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Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

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In October 1975, the Assistant Secretary of the Army (Financial Management) notified the House Appropriations Committee of a serious breakdown in the financial control over Army procurement appropriations which resulted in violations of the Anti-Deficiency Act totaling more than \$225 million. These violations related to the section of the act that provides that no officer or employee shall make or authorize an expenditure from, or create or authorize an obligation under, any appropriation exceeding the amount therein.

Findings/Conclusions: The most serious factors contributing to the Army's overall financial management problems were: failure to design and implement an effective procurement appropriation accounting system; failure to adequately control fund allocations, reprogrammings, and transfers; and failure to accurately account for customer orders. The impact of these problems was compounded by the phenomenal growth of the Army's customer order program over several years. Army efforts to correct the financial management problems have been concentrated in: eliminating erroneous balances in its accounting records, primarily in the procurement appropriation accounts; and improving its accounting, reporting, and fund control systems to prevent recurrence of these problems. The Army has recorded over \$1.5 billion in adjustments to its accounting records, but because many of the records are missing or in poor condition, it is unlikely that all errors will ever be found or corrected.

Recommendations: The Secretary of Defense should have the Secretary of the Army: make sure the design and implementation of the remaining phase of the Army's new procurement appropriation program and fund control system are accomplished as quickly as possible, develop a plan to implement a standardized procurement appropriation accounting system at the installation level with a single data source, notify him and the

Congress of any unreconciled trust fund cash balances for individual countries, have the Army Audit Agency review procedures used to account for and control undistributed disbursements and collections, maintain an adequate and balanced level of internal review and audit within the Army, and periodically report to the Congress on the status of Army efforts to obtain GAO approval of its accounting systems. (PDS)

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REPORT BY THE

RELEASED 5/15/78

Comptroller General

OF THE UNITED STATES

Army Efforts To Restore Integrity To Its Financial Management Systems

As requested by the Chairman, House Committee on Appropriations, GAO reviewed the serious breakdown in financial control over Army procurement appropriations, which has led to violations of the Anti-Deficiency Act. These violations totaled more than \$225 million.

The Army has

- recorded over \$1.5 billion in adjustments to its procurement appropriation accounting records,
- identified many actions needed to improve its financial management system, and
- intensified its efforts to conform its accounting systems with principles and standards prescribed by the Comptroller General.

The Army should develop a standard procurement appropriation accounting system for use by all levels of management.





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-132900

The Honorable George H. Mahon
Chairman, Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

This report, prepared pursuant to your November 12, 1975, request, summarizes the Department of the Army's progress and problems in attempting to overcome a serious breakdown in its financial management systems.

At your request we did not take the additional time to obtain written agency comments. The matters covered in the report, however, were discussed with agency officials, and their comments are incorporated where appropriate.

Your office requested that we make no further distribution of the report until you notify us.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Staebgen".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE
HOUSE APPROPRIATIONS
COMMITTEE

ARMY EFFORTS TO RESTORE INTEGRITY TO
ITS FINANCIAL MANAGEMENT SYSTEMS

D I G E S T

A financial management breakdown in the Department of the Army and the resulting violations of the Anti-Deficiency Act are among the most serious violations in the Government in recent years. The events surrounding the Army's problems have been widely publicized and have been the subject of congressional hearings. Army efforts to correct its records and improve its accounting systems have cost the taxpayer millions of dollars.

Many factors contributed to the Army's overall financial management problems, but among the most significant was its failure to design and implement an effective procurement appropriation accounting system; its failure to adequately control fund allocations, reprogramings, and transfers; and its failure to accurately account for customer orders.

The impact of these problems was compounded by several factors, including the phenomenal growth of the Army's customer order program (equipment, material, and services ordered by foreign countries, other U.S. Government agencies, and other military services and Defense agencies) over several years. The growth occurred just before the Army discovered that extensive problems existed.

After discovering the loss of accounting control over procurement appropriations, the Army tried to restore integrity to its financial management systems. To restore integrity the Army had to (1) eliminate gross inaccuracies which existed in its accounting records and (2) improve its accounting and reporting systems to prevent such errors from reoccurring. Over

\$1.5 billion in adjustments have been recorded in the procurement accounts. However, many of the records involved in the reconciliation effort date back several years; all the errors will never be found or corrected. The Army has also made a great deal of progress in identifying actions needed to improve its accounting and reporting systems, but much remains to be done.

GAO therefore believes the time has come for the Army to finally resolve remaining issues involving these accounts and emphasize upgrading its accounting systems and financial management in general for the future.

RECOMMENDATIONS

GAO recommends that the Secretary of Defense have the Secretary of the Army:

- Make sure the design and implementation of the remaining phases of the Army's new procurement appropriation program and fund control system are accomplished as quickly as possible.
- Develop a plan to implement a standardized procurement appropriation accounting system at the installation level with a single data source for all reporting requirements at all levels of command.
- Notify him and the Congress of any unreconciled trust fund cash balances for individual countries and advise them of action being taken to resolve unreconciled balances.
- Have the Army Audit Agency review procedures now being used to account for and control undistributed disbursements and collections to determine if those procedures are effective.

--Maintain an adequate and balanced level of internal review and audit within the Army.

--Periodically report to the Congress on the status of Army efforts to obtain GAO approval of its accounting systems.

GAO also recommends that the Secretary of Defense instruct the Army and other military components that accounting entries, particularly those which increase fund resources, must be fully documented.

At the request of the Office of the Chairman, House Committee on Appropriations, GAO did not obtain written agency comments. The matters covered in the report, however, were discussed with Defense and Army officials, and their comments are incorporated where appropriate.

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CHAPTER 1

INTRODUCTION

In October 1975 the Assistant Secretary of the Army (Financial Management) notified the Chairman, House Appropriations Committee, that there had been a serious breakdown in the financial control over Army procurement appropriations. This breakdown had resulted in violations of the Anti-Deficiency Act (31 U.S.C. 665), totaling more than \$225 million. The violations related to the section of the act which provides that no officer or employee shall make or authorize an expenditure from, or create or authorize an obligation under, any appropriation exceeding the amount therein.

The Chairman, on November 12, 1975, requested us to (1) determine if and when the Army intended to submit to the President and the Congress formal reports of violations as required by the Anti-Deficiency Act, (2) test and evaluate Army procedures to determine the amount of overobligations, and (3) determine whether improvements have been or are being made in the accounting systems for procurement appropriations at the Army's commodity commands that would prevent violations of the act. (See app. I.)

