

112614

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Status, Progress, And Problems In Federal Agency Accounting During Fiscal 1979

Federal agency accounting systems are required to comply with principles and standards issued by the Comptroller General. GAO approval of accounting systems is the best indication that an agency's accounting systems will minimize the opportunity for fraud, abuse, and error.

This is GAO's tenth report on the status of Federal agency accounting. As of September 30, 1979, 186 of 302 accounting systems in the Federal Government had been approved. However, the remaining unapproved systems include some of the largest and most important systems, which account for more than half of the Federal budget.

Every year millions of dollars are spent to improve agency accounting systems. GAO recommends that the Congress prohibit agencies from using funds to implement the designs or redesigns of accounting systems which have not been approved by the Comptroller General. GAO reviews of accounting systems in operation are also summarized in this report.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

When I took office in March 1966, only 12 percent of the executive agencies' accounting systems had been approved as required by the Accounting and Auditing Act of 1950. As of September 30, 1979, 62 percent of the accounting systems had been approved. The reason the remaining 38 percent have not been approved is that (1) they do not meet our requirements for approval, (2) the agencies have not requested approval, or (3) the agencies are developing new systems to take the place of those now in operation.

While 50 percent of the accounting systems have been approved in the last 14 years, as compared with only 12 percent in the preceding 16 years, the remaining unapproved systems comprise some of the largest and most important systems. More than half of the Federal budget was accounted for by the 73 unapproved systems of only two departments: Defense and Health, Education, and Welfare.

My goal has been to have all the accounting systems approved by March 1, 1981. I consider this to be a worthwhile objective for several reasons.

In the first place, in the Accounting and Auditing Act of 1950, the Congress declared that the Government's accounting should provide

- full disclosure of the results of financial operations;
- adequate financial information needed in the management of operations and the formulation and execution of the budget; and
- effective control over income, expenditures, funds, property, and other assets.

Not until we have evaluated an accounting system for approval can the Congress be assured that its policy has been adhered to.

Secondly, the Congress directed the Comptroller General to prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency. Only by evaluating the agencies' accounting systems can we determine that they are in compliance with such requirements.

Thirdly, our approval is the best indication that an agency has accounting systems which will minimize the opportunity for fraud, abuse, and error.

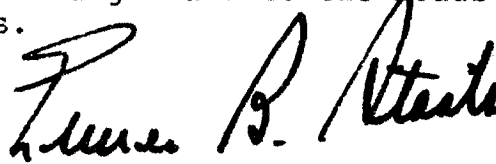
The Congress realized that a one-time approval of systems would not be sufficient. Program changes, organization changes, and improvements in methodology and technology mean that accounting system designs should be updated and revised from time to time, which requires reevaluation and reapproval if the changes are significant. In addition, in the 1950 act the Congress provided for the General Accounting Office to review the accounting systems of the executive agencies from time to time. The results of some of these reviews are discussed in chapter 4.

We anticipate that about 33 more accounting system designs will be submitted to us for approval by March 1, 1981. We estimate that about 43 current systems being redesigned will not be submitted for approval by March 1, 1981. This leaves about 40 unapproved systems, many of which could be approved by March 1, 1981, if the agencies had sufficient interest in qualifying them for approval and applied the necessary resources to do so. Approval of most of these systems is long overdue.

Every year millions of dollars are spent to improve agency accounting systems. We try to persuade the agencies to get our approval on their designs and redesigns before they implement them. In most cases, however, the agency installs and commences to operate the system without our approval. Frequently, we find later that the system does not meet our requirements.

We recommend that the Congress ensure that agencies have adequate resources to improve and qualify their systems for approval but that no funds be used to implement the designs or redesigns of accounting systems that have not been approved by the Comptroller General.

We are sending copies of this report to the Director of the Office of Management and Budget and to the heads of other departments and agencies.

A handwritten signature in black ink, appearing to read "James B. Attebery". The signature is written in a cursive style with a large initial "J" and "A".

Comptroller General
of the United States



C o n t e n t s

Page

CHAPTER

1	INTRODUCTION	1
2	STATUS OF DEPARTMENT AND AGENCY ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1979	2
	Comptroller General requirements	2
	Status of approvals	2
3	AGENCY PROGRESS AND PROBLEMS	6
	Approvals during fiscal 1979	6
	Current status and existing problems in obtaining approvals	8
	Department of Agriculture	8
	Department of Commerce	9
	Department of Defense	10
	Department of the Air Force	11
	Department of the Army	12
	Department of the Navy	14
	Department of Defense agencies	15
	Department of Energy	16
	Department of Health, Education, and Welfare	17
	Department of Housing and Urban Development	19
	Department of the Interior	20
	Department of Justice	21
	Department of State	21
	Department of Transportation	23
	Department of the Treasury	23
	Federal Mediation and Conciliation Service	25
	General Services Administration	25
	National Labor Relations Board	26
	Veterans Administration	26
	District of Columbia government	27
4	REVIEWS OF ACCOUNTING SYSTEMS AND RELATED ASPECTS OF FINANCIAL MANAGEMENT	29
	Adequacy of pricing, billing, and collection systems	30
	Foreign military sales	31
	Debt collection	36
	Loans and loan guarantees	38
	Oil and gas royalties	40

	<u>Page</u>
Agency accounting systems--do they provide for sound cash management?	41
A new approach to the public debt legislation should be considered	42
More effective Federal and State cash management would increase interest income of unemployment trust fund	43
Weaknesses persist in Defense overseas cash management program	43
Adequacy of internal controls over receipt and disbursements	44
Adequacy of financial reporting systems	45
Why the National Park Service's appropriation request process makes congressional oversight difficult	46
Naval shipyard accounting system needs improvement	46
The Defense Department's systems of accounting for the value of foreign military sales needs improvement	47
Booklet on use of accounting systems by managers	47
Agency payrolls--do they ensure that employees are paid amounts due promptly and accurately?	48
Adequacy of administrative controls of funds	49
Current balance of the Navy's foreign military trust fund unknown	49
Congressional control over appropriations to the Corps of Engineers can be strengthened	50

APPENDIX

I	Status of approvals and evaluations	52
II	Status of approvals of accounting systems at September 30, 1979	53

ABBREVIATIONS

ERDA Energy Research and Development Administration
GAO General Accounting Office
IDA Integration of Disbursing and Accounting



CHAPTER 1

INTRODUCTION

This report, our tenth on the status, progress, and problems in Federal agency accounting, covers fiscal 1979 and responds to the recommendation of the House Committee on Government Operations (H. Rept. 1159, 90th Cong., 2d sess. 3 (1968)).

With the exception of Government corporations subject to the Government Corporation Control Act (31 U.S.C. 841 et seq.) and certain quasi-Government entities that, by law, are subject to the act, all executive departments and agencies are required by 31 U.S.C. 66a to adopt accounting systems that conform to principles and standards prescribed by the Comptroller General. These departments and agencies are required to obtain the Comptroller General's approval of their accounting systems and to demonstrate that the systems do so conform.

We are reporting information obtained primarily through our cooperative accounting systems work with the departments and agencies and through the evaluation and approval processes.

Chapter 2 summarizes the status of selected Federal agencies' accounting systems at September 30, 1979. Chapter 3 contains our observation of agency progress and problems during fiscal 1979. The results of reviews of accounting systems in operation reported in fiscal 1979 pursuant to 31 U.S.C. 66(c) are presented in chapter 4.

This report summarizes our past review efforts and our continuing involvement in efforts to improve agency accounting. Since the agencies have commented on matters discussed in connection with our earlier reports, we did not send this report to the agencies for comment.

CHAPTER 2

STATUS OF DEPARTMENT AND AGENCY

ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1979

The head of each executive agency is responsible for establishing and maintaining systems of accounting and internal control which conform to the principles, standards, and related requirements prescribed by the Comptroller General.

COMPTROLLER GENERAL REQUIREMENTS

We have established a two-phase procedure for examining agency accounting systems that are submitted to the Comptroller General for approval. Approval is an agreement between the submitting agency and us that the proposed system conforms to our prescribed principles and standards. Under the two-phase procedure, we first examine the accounting principles and standards established by an agency as the basis for its accounting system. After the principles and standards are approved, we examine the design--procedures and practices that will be followed to perform the agency's accounting--to determine whether it conforms to the approved principles and standards. Once the system design is implemented, we review the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs. (See ch. 4.)

STATUS OF APPROVALS

At September 30, 1979, we had approved 186 of 302 accounting system designs identified as subject to approval. The number approved includes the 10 systems we approved during fiscal 1979. Five statements of principles and standards were approved during the period, bringing the total of systems with approved principles and standards to 292.

At the beginning of the fiscal year, 326 accounting systems had been identified by agencies as being subject to approval; during the period, that number was decreased by 24. (The number of Defense accounting systems decreased by 19, and the number of systems in civil agencies decreased by 5.) We expect additional changes in the future. For example, the District of Columbia government is shown as having only one system. Actually, it has numerous accounting systems but has not as yet identified them.

