

DOCUMENT RESUME

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[Survey of the Billing and Collection System for Foreign Military Sales]. February 20, 1977. 4 pp.

Report to Maj. Gen. Harold F. Hardin, Jr., Commanding General, Department of the Army: Army Tank-Automotive Materiel Readiness Command, Warren, MI; by Walter C. Herrmann, Jr., Regional Manager, Field Operations Div.: Regional Office (Detroit).

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The billing and collection system for foreign military sales (FMS) cases at the Army Tank-Automotive Materiel Readiness Command (TARCOM) was surveyed. In addition to nine FMS cases totaling \$55.2 million from contractor plants, depot stock, and depot rebuild programs, two cases involving the sale of M60 tanks were examined. Findings/Conclusions: TARCOM did not send billings to the International Logistics Command (ILC) in a timely manner. Delays ranged from 4 months to 1 year in billings for vehicles valued at about \$17.6 million. TARCOM did not always follow up on billings sent to ILC to assure timely collection. Collections representing an asset use charge were erroneously applied to a Procurement of Equipment and Missiles appropriation rather than to Miscellaneous Receipts, U.S. Treasury. Recommendations: Controls over the billing activities should be established to assure that all shipment data is timely inputted into the computer system and that the billings generated by the computer system are processed quickly and accurately. Procedures should be established requiring TARCOM personnel to age outstanding billings and followup if collection is not received within a specified time. Funds collected for an asset use charge should be immediately deposited to miscellaneous receipts. (RRS)

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February 28, 1977

Major General Harold F. Hardin, Jr.
Commanding General
U.S. Army Tank-Automotive Materiel
Readiness Command
Warren, Michigan 48090

Dear General Hardin:

We have completed our survey of the billing and collection system for Foreign Military Sales (FMS) cases at the U.S. Army Tank-Automotive Materiel Readiness Command. (TARCOM). This survey was made during March to June 1976 with subsequent follow-up work in February 1977.

We examined nine FMS cases totaling \$55.2 million. The items sold to foreign countries came from contractor plants, depot stock and depot rebuild programs. We also examined two cases involving the sale of M60 tanks to determine if TARCOM was collecting and properly depositing funds for asset use charges. We identified several shortcomings which may indicate broader system weaknesses.

We found that TARCOM:

- did not send billings to the International Logistics Command (ILC) in a timely manner,
- did not follow-up on billings sent to ILC for collection, and
- erroneously applied collections, representing an asset use charge, to a Procurement of Equipment and Missiles, Army (PEMA) appropriation rather than to Miscellaneous Receipts, United States Treasury.

These shortcomings are discussed below.

UNTIMELY BILLINGS

In 4 of the 9 cases examined, we identified delays ranging from 4 months to 1 year in billings for vehicles valued at about \$17.6 million. The following examples highlight this problem.

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--In a sale of 2,250, ½ ton trucks to Israel for \$21.3 million, billings were delayed from 5 to 7 months for 1,151 trucks valued at \$10.9 million. These untimely billings resulted because of (1) a delay or failure to input shipment data into the computer system, (2) the limited capacity of TARGOM's computer system to accept shipment data, and (3) errors and delays by TARGOM personnel in reviewing and processing billings generated by the computer system.

--In June 1975, the shipment of 19 rebuilt 5-ton wreckers sold to Iran for \$374,680 was completed. By the middle of July 1975, 18 had been billed. However, one wrecker, valued at \$19,720, was not billed until June 28, 1976, almost 1 year later, because the shipment had not been posted in the computer system and therefore no billing document had been generated.

We informed TARGOM personnel of the untimely billings as we discovered them and corrective action was initiated. We believe however, TARGOM should, as a minimum, establish controls over the billing activities to assure that (1) all shipment data is timely inputted into the computer system and (2) the billings generated by the computer system are processed quickly and accurately.

TARGOM officials advised us that the problem pertaining to the computer's limited capacity to accept shipment data should be corrected by the recently implemented computer system. We believe that this new system should be monitored to assure that this problem is truly corrected.

LACK OF FOLLOW-UP PROCEDURES
FOR COLLECTIONS

As shown below TARGOM did not always follow-up with ILC to assure timely collections.

<u>Billing date</u>	<u>Collection date</u>	<u>Elapsed time</u>	<u>Amount</u>	<u>Number of vehicles</u>	<u>Country</u>
11/-5/75	3/23/76	4 months	\$943,637	218	Kuwait
11/19/75	5/12/76	6 months	137,600	40	Chile
7/13/75	7/20/76	12 months	19,720	1	Iran
5/--/75	Not collected as of 2/14/77	21 months	383,520	102	Kuwait

A TARCUM official said that, in May 1975, the U.S. Army Materiel Development and Readiness Command directed that follow-up with ILC be deferred because of ILC's backlog in processing transactions. He also said that, in August 1976--subsequent to the completion of our survey--TARCUM reconstituted the follow-up procedure. One of the follow-ups pertained to the Kuwait case included in our survey. The official stated that, in the future, follow-up of outstanding bills will be made at least annually.

As the table shows, the Kuwait billing for \$383,520 was outstanding as of February 14, 1977--at least 6 months after the August follow-up. We recognize the delay in collecting this bill could in part be caused by the recent transfer of ILC's function to the Security Assistance Accounting Center, Denver, Colorado, now responsible for the billing and collection of FMS for the military services.

In our opinion, this move makes it more important to establish procedures requiring TARCUM personnel to age outstanding billings and follow-up if collection is not received within a specified time such as 30, 60, or 90 days. These procedures, in our opinion, should improve the financial control over the flow of funds belonging to TARCUM and needed to carry out its mission.

COLLECTIONS ERRONEOUSLY APPLIED TO PEMA APPROPRIATIONS

Department of Defense Instruction 2140.1, dated June 17, 1975, specifies that an asset use charge be included in an FMS requiring the use of Government-owned assets to produce the item sold. The instruction also specifies that the asset use charges collected should be deposited to Miscellaneous Receipts, United States Treasury.

As part of our survey, we inquired into whether TARCUM was collecting and properly depositing funds for asset use charges. We found that, although asset use charges valued at over \$4.4 million were collected between November 1975 and March 1976, the funds were deposited to a PEMA appropriation. After we inquired into this matter, the funds were transferred from the PEMA appropriation to Miscellaneous Receipts.

In our opinion, funds collected for an asset use charge should be immediately deposited to the Miscellaneous Receipts, U.S. Treasury. Accordingly, we recommend that TARCUM Comptroller personnel be instructed to deposit funds representing assets use charges in Miscellaneous Receipts as soon as they are received.

We look forward to a reply on the corrective action taken by your staff on the above areas.

Copies of this report are being sent to the Assistant Secretary of the Army (Financial Management) and the Commanding General, U.S. Army Materiel Development and Readiness Command.

Sincerely yours,


Walter C. Herrmann, Jr.
Regional Manager

cc: Assistant Secretary of
the Army (Financial
Management)
Commanding General -
U.S. Army Materiel
Development and
Readiness Command