



(OFFICE OF THE)
REGIONAL FINANCE CENTER

UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
2006 WASHINGTON BOULEVARD BUILDING
234 STATE STREET
DETROIT, MICHIGAN 48226

NOV 2 1971

Captain J. C. Donahue
Commanding Officer
Naval Ammunition Depot
Crane, Indiana

Dear Captain Donahue:

We have examined selected transactions in the 1970 financial returns of the depot to evaluate the quality of your disbursing operations. In our tests at the Navy Finance Center, Cleveland, we reviewed 178 military pay records and 164 military and civilian travel vouchers. We found a large number of errors--94 in the 342 records examined.

Seventy-two errors totaling \$1,195 resulted in over and under-payments of pay and travel. Twelve of these errors, totaling \$125, were previously identified by the administrative examiners at the Great Lakes Navy Regional Finance Center. The other 22 errors we found involved leave accounting (64 days) and tax reporting. These could eventually result in losses to the Government or to the servicemen. The appendix summarizes our findings by error type, frequency, and amount.

At the depot we inquired into the causes of the errors and reviewed other aspects of your financial management system. Our observations and findings are presented below.

Causes of pay and
travel errors

Pay and travel errors were primarily the result of:

- failure to verify payroll postings,
- unfamiliarity with or misapplication of certain entitlement regulations, and
- lack of prepayment review.

092445

Paragraphs 40162f, 90537e, and 90540f of the MFP require eight verification and reverification of payroll postings. Of the 83 payrolls processed from January through November 1970, only 12 were signed to evidence these verifications. Failure to make these reviews resulted in at least two payroll posting errors totaling \$159.

Unfamiliarity with or misapplication of entitlement regulations accounted for errors such as granting quarters allowances in leave settlements to servicemen not eligible for such allowances. To avoid these types of errors, we suggest periodic training sessions be held to explain troublesome sections of the pay and travel regulations.

Many of the errors we identified--such as using the wrong number of days to compute leave settlements--could have been avoided had the transactions been reviewed before payment. Prepayment reviews are essential to effectively control disbursements.

Small purchases

Field Purchasing Manual, NAVSUP Publication 467, requires that sales invoices and other approved forms evidencing imprest fund expenditures be submitted to the disbursing officer as support for replenishment. These were being retained by the imprest fund cashier. For example, the sales documents applicable to purchases listed on MADC Form 4225/2 (Imprest Fund COD Purchases) were not submitted with Standard Form 1129 when the fund was replenished. Without proper supporting documentation, neither the disbursing officer, our Office, nor anyone else can determine whether imprest funds are being used properly.

In a report issued in June 1971, the Naval Audit Service suggested that more management attention be given to improving small purchase procedures. The Audit Service estimated that annual savings of \$77,090 could be realized at the depot by using blanket purchase agreements or imprest funds rather than purchase orders or by purchasing through Government supply sources.

We agree with the recommendations made by the Audit Service and are limiting our suggestions to the one point discussed above-- imprest fund supporting documents should be submitted to the disbursing officer for review and included in the financial returns sent to our Office.

Collection procedures
and controls

Collection procedures and controls were generally satisfactory. However, the electricity charge to the Officer's Open Mess is an estimate established in 1956. Inflation and a general increase in the use of electricity in the past 15 years indicate this charge is not realistic. Further, your internal review supervisor told us that no one has reviewed collection activities at the depot. We suggest such reviews be made periodically.

- - - -

We discussed the above matters with your staff and they agreed to take corrective action. We would appreciate your comments on actions taken.

We are sending copies of this letter to the Comptroller of the Navy; the Director, Navy Military Pay System; the Commanding Officer, Great Lakes Navy Regional Finance Center; and the Director, Philadelphia Naval Area Audit Service.

Sincerely yours,

C. R. Moore

C. R. Moore
Regional Manager

Enclosure
Appendix

U. S. GENERAL ACCOUNTING OFFICE
DETROIT REGIONAL OFFICE

SUMMARY OF ERRORS IN
JANUARY 1970 THROUGH DECEMBER 1970
PAY ACCOUNTS AND NOVEMBER 1970 FINANCIAL
RECORDS OF U. S. NAVAL ARMORITION DEPOT, CRANE, INDIANA

MILITARY PAY RECORDS
REGULARLY CLOSED JUNE 30, 1970, AND DECEMBER 31, 1970

| <u>Type of error</u> | <u>Number</u> | <u>Overpayment</u> | <u>Underpayment</u> |
|--|---------------|--------------------|---------------------|
| Computation - pay, allowances, FICA tax | 5 | \$ 3.10 | \$ 41.43 |
| Monthly clothing allowance - wrong rate | 2 | | 6.02 |
| Quarters allowance - wrong rate | 1 | | 25.00 |
| Leave rations improperly credited | 4 | 24.74 | 1.39 |
| Lump sum leave settlement - wrong number of days | 1 | | 196.42 |
| Payroll payment not posted | 1 | 51.00 | |
| Lump sum leave quarters allowance - not eligible | 1 | 17.50 | |
| Computed rations not authorized during leave | 1 | 9.73 | |
| Subtotal | <u>16</u> | <u>\$106.07</u> | <u>\$270.26</u> |

INTERMITTENTLY CLOSED JANUARY 1 THROUGH DECEMBER 31, 1970

Excess leave checkages

| | | | |
|------------------------------------|---|-------|------|
| Wrong number of days | 3 | 55.01 | 3.94 |
| Excess leave status not considered | 1 | 20.83 | |