On November 5, 1976, we reported to the Chairman on the results of our review of the amounts and causes of reported violations, other potential violations being investigated, and the Army's initial efforts to improve its overall financial management system (FGMSD-76-74). This report is our final response to the Chairman's request, summarizing the current status of the Anti-Deficiency Act violations already reported and those still being investigated. We also discuss Army efforts to restore integrity to its accounting information and upgrade its overall financial management, including efforts to obtain our approval of its accounting systems.

Many of the Army's problems were associated with its managing the customer order program, under which the Army furnishes equipment, material, and services ordered by foreign governments, other U.S. Government agencies, and other military services and Defense agencies. Since this program is common to all the military services, the Chairman later asked us to determine whether the Air Force and Navy have experienced problems similar to those in the Army and, if so, whether appropriate corrective actions have been taken.

On November 1, 1977, we reported to the House Committee on Appropriations 1/ that the Air Force had experienced problems similar to those in the Army. We noted that because improper accounting procedures were used for several years, the Air Force does not know the status of its procurement appropriations. Therefore it cannot determine whether it has obligated or expended more resources than available from those accounts. Air Force officials informed us that they are now taking appropriate corrective actions. Our review work in the Navy is still in process.

The Army's financial management problems have been the subject of congressional hearings on several occasions. In December 1975, soon after the Army discovered the breakdown in its accounting systems and the resulting overobligations, the Comptroller of the Army testified before the Subcommittee on Defense, Senate Committee on Appropriations, on the general nature and probable causes of the violations. In April 1976 the Assistant Secretary of the Army (Financial Management) appeared before the Subcommittee on Defense, Senate Committee on Appropriations, to testify on the formal reports of violation which had been submitted by the Secretary of Defense. In March 1977 the Acting Assistant Secretary of the Army (Financial Management) testified before the House Appropriations Committee on the overobligation in the fiscal year 1973 Other Procurement, Army appropriation and related matters.

During our review, we have met frequently with the Office of the Chairman, House Appropriations Committee, and provided analyses of the amounts of the reported overobligations and other information for use by the Committee during hearings. We also participated in the March 1977 hearings by providing technical assistance to the Committee.

FINANCIAL MANAGEMENT RESPONSIBILITIES OF FEDERAL AGENCIES

The Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66, 66a) places responsibility for establishing and maintaining adequate systems of accounting and internal control upon the head of each executive agency. The system must conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General as set forth in our Policy and Procedures Manual for Guidance of Federal Agencies.

1/FGMSD-77-81.

Effective accounting is an important part of any organization's internal management control system. Accounting records and reports must provide reliable financial information for use as a tool by management in carrying out its duties and responsibilities effectively, efficiently, and economically. Since effective accounting contributes significantly to attaining internal control objectives, an agency's accounting system should be designed considering a number of internal control requirements. These requirements include devising systems that will (1) comply with legal and other requirements, (2) properly account for all financial transactions, and (3) promptly provide accurate and reliable financial data to management. Effective control also requires continuing internal review to evaluate performance as it relates to efficiency, effectiveness, economy, and propriety.

The Army's failure to design and implement effective accounting and fund control systems, particularly for its procurement appropriations, was a primary cause of the overall financial management breakdown. In our previous report, we noted that the Army was lagging in its efforts to submit and obtain our approval of its accounting systems. Although progress has been made by the Army and other Defense components in obtaining approval of accounting systems, a lot remains to be done.

The adverse impact of not having an effective Army procurement appropriation accounting and fund control system was compounded when the Congress changed the procurement appropriation account structure in 1972 to provide better control over funds. It was also affected by a rapid growth in the customer order program, which is accounted for under the procurement appropriations.

CHANGE IN PROCUREMENT APPROPRIATION STRUCTURE

Until 1972 all Army procurement funds were appropriated and administered under a single no-year procurement account called Procurement of Equipment and Missiles, Army. Under the no-year appropriation concept, there was no fiscal year limitation on the use of funds in the account and no cutoff period at which time total obligations incurred could be conveniently matched with total obligational authority. Without a time limitation, funds remained available for obligation until used or transferred out of the account. As a result, unused funds were often carried over from one year to the next.

In fiscal year 1972, to provide better control over procurement funds, the Congress split the Army's single procurement appropriation into five separate ones and assigned these new accounts a 3-year life for obligational purposes. As the first of these appropriations approached the end of its 3-year obligation period, overobligations were identified by the Army.

GROWTH OF THE CUSTOMER ORDER PROGRAM

Under this program, Army appropriations, primarily procurement appropriations, are used to initially finance customer orders and are later reimbursed on receipt of payments for the equipment, material, and services provided. The dollar amounts of customer orders received are treated as increases to the Army's obligational authority.

Since orders received are treated as increases to obligational authority in the appropriation in which they are recorded, tight controls are necessary over the procedures to price, record, account for, and report customer order data. Controls are also needed to assure that reimbursements are collected promptly and credited to the correct account.

The customer order program is complex. Difficulty in managing the program has been compounded by its appreciable growth in recent years. Customer orders received by the Army rose from \$1.3 billion in fiscal year 1972 to \$4 billion in fiscal year 1977. Most of this increase was in foreign military sales, which rose from \$0.5 billion to \$3.9 billion during that period.

The phenomenal growth of the Army's customer order program--in particular foreign military sales--coupled with the Army's failure to implement an effective accounting and fund control system for its procurement appropriations helped cause the Army's financial management problems and related violations of the Anti-Deficiency Act.

CHAPTER 2

STATUS OF ANTI-DEFICIENCY

ACT VIOLATIONS

Our November 1976 report details the \$205 million in overobligations in three procurement appropriations reported by the Army to the President and the Congress in April 1976. We also reported that the Army was continuing its investigation of possible violations in other procurement appropriations. The investigation was later expanded to include all 26 procurement appropriation accounts through fiscal year 1976.

When the overobligations and related overexpenditures were first discovered, the Army stopped payments from five procurement appropriation accounts involving about 900 contractors and approximately 1,200 contracts. During the later months, the Army received numerous letters from contractors about their hardships because of the action, including reduction in cash flow and increased interest costs.

Although efforts to reconcile all financial records were still in process at that time, the Army needed to obtain funds for the accounts in a deficit position so it could resume payments to contractors. Therefore, using official record balances and applying adjustments it felt would eventually be recorded as a result of ongoing review and reconciliation work, the Army projected the ultimate deficiencies in three accounts. In our November 1976 report, we stated that recognizing the Army's need to obtain additional funds in the deficient accounts to resume payments to contractors, the efforts to project the ultimate overobligations in the three accounts appeared reasonable. We added, however, that the amounts reported were subject to change, depending on how several outstanding issues were resolved.

