O92112

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

FEB 4 1970

LM092112

Dear Mr. Smith:

We have made a review for the settlement of accounts of the certifying officers of the Farmers Home Administration (FHA), Department of Agriculture. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review was performed at the FHA Finance Office in St. Louis, Missouri, and was directed primarily toward the settlement of the certifying officers' accounts, and included an examination of selected disbursement transactions and related administrative procedures. We also examined a report and related working papers prepared by the Office of the Inspector General, Department of Agriculture, on its review of FHA administrative expenses. We did not review program operations, nor did we review payroll activities, which are centralized in the Management Data Service Center, New Orleans, Louisiana. Our review was performed simultaneously with another review we have in process, at the Finance Office, of the accounting procedures and related financial reports of selected loan funds.

We cannot complete the settlement review and authorize the transmittal of the financial records to the Federal Records Center for storage until documentation has been obtained to substantiate certain payments made to employees for real estate expenses. Also, this letter contains our recommendations relating to (1) an improper payment of relocation expenses, (2) the need to improve controls over claims for reimbursements of real estate expenses, and (3) the possible need to improve controls over the leasing of space for county offices.

The details of our findings are presented below.

## IMPROPER RELOCATION EXPENSES AUTHORIZED BY FINANCE OFFICE

The Finance Office improperly authorized the payment of $187.90 to an FHA employee for certain real estate expenses claimed in connection with the employee's permanent change of station.

~~714721~~ 092112

Public Law 89-516, 89th Congress (80 Stat. 323) approved on July 21, 1966, provides that employees relocated during their employment with the Federal Government may be reimbursed for their expenses incurred in the sale of their residence at the old official station and the purchase of a home at their new official station. Bureau of the Budget (BOB) Circular No. A-56, dated October 12, 1966, establishes the general policy to be followed by Federal agencies for administering the relocation expense program.

On May 2, 1969, a certifying officer at the Finance Office certified the payment of a travel voucher for $1,231.87, which included $1,138.70 for an FHA employee's relocation from Grand Island, Nebraska, to Clay Center, Nebraska, in December 1968. This claim was paid on May 6, 1969, by the Treasury's Bureau of Accounts Disbursing Center, Kansas City, Missouri.

We noted that the voucher and supporting documents showed that all real estate expenses claimed by this employee pertained to his old residence in Grand Island, Nebraska. FHA records showed that expenses totaling $950.80 were incurred in the sale of the Grand Island residence and that $187.90 represented expenses incurred by the employee when he purchased the residence in Grand Island.

We concluded that the $187.90 expenditure was not subject to reimbursement under the BOB guidelines since it covered costs attendant to the purchase of the employee's old residence in Grand Island.

## Recommendation

We recommend that action be taken to recover the overpayment.

## CLAIMS FOR REIMBURSEMENT OF REAL ESTATE EXPENSES NOT PROPERLY SUPPORTED

Section 4.3a of BOB Circular No. A-56, dated October 12, 1966, provides that the following information must be furnished by an employee submitting a claim for reimbursement of expenses incurred as a result in a change of official duty station.

> "Application for reimbursement and documentation of expenses. In order to be reimbursed, the employee must submit an application for reimbursement. The application must describe each of the items of expense incurred. Each item must be supported by documentation showing that the expense was in fact incurred. Included in the required

supporting documents are a copy of (1) the purchase agreement, (2) the sales agreement, (3) property settlement documents, (4) loan closing statements, and (5) invoices or receipts for bills paid."

The Finance Office has frequently authorized reimbursement of real estate expenses to employees who changed official stations without requiring that the employees submit copies of purchase or sales agreements as required by the above Circular. Our test of May 1969 disbursements included six payments to FHA employees for reimbursement of real estate expenses in connection with their permanent changes of stations. In five of the six cases examined, the supporting documentation did not include a copy of the sale and/or purchase agreement as required by the BOB Circular.

After we brought this matter to the attention of the certifying officer, he contacted the employees involved and attempted to obtain the missing documentation. In three of the cases, the documentation was submitted before termination of our review.

Recommendation

We recommend that (1) controls over voucher examination and certification in the Finance Office be strengthened to ensure that the required support is obtained, and (2) that the Finance Office re-examine the files of all employees who have been reimbursed for real estate expense under the July 1966 Act and where necessary secure any missing documents and review them for propriety of the payment made.

LEASED OFFICE SPACE EXCESS
TO COUNTY OFFICE NEEDS

We found that the Finance Office approved the renewal of leases for FHA office space in Augusta, Arkansas, and Malvern, Arkansas, even though it had determined that a portion of the office space in both locations was not needed for FHA operations. We determined that FHA has or will incur about $2,100 of additional rental expenses as a result of retaining the unused space.

The Finance Office is responsible for leasing and contracting services incident to obtaining space for FHA county offices. Effective July 1, 1966, FHA leased office space in Augusta, Arkansas, at $75 a month. Similarly, effective September 1, 1967, FHA rented office space in Malvern, Arkansas, at $102.72 monthly. Each lease was to terminate on June 30 of the following year, but provided for four annual renewals at the Government's option, which to date have been exercised. Both leases contained provisions which allowed FHA the right to terminate up to 25 percent of the space with a corresponding reduction of the rent.

FHA records indicated that the space in Augusta was in a newly constructed building which was built for the purpose of leasing space to FHA and other Department of Agriculture agencies. At Malvern, an existing building was remodeled for the use of FHA and other Government agencies.

FHA obtained the office space on the basis that additional employees would be hired at Malvern and Augusta. However, additional employees have not been hired and the space has remained excess. In April 1969, officials of the Finance Office recommended that the excess space be released in order to reduce the monthly rental. County office officials approached the lessors who opposed any changes in the existing arrangements. The lessor of the Augusta office contended that the present lease arrangement should be continued as the building was designed and built to FHA specifications.

Subsequently, the State Director approved the recommendation of the county supervisor that the extra space for the Augusta office be retained. Moreover, the Director indicated that releasing the space at Malvern could present a local public relations problem. As a result, no further action was taken by the Finance Office to effect a reduction in leased space.

We believe that had action been taken to release the extra space effective July 1, 1969, there would have been a saving of $1,055 on the two leases, assuming FHA continued to renew them annually. Also, it appears that the extra space has always been in excess of the agency needs and about $1,045 could have been saved in the periods prior to July 1, 1969, had space commensurate with then existing requirements been leased.

Finance Office officials advised us that similar situations exist at other county offices throughout the country.

## Recommendations

We recommend that FHA review its existing leases to determine whether county offices have unneeded space which could be released without hampering the county office activities and whether there is a need to strengthen its controls over the administration of its lease programs to ensure that proper space utilization is achieved at the county office level.

- - - -

After the supporting documents relative to real estate expenses have been obtained, we will complete the settlement review and authorize the transmittal of financial records to the Federal Records Center for storage. We would appreciate being advised of any actions taken pursuant to our recommendations.

We acknowledge the cooperation given to our representatives during our review.

Copies of this report are being sent to the Inspector General, Department of Agriculture.

Sincerely yours,

Victor L. Lowe

Victor L. Lowe
Associate Director

Mr. James V. Smith, Administrator
Farmers Home Administration
Department of Agriculture