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GAO 00355 Room 7013

April 21, 1972

Captain J. G. Smith  
Commanding Officer  
Navy Regional Finance Center  
Norfolk, Virginia 23512

AGC00116

Dear Captain Smith:

We have completed our survey of accrued expenditure reporting procedures at the Navy Regional Finance Center (NRFC), Norfolk. The work performed was part of a survey of the communication and control of accrued expenditure data at selected activities in the Department of Defense (DOD). The results of our work are intended primarily for the information of the President's Commission on Budget Concepts.

The survey was directed mainly toward determining how well existing communications and processing systems were operating in providing accrued expenditure data as of June 30, 1971, and periodically thereafter. Emphasis was placed on identifying the actual procedures followed by the NRFC and determining whether these procedures were in accordance with the instructions and regulations of the Navy, the DOD, the Office of Management and Budget, and the Treasury Department.

Our survey showed that accrued expenditure data is usually processed and reported in a timely manner. We noted, however, that monthly reports of accounts payable were understated. We tested 275 vendor invoices and found that 163 invoices amounting to about \$49,000, or about 63 percent of those tested, were incorrectly classified as non-accounts payable items. Although our test was limited, we believe that the high percentage of errors in the invoices tested indicates that the monthly reports of accounts payable may be substantially understated.

We found that the primary cause of these errors was that personnel responsible for classifying invoices were not adequately informed about the NAVCOMPT Instruction 7300.85B criteria for determining accounts payable for reporting purposes. The Director of the Finance Department told us that he was aware of the problem and that training of responsible personnel and spot checking of

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the classification of invoices would be increased. We further suggest that consideration be given to modifying existing computer programs to provide for a comparison between the date of delivery or date of invoice (whichever is earlier) and the disbursement date and thus computerize the determination as to whether vendors' invoices represent accounts payable.

We appreciate the cooperation extended to our staff during this survey. If you have any questions concerning this letter, we would be pleased to discuss them with you.

A copy of this letter is being furnished to the Assistant Secretary of the Navy (Financial Management) and the Assistant Secretary of Defense (Comptroller).

Sincerely yours,

Ernest W. Taylor

Ernest W. Taylor  
Acting Regional Manager