



UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
ROOM 204, 161 PEACHTREE STREET, N.E.
ATLANTA, GEORGIA 30303

MAY 5 1972

Commander
Warner Robins Air Materiel Area
Robins Air Force Base, Georgia 31093



Dear Sir:

We have completed our survey of accrued expenditure reporting procedures at Warner Robins Air Materiel Area (WRAMA), Robins Air Force Base, Georgia. 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 Steering Committee 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 monthly thereafter. Emphasis was placed on identifying the actual procedures followed by WRAMA and determining whether these procedures were in accordance with the instructions and regulations of the Air Force, the DOD, the Office of Management and Budget, and the Treasury Department.

We identified several problem areas which were discussed with WRAMA Comptroller officials. Our observations on these matters and the corrective actions implemented or planned are summarized below.

Unaccrued interfund billings

Unpaid interfund billings on hand at month end, other than those charging fund code 6H (Systems Support Stock Fund), were not accrued. We discussed this matter with WRAMA officials who concluded that existing directives were not clear as to field responsibilities for reporting accruals for unpaid interfund billings. As a result, WRAMA officials issued a local instruction for reporting these accruals. However, the procedures established at WRAMA to report these accruals were found to be cumbersome. The Chief, Accounting and Finance Division, thereupon wrote a letter to Headquarters, Air Force Logistics Command, recommending that the Air Force Accounting and Finance Center account for these accruals. Current procedures require that all interfund billing transactions be cleared through the Air Force Accounting and Finance Center which matches buyer and seller transactions. Differences are monitored and reflected as undistributed expenditures in status of fund reports. The letter recommended that the Air Force Accounting and Finance Center account for these undistributed expenditures under the concept outlined in AFR 177-11,

715416

092372

paragraph 15, by applying a reduction to field reported undelivered orders outstanding and increasing accrued expenditures. No reply to this recommendation had been received by WRAMA at the time we completed our survey. We plan to discuss this matter further with representatives of the Comptroller of the Air Force.

Inconsistent procedures for reporting
on "For Others" and "By Others" transactions

Our survey of selected commercial vouchers paid by WRAMA for others disclosed that unpaid commercial invoices chargeable to other accountable stations were included in WRAMA's accrued expenditures unpaid (AEU) reports. Central Procurement Funds Section officials advised us that it was their practice to report all unpaid commercial invoices on hand at month end, including those to be paid by WRAMA for others. We pointed out to responsible officials that this procedure was not in accordance with AFR 177-11, paragraph 14b(2) which contemplates that paying stations transmit accrual data to accountable stations for inclusion in their AEU reports.

As a result, the Chief, Central Procurement Funds Section, issued a memorandum dated October 28, 1971, instructing personnel responsible for recording AEUs not to include in WRAMA's AEU reports amounts pertaining to unpaid documents which are charged to the funds of other accountable stations. However, during our survey we noted inconsistencies in the procedures for reporting transactions for others to accountable stations. With the exception of accruals for Depot Maintenance Industrial Fund progress billings against Project Orders for organic work accomplished for other Air Materiel Areas, WRAMA does not communicate data on unpaid billings for others on hand at month end to accountable stations for AEU reporting purposes. Similarly, we noted that with the exception of Depot Maintenance Industrial Fund progress billings for organic work accomplished by other Air Materiel Areas for WRAMA, other stations are not reporting such data to WRAMA.

Our survey indicated that this problem also exists at other accountable stations. We discussed this matter with officials of the Air Force Accounting and Finance Center who have asked the Center's System Division to study this problem.

Incorrect accruals on progress payment type contracts

Our survey disclosed that procedures used by WRAMA resulted in:

--overstating AEUs because end item invoices providing for recoupment of progress payments were accrued for the gross amount instead of the end item value less progress payment recoupment and computed holdback on the recoupment. We

identified several end item invoices which were accrued for the gross amount, causing the June 1971 Supplemental Accrued Expenditure Report to be overstated by about \$311,000 for fund code 10 (Aircraft Procurement).

--understating AEUs because accruals for unpaid progress payment requests did not include the amount to be retained as a hold-back. We identified one unpaid progress payment request for which no holdback was accrued, causing the June 1971 Supplemental Accrued Expenditure Report to be understated by \$45,000 for fund code 10.

--overstating AEUs due to duplication because holdbacks were computed and reported in two separate internal letters sent to the Funds Control and Reports Section. Our test of selected transactions indicated that AEUs amounting to about \$1,916,000 for fund code 10 and \$515,000 for fund code 6H were included twice in the August 1971 Accrued Expenditure Report.

After we brought these matters to his attention the Chief, Accounting and Finance Division, issued interim instructions on the proper procedures for computing and reporting accruals pertaining to contracts with progress payment provisions.

Unpaid invoices and billings not reported
in accordance with instructions

Paragraph 7 of AFR 177-11 requires that unpaid invoices and billings from contractors and vendors be recorded as accrued expenditures. Furthermore, by letter dated November 12, 1969, Headquarters, Air Force Logistics Command, directed each Air Materiel Area to footnote the monthly Depot Maintenance Industrial Fund (DMIF) Trial Balance for the amount of unpaid contractors' invoices on hand at month end.

We found that these instructions were not being followed. Our survey of selected commercial invoices identified 37 unpaid invoices totaling about \$84,000 and 43 unpaid invoices totaling about \$48,000 on hand at the end of May and July 1971 respectively which were not reported in accordance with the above directives. Of these amounts, about \$47,000 and \$34,000 should have been reported as a footnote to the DMIF Trial Balance for May and July 1971 respectively and the remaining amounts should have been reported as AEUs for those months under their respective fund codes.

Responsible personnel also advised us that unpaid Standard Form (SF) 1080 billings received by WRAMA on the last workday of the month were not reported as AEUs.

After we brought these matters to the attention of the Chief, Accounting and Finance Division, he issued a memorandum to responsible branch chiefs instructing them to accrue and report all unpaid commercial invoices and SF 1080 billings on hand at the end of the month in accordance with the directives.

Need to assure that all invoices
are stamped with receipt date


Our survey of selected commercial invoices paid in May and July 1971 disclosed that some were not date stamped when received. Therefore, we were unable to determine whether certain invoices issued in one month and paid by WRAMA in the following month should have been reported as AEU's.

When we brought this matter to the attention of Accounting and Finance Division officials, they advised us that established procedures require that all billing documents be date stamped when received. This requirement was reemphasized in a memorandum to responsible branch chiefs dated October 27, 1971.

- - - - -
We wish to express our appreciation for the cooperation and courtesy 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 Air Force (Financial Management) and the Assistant Secretary of Defense (Comptroller).

Very truly yours,



Acting Regional Manager