On February 4, 1977, the Army informed the House Appropriations Committee staff that a fourth account, the fiscal year 1973 Other Procurement, Army appropriation, had also been overobligated and that an estimated \$25 million would be needed to cover the deficit. At the request of the staff, we performed some limited review work and found that the estimate was significantly overstated because it included amounts that (1) could be billed to foreign country customers and (2) were properly chargeable to other appropriations.

As a result of our disclosures, the Army reviewed its estimate and reduced it by \$5.6 million. A formal report of overobligation was submitted to the President and the Congress on March 14, 1977.

As of February 28, 1978, the Army was continuing its investigation of 10 more possible violations. Army officials said, however, that the remaining violations were primarily overallocations and were smaller than those already reported. They also said that no additional funding requirements were anticipated. All remaining violations will be included in a single report to the President and the Congress. The Army expects this report to be submitted by the end of fiscal year 1978.

IMPROPER INCREASES OF FUND RESOURCES

As mentioned above, our previous report said that the amounts of the overobligations reported by the Army in April 1976 were subject to change depending on adjustments eventually recorded to resolve several outstanding issues. In September 1977 we reported to the Secretary of Defense that the Army made unsupported accounting adjustments to its fiscal year 1972 Other Procurement, Army account, improperly increasing stated fund resources by \$33 million. The account was one of the three procurement appropriation accounts reported as overobligated in April 1976. The entries to the account were recorded after the Army determined that fund resource transfers it had requested the Congress to approve were not sufficient to bring the account out of deficit.

In April 1976 the Secretary of Defense formally reported an overobligation of \$14.5 million in the fiscal year 1972 Other Procurement, Army account, and requested authority to transfer fund resources from current accounts to cover the deficiency. On June 1, 1976, the Congress passed the Second Supplemental Appropriation, 1976, authorizing transfer of fund resources to cover the deficit.

When the transfer of funds was approved, however, the Army had still not documented support for, or recorded, a large projected adjustment to the account. As a result, when the authorized transfer in fund resources was recorded on June 1, 1976, the fiscal year 1972 account still had a deficit balance of \$19 million.

Subsequently, the Army recorded unsupported entries to correct apparent erroneous balances in the fiscal year 1972 account. These entries, involving \$16.7 million at the

U.S. Army Electronics Command and \$16.3 million at the U.S. Army Finance and Accounting Center, resulted in improper augmentation of fund resources in the account by \$33 million.

In the report, we recommended to the Secretary of Defense that the unsupported entries be reversed. Our objective was to have the Army research enough to document support for the needed corrections rather than make unsupported adjustments increasing fund resources.

After we issued the report, we met with Defense and Army officials regarding our recommendations. Army officials advised us that they had exhausted their research efforts to find documentation for the causes of the erroneous balances discussed in our report. They pointed out that the account was over 7 years old; many records had been destroyed or lost; thousands of staff-days had already been spent to research old financial records; and although the entries lacked all the necessary supporting documentation, they were based on the best judgment of responsible Army accountants.

The Army has in fact spent an inordinate amount of time researching old financial records (see ch. 3), and it would appear that Army staff resources could be better used in helping resolve current accounting systems problems. Further, given the state of Army records for the appropriation and the poor accounting practices at the time the appropriation account was active, we believe that in all probability no amount of additional research would reveal the true balances of the fiscal year 1972 Other Procurement, Army appropriation, account. Since the Army has already reported a violation of the Anti-Deficiency Act in the account and since further research efforts would cost a lot and accomplish little, we believe the account balances should not be readjusted.

Although we are not pressing for improper entries to be reversed, we believe the Secretary of Defense should put the Army and other military components on notice that it is not acceptable to record accounting entries which are not fully supported by valid documentation, particularly those which increase appropriation fund resources.

CHAPTER 3

ARMY EFFORTS TO RESTORE INTEGRITY TO ITS ACCOUNTING INFORMATION AND ACHIEVE AN EFFECTIVE FINANCIAL MANAGEMENT SYSTEM

For over 3 years, the Army has been trying to restore integrity to its accounting information, particularly its procurement appropriations, and improve its overall financial management system. The general breakdown in the Army's financial management system was primarily related to its failure to accurately record, account for, and administer customer orders and related reimbursements. This failure resulted in losing control over the Army's procurement appropriations, reporting of unreliable accounting information, inability to pay bills to hundreds of contractors, and violating the Anti-Deficiency Act.

Since discovering these problems, the Army has spent a vast amount of resources trying to (1) correct erroneous accounting records and (2) improve its accounting and reporting systems to preclude recurrence of those problems. Although the Army has made a lot of progress toward improving its overall financial management, additional work remains to be done.

RECONCILIATION OF PROCUREMENT APPROPRIATION FINANCIAL DATA

In January 1975, soon after the Army Audit Agency reported that the validity of large amounts of recorded customer order balances was questionable, the Army started a program to verify recorded balances and correct the financial records and reports for all of its procurement appropriations. It became evident that large amounts of recorded customer orders could not be verified and would have to be written off, which would probably result in large overobligations in Army procurement accounts. Therefore the reconciliation was expanded to six distinct phases dealing with various financial data and levels of reporting. The objectives were to (1) identify amounts overobligated, (2) verify recorded procurement appropriation account balances with obligation and other documents, and (3) bring into agreement data recorded at various reporting levels within the Army and the Department of the Treasury.

Army officials said that work on the formal reconciliation has been essentially completed, although related work is still ongoing and will be required in the future. The Army has spent over 65,000 staff-days on the reconciliation and related activities. Our November 1976 report pointed out that the cost of the Army Audit Agency portion alone at that time was more than \$1.6 million, and more than \$1.5 billion in gross adjustments to correct procurement accounting records had been recorded. In addition to the cost incurred in reconciling its financial records, the Army has recently awarded two contracts to private firms at a cost of over \$1 million for studies of its accounting systems. (See ch. 4.)

IMPROVEMENTS TO OVERALL FINANCIAL MANAGEMENT

In addition to correcting erroneous balances on its accounting records, the Army realized that many changes were needed in its existing accounting and reporting systems to prevent similar errors in the future. To identify the specific actions needed to improve its overall financial management, the Army established several committees and working groups.

The Army Customer Order Steering Committee, consisting of 11 top level Army managers, was established in June 1975 to study all aspects of problems with financial management of the customer order program and to determine what policy and procedural changes were needed.

In March 1976 the Secretary of the Army established the Financial Management Advisory Committee, composed of seven members--six from industry and the academic community and one from the Army--to look into corrective actions underway, or needed, in the Army's financial management practices and the related fiscal controls exercised over its procurement accounts.

