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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

January 22, 1974

Admiral Chester R. Bender
Commandant, United States Coast Guard
Department of Transportation

AG C00164

Dear Admiral Bender.

This is the report on our survey of Coast Guard accounting for nonexpendable personal property.

We reviewed the progress being made in accounting for property and observed the methods used to value it for accounting purposes. We also examined into the manner in which loaned property was accounted for.

We examined selected property and accounting records at Coast Guard Headquarters and at the Coast Guard Yard at Curtis Bay, Maryland, and discussed property accounting procedures with officials responsible therefor. Our examination of the property and accounting records was made as of April 30, 1973.

AG C00289

PROPERTY ACCOUNTING PROGRESS

On December 29, 1951, in approving the Coast Guard's accounting system, the Comptroller General noted that monetary control over non-expendable personal property was lacking and stated that the matter needed attention.

In 1969 we reported to the Congress (B-115398, September 18, 1969), and to the Secretary of Transportation (B-115336, December 23, 1969) that the Coast Guard still had not established monetary accounting control over nonexpendable property--which we estimated to have cost over \$850 million.

During our current survey we found that, as of April 30, 1973, about \$735 million of the Coast Guard's \$911 million of nonexpendable personal property had been brought under accounting control. Since that date an additional \$6 million has been put under control and the Coast Guard plans to have all such property controlled by January 1, 1976.

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We commend you for the progress being made in obtaining control over such property.

PROPERTY VALUATION

The principles and standards for property accounting prescribed by the Comptroller General are promulgated in Section 12.5 of Title 2 of the General Accounting Office Policy and Procedures Manual for the Guidance of Federal Agencies which states:

"The primary basis of accounting for property is cost to the agency responsible for its management. Where incurred costs are not measurable, not known, or not significant, reasonable estimates or alternative bases such as appraised values may be used."

The values used by the Coast Guard for vessels and aircraft generally were based on actual costs. In valuing small boats, however, the Coast Guard used values for some boats that were neither actual costs nor reasonable estimates of actual costs.

Coast Guard supply system records contained the acquisition costs of about 53% of the Coast Guard's 2,076 small boats. The boats for which acquisition costs were not available were older boats, acquired before cost records were established.

In capitalizing small boats in the accounting system, the Coast Guard should have valued those boats for which acquisition costs were known at those costs and should have valued the remainder on the basis of reasonable estimates of the acquisition costs, taking into consideration the changes that have occurred in price levels since their acquisition.

The Coast Guard, however, grouped boats into types and computed an average value for each boat in the type based on (1) the average of the known acquisition costs or (2) the most recent acquisition cost. This procedure produced inflated values because the costs used were recent, and therefore, higher than those existing when the older boats were acquired.

We brought this matter to the attention of the officials responsible who stated that they would revalue small boats, using actual costs where known, and reasonable estimates of costs where actual costs are not known.

NEED FOR IMPROVEMENT IN CONTROLLING AND ACCOUNTING FOR PROPERTY ON LOAN TO OTHERS

Some of the Coast Guard's nonexpendable personal property, such as special tools, patterns, and test equipment, is loaned to contractors,

Coast Guard units, or to other Government agencies. The value of property on loan is recorded in a general ledger control account maintained by Coast Guard Headquarters.

The control account as of December 31, 1972, showed about \$500,000 of property on loan. By referring to property loan and return documents and through discussions with property management personnel, we identified more than \$200,000 of property which apparently should not have been in the account. For example:

- About \$46,000 represented property which had been returned from loan.
- About \$104,000 represented property loaned to contractors under contracts which were completed several years ago. Coast Guard procedures required the return of such property before final payment of the contracts under which it was loaned.
- About \$40,000 represented property which had not been loaned, but rather had been sent to contractors for modification or installation under Coast Guard contracts.

The inaccuracies in the control account were caused by the failure of the Accounting Division to be furnished information on all loans and returns. This information was not furnished because the property management system, where it originates, does not distinguish between property on loan and that in stock, and, therefore, there are no subsidiary property records to support, or with which to reconcile, the control account.

RECOMMENDATIONS

To correct the inaccuracies in the general ledger control account for property on loan, we recommend that all items in the account be verified with loan and return documents and related records, and that completed contract records be examined to determine whether all property loaned thereunder has been returned.

To permit better accounting in the future for property on loan, we recommend that (1) subsidiary records in support of the general ledger control account be maintained, (2) periodic reconciliations of the control account with the subsidiary records be made, and (3) complete and accurate information on property loans and returns be furnished to those responsible for maintaining the control account and the subsidiary property records.

Proposed Coast Guard action

Coast Guard officials said that the control account will be reviewed and appropriately adjusted and that procedures to insure better

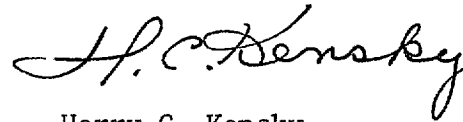
control and accounting for the property will be implemented. They stated also that, to strengthen management and accounting control over property on loan, the Coast Guard plans to transfer both management and accounting responsibilities from Headquarters to inventory control points in New York, Maryland, and North Carolina.

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We shall appreciate your comments concerning the actions taken or planned by you on the matters discussed in this report. We wish to acknowledge the courtesies and cooperation extended to our representatives during our survey.

A copy of this report is being sent to the Assistant Secretary for Administration, Department of Transportation.

Sincerely yours,



Harry C. Kensky
Associate Director