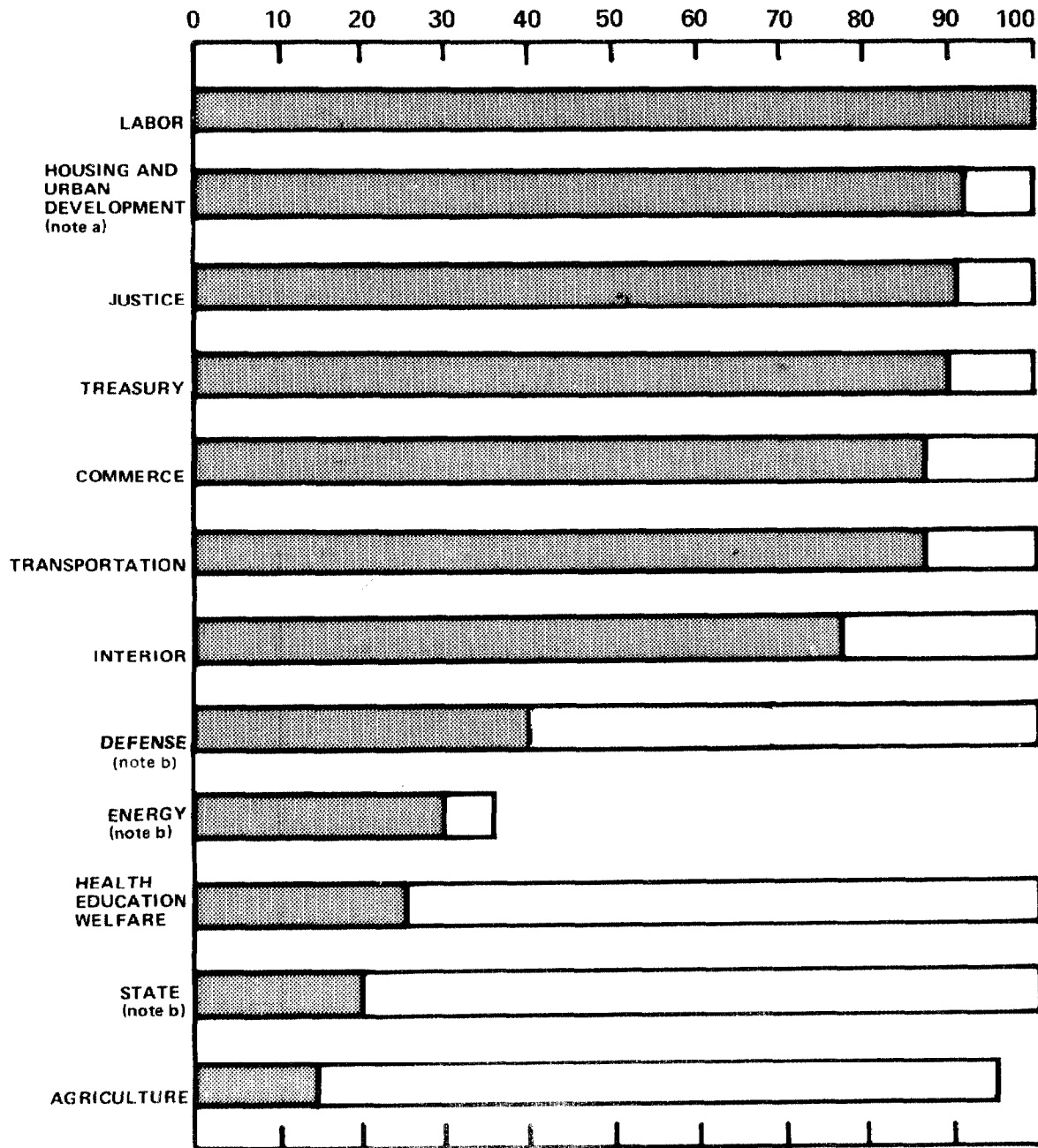
Significant changes in statements of principles and standards or system designs require Comptroller General approval to maintain the approved status. Each year we receive several requests for reapproval. Most, if not all, of the systems approved in the fifties and early sixties have been updated and undoubtedly will require reapproval.

The chart on the next page shows the approval status of accounting systems for each department. Of the 12 departments, 11 had principles and standards approved for all of their accounting systems, but only 1 had all of their designs approved. In the Department of Housing and Urban Development, the designs of the subsystems within its approved systems have not yet been completed.

The table on page 5 summarizes the status of accounting systems subject to approval at September 30, 1979.

APPROVAL STATUS BY DEPARTMENT

At September 30, 1979



DESIGNS AND PRINCIPLES AND STANDARDS



PRINCIPLES AND STANDARDS ONLY

a/Designs of subsystems have not been completed.

b/While more than half of the systems have been approved, the largest systems accounting for the major portion of the operations of the Department have not been approved.

STATUS OF ACCOUNTING SYSTEMS

	Principles and standards		Subject to approval	System designs		
	<u>Approved</u>	<u>Unapproved</u>		<u>Approved</u>	<u>Unapproved but operating</u>	<u>Under development</u>
Civil departments and agencies:						
Agriculture	5	-	5	1	2	2
Commerce	8	-	8	7	1	-
Energy	5	1	6	4	2	-
Health, Education, and Welfare	31	-	31	6	15	10
Housing and Urban Development	2	-	2	1	1	-
Interior	13	-	13	10	2	1
Justice	12	-	12	11	-	1
Labor	2	-	2	2	-	-
State	9	-	9	5	1	3
Transportation	8	-	8	7	-	1
Treasury	20	-	20	18	1	1
General Services Administration	2	7	9	3	3	3
Veterans Administration	8	-	8	7	1	0
Other agencies	<u>48</u>	<u>2</u>	<u>50</u>	<u>34</u>	<u>10</u>	<u>6</u>
Total civil	173	10	183	116	39	28
Percent	95	5	100	64	21	15
Department of Defense:						
Air Force	29	-	29	24	4	1
Army	17	-	17	10	5	2
Navy (including Marine Corps)	54	-	54	30	16	8
Defense agencies	<u>18</u>	<u>-</u>	<u>18</u>	<u>6</u>	<u>9</u>	<u>3</u>
Total Defense	118	-	118	70	34	14
Percent	100	-	100	59	29	12
District of Columbia government	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	<u>292</u>	<u>10</u>	<u>302</u>	<u>186</u>	<u>73</u>	<u>43</u>
Percent	97	3	100	62	24	14

CHAPTER 3
AGENCY PROGRESS AND PROBLEMS

APPROVALS DURING FISCAL 1979

During fiscal 1979 principles and standards and/or system designs were approved for the following systems.

	<u>Approval date</u>	
	<u>Principles and standards</u>	<u>System designs</u>
<u>Civil departments</u>		
Department of Agriculture: Central Accounting System	Feb. 14, 1979	
Department of Justice: Law Enforcement Assistance Administration, Law Enforcement Education Program Note Receivables Records Accounting System		Sept. 28, 1979
Department of the Interior: Office of the Secretary	a/Sept. 17, 1979	Sept. 17, 1979
Department of State: Agency for International Development	July 24, 1979	
<u>Independent agencies</u>		
Community Service Administration	Apr. 5, 1979	
U.S. Arms Controls and Disarma- ment Agency	Sept. 5, 1979	
<u>Military departments</u>		
Department of the Air Force: Central Procurement Accounting System		Sept. 28, 1979
Financial Inventory Accounting Investment Items System		Sept. 28, 1979
Financial Inventory Accounting Stock Fund System		Sept. 28, 1979
Department of the Army: Program and Fund Distribution Control System		Sept. 28, 1979
Standard Army Civilian Payroll System		Dec. 19, 1978
Department of the Navy: Bureau of Naval Personnel, Military Personnel		Sept. 28, 1979
Navy Industrial Fund, Naval Avionics Facility, Indianapolis		Sept. 26, 1979
Navy Industrial Fund, Polaris Missile Facility, Atlantic		Sept. 6, 1979

a/This was a reapproval.

As noted in the foregoing list, the civil departments and agencies secured approval of only two accounting system designs in fiscal 1979. This leaves 68 unapproved systems on the civil side of the Government after 29 years of effort.

The Defense Department secured our approval of eight accounting system designs during the fiscal year. Most of these were small systems. The 48 unapproved systems include most of the major systems of the Defense Department.

In past reports we have pointed out to the Congress, the agency, and the taxpayer the many advantages of having improved accounting and financial reporting systems which qualify for our approval. We have also pointed out some of the costs, risks, and penalties involved as a result of not having an approvable accounting system. One point we have not emphasized in the past is the importance of good cost accounting in measuring productivity.

The value of productivity improvement in the Government sector is being increasingly recognized. If overall productivity could be increased by 1 percent, 29,000 fewer employees would be needed to provide the present level of Government services. Cost accounting systems, in conjunction with performance measurement systems, provide the basic information which enables Government managers to

- assess organizations' productivity performance and
- identify where action is needed to improve productivity.

In organizations where productivity improvement is lagging, systems that account for costs provide management with the tools needed to seek out changes that will improve productivity. Unit cost information can be a primary management tool for appraising resource utilization, comparing different operations, and analyzing personnel requirements.

Despite the benefits of such data and the fact that Office of Management and Budget Circulars A-11 and A-44 indicate a need for unit costs, we have found few agencies that record costs for their basic units of work. For example, in a study of 26 Federal organizations providing data processing services, none had adequate cost information on the automatic data processing assets or operations.

This lack of information is the rule, not the exception. We believe that holding Federal managers accountable will continue to be difficult until the cost-based operating budgets

prescribed by the Congress to administer and operate Federal agencies, including setting performance goals, are used to judge the performance of managers. Cost accounting and work measurement systems are necessary to track actual accomplishment as compared with the operating plans.

This chapter discusses the cost and other problems which certain departments and agencies are having in qualifying their systems for approval. We have not included those agencies making satisfactory progress.

CURRENT STATUS AND EXISTING PROBLEMS
IN OBTAINING APPROVALS

Department of Agriculture

Accounting systems subject to approval	5
Accounting system designs approved	1
Unapproved systems	4

The Department of Agriculture has a major program underway to centralize its accounting activities. Centralization will reduce the number of accounting systems subject to approval from 18 to 5. Of the original 18 systems, 17 statements of principles and standards and 11 systems designs had been approved.

The current inventory of systems includes (1) a central accounting system for all departmental administrative funds as well as for certain program funds and (2) separate accounting systems for major programs. These four systems are used to process and record transactions involving

- loan and grant programs of the Farmers Home Administration,
- loan programs of the Rural Electrification Administration,
- grant and other programs administered by the Agricultural Stabilization and Conservation Service, and
- programs administered by the Food and Nutrition Service.

