



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

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ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

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The Honorable Orrin G. Hatch
Chairman, Committee on Labor and
Human Resources
United States Senate

DECEMBER 16, 1981

Dear Senator Hatch:

Subject: Review of Department of Education Fiscal 1980
Interagency Fund Transfer Agreements
(AFMD-82-19)

Your February 4, 1981, letter asked that we provide information on certain agreements calling for the transfer of funds among various agencies under your committee's jurisdiction. Your primary concern was whether the agreements and subsequent transfers violated any laws. In discussions with your office, we agreed to examine selected Department of Education fiscal 1980 transfers and provide a briefing on our work. Subsequent to the briefing, we also agreed to furnish this report. Our review, as discussed below, showed that the Department of Education had adequate legal authority to enter into the agreements we examined.

OBJECTIVE, SCOPE, AND METHODOLOGY

Your office gave us a list of amounts that Education agreed during fiscal 1980 to transfer to other agencies. Our primary objective was to determine whether any of those agreements violated the law.

We discussed the procedures for developing the fund transfer agreements with Education officials and reviewed their applicable written guidelines. We also examined most of the agreement documents and related accounting records to (1) determine the purpose of the transfers, (2) verify the amounts that were to be transferred, and (3) evaluate the legal authority cited as permitting the transfers. Education officials could not find 14 of the 83 agreements shown on the fiscal 1980 list. Only three of the missing agreements, totaling \$89,500, were shown as being obligated or paid in the accounting system, so it is possible the other missing agreements were canceled. We attempted to locate copies of the missing documents from the agencies that were to have received the funds, but the agencies could not locate them because we could not provide any more specific information than the approximate agreement date and amount.

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FUND TRANSFERS--PURPOSE AND PROCEDURES

The most common purpose of the agreements in question was to reimburse other Government agencies for goods or services to be provided to Education. For example, funds were transferred to the Census Bureau for financial surveys of local school districts, and to the Veterans Administration for development of a reading machine for the blind. Such transactions are sanctioned by law and, in reference to the originating legislation (47 Stat. 417, June 30, 1932), are popularly known as section 601 Economy Act transfers. The intent of that legislation is to allow agencies to acquire goods and services from other agencies whenever more convenient or whenever it is less expensive than obtaining them from non-Government sources. The Economy Act does not constitute the sole authority for interagency agreements, however, and other laws permit such agreements in various circumstances.

Education officials provided us with written procedures they said were to be followed in making interagency agreements. Those procedures require standard written agreements to be developed before funds can be transferred. Among other details, the agreement must disclose a description of the goods or services being acquired, the amount to be transferred, and the legal authority for making the transfer. According to Education officials, each agreement is to be reviewed by contracting and legal staff before being approved.

NO LEGAL VIOLATIONS WERE IDENTIFIED

Education had adequate legal authority to enter into the agreements we reviewed. The agreements generally complied with the departmental instructions as well as applicable laws. Four of the agreements cited no specific authority, but we did not question them because the transfers would have been permissible under existing legislation.

As arranged with your office, we did not obtain written agency comments on this report. Unless you publicly announce its contents earlier, no further distribution of this report will be made until 30 days from its date. At that time we will make copies available to interested parties upon request.

Sincerely yours,


W. D. Campbell
Acting Director