

DOCUMENT RESUME

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[Review of the System of Accounting for Accounts Receivable from the Public Used by the Bureau of Government Financial Operations, Department of the Treasury]. FGMSD-77-30; B-159687. August 30, 1977. 3 pp.

Report to D. A. Pagliai, Commissioner, Department of the Treasury: Bureau of Government Financial Operations; by Harold L. Stuttgart (for D. L. Scantlebury, Director, Financial and General Management Studies Div.).

Issue Area: Accounting and Financial Reporting (2800).

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A review of the system of accounting used by the Bureau of Government Financial Operations, Department of the Treasury, for accounts receivable from the public showed that the billing and collection system is, for the most part, operated effectively in accordance with the accounting system approved by the Comptroller General in March 1969. However, the accounting for and reporting of these receivables need improvement.

Findings/Conclusions: As of September 30, 1976, the Bureau reported accounts receivable from the public of \$919,955,541. GAO did not obtain written confirmation of account balances from the debtors, but was able to determine that the receivables were valid by other tests. The recorded accounts receivable included accrued interest on outstanding loans to foreign countries. The Treasury Department maintains the formal accounting records for this interest and also bills and collects the debts. At September 30, 1976, the Bureau's current assets were overstated by \$370,437,639 because deferred interest receivables were improperly classified as a current asset under accrued interest receivable. This overstatement resulted from the way the Bureau accounted for interest to be paid by the United Kingdom, which was to be paid beginning in the year 2001. **Recommendations:** To insure more accurate recording and reporting of accounts receivable, the Commissioner of the Bureau of Government Financial Operations should direct accounting personnel to classify receivables which are not due within a year as noncurrent assets. (SC)



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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-159687

AUG 30 1977

03115

Mr. D. A. Pagliai, Commissioner
Bureau of Government Financial
Operations
Department of the Treasury

Dear Mr. Pagliai:

This report summarizes our review of your system of accounting for accounts receivable from the public, including related billing and collection procedures. It is part of a multiagency review on which we plan to issue an overall report to the Congress.

Our review showed that the billing and collection system for accounts receivable from the public is, for the most part, operated effectively in accordance with the accounting system approved by the Comptroller General in March 1969. However, the accounting for and reporting of these receivables need improvement. Specifically, we found that about \$370 million of deferred interest receivables was improperly classified as a current asset in Treasury accounting records and reports.

Included in our report is a recommendation to improve the recording and reporting of accounts receivable.

SCOPE OF REVIEW

We reviewed the Department of Treasury Bureau of Government Financial Operations' reported accounts receivable from the public at Treasury headquarters in Washington, D.C.

As of September 30, 1976, the Bureau of Government Financial Operations reported accounts receivable from the public of \$919,955,541. We did not obtain written confirmation of account balances from the debtors but we were able to satisfy ourselves that the receivables were valid by other tests. We tested the accuracy of this \$919,955,541 in reported receivables by examining (1) the data supporting account

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balances, (2) the reconciliation of control accounts with subsidiary accounts, and (3) the accounting procedures used by the Bureau. The recorded accounts receivable include accrued interest on outstanding loans to foreign countries. The Treasury Department maintains the formal accounting records for this interest and also bills and collects the debts. The State Department, in conjunction with the Treasury Department, follows up on delinquent accounts.

ACCOUNTS RECEIVABLE WERE
IMPROPERLY CLASSIFIED

At September 30, 1976, your Bureau's current assets were overstated by \$370,437,639 because deferred interest receivables were improperly classified as a current asset under accrued interest receivable.

This overstatement resulted from the way the Bureau accounted for interest to be paid by the United Kingdom which, under terms of an agreement made in March 1957, was to be paid beginning in the year 2001. The deferred interest of \$370.4 million at September 30, 1976, was improperly included in the total current receivables and reported as a current asset.

To fairly present the financial position of any entity, financial statements must accurately classify assets, including receivables, as current and noncurrent. Assets which are normally transformed into cash within a period of a year or less are generally classified as current, while those which require a longer period are classified as noncurrent.

Correct financial reporting would have been to include as a current asset only the amounts to be collected within 1 year, and to report the balance of the interest as a long-term receivable. The material inaccuracy of this item prevented a fair presentation of the Bureau of Government Financial Operations' financial position.

RECOMMENDATION

To insure more accurate recording and reporting of accounts receivable, we recommend that you direct accounting personnel to classify receivables which are not due within a year as noncurrent assets.

We discussed the results of our review with responsible personnel at your Bureau. They agreed that a reclassification of this deferred interest receivable was necessary for more accurate accounting and reporting and initiated corrective action.

We would be pleased to discuss our review results with you or your representatives and would appreciate receiving your comments on the actions taken on our recommendations within 30 days. We are sending copies of this report to the Director, Office of Audit.

Thank you for the courtesies and cooperation shown to us by your representatives during this review.

Sincerely yours,

Harold L. Stueart Jr.
D. L. Scantlebury
Director