The Financial Management Improvement Program was chartered by the Army Chief of Staff in November 1975 to (1) analyze the total scope of financial management, (2) develop specific actions to improve financial management procedures, and (3) manage and monitor these corrective actions. Objectives were translated into specific tasks and split into two categories--eight tasks which could be accomplished in the near future (short range) and eight tasks which would take somewhat longer to implement or are of a continuing nature (long range). The major tasks included

(1) determining adequacy of financial management procedures, (2) increasing personnel awareness of the importance of sound financial management practices, (3) reviewing financial reporting systems to determine where they can be improved, and (4) upgrading the level of financial management training. (A list of the short- and long-range tasks is in app. II.)

Together these committees and working groups plus the Army Audit Agency identified many actions needed to correct the numerous financial management problems in the Army. These actions included designing and implementing a procurement appropriation accounting system; implementing procedures to control fund allocations, reprogramming actions, and fund transfers; developing procedures to properly record, account for, and report customer orders; and devising a system to properly distribute disbursements and collections to the proper Army field accounting activities. The need for increased attention to financial management matters by internal review and audit groups and updated directives on administrative control of funds was also cited. Following is a discussion of the major problem areas cited, actions identified as necessary to correct those problems, and the status of implementation of those actions.

Procurement appropriation accounting system

The most commonly cited factor contributing to the Army's procurement appropriation financial management problems was the lack of an accounting system to effectively record, account for, and reconcile procurement financial and program data. A comprehensive system, such as the one the Army originally designed in 1964 but did not fully implement, would have helped prevent many of the deficiencies which caused the Army's problems. These deficiencies include weak fund control and inadequate procedures for accounting and reporting customer orders, primarily foreign military sales. The planned system would have provided procedures for matching spending programs authorized by the Congress with funds (obligational authority) appropriated to carry them out. It would have standardized accounting systems at the commodity command level and established a single source data system for managers at all levels, which would bring together commitment, obligation, expenditure, and other pertinent data at the budget-line-item level.

In June 1976 the Financial Management Advisory Committee also concluded that until a good procurement appropriation accounting system was implemented and working, the

Army was going to have difficulty controlling its procurement program and related fund execution process.

In our previous report we recommended that a plan be developed for full implementation of a procurement appropriation accounting system. In response to our report, the Assistant Secretary of the Army (Financial Management) told us that the Army headquarters portion of a new procurement appropriation program and fund control system was being implemented. (See app. III.) The system is being implemented in a two-phased approach.

Phase I

Under this initial phase, which was implemented in May 1977, the Army intends to coordinate and control the release of an authorized procurement program and fund allocation process between Army headquarters and the special operating agencies, primarily the Readiness Command, and some general operating agencies. A data bank has been established at Army headquarters reflecting funding authority appropriated by the Congress and apportioned by the Office of Management and Budget. Any funding deferrals imposed by the Office of Management and Budget or the Secretary of Defense are also provided for in the system. Allocations from Army headquarters level are limited to amounts appropriated and apportioned, and reprogramming actions are kept within threshold limits set by the Congress. Special automated reports are used as official appropriation fund control ledgers. Another very important feature provided under the new system is a requirement to match approved spending programs with funding appropriated to carry them out.

Within the Army, until this change was made, allocations of procurement (program) authorization and of related funds to the executing commands were uncoordinated actions performed by two separate organizations. Failure to coordinate funding with authorized programs led to overallocation of funds and subsequent overobligations. Under the new fund control system, procurement program authority release documents must be processed through the Comptroller of the Army for funding action before they are sent to the procuring activity. These program authorizations cannot be released until the necessary direct funds are approved.

Also under phase I, the Army has implemented procedures intended to improve accounting for and control over "free assets"--funds received from the sale of material which will not be replaced through procurement. Before fiscal year 1978 these funds were used for other purposes, subject to

congressional approval, and often formed the basis for reprogramming or transferring obligational authority to other appropriations.

There were two problems with controls over these funds. Army headquarters reprogramed free assets without notifying the field commands which had generated the funds that their fund availability had been reduced. Ultimately, obligations incurred by field commands exceeded the reduced total obligational authority in the appropriations. Further, the Army transferred such funds based on anticipated rather than actual collections. To the extent that reprogramed free assets were not collected, overallocations occurred.

In a March 1976 report to the House Committee on Armed Services 1/ we made recommendations to the Secretary of Defense to improve the management of free assets by the Department of Defense, primarily in the Army. One of the recommendations was that the Secretary of Defense eliminate inconsistencies among the services in the definition of free assets by establishing a standard criteria for identifying such sales. We also recommended that the Secretary of the Army be instructed to enforce existing free-asset reporting requirements.

In February 1977 we reported to the House Committee on Armed Services 2/ on a limited review we made as a followup to our March 1976 report. We found that Defense established a standard definition of free assets. In addition, the Army was taking extensive action to correct free-asset management deficiencies.

To better control reprogramming actions, the Army instituted new procedures which include:

- Obtaining field command agreement on the availability of funds for withdrawal and placing such funds in a reserve account until receiving the required approvals for reprogramming.

1/"The Department of Defense Can Improve Its Free Asset Management" (LCD-76-414, Mar. 3, 1976).

2/"Initiatives to Improve Free Asset Management" (LCD-77-416, Feb. 28, 1977).

--Requiring that free-asset funds are collected before they are reprogramed and, when deemed necessary, establishing a 10-percent reserve of collections as a contingency against refunds or other adjustments.

Also, the Congress has directed that beginning with the fiscal year 1978 appropriations, all free assets realized from foreign military sales must be turned in to the Treasury as miscellaneous receipts. This action should greatly reduce the amount of free assets available to the Army for reprogramming.

Phase II

The second phase of the Army's system, which is scheduled for completion before the end of fiscal year 1978, will extend the same types of fund control procedures from the Readiness Command to the commodity commands. The Readiness Command will then be responsible for similar controls, such as limits on suballocations and thresholds on reprogramming actions that Army headquarters are now subject to. Also, the Army will implement the Army Customer Order Control System which provides procedures for recording customer orders, conducting business with the Security Assistance Accounting Center, and accounting for and controlling the customer order program. These procedures will augment other recent changes made in the Army and throughout Defense to improve control over the recording of and accounting for customer orders. (See p. 14.)

The Army Audit Agency recently reviewed the first phase of the Army's procurement appropriation program and fund control system and concluded that whereas certain controls could be improved to strengthen system integrity, the system appeared to be a "viable tool for managing the Army's procurement appropriations." The Audit Agency also plans to review the design and implementation of the second phase of the system.

Although we have not reviewed the new system in enough detail to draw overall conclusions, the new procedures appear to provide significant improvements to fund control procedures at the headquarters level and, when completed, will extend those controls to lower command levels. However, there are several related issues which still must be addressed.

