



UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE

7014 FEDERAL BUILDING, 1961 STOUT STREET  
DENVER, COLORADO 80202

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GAO 00330

MAR 18 1971

Commanding Officer  
Deseret Test Center  
Fort Douglas ~~DLG 00795~~  
Salt Lake City, Utah 84113



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Dear Sir:

DLG 05849

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The General Accounting Office has decided to terminate our review of the Deseret Test Center's Industrial Fund Accounting System. The accounting manual was submitted to our office by the Assistant Secretary of Defense (Comptroller) for approval in accordance with accounting principles and standards as prescribed by the Comptroller General. However, during our review the implementation of Test Evaluation Analysis Management Uniformity Plan (TEAM-UP) was announced and, as a result, substantial changes are to be made in the accounting system. Also, we were advised that personnel who would be working with our staff in making the changes necessary to conform to Title 2 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies will be heavily involved in implementing TEAM-UP.

In order to assist your staff in revising the Accounting Manual prior to resubmission, we are enclosing informal comments on our observations during our review. You need not respond to these comments but we believe that they will, if considered when resubmitting the accounting system design, facilitate our approval when a resubmission is prepared. We will be glad to work cooperatively with you, within available manpower, in any way that we may be of assistance in developing the accounting system so that it meets the criteria of the Comptroller General and in developing a new submission of the system design.

Thank you for the courtesies and cooperation extended to our staff during their visit. A copy of this letter is being sent to the Assistant Secretary of the Army (Financial Management).

Sincerely,

S. D. McElyea  
Regional Manager

Enclosure: as stated

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REVIEW OF THE  
INDUSTRIAL FUND ACCOUNTING SYSTEM  
DESERET TEST CENTER

GAO COMMENTS AND OBSERVATIONS

During our visit to DTC, we provided the Comptroller with a copy of Title 2--Accounting--of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, including a copy of the revised pertinent parts of section 27 distributed by the Comptroller General on November 25, 1970, and the Review Guide for Federal Agency Accounting Systems. We believe that these will prove very helpful to DTC officials in revising the system design for resubmission.

DTC's submission of a system design was in the form of a manual; however, it should be noted that system designs may be submitted in the form of either system design packages or fully developed manuals. A manual is acceptable provided (1) the material is arranged to distinguish between and segregate, insofar as practical, the design information and the detailed operating procedures and instructions, and (2) it is accompanied by a document that lists the design requirements as detailed in section 27.5 of Title 2 and identifies the section of the manual that responds to each requirement.

Whether DTC's revision involves a fully developed manual or a system design package, we believe the following factors are the major ones that should be stressed:

1. Identification of the relationship of the accounting system to--
  - (a) the agency's program, budget, and organizational structure;
  - (b) the missions, functions, and financial management needs of the entity; and
  - (c) the agency's total management information system.

We noted that the manual submitted defined the programming system but did not relate the accounting system to programming. We believe that a more specific identification of how the accounting classifications relate to the programming classifications would be desirable.

We also noted that the manual gave objectives of the accounting system in relation to the areas named in (b) & (c) but did not show specifically how the accounting system relates to these areas. The system design submission should include a specific explanation of how the "built in" controls of the accounting system achieve the objectives as stated.

2. A description, supported by a chart, of the overall recurrent reporting plan in regard to both its internal operations, including lower management echelons, and external reporting.

Our review indicated that the submission was incomplete regarding internal reports. That is, it did not contain a listing by title and form number of all recurring internal reports prescribed by the system including the frequency and the period covered, or "as of" dates for each report. Nor did it contain a sample of the format showing illustrative data elements for each report.

3. Complete list and description of the accounting records to be maintained.

Appendix A to the manual submitted contains a "Chart of Accounts" and a "Description of General Ledger Accounts." However, several accounts are listed in the description of general ledger accounts but not in the chart of accounts. At least one account is listed in the chart of accounts but not in the description of accounts. Also, the manual did not contain a listing of the subsidiary ledgers to be maintained.

4. Charts depicting the flow of documentary data through the principal accounting processes, supplemented by sufficient description to enable relating the actions charted to the accounting objectives, records, internal controls, and financial reporting requirements included in the design presentation.

The manual provides a good narrative description of the flow of data through the principal accounting processes; however, the addition of flow charts, as required, would facilitate a review of the system.

5. Adequate documentation to provide an understanding of the design of the ADP system.

Some of the types of documentation which are deemed to be necessary to provide an understanding of the design of the system are:

- a. An overall narrative description and accompanying flow chart of the general flow of information through the system. This should tie in with the general description of the accounting system.
- b. A description of the equipment configuration and capabilities, and the computer language(s) which will be utilized in programming the processing operations.
- c. A description of controls to be provided over data inputs, processing, storage and outputs.
- d. Identification of audit trails in the automated system including a description of the manner in which a particular element of data that exists in the files can be traced back to the source transaction and forward to its position in a report.