We approved the accounting principles and standards for the Department's central accounting system in February 1979, for one of the four program systems in June 1973, and for the remaining three systems in fiscal 1977. The statement of

accounting principles and standards for the Food and Nutrition Service is currently being revised and is expected to be re-submitted during fiscal 1980.

We approved the accounting system design for the Rural Electrification Administration program system in fiscal 1978. Evaluation of the Agricultural Stabilization and Conservation Service program system design is essentially complete and approval is anticipated in fiscal 1980. Both the Farmers Home Administration and the Food and Nutrition Service have engaged contractors to assist in developing their systems, which are experiencing some slippage. The Farmers Home Administration expects to complete its system design for an informal submission in fiscal 1981, the Food and Nutrition Service in fiscal 1982.

The Department plans to submit the accounting system design for the central system in subsystem segments during fiscal 1980. Designs for the automatic data processing portion of several of the subsystems have been informally submitted. For the most part, efforts on the central system have been concentrated on centralizing and automating accounting activities previously performed by the various agencies. We expect this type of concentration to continue during most of fiscal 1980. In our opinion, the Department and its agencies will have to exert extra effort to meet their target dates.

Department of Commerce

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

A new accounting system for the National Technical Information Service has been under development since March 1975. This system design, informally submitted for evaluation during fiscal 1976, conformed to our approval requirements. However, as of September 1979, the Department had not requested our formal approval because the Information Service (1) had been contemplating a design change based upon proposed legislation permitting it to retain profits and (2) was providing the Office of Management and Budget with legal justification which permitted the agency to operate its activities from a separate working capital fund. An official of the Service advised us that the foregoing areas have been resolved and that the design description is being updated to reflect current design changes. Predicated on our concurrence of the design change, the Department plans to request design approval in fiscal 1980.

Department of Defense

The Department has completed a review of its accounting systems which brought about a net reduction of 19 systems subject to approval. The reduction, due primarily to deletions and consolidations by major components, is as follows:

	As of		<u>Net reduction</u>
	<u>9/30/78</u>	<u>9/30/79</u>	
Air Force	34	29	5
Army	22	17	5
Navy	60	54	6
Defense agencies	<u>21</u>	<u>18</u>	<u>3</u>
Total	<u>137</u>	<u>118</u>	<u>19</u>

During fiscal 1979, the Department secured our approval of eight accounting system designs. In addition, we approved only the fund control aspects of six Defense accounting systems (not counted as approved designs). A total of 70 system designs, or 59 percent, have now been approved. The Department's schedule for the 48 unapproved systems is as follows.

	<u>To be approved in fiscal 1980</u>	<u>To be approved after 1980</u>	
		<u>In operation</u>	<u>Under development</u>
Air Force	3	1	1
Army	3	2	2
Navy	4	12	8
Defense agencies	<u>5</u>	<u>4</u>	<u>3</u>
Total	<u>15</u>	<u>19</u>	<u>14</u>

The major problems between the Office of the Secretary of Defense and us that we identified in last year's report have been resolved. ^{1/} However, not all the Defense components have accepted the policy directives issued by the Office of the Secretary of Defense. Even after some of the military

^{1/}FGMSD-79-40, Aug. 24, 1979.

services accepted the policy changes, certain systems are not targeted for submission for another 5 years. This applies to some of the largest and most important systems. We are working with Defense to try to shorten the time estimated to submit designs of its unapproved systems in operation.

Department of the Air Force

Accounting systems subject to approval	29
Accounting system designs approved	24
Unapproved systems	5

During fiscal 1979, three Air Force accounting systems were approved: the Central Procurement System and the Financial Inventory Accounting Systems for Investment and for Stock Fund Items.

The General Accounting and Finance System is still hampered by major deficiencies in property and cost accounting, and the Air Force has not yet decided how to redesign its Depot Maintenance Industrial Fund System.

General Fund Systems

This year we were able to approve the fund control aspects (allotment/obligation accounting) of the General Accounting and Finance System, but the proprietary aspects (property, general ledger, accrual, and cost accounting) remain unapprovable. The designs for the departmental, command, and base level systems were returned to the Air Force for updating and revision to comply with the requirements of Title 2 of the GAO Manual. The Air Force plans to resubmit one system design to accommodate accounting for all three levels.

To be acceptable, this revision must include satisfactory changes in the design of the general ledger and the pro forma entries, plus adequate procedures for accrual accounting, property accounting including depreciation; the redistribution of expenses to responsibility centers; expensing at time of use rather than delivery; and the concept of the accounting system revolving around the general ledger.

Industrial Fund Systems

The Air Force is undecided about its Depot Maintenance Fund system. It is committed to a complete redesign but is unsure of the type of new design or how many months or years it will take to develop.

Defense Integrated Financial System
For Foreign Military Sales

During the past 3 years, we have issued a number of reports on the Department of Defense Foreign Military Sales Program. These reports cited the problems of not recovering full cost for goods or services sold, poor financial control, and the nonexistence of a cohesive accounting system to control and support the foreign military sales program.

In 1976, we recommended that the Department consolidate the fragmented accounting for foreign military sales into one accounting system. In June of 1977, the Assistant Secretary of Defense (Comptroller) issued a memo to Military components requiring the development of a financial system that would have several objectives, among them:

- Provide an integrated accounting and financial system.
- Ensure that the Foreign Military Sales Trust Fund Accounting and the accounting of the performing military components are fully interfaced.
- Ensure compliance with all requirements for the administrative control of funds and provide a Trust Fund Accounting System that will meet our requirements.

The Department of the Air Force was assigned to develop and implement this system. However, the system will apparently not be ready for submission to us for evaluation until late 1981. At this time we are unable to determine whether this system will meet our requirements and the objectives mandated by the Secretary of Defense.

We are projecting approval in fiscal 1980 of three Air Force systems. The Air Force does not expect to secure approval of the other two unapproved systems until subsequent fiscal years.

Department of the Army

Accounting systems subject to approval	17
Accounting system designs approved	10
Unapproved systems	7

In fiscal 1979, we approved the designs of the Standard Army Civilian Payroll System and the Program and Fund Distribution Control System.

The Army has undertaken the design and development of new accounting systems that will replace unapprovable existing appropriation accounting systems. The Army is committed to creating a small family of integrated systems to be used throughout the Army that will conform with the statement of accounting principles and standards we approved in June 1973. The systems will utilize a general ledger structure currently being developed by a Department of Defense task group for application throughout the Defense components.

This will require a substantial, long term effort by the Army. Our representatives are keeping informed of the progress being made and are available for technical consultation. We are also cooperating with the Army on a number of other systems in an effort to obtain complete and adequate design description to use as a basis for our evaluation and approval.

At September 30, 1979, we were informally evaluating incomplete designs of the following systems:

- Standard Depot Management Information System--
Industrial Fund.
- Transportation Disbursing and Reporting.
- Army Retired Pay.
- Reserve Components Pay.

Also, we were evaluating portions of the new Program Budget Accounting System.

In September 1979, the Army received the conclusions and recommendations resulting from a contractor's 2-year study of the Army's financial management systems. We concur with most of the report's observations and recommendations and urge management's support and participation in their implementation--necessarily a long term effort. The redesign of the Army's systems to create a rational basis for satisfying control and information requirements at all levels of management is essential. As the report points out, management must broaden the scope of its financial management concern and interest by learning how to effectively use the information that could become available.

We anticipate the Army will secure approval of 3 of its 7 unapproved systems in fiscal 1980 and 4 in 1981. (See app. II.)

Department of the Navy

Accounting systems subject to approval	54
Accounting system designs approved	30
Unapproved systems	24

Development of adequate accounting procedures for the capitalization of fixed assets (fast payback items) permitted us to approve two Navy Industrial Fund accounting system designs in fiscal 1979. In addition, we were able to approve the accounting system design for the military pay appropriation after the Navy agreed to correct accrual accounting problems.

The Navy has taken steps to design and implement standard accounting system designs for civilian pay and for its research, development, test, and evaluation laboratories. The success of these two actions will depend on the Naval Comptroller Office's willingness to take a firm position and prescribe a total system design which cannot be modified at lower levels.

We do not expect the Navy to make progress in its efforts to standardize financial systems until it consolidates the accounting design and maintenance functions at the Comptroller level. The present philosophy is that the Naval Comptroller should establish general policies and procedures and the various Naval commands and bureaus develop individual financial systems recognizing the general policies and procedures. This concept is not conducive to efficient use of resources and cannot provide assurance that comparable financial information is used throughout the Navy.

Only 4 of the 24 unapproved systems appear likely to be approved during fiscal 1980. Approval of the system designs will depend on their timely submission and on the solution of any problems which may be found during our evaluation.

One of these systems--the Military Sealift Command accounting system--was the subject of Department of Defense 1980 appropriations hearings. ^{1/} One phase of the hearings concerned the Command's present disbursing procedures. As part of our evaluation, we plan to assure ourselves that these procedures comply with existing legal and GAO requirements before approving the system design.

^{1/}"Hearings Before a Subcommittee of the Committee on Appropriations, House of Representatives, 96th Congress, First Session," Part 8, pp. 343-471.

Seven of the Navy's systems, including some of the largest and most important, will not be ready for our approval sooner than 5 years from now. This delay is caused primarily by the property accounting and cost accounting problems we raised 2 years ago and which remain unresolved. The Navy has begun work to resolve these two major problems by establishing a task force to take a new look at the Navy's entire financial and accounting systems. Once this task force determines the parameters and objectives these accounting systems must meet to comply with GAO requirements, this framework will be turned over to a contractor for final system design and modification. The goals are ambitious, and much work needs to be done before Naval system designs will meet our principles and standards and qualify for approval.

The Integration of Disbursing and Accounting (IDA) represents an opportunity for standardization in the Navy. However, before the IDA project can be endorsed by GAO, it must consider the accounting issues mentioned above and these issues must be resolved and incorporated into the accounting systems that will be supported by IDA.