A key concept of the original design of a procurement appropriation accounting system was standardizing accounting systems at the commodity command level. Despite repeated attempts, this concept has not been achieved. Further, the

latest inventory of Army accounting systems subject to our approval does not include a standard procurement appropriation accounting system. (See ch. 4.)

Currently, commodity commands must meet two reporting requirements for procurement appropriations:

- Data for appropriation status reports, required by the Treasury, is submitted through the Integrated Command Accounting and Reporting System.
- Procurement appropriation data identified at the budget line item level, required for reports to the Office of Management and Budget, the Department of Defense, and Army headquarters, is submitted through the Army Procurement Accounting and Reporting System.

Although the data in both reporting systems should agree, Army officials told us that the Army is having trouble reconciling the two sets of data each month. One possible problem contributing to the variances between reports is that at most commodity commands different sets of records have to be maintained to generate data for each reporting system. For example, at most commodity commands, records maintained under the Integrated Command Accounting and Reporting System do not contain information needed to generate budget line item number data required for the Army Procurement Accounting and Reporting System. The Army needs to implement a standardized procurement accounting and reporting system at the commodity command level, from which information for all reporting requirements can be obtained. Accordingly, as recommended in our November 1976 report, the Army should develop a plan to design and fully implement a standardized procurement appropriation accounting system including a realistic schedule against which progress can be measured.

Additional customer order program controls

The new control procedures under phase II will augment other recent changes made in the Army and throughout Defense to improve control over the recording, accounting for, and reporting of customer orders. The need for improved controls became evident when the massive reconciliation performed by the Army revealed that the largest errors in commodity command accounting records were in the recorded value of customer orders received. Since customer orders have the effect of increasing obligational authority in the appropriation account

in which they are recorded, inaccurate accounting and reporting of open order balances can result in obligations being incurred in excess of existing obligational authority.

Most foreign military sales are financed through the procurement appropriations. Review and reconciliation work disclosed large balances of customer orders recorded on commodity command books which could not be verified to source documentation. The Army found instances where the same order or portions of the order had been recorded more than once by different commodity commands. In other instances, no documentary support could be found for recorded balances. As a result, large amounts of customer order values had to be written off. Since obligations had already been incurred against overstated customer order (and therefore obligational authority) balances, correction of those balances revealed overobligations.

Customer order control points

One early action taken by the Army to improve control over customer orders was establishing a central control point for customer orders at each commodity command. These customer order control points are responsible for control of orders from the time the (1) orders are received and recorded in financial records, (2) order is filled, (3) final billing is made, and (4) order is closed out on accounting records.

We reviewed control point operations at three commodity commands. This review included limited testing of recently received orders to determine whether order values were accurately shown in financial records.

We found that controls over customer orders had been improved and orders were being accurately recorded. However, the control points were not carrying out all their intended functions. For example, procedures at two commodity commands had not been revised to provide for initial routing of requisitions and orders for all major items through the control points. At the time of our review, action was underway to correct this situation. Also, we found that two commands were not reconciling their records of orders received with the financial records to insure that all orders had been recorded. By the time our work was finished at these activities, reconciliations were being done or procedures were being developed to require reconciliations.

Security Assistance Accounting Center

In addition to the control points established by the Army at the commodity commands, Defense took action to improve its

accounting control over customer orders. In September 1976, the Security Assistance Accounting Center was established in Denver, Colorado, as a centralized operation for foreign military sales billing, collecting, trust fund accounting, and administrative fee management functions for all three military services. Defense expects to achieve more efficient management of foreign military sales transactions throughout Defense with the centralization and standardization of accounting and billing activities performed by individual military services.

Financial records were transferred to the new organization from the Army in several increments. Before the transfer of Army records, all pertinent financial data was validated by personnel from the Readiness Command and the U.S. Army International Logistics Command. After validation, each case was reviewed by the Army Audit Agency. After transfer, the case files were reviewed again by the Security Assistance Accounting Center before the data was loaded into computers.

Reconciliation of the foreign military sales trust fund

The Army has experienced a problem concerning the foreign military sales trust fund cash balance during the transfer of cases to the Security Assistance Accounting Center. The trust fund, maintained by Treasury, contains payments and deposits made by foreign countries based on individual foreign military sales cases. These funds are used to reimburse Army appropriations for costs incurred to fill the customer orders. A country's total cash balance, according to Treasury records, should be supported by individual case records for that country.

According to individual case records, \$847.5 million of the total trust fund belonged to the Army's three largest customer countries. In November and December 1976, that amount was transferred, leaving about \$1 billion in the trust fund for all other countries, according to Treasury records. However, when the Army tried to reconcile the remaining Treasury trust fund cash balance to individual country case records not yet transferred, it found that the remaining balance on Treasury records was higher for some countries and lower for other countries than case records indicated it should have been. On a net basis, the Treasury account was \$21.3 million higher than case records showed it should have been. When the remaining balance was transferred, the unreconciled difference was identified in an adjustment account, pending further research.

Army officials told us that subsequent review and reconciliation work has resulted in adjustments totaling over \$140 million and that at March 6, 1978, the net unreconciled difference had been reduced to \$2.4 million.

If the Army is unable to fully reconcile the trust fund balance to individual case records, a decision will have to be made as to how the remaining difference will be resolved. The Army should promptly advise the Department of Defense and the Congress of any adjustments recorded involving transfer of cash which cannot be fully supported with valid documentation.

Procedures to distribute collections and disbursements to the proper accounting activity

As of August 31, 1976, the Army Finance and Accounting Center records for 110 appropriation accounts showed gross unsupported differences of \$141.2 million in accounts receivable and \$297.3 million in unliquidated obligations, a total of \$438.5 million Army-wide when compared with reports from Army field accounting offices. For some appropriation accounts, Finance Center records showed higher accounts receivable balances and, for other accounts, lower receivable balances. Similarly, Finance Center records showed higher unliquidated obligation balances for some accounts and lower balances for others.

The Finance Center, for many years, had operated under the assumption that the unsupported differences between balances on appropriation summary reports and cumulative amounts reported by field accounting activities were caused entirely by "in-float" documentation which, when posted, would eliminate any differences. This assumption was found to be invalid after the Army began to reconcile its financial records. The Army told us that after several months of research, correcting entries had been made to bring Finance Center and accounting office records in balance as of March 1977.

It also told us that new procedures were implemented in April 1977 to insure that

- errors in the recording and reporting of collection and disbursement transactions are promptly identified and corrected and
- accounting offices receive documentation on transactions in-float and record them in their accounting records.

Army officials believe that the new procedures will prevent the build up of unsupported balances.

