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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FIELD OPERATIONS DIVISION

B-125037



Dear General Cushman:

1 / An important element of the Marine Corps system of internal control has been the audit of military pay and allowances at field disbursing installations by the east and west coast disbursing onsite examination teams. Errors disclosed in their regular onsite audits have been averaging \$1 million annually. These teams specialize in auditing military pay and allowances, and their examinations should be designed not only to detect and correct errors but also to assist disbursing officers in improving their operations. 98

In our opinion the site audits are particularly important to your internal control system because of the limited scope of the administrative reviews performed at the Marine Corps Finance Center in Kansas City, Missouri. These administrative reviews consist primarily of (1) an examination of current pay records to determine whether overpayments or underpayments have been carried forward properly to succeeding pay records and (2) an examination of reenlistment bonus vouchers and pay accounts of separated personnel.

In our letter report (B-125037) dated April 6, 1971, to the then-Commandant of the Marine Corps, we recommended that action be taken to increase the number and the training of administrative review personnel at the Finance Center and that the scope of the reviews be expanded. We felt that these actions were necessary until the Marine Corps was able to improve its administration of pay and allowances at the installation level to effectively prevent errors from being made. If this goal is to be achieved, internal auditors, including the onsite examination teams, must play an increasingly important role.

In reply to our April 1971 report, General Chapman indicated that personnel resources were not expected to be made

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available to permit total postaudits in every area involving money transactions and that the Marine Corps had adopted the policy of concentrating on those areas which it considered would reap the greatest return with respect to discovery of errors. In addition, General Chapman requested that he be advised of any audit areas which were of particular concern to this Office.

It has come to our attention that the onsite examination teams have not been performing their regular audits of military pay and allowances because of special assignments, such as the validation of leave balances for input into the Interim Leave Accounting System under the Joint Uniform Military Pay System. As a result the pay records for the 6-month period ended December 1971 generally have not been audited. We do not know when the onsite teams will resume their regular audits and have been informed that the Finance Center does not have the personnel resources necessary to expand their audits.

Under the Accounting and Auditing Act of 1950 (31 U.S.C. 66a), agency heads are responsible for establishing and maintaining sound financial management systems, including internal audits, to effectively control and account for public funds. On August 1, 1969, the Comptroller General reminded all Federal agencies that control systems should include adequate administrative procedures for systematic examinations of financial transactions to verify their legality, propriety, and correctness. (See also 3 GAO 35.3.)

We recognize the importance of the special projects assigned to the onsite teams, but we believe that some provision should be made to fill the audit void created by such assignments. We shall appreciate receiving your comments.

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Copies of this letter are being sent today to the Secretary of the Navy and to the Commanding Officer, Marine Corps Finance Center.

Sincerely yours,

J. E. THORNTON

Director, Field Operations Division

General Robert E. Cushman, Jr.
Commandant, United States Marine Corps