Department of Defense agencies

Accounting systems subject to approval	18
Accounting system designs approved	6
Unapproved systems	12

Approval of accounting systems in the defense agencies has been adversely affected by the delay in resolving the Defense-wide accounting problems mentioned in our 1978 report.

Four of the five systems submitted for our evaluation before fiscal 1979 remain unapproved because of the two major problems involving accounting control over property and the accumulation of the cost of operations. In February 1978 we wrote to the Defense officials responsible for the four accounting systems affected by the Defense-wide accounting problems and requested that they each take the necessary action to conform with Defense policies. Even though representatives of the Office of the Assistant Secretary of Defense (Comptroller) concurred with this proposal, only the Defense Intelligence Agency took action to modify its system design. We anticipate that this system will be approved in fiscal 1980.

The other system submitted before 1979 was not approved because of inadequate description and agency delay in submitting the necessary revisions. The Defense Communications Agency submitted the necessary data for the Defense

Communications Services Industrial Fund late in fiscal 1979 and we have resumed our evaluation. We anticipate that this system will be approved in fiscal 1980.

The designs for the Base Operating Supply and the Foreign Military Credit Sales Systems were submitted in fiscal 1979 by the Defense Logistics Agency and the Defense Security Assistance Agency, respectively, and we anticipate that both systems will be approved in fiscal 1980. The Defense Mapping Agency system will also likely be approved in fiscal 1980.

Based on present target dates, it will be at least 4 years before all defense agency accounting systems are approved.

Department of Energy

Accounting systems subject to approval	6
Accounting system designs approved	4
Unapproved systems	2

Except for accounting being done by its power marketing administrations, the former Energy Research and Development Administration's (ERDA's) accounting system is being used throughout the Department of Energy. Our March 1963 approval of the former Atomic Energy Commission's accounting system design was transferred to ERDA. However, because of the significant time lapse, this approval was not likewise transferred to the Department of Energy.

The Department, therefore, has one Department-wide accounting system, plus five accounting systems used by its power marketing administrations (four of those systems are approved; only the Alaska Power Administration system is not). The departmental system may eventually be divided into several component systems as the Department progresses in its systems development and maintenance effort.

We have worked closely with the Department during the past fiscal year in developing an acceptable statement of accounting principles and standards. This effort is almost complete. The primary problem is that ERDA increased its property capitalization minimum to \$500 in 1976 without our approval. The Department has indicated that once its accounting principles are approved, it will begin working toward submitting its accounting systems. Firm target dates have not been established.

Department of Health, Education, and Welfare 1/

Accounting systems subject to approval	31
Accounting system designs approved	6
Unapproved systems	25

None of this Department's accounting system designs was approved during fiscal 1979. Only one--the Office of Education (now part of the Department of Education)--was scheduled for approval but could not be approved because the system does not provide information on the full cost of operations and because the automatic data processing aspects of the system design have not been submitted for evaluation. The designs for three other systems (the Health Services Administration, the Office of the Assistant Secretary for Health, and the Alcohol, Drug Abuse, and Mental Health Administration) have been submitted and the evaluation substantially completed, but approval could not be granted because the systems do not provide complete cost information. We are presently evaluating the design of the Social Security Administration system.

We reported last year that attempts to resolve the cost accounting issue as it relates to the Health Services Administration and its hospital operations had been unsuccessful. The specific issue is that the Health Services Administration accounts for personal services as an expenditure during the period they were paid for rather than the period during which the work is performed. As a result, during periods when no work is performed the costs are overstated, and during periods when work is performed the costs are understated.

It became apparent this fiscal year that, with the possible exception of revolving fund activities, none of the Department's administrative systems are capable of producing the type of cost information required for approval. Although the Department accounts for some of its costs properly, it feels that to account for personal services expenses in the manner we require would not be cost effective and would create information it feels it does not need. We disagree. Under the method the Department now uses to record and report personal services, the information is misleading. For example, an activity or project could have an increase in productivity but the report could show a decrease in productivity because the cost per unit would increase instead of decrease.

1/On May 4, 1980, this Department was reorganized into two separate departments--Department of Health and Human Services and Department of Education.

We have continued to work with the Department to resolve the problems but have not yet succeeded. Without provision for adequate accounting on a cost basis we cannot assure the Congress that any of the Department's appropriated fund accounting systems can be approved in the near future. The Department has undertaken an effort to develop a prototype accounting system (discussed below) to be implemented by all of its components. We feel that this system development project offers an excellent opportunity to incorporate the kind of cost accounting and reporting which we require. However, the Department has not yet assured us that this incorporation will occur.

In November 1978 the Secretary of Health, Education and Welfare directed that a new grant and financial accounting system be developed for all agencies of the Department. The system would either be installed as a new system or incorporated into the agencies' present systems. The new design is expected to correct basic limitations and recurring deficiencies in existing systems.

Because of the new design, the Department's systems development and approval effort in the immediate future is planned as follows. A revised statement of accounting principles and standards for the Department will be prepared and is expected to be submitted for approval in fiscal 1980. A Department-wide standard accounting manual, related users guide, and automated data processing detailed system design specifications will be developed and are expected to be submitted for approval in December 1980.

Each agency of the Department will prepare accounting requirements to be added to the standard accounting manual, the related users guide, and the automated data processing specifications to cover any aspects of its operations which are unique and not covered in the standard system design. These requirements will be separately submitted for approval by each agency. Target dates for these submissions have not yet been established. Automatic data processing program documentation for the "core" system is also expected to be submitted in December 1980.

Although accounting for the Department's working capital fund will be incorporated as part of the new accounting system for the Office of the Secretary, accounting systems for other revolving-fund-type operations within the Department will not be affected by the new system. Program benefit payment and related program operation systems will likewise not be affected.

An agreement was signed in June 1976 providing for a joint Social Security Administration, Office of the Secretary, and GAO project to further Social Security's preparation, review, and approval effort. This agreement was extended to the Health Care Financing Administration to cover systems which were transferred to it from the Social Security Administration during fiscal 1977. One of the provisions of this agreement was for us to provide these agencies with review guides to use in describing the designs of their program benefit payment and related systems. During the past fiscal year, we developed review guides specially designed to apply to five program-related systems of these agencies. The review guide for one remaining system identified as part of the 1976 agreement will be completed during fiscal 1980. Now that most of the guides have been provided, we anticipate that these systems should begin to be submitted during fiscal 1980.

The Social Security Administration has progressed well during the past fiscal year in documenting its administrative accounting system for our evaluation. If the present level of effort continues, we anticipate that Social Security's administrative accounting system may be approved by September 1980.

In June 1979, the Secretary of Health, Education, and Welfare reemphasized to us that approval of accounting systems continues to have a high priority. The Department's new accounting system development effort is ambitious and will result in delaying approval of some accounting systems. The Department has closely monitored progress of the project to see that the target dates presently established for submission are met. This activity should be continued by the two successor departments as well as expanded to see that the unique features to be provided by individual agencies are submitted promptly. We have also encouraged consultation with us during development of the new system so that concepts involving issues in critical areas, such as adequate accounting for costs, may be mutually agreed upon early. Submission of systems not affected by development of the new system should be aggressively pursued by the Department during fiscal 1980.

Department of Housing and Urban Development

Accounting systems subject to approval	2
Accounting system designs approved	1
Unapproved systems	1

At the present time, the Department has two system designs subject to approval--the general accounting system and the payroll system. The general accounting system was originally approved in April 1970 and the payroll system design is currently being evaluated by our staff.

The Department plans to update the design of its approved general accounting system and has identified five areas of accounting which are or will be redesigned and implemented to replace the general accounting system--mortgage insurance, assisted housing, grant/loans, general accounting and administration, and payroll.

The Mortgage Insurance system is subject to the Corporation Control Act and therefore will not be approved. We consider the other systems as redesigns of the 1970 approved general accounting system. As the systems are designed, the number of accounting systems subject to approval in the Department will be increased.

We are currently working with the Department on the design of its new payroll system which is entitled, "Terminally Operated Payroll and Personnel System." However, the Department has been unable to devote adequate staff to documenting the design. For example, we do not have some portions of the documentation which would satisfy our automatic data processing requirements. In addition, the Department has not yet fully resolved some of the concerns we expressed in our 1975 report concerning the use of predetermined control totals in processing documents. We are also working with the Department to resolve questions we have concerning control over the handling of documents from its various organizations.

The payroll system also employs an early cutoff date for approval of time and attendance documents. We are working with the Department's staff to resolve this problem but as of this date a final solution has not been reached.

If we can resolve these problems and are assured that the Department's Inspector General has satisfied his concerns with this system, we hope to be able to approve the payroll system before the end of fiscal 1980. We have received no target dates for the submission of the Department's other accounting systems.

Department of the Interior

Accounting systems subject to approval	13
Accounting system designs approved	10
Unapproved systems	3

During fiscal 1979, the Department secured approval of one accounting system design--the Office of the Secretary system--thus reducing the number of its unapproved systems to three.

For the past several years we have been reporting the Department's slow progress in getting its accounting systems approved. We believe the principal reasons for the slow progress have been the lack of adequate staffing and the lack of leadership and concern. During 1979, the Department took steps to remedy its slow progress.

After a meeting with the Comptroller General, the Under Secretary gave priority to improving the three unapproved accounting systems and placed them in a special tracking system to monitor their progress. However, unless additional staffing is assigned, the three systems will not likely qualify for approval by the end of fiscal 1980.

Department of Justice

Accounting systems subject to approval	12
Accounting system design approved	11
Unapproved systems	1

The Law Enforcement Assistance Administration's Law Enforcement Education Program Notes Receivable accounting system design was approved in September 1979. Only the Bureau of Prisons' Commissary accounting system remains unapproved.