We believe the Army Audit Agency should review the new procedure to determine whether collections and disbursements are being recorded in the proper appropriation account and that balances of in-float transactions are documented.

INTERNAL FINANCIAL MANAGEMENT AUDITS

Two principal reasons why the Army's financial management problems became so widespread and went undetected for so long were (1) inadequate reaction on the part of management to audit results and (2) insufficient audit coverage.

In June 1972 the Army Audit Agency reported weaknesses in the review and reconciliation procedures, document processing, recording, coordinating, training, and supervising in accounting for the procurement appropriation. Although Army officials agreed with the findings and recommendations, adequate corrective actions were not taken. Also, beginning in the 1950s, the Audit Agency gradually moved away from financial auditing until, by the early 1970s, it consumed about 10 percent of the Audit Agency's total time.

After the disclosure of the Army's financial breakdown, the Audit Agency restructured its objectives. It increased to about 50 percent the portion of resources devoted to financial auditing during 1976 and maintained approximately that level throughout most of fiscal year 1977.

In July 1977 we reported to the Congress on why the Army's internal audit function needed strengthening. 1/ We concluded that the allocation of one-half of the Audit Agency's total staff-time to financial audits was probably necessary during this interim (partly because of the lack of coverage in earlier years). However, this allocation created an imbalance in audit coverage between the three basic audit categories of financial and compliance, economy and efficiency, and program results.

Army Audit Agency officials informed us that beginning in fiscal year 1978, about 25 percent of its resources will be devoted to financial audits.

1/"Why the Army Should Strengthen Its Internal Audit Function" (FGMSD-77-49, July 26, 1977).

In addition to the Audit Agency's participation in financial audits, the Financial Management Improvement Program, which was chartered by the Army Chief of Staff in November 1975, provided for the following actions related to internal review operations.

- Revising internal review guidelines and regulations.
- Increasing visits to field commands by internal review assistance teams and audit compliance groups.
- Increasing the frequency of and participation in internal review conferences throughout the Army.
- Summarizing, analyzing, publishing, and distributing results of audit and internal review work.

An adequate but balanced portion of Audit Agency resources should be dedicated toward financial audits because it is essential to the Army's achieving an effective and reliable financial management system.

ADMINISTRATIVE CONTROL OF FUNDS

In letters dated May 16, 1977, to the Secretary of Defense, and June 28, 1977, to other department and agency heads, the Director, Office of Management and Budget, emphasized the requirements of the Anti-Deficiency Act. He also said department and agency heads need to prescribe adequate systems of administrative control of funds to prevent overobligations and overexpenditures. The Director pointed out that in recent years Defense was responsible for a high percentage of violations reported Government-wide.

He asked Defense to review and update its directive on administrative control of funds to reflect recent organizational changes, legal requirements, and advances in management techniques and to correct any weaknesses in the directive that may have contributed to the recent Anti-Deficiency Act violations.

Defense officials informed us that a revised directive has been drafted and is being coordinated with the Office of Management and Budget and the military services. Officials added that the revised Defense directive will also be used by the military services as the basis for their own internal requirements.

CHAPTER 4

OUR APPROVAL OF ACCOUNTING SYSTEMS

The Army's failure to design and implement an effective procurement appropriation accounting system was symptomatic of its overall difficulties in complying with the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66, 66a). The act requires each executive agency head to establish and maintain effective systems of accounting and internal control, including internal audit. The act also specifies that these systems conform to principles and standards prescribed by the Comptroller General and that they be submitted to us for approval.

All Government agencies need effective accounting systems to properly account for changes in assets and liabilities and revenues and costs and to provide the administrative control over funds necessary to prevent violations of the Anti-Deficiency Act. These violations include the over-obligations and overexpenditures experienced in the Army.

At September 30, 1977, only 8 of the Army's 23 accounting systems identified as subject to our approval had been approved. (See app. IV.) At the same date, the Navy had obtained approval of 28 of its 70 accounting systems, and the Air Force had 29 of its 40 accounting systems approved.

In response to our November 1976 report, the Army told us it had started an accelerated program to insure its accounting systems conform to the Comptroller General's principles and standards and to obtain our approval of all those within 3 years. This program is designed to correct deficiencies in the accounting systems of the type disclosed in this report (fund control) as well as other problems we have noted in our work. The two major actions to accomplish this approval follow.

- A staff of three professional accountants was established to guide and monitor the Army's accounting systems approval process until all the systems are approved. Also, milestones for providing the documentation for those systems subject to our review and approval have been or are being developed.
- The Army was attempting to develop a small family of standard installation accounting systems to reduce our review and approval time and reduce the Army systems design and maintenance requirements.

The Army has recently awarded two contracts to private firms for studies of its accounting systems. The first of these was an evaluation of the procurement appropriation accounting system. This study was completed in August 1977 at a cost of about \$200,000, and the recommendations are now being considered. The second contract was for studying the status and needs of all Army accounting systems. This effort is being done at an estimated cost of \$800,000 and should be completed by mid-1979.

Emphasis is being placed on

- developing an overview of the accounting systems and their interrelationships,
- determining if maximum use is being made of computer technology and automation,
- determining if the accounting and fund control organizational structures are sound,
- determining if management information demands are being satisfied at all levels, and
- determining if systems comply with accounting principles and standards as prescribed by the Comptroller General.

As part of our responsibilities for approving accounting systems designs, we have representatives to assist executive agencies in developing accounting systems. Such cooperative assistance includes discussing problems and working with agency staffs on an informal basis to solve the problems, reviewing advance drafts of policies and procedural instructions, providing technical advice and suggestions as appropriate, and identifying specific areas in which improvements are believed to be needed. (See 2 GAO 27.2, General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies.)

The Army, since September 1976, has increased its level of effort to improve the quality of its systems designs. It has begun to seek our assistance through informal discussion of problems and by requesting our comments in the system design stage.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Although the Army has made progress in recovering from a breakdown in its financial management systems, much remains to be done.

Army efforts to correct its financial management problems have been primarily concentrated in (1) eliminating erroneous balances in its accounting records, primarily in the procurement appropriation accounts, and (2) improving its accounting, reporting, and fund control systems to prevent recurrence of those problems.

The Army has recorded over \$1.5 billion in adjustments to its accounting records. However, because many of the records involved in the reconciliation effort, which date back several years, are missing or are in poor condition, it is unlikely that all errors will ever be found or corrected.

We therefore believe the Army should now resolve the remaining open issues involving these accounts and concentrate on upgrading its accounting, reporting, and fund control systems for the future.

