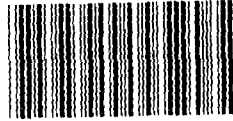




UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION



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JULY 12, 1982

B-208109

The Honorable James Watt
The Secretary of the Interior

Dear Mr. Secretary:

Subject: Improvements Needed in the Accounting for
Personal Property (GAO/AFMD-82-84)

Our survey of accounting for personal property at the Department of the Interior identified recurrent problems at the Geological Survey, the Fish and Wildlife Service, and the Bureau of Indian Affairs. Although the Interior Department's Inspector General had previously reported that required physical inventories were not being taken and that accounting and property records, which differed by \$96 million, were not being reconciled, action was not taken to strengthen property accounting. As a result, the reported amount of personal property was inaccurate and unreliable, and control over the \$500 million of property managed by the three bureaus was seriously weakened. We are reporting these matters to reiterate the need for adequate accounting for personal property so that assets are properly safeguarded and reliable data is used by management in the decisionmaking process.

OBJECTIVES, SCOPE, AND METHODOLOGY

We surveyed the Department of the Interior's accounting for personal property to determine if (1) accounting records were accurate and periodically reconciled with property records, (2) physical inventories were properly conducted, and (3) accounting for Government-owned property held by contractors was adequate.

Personal property is defined as equipment, material, parts, and supplies; in short, all property except land and buildings. In addition to furniture and office machines, personal property at Interior includes such things as electron microscopes and scales (Geological Survey); livestock and construction equipment (Bureau of Indian Affairs); and fish tanks and hatchery equipment (Fish and Wildlife Service).

We conducted our survey at the headquarters offices of the Geological Survey, the Bureau of Indian Affairs, and the Fish and Wildlife Service. At the beginning of fiscal 1981, the three bureaus accounted for \$512 million, or 64 percent, of Interior's \$805 million investment in personal property. We also visited the

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eastern region of the Bureau of Indian Affairs and contacted three of the Bureau's regional offices, Aberdeen, South Dakota; Navajo, New Mexico; and Phoenix, Arizona; and three Fish and Wildlife Service regional offices, Atlanta, Georgia; Denver, Colorado; and Newton Corner, Massachusetts. The survey was performed in accordance with our current "Standards for Audit of Government Organizations, Programs, Activities and Functions," and included examinations of policies, procedures, documentation, accounting records, and computer reports. We discussed policies, procedures, and other matters with agency officials.

IMPROVEMENTS NEEDED IN THE ACCOUNTING
FOR PERSONAL PROPERTY

Property accounting at the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs was not adequate to properly control personal property valued at over \$500 million. Physical inventories were generally not taken, and accounting and property records were not being reconciled. In addition, accounting for Government-owned property in the possession of contractors was inadequate.

Need for physical inventories and
reconciliations of accounting and
property records

The three bureaus generally did not conduct periodic independent physical inventories--an essential internal control. Some organizations had not taken inventories for several years. For example, at the time of our survey, the Fish and Wildlife Service headquarters office was conducting its first physical inventory in 12 years while one of its regions had gone 6 years without an inventory. One Bureau of Indian Affairs regional office we contacted had not inventoried property for 5 to 6 years.

Furthermore, when inventories were taken, they were not always done by an independent person. To be effective, physical inventories must be verified by individuals other than those responsible for the property. However, the Fish and Wildlife Service allowed property custodians to conduct their own inventories, as did the Geological Survey. We had indications that the Bureau of Indian Affairs was doing the same. One bureau regional office we visited relied on property custodians to take inventories, while another office did not know who conducted inventories of its 16 reporting units.

Compounding the lack of inventories were accounting records that were not being reconciled with property records. These records should agree and their periodic reconciliation is another important means of internal control. At the start of fiscal 1981, the accounting and property records differed by over \$96 million, or 23 percent, as shown on page 3.

	<u>Accounting records</u>	<u>Property records</u>	<u>Difference</u>
	----- (millions) -----		
Geological Survey	\$225.6	\$169.9	\$55.7
Fish and Wildlife Service	130.4	93.8	36.6
Bureau of Indian Affairs	<u>156.0</u>	<u>151.9</u>	<u>4.1</u>
Total	<u>\$512.0</u>	<u>\$415.6</u>	<u>\$96.4</u>

These amounts are conservative, representing net figures for each of the three bureaus. For example, Bureau of Indian Affairs' records showed a Bureau-wide net difference of \$4.1 million. However, at the four Bureau regional offices we contacted, gross differences between the accounting records and property records totaled \$7.5 million.

We found that the Geological Survey's accounting and property records had not been reconciled since 1972. Although property records were updated for property deletions, property custodians did not notify the accounting office so that the accounting records could also be updated. At the Fish and Wildlife Service, headquarters officials acknowledged that the accounting and property records had not been reconciled for at least 18 years, and that the accounting office was not being routinely told of property deletions.

The problems we noted at the three bureaus are longstanding and were the subject of previous Interior Inspector General reports. For example, in a July 1980 report the Inspector General concluded that Geological Survey did not have adequate accounting control over its property. The Inspector General found that over 18,500 items valued at \$28.7 million could not be accounted for, \$4.1 million of which was considered to be lost and another \$2.5 million disposed of without documentation. Serious problems were also noted at the Fish and Wildlife Service and the Bureau of Indian Affairs. Despite the longstanding knowledge of problems, action has not been taken to implement the Inspector General's recommendations, and control weaknesses continue unchecked.

Need to account for contractor-held property

We also found that none of the three bureaus maintained adequate accountability and control over Government-owned property in the possession of contractors. Department of the Interior regulations specify that this property, which includes construction vehicles, scientific equipment, and automated data processing equipment, is subject to the same inventory, reconciliation, and other management controls as other personal property held by the Government. However, the Bureau of Indian Affairs and the Fish and Wildlife Service did not maintain required accounting and property records, and the Geological Survey did not take required inventories.

The Bureau of Indian Affairs had no overall record of the value of personal property loaned to contractors or bought with contract funds. Of the four Bureau regional offices we contacted, only one maintained records on the value of personal property in the possession of contractors. But even that region did not observe or otherwise verify inventories reported by the contractors. The Fish and Wildlife Service had no idea of the value of contractor-held property. Officials readily acknowledged that accounting and property records were not maintained nor was contractor-held property periodically inventoried. The Geological Survey was the only Bureau maintaining accounting and property records for contractor-held property but, with the exception of the National Petroleum Reserve, was not periodically inventorying this property.

RECOMMENDATIONS

We recommend that the Secretary of the Interior direct the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs to provide the emphasis necessary to implement viable property accounting systems and to initiate measures to:

- Conduct required physical inventories of all personal property and reconcile the results with the accounting and property records.
- Ensure that all appropriate information is transmitted between the accounting and property offices.
- Provide that physical inventories be taken or verified by personnel who are not responsible for the custody of the property.
- Ensure that all Government-owned property in the possession of contractors is accounted for, inventoried, and reconciled with the accounting and property records.

We discussed our findings with responsible officials at the Department of the Interior, the Geological Survey, the Fish and Wildlife Service, and the Bureau of Indian Affairs as well as with officials of the Office of the Inspector General. The officials agreed with our findings and recommendations and stated that corrective actions would be undertaken.

As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report

and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairman of the House Committee on Government Operations and the Senate Committee on Governmental Affairs and other interested parties.

We wish to express our appreciation for the cooperation received during our survey. If you desire further information concerning the results of our survey, we would be happy to meet with you or your staff.

Sincerely yours,


W. D. Campbell
Acting Director