Accounting requirements for the Department's working capital fund have been submitted and are being evaluated. These requirements are expected to be approved during fiscal 1980 as an enhancement to the Legal Activities and General Administration accounting system design. The working capital fund has therefore been deleted as a separate entity from the Department's list of accounting systems subject to approval.

We reported last year that the Bureau of Prisons' Commissary accounting system was scheduled for submission in 1981. The Department has informed us that submission will be delayed until July 1983 because of increased workloads and diminishing resources. We regret that another 4 years will lapse before all of this Department's accounting systems can be approved. We will work with the Department in an effort to submit the system earlier.

Department of State

Accounting systems subject to approval	9
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Accounting system designs approved	5
Unapproved systems	4

Progress in securing approval of the large and complex departmental accounting system has been very slow. The Department has attempted to redesign the system with its own employees, but because of a lack of sufficient professional staff and other priorities requiring the use of the staff, progress has been slow. However, we are encouraged with the plans made and actions taken during fiscal 1979 to develop the Department's accounting system for approval.

Specifically, the Department has initiated action to obtain contractor services to design and develop the system and recruit added professional staff who will be responsible for managing the contractor's efforts. Approval of the system is expected in fiscal 1982.

Also, during the fiscal year, design effort commenced on a cost accounting system for the Foreign Service Institute. A contractor has been developing the system design which is expected to be approved in fiscal 1980.

The Department also plans by fiscal 1981 to develop the design of an approvable system to pay its employees at Eastern Hemisphere posts.

During the fiscal year the Agency for International Development, with the assistance of a contractor, developed and updated its accounting principles and standards statement. Approval was given in July 1979.

The agency also hired a contractor who evaluated the structure of the existing accounting systems and prepared a conceptual framework which will serve as the nucleus for a design that will be developed and submitted for approval during fiscal 1982.

Pursuant to the President's Reorganization Plan #2 of 1979, the International Development Cooperation Agency was created as an independent agency effective October 1, 1979. It is the parent organization for the Agency for International Development and the Overseas Private Investment Corporation. These agencies are no longer affiliated with the Department of State.

The Agency for International Development provides accounting and payroll services to the International Development Cooperation Agency.

Department of Transportation

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

The accounting system for the Federal Aviation Administration is the only unapproved system in the Department of Transportation. In June 1974, the Federal Aviation Administration awarded a contract for the design of a new accounting system, which was to perform all of the agency's general, property, and cost accounting. In 1977 the contractor ceased work without completing the design and the agency decided to complete the work in-house. Little progress has been made since that time. We met with Federal Aviation officials several times during the past year to encourage them to complete the design. The lack of progress persisted, however, until Transportation officials provided leadership for the project. At yearend, a plan for completing the design was being developed.

We believe that a principal reason for the lack of progress on the accounting system was the diversion of resources to the development of a new payroll system. The Federal Aviation Administration installed the payroll system at several locations during the past year and plans to install it at the remaining locations in 1980. Contrary to our preferred procedures, the agency did not submit the payroll system design for our approval before the system was implemented. We believe that a system should not be implemented before the design is approved, because after the system is implemented it can be very expensive to make changes that may be necessary to meet our requirements.

The Coast Guard is designing at least two systems to replace the accounting system we approved in 1951. One of these systems, a centralized military pay system, has been under development for a number of years and is expected to be implemented in mid-1980. The other system, a highly computerized accounting system, has been under development for a short period and is expected to be completed in 1981.

Department of the Treasury

Accounting systems subject to approval	20
Accounting system designs approved	18
Unapproved systems	2

The Department of the Treasury has implemented its new Office of the Secretary segment of the Department-wide Payroll Personnel Information System. Although the Department ultimately envisions a single payroll system, it is currently operating payroll systems at two locations. The documentation for the payroll system encompassing bureaus other than the Internal Revenue Service and processed on a computer located in San Francisco was informally submitted to us in March 1979.

The Internal Revenue Service is continuing to operate a payroll system for its employees under its approved administrative accounting system. The Service plans to convert its payroll system to a new computer during calendar 1980 and will begin documenting the system after the conversion is completed. Enhancements to the system will begin in 1981. Because of potential problems in conversion and because the extent of the enhancements is not yet known, a target date for submission of the system has not yet been established.

The design for the Bureau of the Mint's bullion and monetary accounting system has been submitted and is being evaluated. Approval is expected by September 1980.

The Customs Service developed a requirements package for a redesign of its administrative appropriation/cost accounting system. It has awarded a contract to design, program, and assist in implementing the appropriation/cost accounting system. The majority of the contract work is to be performed during fiscal 1980.

Appropriations have been authorized for administrative expenses for international affairs activities of the Department. These expenses were formerly paid from the Exchange Stabilization Fund. Accounting for the expenses under an appropriation will be handled with a separate general ledger under the Office of the Secretary's administrative accounting system approved in June 1969.

Since October 1, 1978, the Bureau of Engraving and Printing has been authorized under Public Law 95-81 to finance the acquisition of new equipment and to increase its working capital through surcharges to customer agencies. A position paper was drafted on accounting for surcharges by the bureau staff and informally submitted during fiscal 1979 to the Department's Office of Audit and to us for comments. As a result of comments made, additional work is being performed in the Bureau and it expects that the accounting system changes will be informally submitted for review in fiscal 1980.

Federal Mediation and Conciliation Service

The Service's statement of accounting principles and standards was approved in December 1969. Numerous planned target dates for submitting the system design to us have been established but have not been achieved.

According to the Service's Director of Administration, reductions in the financial management staff contributed to the Service's inability to complete and informally submit its accounting system design documentation to us during fiscal 1979. A staff change is being made in early fiscal 1980, and high priority is to be given to informal submission of the design by the last quarter of fiscal 1980.

In view of past slippage, we believe a firm commitment of resources to the system design documentation and submission is needed to assure that further slippage does not occur. Without such a commitment we are skeptical that the Service's system will be approved soon.

General Services Administration

Accounting systems subject to approval	9
Accounting system designs approved	3
Unapproved systems	6

All accounting in the General Services Administration was originally approved as one system in June 1965. Later, General Services redesigned and submitted its payroll system which was approved in April 1973. The accounting system for the Federal Building Fund was approved in September 1977.

The accounting system for the Federal Building Fund utilizes the automated data processing aspect of the National Electronic Accounting and Reporting system. On a selective, sequential basis, the system is being incorporated into General Service's eight other accounting systems. These systems and their targeted dates of approval or reapproval are shown in appendix II. The accounting system for the General Supply Fund will cover four revolving funds: administrative equipment, supply operations, motor pool, and personal property rehabilitation and repair.

We anticipate that the statement of principles and standards for the General Services Administration, the redesign of the Appropriation Accounting system, and the accounting system design for the Automated Data Processing Revolving Fund can be approved in fiscal 1980.

National Labor Relations Board

In April 1979, the Board furnished for our review a revised accounting principles and standards statement. The Board is redrafting the statement in response to our review comments. We believe the Board's efforts will culminate in reapproval of its accounting principles and standards statement in fiscal 1980.

The Board's accounting system design remains unapproved since 1972 when it was originally targeted for submission. Its submission for approval has been postponed at least nine times.

The most recent slippage came when experienced personnel assigned to the accounting system effort retired and the remaining personnel were assigned to other priority accounting projects. In an attempt to get the accounting system design approved--now targeted for fiscal 1981--the Board has taken or will take actions to (1) recruit additional accounting professional staff, (2) establish a new accounting organizational unit dedicated to getting the accounting system design ready for formal submission, and (3) develop separate designs for its payroll and general accounting operations; each design will be independently submitted to the Comptroller General for approval. In our opinion, the Board must adhere to and implement its current plans to assure systems approval in fiscal 1981.

Veterans Administration

Accounting systems subject to approval	8
Accounting system designs approved	7
Unapproved systems	1

We reported last year that target dates for approval of the Veterans Administration's one unapproved system--the compensation, pension, and education benefits system--have consistently slipped. The target date has again been pushed back 2 years. We were advised last year that the system would be submitted for approval in 1981. This year the date has slipped to 1983.

We believe that the responsibility for developing the system should be assigned at a higher organizational level in the agency so that a more concentrated effort to complete the design can be made. The three service areas--compensation, pension, and benefits--would apparently be better coordinated if the responsibility for the design were placed with the

chief benefits director in the department of veterans benefits, whose area of responsibility encompasses the three service areas.

District of Columbia government

Public Law 94-399, approved September 4, 1976, created the Temporary Commission on Financial Oversight of the District of Columbia and assigned it the responsibility for improving the District government's accounting and other financial management systems. Public Law 95-386, approved September 26, 1978, assigned the Commission the responsibility for auditing the District government's financial statements for fiscal 1980 through 1982. The Commission's work is to be done by contractors.

Public Law 94-399 requires the Comptroller General to approve, disapprove, or modify plans and designs prepared by the Commission's contractors. The law requires the Comptroller General to submit each plan and design to the Congress within 60 days after he receives it and after he consults with the Commission. The law further provides that plans and designs approved or modified by the Comptroller General will become a part of the District government's financial planning, reporting, accounting, control, and operating procedures. Plans and designs disapproved by the Comptroller General cannot become a part of the District government's procedures unless the Congress adopts a concurrent resolution overriding the action of the Comptroller General.

Contrary to the provisions of Public Law 94-399, the Commission and the District government decided to implement systems developed by the Commission's contractors before obtaining GAO or congressional approval of the system designs. During fiscal 1979, the District government implemented part of a cash management system, a water and sewer billing system, and a hospital information and billing system. The Executive Director of the Commission informed us that the systems were not approved because he believed the approval process would delay implementation.

The Commission and the District government plan to implement two additional unapproved systems early in fiscal 1980. The central financial management system is to be implemented on October 1, 1979, and the traffic ticket control system is to be implemented in November 1979. We pointed out the problems that could result from prematurely implementing the various system designs, particularly the central financial management system design.

