



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

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JUN 20 1972

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

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Dear Mr. Secretary:

We have reviewed selected aspects of the Department of the Air Force accounting and reporting system for the procurement of aircraft and missiles. The review was made to determine if the accounting system provides adequate controls over appropriated funds and if reports generated are timely, reliable, and used by financial managers. The review was not undertaken for the purpose of approving the accounting principles and standards and/or the general design of the system.

We interviewed officials; reviewed regulations, manuals, and operating instructions; and tested a limited number of financial transactions relating to selected procurement programs at the Headquarters, United States Air Force; Headquarters, Air Force Systems Command (AFSC); and three AFSC subordinate commands.

In general, we found that the system provides controls to ensure that a proper accounting and reporting is made for the programs authorized by the Congress and for the funds appropriated. The reports produced by the system are used by financial managers at all levels to forecast and track the rates of obligation, periodically review the adequacy of program budgets and identify balances available for reprogramming, identify any dormant procurement actions, periodically review progress in liquidating obligations and identify contract obligations available for reprocurement, and provide disbursing control.

The areas needing improvement are described below. For the most part, the problems described are caused by the decentralization of funding, procuring, contract administration and disbursing activities, and by the complexity of the procurement process itself.

NEED TO EVALUATE PROCEDURES FOR
IDENTIFYING IDLE OBLIGATED FUNDS

The Air Force has emphasized the need to identify and deobligate excess funds under contracts in order to make the funds available for other authorized purposes through reprogramming

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procedures. Currently, the responsibility for performing this function has been placed with three separate organizational units at the subordinate command level: the accounting and finance officer; the administrative contracting officer; and the Programs/Budget Division. These reviews are not coordinated. The results of the reviews by two of the organizations are generally not reported to anyone and in many instances the reviews are duplicative. Moreover, there is no assurance that the reviews are made in a timely and effective manner.

In our opinion, idle funds could be more readily identified and recouped, duplication could be eliminated, and more timely reviews could be made by clearly assigning the primary responsibility for identifying and recouping idle funds on contracts to a single organizational unit. We recommend that the procedures prescribed for the identification and recoupment of excess funds under contracts be reevaluated with a view toward developing a more coordinated and effective effort by assigning the primary responsibility to the administrative contracting officer.

IMPROVEMENTS NEEDED IN TRANSMITTING
EXPENDITURE DATA TO FUNDING ACTIVITIES

Funding activities do not receive information on contract payments made by other activities until 3 to 4 weeks after the payments have been made. Consequently, the funding activities do not have information reflecting the current status of their obligations.

Activities making payments report them weekly to the Air Force Accounting and Finance Center. The Center notifies the funding activities which then enter the payments into their accounting systems.

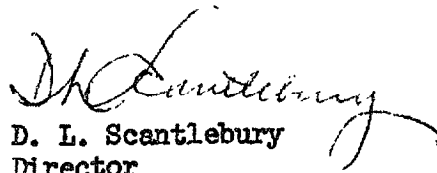
Air Force officials informed us that a new system of data collection and transmission, scheduled for implementation in October 1972, will provide expenditure information to funding activities with only a one-day time lapse. Since this matter should be corrected under the new system, we are making no recommendation, at this time, to improve the timeliness of expenditure reporting.

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We would appreciate receiving your views on the findings and recommendation contained in this report and of any action you plan to take thereon.

Copies of this letter are being sent today to the Assistant Secretary of Defense (Comptroller).

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury".

D. L. Scantlebury
Director

The Honorable
The Secretary of the Air Force