



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

January 7, 1970

Commanding General
Army Materiel Command
Department of the Army
Washington, D.C. 20315



Dear Sir:

The General Accounting Office is working with the Department of Defense to implement the accounting system for operations in accordance with the provisions of the Conference Report on the Second Supplemental Appropriations Act, 1968. At Headquarters, Army Materiel Command (AMC), our survey, which was a part of our overall assistance efforts, was directed principally to the reporting procedures prescribed by the Department of the Army.

We found that Headquarters, AMC, was generally complying with prescribed reporting requirements. However, we noted that (1) procedures had not been established for determining whether amounts budgeted for primary programs had been exceeded and (2) two divisions were maintaining records of similar data. These matters were discussed with members of your staff and are summarized below.

Lack of procedures for determining whether amounts budgeted for primary programs are exceeded

A footnote to the approved operating budget for fiscal year 1969 issued by AMC to its operating agencies stated that annual amounts by primary programs (programs of the Five Year Defense Program (FYDP)) were targets and that deviations from the quarterly programmed amounts beyond 5 percent must be explained to the issuing authority. However, the Department of the Army issued a regulation which requires the use of the Army Management Structure for classifying financial and budgetary data. The Army Management Structure is oriented to the conventional budget programs rather than the Department of Defense FYDP structure.

We noted that AMC operating agencies prepared their reports on the status of the approved operating budgets in the format of the Army Management Structure instead of the format of the FYDP. These reports are

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sent to the Finance and Accounts Office, U.S. Army, and copies of the reports are sent to Headquarters, AMC. The Finance and Accounts Office converts the reports from the Army Management Structure to the FYDP structure and sends the converted reports to the Office of the Secretary of Defense. However, copies of these reports are not sent to Headquarters, AMC.

We were informed that Headquarters, AMC, reviews the reports it receives from the operating agencies. However, this review does not include a conversion of the report to the FYDP structure. Therefore, the review would not include a comparison of expenses by primary programs with amounts shown on the reports on the status of the approved operating budget and therefore would not disclose any deviations.

We believe that procedures should be established that would require a positive statement to be made to Headquarters, AMC, on a timely basis as to whether or not there are any deviations beyond 5 percent from programmed amounts by primary programs. We believe this information would be useful to Headquarters, AMC, to assist in effectively directing its operating agencies.

In order to detect noncompliance with the approved operating budget, we also believe that AMC should consider (1) converting reports received from operating agencies from the Army Management Structure format to the FYDP format or (2) requesting the Finance and Accounts Office to furnish a copy of reports of individual operating agencies which it converts to the FYDP format.

Records maintained by two divisions to record similar data

According to Army Regulation 37-151, records showing data on the status of financial resources received and issued are to be kept at the accounts office. At Headquarters, AMC, the Finance and Accounting Division, Office of the Comptroller/Director of Programs, maintains the general ledger accounts for the financial resources of AMC.

We noted, however, that records of financial resources received and issued were also being maintained on an informal basis by two branches of the Budget Division. We recognize that data on the availability of resources are required by personnel of the Budget Division on a timely basis. However, we believe that every effort should be made to keep the duplication of records to an absolute minimum by improving the quality of

the data in the official records and making such data available to management on a timely basis.

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We wish to express our appreciation for the cooperation and courtesies extended to our staff during our work at AMC. We will be glad to discuss these matters further if you desire and would appreciate receiving any comments you may have concerning the matters discussed above. If we can be of further assistance to you in implementing the system, please let us know.

Information copies of this report are being furnished to the Assistant Secretary of Defense (Comptroller) and the Assistant Secretary of the Army (Financial Management).

Sincerely yours,



D. L. Scantlebury
Regional Manager