At the end of fiscal 1979, the Commission's contractors and subcontractors were developing a cash collection sub-system, welfare eligibility system, and health care services billing system. In addition, the Commission planned to award contracts early in fiscal 1980 for the development of a supply management system and improvements in the tax systems.

The District government has not yet determined how many systems it will have that will be subject to our approval under the Accounting and Auditing Act of 1950. These systems will not necessarily coincide with the plans and designs that are being developed under Public Law 94-399. We expect the District government to determine in calendar 1980 the number of systems subject to approval under the 1950 act and begin documenting the systems. The number of system designs that can be submitted next year for our evaluation will depend largely on how well the Commission's contractors document the systems they are developing. The District government will need to prepare a large amount of documentation if the Commission continues to permit its contractors to prepare designs that do not meet our requirements. We have brought this matter to the attention of the Commission's Executive Director on several occasions and are working with the Commission staff and District government officials to improve coordination of their efforts.

CHAPTER 4

REVIEWS OF ACCOUNTING SYSTEMS

AND RELATED ASPECTS OF FINANCIAL MANAGEMENT

In addition to approving executive agencies' accounting systems, section 112(c) of the Accounting and Auditing Act of 1950 requires us to review both approved and unapproved accounting systems of executive agencies from time to time. In these reviews we determine whether the accounting and related financial management operations are carried out efficiently, effectively, and economically, and whether the operations conform to (1) the principles, standards, and related requirements prescribed by the Comptroller General and (2) the approved system designs. We evaluate the usefulness and accuracy of information provided to management and the Department of the Treasury and the effectiveness of internal controls over receipts and expenditures, assets and liabilities, and obligations of appropriations.

Section 113(a)(3) of the act requires the heads of executive departments and agencies to provide appropriate internal audit of their systems of accounting and internal control. Internal audit responsibilities include determining whether financial operations are conducted properly and whether financial reports are presented fairly. Proper conduct of financial operations requires compliance with the principles, standards, and related requirements for accounting prescribed by the Comptroller General.

The act directs us to report the results of our reviews, as appropriate, to the Congress, the heads of Federal executive agencies, the Director of the Office of Management and Budget, and the Secretary of the Treasury. When requested by committee chairmen and individual members of the Congress, we review accounting systems and financial management matters and report the results to the requestor. Of our 30 reports issued in fiscal 1979, 11 were made in response to congressional requests. Whenever our reports contain recommendations to the head of an agency, section 236 of the Legislative Reorganization Act of 1970 requires the agency to respond to the House Committee on Government Operations and the Senate Committee on Governmental Affairs on actions taken on those recommendations.

Our reviews in these areas were designed to foster the development, implementation, and use of agency financial systems that give managers and operating personnel the information needed to (1) efficiently, effectively, and economically control public funds and resources and (2) use these

funds and resources to achieve agency goals at the least practicable cost. To meet these objectives, we concentrated our audit efforts on evaluating whether

- pricing, billing, and collection systems can assure that amounts owed the Federal Government are fully and promptly collected;
- provisions for sound cash management exist in agency accounting systems;
- internal controls over receipts and disbursements are adequate;
- financial reporting systems disclose the result of Government operations and provide useful information to agency managers;
- agency payroll systems ensure that employees are paid promptly and accurately; and
- accounting systems prevent overobligation or overexpenditure of appropriations.

Generally, our reviews showed that improvements were needed in each of these areas. Therefore, we suggest that agencies examine accounting systems and related financial matters that we have not recently reviewed to assure themselves that these deficiencies or others do not exist in their systems.

The results of reviews on which we reported during fiscal 1979 are summarized in the following sections.

ADEQUACY OF PRICING, BILLING, AND COLLECTION SYSTEMS

The primary objective of our work in this area is to determine whether agency accounting systems can ensure that amounts owed the Federal Government are fully and promptly collected and can provide the necessary cost data to help ensure that the Federal Government receives all amounts it is entitled to.

In fiscal 1979, we issued 11 reports in this area dealing with foreign military sales, debt collection, loans, and oil and gas royalties. The findings, conclusions, and recommendations contained in these reports are summarized below.

Foreign military sales

In five reports on the Foreign Military Sales Program, we pointed out that (1) the Department of Defense continues to subsidize the program, (2) centralization of accounting and management functions is urgently needed, and (3) various problems exist with purchase agreements. These reports are discussed below.

Improperly subsidizing the foreign military sales program-- a continuing problem

Over the past 6 fiscal years, the Department of Defense has failed to recover up to an estimated \$370 million for quality assurance services performed by the Government on items sold to foreign governments. In passing the Arms Export Control Act of 1976, the Congress intended that indirect as well as direct costs of goods and services sold to foreign governments be recovered so that the foreign military sales program would not be subsidized by Defense appropriations.

Over the past decade, we have issued numerous reports on the Defense Department's continued failure to recover all costs incurred for foreign military sales. The primary causes for this failure have been (1) inadequate implementation of Defense pricing policies by the military departments and Defense agencies and (2) insufficient followup or monitoring by Defense policymakers of actual cost recovery practices.

We recommended that the Congress require the Secretary of Defense to come forward with a plan for overcoming the foreign military sales problems discussed in the report. 1/

We also recommended that the Secretary:

- Reconsider our previous recommendation to assign specific responsibility for ensuring effective and consistent implementation of foreign military sales pricing policies to a new or existing organization.
- Develop and implement practical procedures to recover the cost of Government-provided quality assurance.
- Direct responsible organizations to make a reasonable attempt to identify and recover undercharges on

1/FGMSD-79-16, Mar. 22, 1979.

foreign sales resulting from nonrecovery of the cost of Government-provided quality assurance services.

Failure to charge for
normal inventory losses

At the request of Senator Charles H. Percy, we reviewed the recovery of normal inventory losses in sales of inventory items to foreign governments to determine (1) the nature of inventory losses, (2) if Defense is properly charging foreign governments for inventory losses, and (3) whether the Arms Export Control Act should be further amended to require the recovery of inventory losses on sales of nonstock fund items not covered by supply support arrangements.

We previously reported 1/ that Defense was losing millions of dollars on sales to foreign governments because normal inventory losses were not being recovered.

Although the military services have since identified almost \$600 million in inventory losses, foreign governments have not been charged for their share of losses as required by law; as a result the Government has lost millions of dollars. Also, these governments purchase hundreds of millions of dollars of items through sales for which the act does not require charges for inventory losses, thus creating a subsidy for foreign governments. 2/

We recommended that the Congress amend the Arms Export Control Act to require that normal inventory losses be recovered on all sales to foreign governments from Defense inventories. We also recommended that the Secretary of Defense direct that (1) uniform procedures for charging foreign governments for normal inventory losses be prescribed and (2) the military services make reasonable attempts to identify and recover undercharges.

Efforts to charge for using government-
owned assets for foreign military sales:
marked improvement but additional
action needed

On July 28, 1978, the Chairman, Subcommittee on Investigations, House Armed Services Committee, requested that we review information furnished the Subcommittee by the Department of Defense, as well as other records, to assure that

1/FGMSD-77-43, Sept. 8, 1977, and FGMSD-78-51, Aug. 25, 1978.

2/FGMSD-79-31, May 15, 1979.

the Department is recovering all appropriate charges for the use of Government-owned assets used to produce items sold to other countries. The request resulted from a prior report on the Department's failure to charge for the use of Government-owned assets. 1/

In a June 1, 1979, report to the Chairman, we stated that although the Department of Defense has made a marked improvement in its efforts to recover these costs, certain problems remain. Roughly \$10 million has not been recovered because the cost of using Government-owned assets on sales from inventory has not been assessed for foreign countries. Also, weaknesses in accounting and billing systems exist.

We recommended that the Secretary of Defense

- closely monitor efforts to implement requirements concerning application of the asset use charge on sales from inventories,
- require that all charges for use of Government-owned assets must be billed and collected including retroactive charges, and
- require the military departments to take necessary actions to (1) improve their accounting procedures for asset use charges and (2) develop procedures for readily identifying foreign military sales items on contracts with U.S. contractors. 2/

Centralization: best long range solution to financial management problems of the foreign military sales program

On August 16, 1978, the Chairman, House Committee on Appropriations, requested that we furnish the Committee an overview of the problems in accounting, billing, and collecting for the foreign military sales program and that we determine what Defense is doing to correct its problems.

In the past decade, we have issued over 30 reports covering a wide range of these problems. These problems have resulted in the failure to charge other governments hundreds of millions of dollars and the inability to properly account for what has been done with billions of their dollars.

1/FGMSD-77-20, Apr. 11, 1978.

2/FGMSD-79-36, June 1, 1979.

In a May 17, 1979, report to the Committee, we pointed out that improvements have been made and others may result from current Defense activities. However, major unresolved problems identified by Defense and noted during our review included the following: 1/

- Defense's foreign military sales policies have not been uniformly implemented because each of the military departments has a different accounting system.
- Disbursements made on behalf of foreign customers are not always reported in sufficient detail to enable a proper accounting to foreign countries on how their funds were spent.
- Many echelons are involved in developing expenditure projections and projections are poor.
- Defense does not have accounting systems which accurately assign to sales agreements these progress payments made to contractors for a foreign government.
- The military departments and the Security Assistance Accounting Center are severely restricted in their ability to respond to new foreign military sales policies because the number of experienced professional management personnel is limited.

We recommended that the Congress require the Secretary of Defense to produce a plan for centralizing accounting and financial management of the military sales program.

The House Committee on Appropriations agreed with our recommendation that foreign military sales accounting and financial management should be centralized. The Committee stated that because of the seriousness of the problems in terms of the amounts involved and the need to properly account to our foreign customers, Defense had until March 1980 to develop a plan for centralization.

Financial and legal implication of
Iran's cancellation of arms
purchases agreements

In letters of March 29, 1979, and April 30, 1979, respectively, the Chairman, Subcommittee on Limitations of Contracted and Delegated Authority, Senate Committee on the

1/FGMSD-79-33, May 17, 1979.

