards</u>		<u>System designs</u>	
	<u>Approved</u>	<u>Scheduled for approval (note a)</u>	<u>Approved</u>	<u>Scheduled for approval (note a)</u>
<b>SMALL BUSINESS ADMINISTRATION</b>				
General Accounting-----	Dec. 1968	-----	June 1975	-----
Payroll-----	do.	-----	June 1974	-----
Surety Bond Guarantee Program-----	do.	-----	June 1978	-----
<b>SMITHSONIAN INSTITUTION-----</b>				
National Gallery of Art-----	Aug. 1959	-----	Aug. 1959	-----
	Nov. 1958	-----	Nov. 1958	-----
<b>VETERANS ADMINISTRATION.</b>				
Administrative Accounting-----	Oct. 1972	-----	Sept. 1956	-----
Personnel and Pay System-----	do.	-----	July 1969	-----
Medical Care and Administration---	do.	-----	Sept. 1956	-----
Construction Appropriations-----	do.	-----	June 1975	-----
Supply Fund-----	do.	-----	Sept. 1956	-----
Mortgage Loan Program-----	do.	-----	Sept. 1976	-----
Insurance Program-----	do.	-----	Oct. 1972	-----
Compensation, Pension, and Education-----	do.	-----	-----	Sept. 1981
DISTRICT OF COLUMBIA GOVERNMENT-----	Feb. 1972	-----	-----	1/FY 1979
<b>Total-----</b>	<u>323</u>	<u>3</u>	<u>195</u>	<u>131</u>

a/Based on date agency makes documentation available plus estimated time for evaluation and revision.

b/When current design efforts are completed, the Department will replace the 18 systems listed with a Department-wide central accounting system and 5 special program accounting systems. (See ch. 3.)



c/System has been evaluated but cannot be approved because accounting control over property and/or expense accounts in which to accumulate the cost of operations are lacking. (See ch. 3.)

d/The Health Care Financing Administration is using, on a conditional approval basis, the accounting system originally approved for the Social and Rehabilitation Service.

e/Target dates for submission will be established when we complete the review guide relating to each individual system. (See ch. 3.)

f/To be resubmitted on the date shown in parentheses.

g/The Department is planning to develop a new system for the Office of the Secretary that will incorporate the Working Capital Fund. (See ch. 3.)

h/Designs of subsystems have not been completed.

i/To be merged into the Legal Activities and General Administration accounting system. (See ch. 3.)

j/Actual number of accounting systems is not yet determined.

k/This system will be replaced by a new automated Accounting Information Management System (AIMS).

l/This system will be replaced by a Department-wide integrated payroll/personnel system, which will also replace the Internal Revenue Service payroll system.

m/To be transferred to the Federal Emergency Management Agency.

n/To be replaced by a centralized accounting system.

o/Except automatic data processing portion; target date for completion is Oct. 1983.

p/The General Services Administration does accounting for 14 small commissions and agencies which do not maintain accounting systems of their own.

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