Lump sum leave settlement

| | | | |
|-----------------------------------|---|-------|--|
| Wrong number of days | 1 | 65.30 | |
| Quarters allowance - not eligible | 2 | 13.75 | |

Other

| | | | |
|--|-----------|-----------------|-----------------|
| Payroll payment not posted | 1 | 108.00 | |
| Computation - allowances | 2 | 13.33 | 6.60 |
| Pay - wrong rate | 1 | | 2.10 |
| Computed rations not authorized during leave | 1 | 26.41 | |
| Subtotal | <u>12</u> | <u>\$302.63</u> | <u>\$ 12.64</u> |

NOVEMBER 1970
MILITARY TRAVEL - PERMANENT CHANGE OF STATION

| <u>Type of error</u> | <u>Number</u> | <u>Overpayment</u> | <u>Underpayment</u> |
|---|---------------|--------------------|---------------------|
| Incorrectly paid monetary allowance and per diem instead of mileage | 2 | \$ 4.65 | \$ 5.12 |
| Dependents not approved as eligible | 1 | 121.02 | |
| Unauthorized reimbursement for hotel bill | 1 | 3.00 | |
| Incorrect computation of currency conversion | 1 | 1.81 | |
| Incorrect entitlement points - dependents | 1 | | 1.56 |
| Subtotal | <u>6</u> | <u>\$130.48</u> | <u>\$ 6.68</u> |

MILITARY TRAVEL - TEMPORARY ADDITIONAL DUTY

Per diem

| | | | |
|--|---|----------|---------|
| Failure to deduct for Government meals | 4 | \$ 28.30 | |
| Government meals deducted at wrong rate | 1 | | \$ 1.60 |
| In excess of constructive travel time | 2 | 16.15 | |
| Wrong rate | 6 | 44.10 | 54.00 |
| Incorrect periods - quarters computation | 2 | 2.95 | 2.95 |

Transportation

| | | | |
|---|-----------|-----------------|-----------------|
| Incorrect distance | 1 | 1.68 | |
| Incorrect computation of monetary allowance | 1 | 4.96 | |
| Monetary allowance not paid | 1 | | 3.30 |
| Tolls not allowable | 1 | 1.15 | |
| Subtotal | <u>19</u> | <u>\$ 99.29</u> | <u>\$ 61.85</u> |

MILITARY TRAVEL - SEPARATION FROM SERVICE

| | | | |
|------------------------------|----------|-----------------|----------------|
| Incorrect distances | 2 | | \$ 4.08 |
| Incorrect entitlement points | 1 | \$106.66 | |
| Subtotal | <u>3</u> | <u>\$106.66</u> | <u>\$ 4.08</u> |

CIVILIAN TRAVEL

| <u>Type of error</u> | <u>Number</u> | <u>Overpayment</u> | <u>Underpayment</u> |
|---|---------------|--------------------|---------------------|
| <u>Per diem</u> | | | |
| Wrong rate - aboard aircraft over 6 hours | 2 | \$ 14.75 | |
| Wrong rate | 1 | 1.25 | |
| Travel less than 24 hours - incorrect quarters computation | 1 | 6.25 | |
| Not allowable - terminal within 50 miles | 1 | 6.25 | |
| Not authorized by orders | 1 | 6.25 | |
| Wrong departure time | 1 | 6.25 | |
| <u>Transportation</u> | | | |
| Incorrect mileage | 2 | 3.60 | \$ 3.20 |
| Limited to actual mileage | 1 | 23.40 | |
| <u>Reimbursable expenses</u> | | | |
| Taxi to/from temporary duty station not allowable | 4 | 12.75 | |
| Taxi vs. airline limousine - incorrect entitlement | 1 | 4.25 | |
| Personal insurance not allowable | 1 | 6.60 | |
| Subtotal | <u>16</u> | <u>\$ 91.60</u> | <u>\$ 3.20</u> |
| Total - monetary errors | <u>72</u> | <u>836.72</u> | <u>358.71</u> |

LEAVE ACCOUNTING

| <u>Type of error</u> | <u>Number</u> | <u>Overrated</u> | <u>Understated</u> |
|------------------------------------|---------------|--------------------|--------------------|
| Balances computed incorrectly | 8 | 40 1/2 days | 16 1/2 days |
| Duplicate charge | 1 | | 4 days |
| Delay en route incorrectly charged | 3 | 1 day | 2 days |
| Total - leave errors | <u>12</u> | <u>41 1/2 days</u> | <u>22 1/2 days</u> |

TAX REPORTING

| <u>Type of Error</u> | <u>Number</u> |
|---|---------------|
| Checkage for basic pay (excess leave) incorrectly included as taxable income | 2 |
| Checkage for basic pay (excess leave) incorrectly included as FICA wages | 1 |
| Incorrect computation of taxable income | 1 |
| Incorrect computation of FICA taxes | 1 |
| Incorrect computation of tax withheld | 1 |
| Lump sum leave basic pay incorrectly excluded from taxable income | 1 |
| Disability severance pay incorrectly included as taxable income | 1 |
| Ssa pay checkage incorrectly included as taxable income | 1 |
| Basic pay earned in a combat zone incorrectly included as taxable income | <u>1</u> |
| Total - tax errors | <u>10</u> |
| Total - all errors | <u>94</u> |