Judiciary, and Senator Donald W. Riegle, Jr., Senate Committee on the Budget, raised several questions about the (1) Iranian Government's cancellation of foreign military sales contracts, (2) legal requirements of the foreign military sales program, and (3) U.S. fiscal responsibility and liability for canceled contracts. In early 1979, the Iranian Government canceled and/or the Department of Defense reduced about \$10.6 billion of Iran's about \$12.6 billion in undelivered foreign sales orders. Additional reductions were anticipated.

We reported that a separate reserve account for potential termination costs was not maintained by the Defense Department. When Iran canceled over half of its undelivered foreign sales orders, a potential shortfall of \$177 million was estimated. Based on a memorandum of understanding with the Iranian Government, Defense was trying to divert Iranian equipment to second buyers including the United States and, in the meantime, continued to make progress payments to contractors from the Iranian foreign military sales trust fund. As of June 30, 1979, the balance in the Iranian trust fund had gone from \$640 million at the time of cancellation to about \$112 million and was expected to reach zero shortly if a supplemental appropriation request was not approved.

We found that the extent of the United States' liability, should Iran not pay its debts, had not been the subject of litigation and remained to be resolved in the courts. However, based upon the contractual relationship between the United States and the Defense contractors, a court may well hold the United States liable to the contractors for their unpaid costs.

We believe that the Congress should consider legislation to assure that liability does not fall on the United States in the case of future cancellations of foreign sales agreements. One way would be to amend the Arms Export Control Act to require that foreign customers pay in advance an amount sufficient to cover, at all times, all costs and damages, including potential termination costs.

We recommended that, until the Congress has had an opportunity to consider legislative changes, the Secretary of Defense should assure that adequate termination costs are included in foreign government payment schedules, as Defense now requires, and direct that amounts collected for potential contract termination be segregated in the trust fund. 1/

1/FGMSD-79-47, July 25, 1979.

In August 1979, Defense reemphasized to the military services the need for determining and collecting termination liability reserves. In October 1979, we furnished various members of the Congress, at their request, specific legislative language to amend the Arms Export Control Act.

Debt collection

The importance of timely and effective billing and collection procedures is recognized by the highest level of Government. The two reports summarized below emphasize the need for increased emphasis by management on debt collection.

The Government can collect many delinquent debts by keeping Federal tax refunds as offsets

We reported that individuals and businesses owe the Government about \$80 billion in accounts, notes, and loans receivable and that amount keeps growing. Under current collection practices, Government agencies write off as uncollectible many nontax receivables which are not in dispute but which are expected to cost more to collect than the amount recovered. The value of Government receivables that were written off has increased rapidly in recent years and exceeded \$400 million in fiscal 1978.

In a March 9, 1979, report to the Congress ^{1/} we suggested that one way of collecting many debts currently written off as uncollectible is to reduce future taxpayer refunds by the amount the taxpayer currently owes the Government. Our review of uncollectible claims of several agencies indicated that about 30 percent of those receivables could be collected economically by offset against Federal income tax refunds in the next 2 years.

We recommended that the Commissioner of Internal Revenue implement procedures which:

- Provide for agencies to refer delinquent receivables to Internal Revenue after agencies have exhausted all collection procedures open to them.
- Screen Federal income tax refunds against these delinquent debts and withhold all or the available part of any refunds due to satisfy the delinquent debts.

^{1/}FGMSD-79-19, Mar. 9, 1979.

Before beginning the test, the Commissioner of Internal Revenue should advise the Congress of the agency's goals, time frames for achieving them, methodology, and approach.

We also recommended that the Congress provide any funding that may be necessary for Internal Revenue to obtain the staffing necessary to accomplish the additional workload imposed by testing and adopting our recommended collection method.

The Government needs to do a
better job of collecting amounts
owed by the public

This report deals with accounts receivable due the Government from the public. Those accounts receivable have increased from \$10.4 billion in 1973 to \$14.6 billion in 1977. Most Government agencies did not take prompt and aggressive collection action on delinquent accounts receivable nor adhere sufficiently to prescribed collection procedures.

In a report to the Congress we pointed out many problems in recording, billing, and collecting amounts receivable, including:

- Errors of \$1.5 billion were made in recording and reporting accounts receivable.
- Delinquent accounts were not promptly identified for followup action.
- Followup efforts were inadequate.
- The fact that administrative costs of collection actions were not known may have resulted in collection action being suspended prematurely on some accounts and excessive costs being incurred in attempts to collect others.

Most agencies either made no provision for uncollectible receivables or the amount established was inadequate. Errors in recording and reporting accounts receivable were due primarily to a need for increased management attention to accounting system problems, more specific guidance for recording and reporting amounts, and increased internal audit coverage of financial operations.

We recommended that the Director, Office of Management and Budget, 1/ in concert with the Department of the Treasury issue guidelines providing that Government receivables bear interest at not less than an established minimum rate unless otherwise specified or precluded by statute. Also, we recommended that the Director, Office of Management and Budget emphasize to the heads of departments and agencies the need to

--obtain the Comptroller General's approval of their accounting systems and

--assure that an adequate but balanced portion of internal audit resources are devoted to reviewing financial statements submitted to the Treasury.

The Office of Management and Budget and the Treasury have taken or plan to take action on most of our recommendations.

Loans and loan guarantees

During the year, we issued two reports on weaknesses in the administration of two Housing and Urban Development loan programs and one report in which we proposed legislation establishing loan guarantee limits for the Economic Development Administration. The results of our reviews are summarized below.

Actions being taken to correct weaknesses in the rehabilitation program

The Department of Housing and Urban Development's Rehabilitation Loan Program provides direct, low-cost loans to property owners for restoring basically sound structures. At the time of our review, the Department had outstanding loans valued at about \$334 million.

Loans are initially serviced for the Department by the Federal National Mortgage Association. Of the \$334 million in outstanding loans, over \$53 million was in default and returned by the Association to the Department. An additional \$49 million is delinquent and may also be returned.

1/FGMSD-78-61, Oct. 20, 1978.

We found that the Department did not properly manage or account for defaulted rehabilitation loans. As a result, the accounting records did not show the amounts due the Government on many defaulted loans, and more than half of the fiscal 1977 payments of over \$2 million were not collected. 1/

We suggested several actions to improve the Department's recordkeeping system and provide better controls over the Rehabilitation Loan Program. The Department has taken or is in the process of taking several actions to correct weaknesses in the Rehabilitation Loan Program. In October 5, 1978, testimony before the Manpower and Housing Subcommittee, House Committee on Government Operations, Department officials agreed to take corrective actions and to provide additional staffing.

Weaknesses in servicing and
accounting for home mortgages

The Department of Housing and Urban Development services and accounts for mortgages valued at over \$151 million. These mortgages were either bought from commercial lenders to prevent foreclosure on defaulted mortgagors experiencing temporary financial problems or were obtained when the Department sold property it owned.

We found that the Department's failure to properly service or account for these mortgages has resulted in the following:

- Delinquent mortgages totaling over \$17 million had not been collected.
- Interest-free escrow advances amounting to almost \$2.7 million were outstanding.
- Delinquent mortgages were being overcharged or undercharged as much as \$3 million for such items as interest and tax penalties.

In a report to the Congress we pointed out that due to accounting and servicing weaknesses, delinquent mortgagors have little incentive to pay off their mortgages. 2/ The Department has made a number of changes to improve its accounting and servicing activities. However, additional changes

1/FGMSD-79-14, Mar. 14, 1979.

2/FGMSD-79-41, Aug. 16, 1979.

are needed and we made several recommendations to the Secretary of Housing and Urban Development for reducing the mortgage payment delinquency rate and for providing for prompt collection of money due the Government.

Legislation needed to establish
specific loan guarantee limits for
the Economic Development Administration

The Subcommittee on Investigation and Review of the House Committee on Public Works and Transportation requested that we investigate the desirability and feasibility of including limitations on loan guarantees in the Economic Development Administration's loan guarantee programs. The fiscal 1979 appropriations act limits the amount of obligations for direct loans and guarantees to \$75 million.

We found that since the program's creation in 1965, the agency guaranteed over \$197 million in loans, of which \$131 million remained to be paid as of March 31, 1978. Four of the unpaid loans, totaling \$75 million, were made to a company which was experiencing financial difficulties, and sufficient agency reserves were not available in the event of a default by that company.

In our report, we recommended that the Congress strengthen its control by limiting the total amount of all loans as well as the amount of individual guarantees. We further recommended that the Department of Commerce annually reassess the reserve needs for potential loan guarantee losses and adjust the reserve accordingly. 1/ Both of our recommendations were implemented.

Oil and gas royalties

Because of extensive congressional interest in the Government's debt collection procedures, we reviewed the Geological Survey's collection system to determine whether it is assuring that the Government is receiving all money to which it is entitled. As summarized below, we found several weaknesses in the system.

A large percentage of the oil and gas produced in the United States comes from Government and Native American lands leased to the private sector. During 1977, the Geological Survey of Department of the Interior, which is responsible

1/FGMSD-78-62, Jan. 5, 1979.

for collecting rents, royalties, and other payments on these lands, collected about \$1.2 billion from the oil and gas industries.

We found the Geological Survey's financial management system cannot ensure that the large amount in royalties due annually from the oil and gas industry will be collected. As a result, many royalties due are not being collected in full and the royalties are not being collected on time. The system's deficiencies include the following:

- Lease account records are inaccurate.
- The collection system lacks basic controls.
- Adjustments to accounts receivable records are not adequately controlled.
- Sales data is not verified.
- Reconciliations and audits of lease accounts are inadequate.
- Royalties are not collected in full.

We made several recommendations to the Secretary of the Interior for improving the royalty collection system. 1/ The Department of the Interior agreed with the recommendations and has initiated appropriate action.