RECOMMENDATIONS

We recommend that the Secretary of Defense have the Secretary of the Army:

- Make sure the design and implementation of the remaining phases of the Army's new procurement appropriation program and fund control system are accomplished as quickly as possible.
- Develop a plan to implement a standardized procurement appropriation accounting system at the installation level with a single data source for all reporting requirements at all levels of commands.
- Notify him and the Congress of any unreconciled trust fund cash balances for individual countries and advise them of action being taken to resolve unreconciled balances.

--Have the Army Audit Agency review procedures now being used to account for and control undistributed disbursements and collections to determine if those procedures are effective.

--Maintain an adequate and balanced level of internal review and audit within the Army.

--Periodically report to the Congress on the status of Army efforts to obtain our approval of its accounting systems.

We also recommend that the Secretary of Defense instruct the Army and other military components that accounting entries, particularly those which increase fund resources, must be fully documented.

At the request of the Office of the Chairman, House Committee on Appropriations, we did not obtain written agency comments. The matters covered in the report, however, were discussed with Defense and Army officials, and their comments are incorporated where appropriate.

CHAPTER 6

SCOPE OF REVIEW

Our review involved:

- Evaluating the corrective actions taken or planned by the Army to improve its financial management.
- Reviewing the Army's procedures to reconcile financial records and to project the amounts of reported violations.
- Testing the reconciliation and the adjustments made as a result of the reconciliation.
- Reviewing (1) Army regulations and procedures on administrative control of funds and (2) Army records and reports.
- Discussing the objectives, procedures, and results of the Army Audit Agency's reviews and the Army's reconciliation procedures with officials.
- Ascertaining the current status of Anti-Deficiency Act violation investigations and reports.

To the extent practicable, we used the work performed by the Audit Agency.

We made our review at the:

- Department of the Army, Washington, D.C.
- U.S. Army Finance and Accounting Center, Indianapolis, Indiana.
- U.S. Army Materiel Development and Readiness Command, Alexandria, Virginia.
- U.S. Army International Logistics Command, New Cumberland, Pennsylvania.
- U.S. Army Armament Command, Rock Island, Illinois.
- U.S. Army Aviation Systems Command, St. Louis, Missouri.
- U.S. Army Electronics Command, Fort Monmouth, New Jersey.

- U.S. Army Missile Command, Redstone Arsenal, Alabama.
- U.S. Army Tank-Automotive Materiel Readiness Command,
Warren, Michigan.
- U.S. Army Troop Support Command, St. Louis, Missouri.
- U.S. Army Materiel Development and Readiness Command,
Logistic Systems Support Activity, Chambersburg,
Pennsylvania.

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- MAX BAILEY, MISS.

B-132900

Congress of the United States
House of Representatives
Committee on Appropriations
 Washington, D.C. 20515

November 12, 1975

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 557-0300

Honorable Elmer B. Staats
 Comptroller General of the
 United States
 U.S. General Accounting Office
 Washington, D.C. 20548

Dear Mr. Staats:

I have been informed by the Assistant Secretary of the Army (Financial Management) that there has been a serious breakdown in financial controls over the Army's procurement appropriations and that this has resulted in a number of apparent violations of the Anti-Deficiency Act involving more than \$150 million in overobligations. I understand that the Army is making an effort to validate the amount of the known deficits and to determine if there are additional violations.

I would like for your staff to determine if and when the Army intends to submit to the President and the Congress a formal report of the violations as required by the Anti-Deficiency Act. Further, I request that your staff test and evaluate the procedures used by the Army in determining the amount of overobligations in its procurement accounts.

I would also like for your staff to determine whether improvements have been or are being made in the accounting systems for procurement appropriations at the Army's commodity commands that would help prevent violations of the Anti-Deficiency Act in the future.

Honorable Elmer B. Staats
November 12, 1975
Page 2

This matter has been discussed with members of your Financial and General Management Studies Division staff. Because of the apparent magnitude of Army's financial management problems and recognizing that substantial GAO resources may be needed to fully satisfy this request, it was agreed that, after some preliminary work has been performed by your office, a meeting with my staff will be held so that the approach and scope of the audit can be agreed upon.

Sincerely,

Handwritten signature of George M. ...
Chairman

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMMAJOR SHORT-RANGE TASKS

Review Army financial management criteria and techniques relating to fund control to determine adequacy of procedures.

Increase responsible personnel awareness of the importance of sound financial management practices and the need for observing financial constraints.

Formulate a plan to review and/or audit financial management operations during execution.

Execute a program of review and audit of automated accounting systems before, during, and after implementation to determine that correct procedures are used.

Review the role of comptrollers, appropriation directors, and other appropriate activities to determine their proper function in fund control and budget execution.

Review financial reports to determine management utility and required financial management analysis.

Identify major problem areas of financial management in internal Army publications and in educational institutions.

Assign qualified personnel to key financial positions-- major command and installation comptrollers, budget officers, and finance and accounting officers.

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMMAJOR LONG-RANGE TASKS

Review Army standard financial management systems in all major commands to determine whether users are fully aware of their responsibilities.

Review Army recurring financial reports to identify where reductions or improvements in analytical management data can be made.

Emphasize financial management responsibilities in Army school programs of instruction.

Provide for an incentive program for good financial management performance, as well as penalties for substandard performance.

Upgrade the quality and professionalism of all military and civilian personnel in professional and technical financial management positions.

Establish a stewardship program for all commanders and individuals responsible for financial management that will require the parties concerned to examine an organization's financial status upon change of incumbents.

Obtain our approval of the Army's accounting systems.

Continue to emphasize the Comptroller of the Army's Finance and Accounting Improvement Plan.



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

11 FEB 1977

Honorable Elmer B. Staats
Comptroller General of
the United States
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Staats:

This is in reply to your letter to former Secretary Donald Rumsfeld regarding the review of the GAO Final Report, dated November 5, 1976, "Serious Breakdown in the Army's Financial Management Systems," OSD Case #4477, GAO #B-132900.

The inclosed statement reflects the Department of Defense agreement with the recommendations put forth in this report.

By the end of this fiscal year we will forward to your office a copy of the approved plan and schedule for implementation of the procurement appropriation accounting system.

Hadlai A. Hull
Assistant Secretary of the Army
(Financial Management)

1 Incl
as



DEPARTMENT OF DEFENSE
RESPONSE TO GAO RECOMMENDATIONS

"Serious Breakdown in the Army's Financial Management Systems"
(OSD Case #4477).

The GAO recommends that the Secretary of Defense have the Secretary of the Army:

Recommendation: Develop a plan to fully implement the accounting system for procurement appropriations. The plan should include a realistic schedule against which progress can be measured.

Response: The Headquarters Department of the Army portion of Army Procurement Accounting Reporting System was implemented, effective with the accounting month of October 1976, with the activation of a DA Data Bank.

