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GPO 00335

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Commanding Officer
Naval Supply Center
Charleston, South Carolina 29411

Funds management
Imprest fund
Federal supply
systems

Dear Sir:

In keeping with our responsibility to test the effectiveness of Federal agencies' financial management systems, our staff at the Navy Finance Center, Cleveland, is making spot checks of Navy imprest fund activities. Our review for the 3-month period April through June 1970 disclosed that your cashier used imprest funds for purchases from local suppliers for many items available in the Federal supply system or under blanket purchase agreements. Also, some imprest fund purchases exceeded dollar limitations.

Purchases not made from Federal supply system

Many items available in the Federal supply system were bought with imprest funds from local suppliers -- frequently at higher prices. We could not determine the volume of such purchases, however, in the 3-month test period at least 216 items listed in Federal supply catalogs were purchased with imprest funds at a cost of \$5,600 -- the purchase documents identified these items by Federal stock number (FSN). The total catalog price of these items was \$3,700, or \$1,900 less than paid. Examples are:

- The center purchased 129 reinforcing steel bars (FSN 3680-267-1667) for \$1.50 each from a steel company, whereas the GSA catalog price is 87 cents, a difference of 63 cents a unit.
- Ten spools of solder (FSN 3439-247-6961) were bought from a radio supply company at a unit cost of \$7.15. They are listed in the GSA catalog at \$4.65 -- a difference of \$2.50 a spool.

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Although use of the GSA catalog is mandatory, we recognize the occasional use of imprest funds for items listed in the catalogs may be justified -- such as when an item is needed immediately. However, we do not believe this condition was involved in most of these purchases because of the delivery dates and the types of items purchased. We examined several transactions and found the time between order and delivery ranged from 10 to 143 days. Further, many items were common-use supplies and tools.

Purchases not made under
blanket purchase agreements

The Navy encourages the use of blanket purchase agreements to reduce administrative costs involved in repetitive procurements. The center has entered into such agreements with at least three local companies but made a large volume of purchases from these firms with imprest funds. For example, in the 3-month period, the cashier made 74 purchases totaling \$2,400 from a company covered by a blanket purchase agreement. Cash discounts were obtained in only six of these cases. This same supplier offers a 2 percent discount for sales under the blanket agreement.

Purchases made in excess
of limitations

Purchases over \$100 were made under other than emergency conditions -- imprest fund regulations limit routine purchases to \$100 and emergency purchases to \$250. Eighty-seven purchases over \$100 were made in the 3-month period. Of these, we examined 19 and found only 6 cases where there appeared to be an immediate need for the items. In the other 13 cases, the time between order and delivery ranged from 8 to 70 days.

In addition, purchases were apparently split to avoid the \$250 limit. For example, two orders, both for \$137.50, were issued on the same day to the same supplier for decorating supplies for change of command ceremonies.

Because we did not visit your center, we could not determine the extent or cause of these conditions. Accordingly, we suggest that

you look into the small purchases activities to determine whether improved controls are required. We welcome your comments on our observations and advice of any actions taken.

Copies of this letter are being sent to the Comptroller of the Navy, the Commanding Officer, Norfolk Regional Finance Center, and the Director, Naval Area Audit Service, Norfolk.

Sincerely yours,

C. H. Moore

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Regional Manager