It is recognized that the basic system initially envisioned for the Commodity Command level has not been standardized and that systems concepts were modified substantially over the years. A Request for Proposal was released for contractor bids to evaluate the current system as implemented at each vertical level; to provide a revised concept, and to prepare a plan in the form of a milestone schedule with measurable objectives to implement the revised concept. Bids were closed on 3 December 1976. Contractor selection was made and contract signed in January 1977.

In addition, a concurrent contractual effort is underway by the Control Data Corporation to develop and implement a Procurement Appropriation Program and Fund Control System. The control system is scheduled for implementation by 1 March 1977.

Recommendation: Take the necessary action to accelerate efforts to design accounting systems to conform with the Comptroller General's principles and standards and submit the systems for approval.

Response: The Army has initiated an accelerated program to insure its accounting systems conform to the Comptroller General's accounting principles and standards and to obtain the General Accounting Office's (GAO) approval of these systems within the next three years. This accelerated effort evolves around two major actions.

The first action is people oriented. It focuses on establishing within the Office, Comptroller of the Army, a small staff of professional accountants having the sole responsibility to guide and monitor the Army's accounting systems approval process until all the systems are approved.

This staff has been formed from existing resources and consists of three people. In addition, for each accounting system appearing on the inventory, milestones and rigid estimated target completion dates for readying the systems documentation for the GAO's review and approval process have or are being developed.

The second action initiated to accelerate the Army's accounting system approval process is systems oriented. Accomplishment of this action focuses on fielding only a small family of Army standard installation accounting systems; improving the Army's accrual accounting techniques; and improving the Army's financial reporting system. A small family of standard financial systems will not only reduce GAO's systems review time but will also hold to a minimum the Army's systems design and maintenance requirements. We expect to finalize the concept for fielding a small group of standard installation accounting systems before the end of this fiscal year and to obtain GAO approval of these systems within three years. Improvements to accrual accounting techniques are being considered so that managers have better data upon which to formulate sound financial management decisions.

These improvements will be advanced in such a manner that the fund control systems which are based on sound obligation accounting procedures are not degraded. The standard financial reporting system under development will improve the timeliness and reliability of financial data. The first reporting objective will be achieved by utilizing the latest advances in computer and communication technology. The latter objective will be achieved by placing and maintaining the entire financial report package originating from each accounting entity under general ledger control.

STATUS OF ARMY ACCOUNTING SYSTEMS

SUBJECT TO OUR APPROVAL

AS OF SEPTEMBER 30, 1977

	<u>Date principles and standards approved</u>	<u>Date approved</u>	<u>System designs Scheduled for approval (note a)</u>
<u>Departmental level systems</u> (Program budget accounting) Accounting and Reporting Procurement Funds Distribution Other Funds Distribution	June 1973 June 1973 June 1973	- - -	Aug. 1979 Dec. 1977 June 1979
<u>Command level systems</u> U.S. Army Materiel Development and Readiness Command Funds Distribution Army Communications Command Military Traffic Management Command Corps of Engineers National Guard	June 1973 June 1973 June 1973 Nov. 1974 June 1973	- - - July 1977 -	Mar. 1978 June 1978 Dec. 1977 - Aug. 1978
<u>Field activity level systems</u> Commodity Command Standard System Standard Finance System	June 1973 June 1973	- -	Feb. 1979 Nov. 1978

a/Based on date agency makes documentation available plus estimated time for evaluation and revision.

	<u>Date principles and standards approved</u>	<u>System designs</u>	
		<u>Date approved</u>	<u>Scheduled for approval (note a)</u>
<u>Field activity level systems</u>			
Standard Army Intermediate Level Supply System	June 1973	May 1975	-
Test and Evaluation Activities	June 1973	Aug. 1976	-
Canal Zone Government	June 1964	June 1964	-
Standard Depot Management Information System--Industrial Fund	June 1973	-	Feb. 1979
Army Materials and Mechanics Research Center--Industrial Fund	June 1973	June 1973	-
<u>Support services</u>			
Joint Uniform Military Pay System--Active Army	June 1973	Oct. 1973	-
Military Pay--Academy Cadets	June 1973	Sept. 1977	-
Civilian Pay	June 1973	-	Mar. 1979
Transportation--Finance Center	June 1973	-	Apr. 1979
Defense Telephone Service	June 1973	-	Jan. 1978
Facilities Engineer Job Order Cost Accounting	June 1973	July 1977	-
Fixed Asset Accounting	June 1973	-	(b)
Centralized Integrated System for International Logistics	June 1973	-	(b)
Total	23	8	15

a/Based on date agency makes documentation available plus estimated time for evaluation and revision.

b/Under development--dates not yet established.

PRINCIPAL OFFICIALS
RESPONSIBLE FOR ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

Tenure of office
From To

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Dr. Harold Brown	Jan. 1977	Present
Donald H. Rumsfeld	Nov. 1975	Jan. 1977
Dr. James R. Schlesinger	July 1973	Nov. 1975
William P. Clements (acting)	May 1973	July 1973
Elliot L. Richardson	Jan. 1973	May 1973
Melvin R. Laird	Jan. 1969	Jan. 1973

ASSISTANT SECRETARY OF DEFENSE
 (COMPTROLLER):

Fred P. Wacker	Sept. 1976	Present
Terence E. McClary	June 1973	Aug. 1976
Don R. Brazier (acting)	Feb. 1973	June 1973
Robert C. Foot	Jan. 1969	Jan. 1973

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

Clifford Alexander, Jr.	Feb. 1977	Present
Martin R. Hoffman	Aug. 1975	Feb. 1977
Howard H. Callaway	May 1973	July 1975
Robert F. Froehle	July 1971	May 1973

ASSISTANT SECRETARY OF THE ARMY
 (INSTALLATIONS, LOGISTICS AND
 FINANCIAL MANAGEMENT) (note a):

Alan J. Gibbs	Apr. 1977	Present
Jack E. Hobbs (acting)	Apr. 1977	Apr. 1977
Hadlai A. Hull	Mar. 1973	Apr. 1977
Richard L. Saint Sing (acting)	Sept. 1972	Mar. 1973

COMPTROLLER OF THE ARMY:

Lt. Gen. Richard West	Oct. 1977	Present
James Leonard (acting)	June 1977	Oct. 1977
Lt. Gen. John A. Kjellstrom	July 1974	June 1977
Lt. Gen. E. M. Flanagan, Jr.	Jan. 1973	July 1974
Lt. Gen. John H. Wright, Jr.	Aug. 1970	Jan. 1973

a/Title changed from "Financial Management" to "Installations, Logistics and Financial Management" in June 1977.

(90344)