AGENCY ACCOUNTING SYSTEMS--DO THEY
PROVIDE FOR SOUND CASH MANAGEMENT?

This area of review addresses Federal agencies' efforts to ensure that their accounting systems include adequate controls for sound cash management practices. It deals primarily with accounting procedures that can result in substantial reduction of interest on the public debt.

During fiscal 1979, we issued reports on (1) a new approach to legislation affecting the public debt ceiling, (2) unemployment taxes that are not on deposit earning interest, and (3) weaknesses in the Defense Department's cash management program. The three reports are summarized below.

1/FGMSD-79-24, Apr. 13, 1979.

A new approach to the public debt
legislation should be considered

In response to a request from the Chairman, House Committee on Ways and Means, we studied the impact that delays in enacting legislation which extended the temporary public debt ceiling would have on the management of Federal funds and programs. The Chairman asked particularly that we consider the cost increases from emergency cash management actions and adverse effects on the savings bond program and the government securities market.

We noted that twice in the last 2 years, the temporary debt limit expired before the Congress passed legislation to extend and increase it. Although the delays were relatively short, they resulted in unnecessary costs, such as increased interest expense, and disruption of government borrowing programs.

We reported to the Chairman on September 7, 1979, that another delay when the current temporary ceiling expires--a delay that would be longer than those in the past--could produce consequences much more serious. The Federal Government would be forced to default on most of its obligations in a short time, including maturing securities and employees' salaries.

To avoid the problems associated with the present approach to the debt ceiling increases, we recommended that the Congress:

- Make the current amount of the temporary ceiling a permanent ceiling and consider any future substantive increases as permanent unless the debt can clearly be reduced within a reasonable time.
- Develop an approach to adjusting the public debt ceiling that would take advantage of the Congressional Budget and Impoundment Control Act of 1974. This is similar to the proposal that the Treasury has made. Under that proposal, the recommended debt limit established in the Congress budget resolutions would become the legal debt ceiling. 1/

1/FGMSD-79-58, Sept. 7, 1979.

More effective Federal and State cash management would increase interest income of unemployment trust fund

Federal and State Governments lose at least \$5.1 million or more in annual interest income because many States are using ineffective cash management techniques in handling unemployment taxes.

The Social Security Act of 1935 provides that unemployment taxes be deposited in the Unemployment Trust Fund so that the Secretary of the Treasury can invest them. Interest earned from the investments enables the Trust Fund to grow, thereby increasing the amount that States have available to pay the unemployed.

We found that several million dollars of State-collected unemployment taxes are not on deposit in the Trust Fund earning interest because some States are

--using ineffective practices in depositing and withdrawing money from the Trust Fund,

--maintaining average daily balances in excess of the amounts required by their banks as compensation for their services, and

--dealing with banks that have considerably higher compensating balance requirements than other banks.

These conditions persist because the Department of Labor, which is responsible for administering the program, has not effectively monitored the States' cash management performance to surface problems nor has it provided adequate guidance to the States.

The Department of Labor agreed with the thrust of our findings and recommendations and either plans or has already taken steps to improve its guidance and monitoring of the States' cash management practices. 1/

Weaknesses persist in Defense overseas cash management program

In a January 10, 1979, report to the Secretary of Defense, we stated that the Department continues to experience

1/FGMSD-79-20, Apr. 17, 1979.

problems in managing its cash overseas. 1/ In the report, we showed the need for (1) improving cash controls and strengthening the monitoring of cash purchases in Europe, (2) refining the cash replenishment process in the Far East, and (3) reducing excess cash balances. This is our third report on the subject. 2/

We pointed out that because the Department is not effectively managing its cash holdings overseas, the Federal Government is incurring unnecessary interest costs. Defense organizations have little incentive to improve the management of cash since the Treasury bears the interest cost for public borrowings. We estimate that Defense cash management program improvements could reduce Government interest costs by about \$1 million annually.

We made several recommendations to the Secretary of Defense designed to

- reduce excess cash balances,
- improve replenishment procedures, and
- generally strengthen cash management at overseas activities.

Defense has formulated a cash management review program, and a number of actions designed to improve the Department's cash management are being planned.

ADEQUACY OF INTERNAL CONTROLS OVER RECEIPT AND DISBURSEMENTS

We issued a report to the Congress in 1978 stating that the Federal Government is probably losing several billion dollars annually through fraudulent activities, and that this condition strongly suggests that widespread problems exist with agencies' internal controls over receipt and expenditure transactions. 3/ This area of our review addresses the adequacy of Federal agencies' accounting systems and controls to prevent the improper receipt and disbursement of money.

1/FGMSD-79-6, Jan. 10, 1979.

2/B-159797, Mar. 21, 1974, and FGMSD-79-20, Mar. 17, 1978.

3/GGD-79-62, Sept. 19, 1978.

In fiscal 1979, we reported to the heads of six agencies on the need to improve controls over receipt and disbursement transactions in their respective agencies. 1/

Specifically, we pointed out the need to

- improve controls over collections,
- improve controls over disbursements,
- improve controls over accounts receivable,
- limit fund levels for imprest type funds,
- adequately document obligation estimates,
- reduce the amount of excess cash on hand, and
- improve controls over Government transportation requests.

Financial and accounting officials, for the most part, initiated or promised corrective action or promised to further review the area.

ADEQUACY OF FINANCIAL REPORTING SYSTEMS

Our work objectives in this area were to evaluate the the adequacy of financial reporting systems to disclose the results of Government operations and to provide useful information to managers.

In fiscal 1979, we issued three reports pointing out problems resulting from the failure to implement accounting system designs approved by the Comptroller General and weaknesses in the operations of accounting systems. We also issued a booklet which highlights how accounting systems serve a useful purpose to managers by giving them the right information at the right time. The reports are described below.

1/FGMSD-79-8, Dec. 20, 1978, U.S. Army, Europe; FGMSD-79-28, May 18, 1979, Environmental Protection Agency; FGMSD-79-29, May 21, 1979, Employment and Training Administration and Office of Assistant Secretary for Administration and Management, Department of Labor; FGMSD-79-32, Aug. 22, 1979, Health Services Administration, HEW; FGMSD-79-45, Aug. 28, 1979, Military Airlift Command, Scott Air Force Base; FGMSD-79-50, Oct. 10, 1979, Department of State.

Why the National Park Service's
appropriation request process makes
congressional oversight difficult

At the request of the Chairman, Subcommittee on Interior and Related Agencies, House Committee on Appropriations, we reviewed the National Park Service's use of discretionary funds. Our review dealt primarily with contingency reserves which are the Service's primary source of discretionary funds.

The Service usually requests construction funds for projects that have not progressed to the firm design stage where a reasonable cost estimate can be made. As a result, the requested amount usually includes large contingency reserves to cover additional costs.

We found that the National Park Service uses contingency reserves to pay for a variety of routine projects not specifically considered by the Congress. About 70 percent, or \$7 million, of the \$10 million contingency reserve for operations in fiscal 1977 could have been reasonably estimated and justified to the Congress through the normal budget review process.

We believe that the Park Service's method of obtaining contingency reserves without adequate disclosure to the Congress is unacceptable and should be discontinued. Our report recommended actions the Service and the Subcommittee on Interior and Related Agencies can take to eliminate or minimize the need for reserves. 1/ The agency is implementing our recommendations.

Naval shipyard accounting
system needs improvement

The accounting system at the Long Beach and Pearl Harbor Naval shipyards has not been implemented in full accordance with the documented standard system design for Naval shipyards that the Comptroller General approved in 1975. As a result, inventory values reported to Naval headquarters and the Congress were incorrect; accounts receivable were not properly shown on financial statements; and control over appropriated funds was inadequate.

We recommended that the Secretary of Defense direct the Secretary of the Navy to (1) ensure that all shipyards have implemented the approved accounting system and (2) require the Long Beach and Pearl Harbor shipyards to strengthen their

1/FGMSD-79-18, Mar. 1, 1979.

controls over the use of appropriated funds and to review the transactions specifically identified in the report. 1/ The Navy is acting on our recommendations.

The Defense Department's systems of accounting for the value of foreign military sales need improvement

At the request of Congressman Lee H. Hamilton we examined the procedures by which the Department of Defense accounts for the value of foreign military sales agreements and by which the yearly foreign military sales ceiling is established. In an interim report, 2/ we pointed out substantial accounting inconsistencies and errors in fiscal year sales which related to items subject to the arms sales ceiling.

In our final report in response to Congressman Hamilton's request, we identified \$1.1 billion of inconsistencies and errors in accounting for fiscal 1977 sales. Had the errors been known, the President's fiscal 1978 arms sales ceiling might have been set \$420 million lower.

We also identified \$540 million in differences in sales information on the two systems Defense uses to account for the value of military sales. 3/ Defense recognizes that its systems of accounting for the value of arms sales are not adequate, and an extensive effort is underway to improve them.

We recommended that the Secretary of Defense take the necessary steps to improve the system of accounting for the value of foreign military sales and to correct its accounting records, taking into account the errors we identified. Defense is acting on our recommendations.

Booklet on use of accounting systems by managers

On May 17, 1979, the Comptroller General published a booklet entitled "Managers--Your Accounting System Can Do a Lot For You" which was distributed within and outside the Federal Government. The ideas in the booklet on how managers can better use their accounting systems and the information they produce came from our work with agencies accounting systems. While the booklet is directed primarily at Federal

1/FGMSD-79-34, June 6, 1979.

2/FGMSD-78-30, Apr. 12, 1978.

3/FGMSD-79-21, Mar. 16, 1979.

managers and accountants, we believe it will be valuable to consulting and public accounting firms that assist Federal agencies and others in designing, implementing, and using accounting systems in the management process.

The discussions and case studies in the booklet highlight how an accounting system can get the right information to managers at the right time to

- trigger actions to assert control over resources and assure that agency operations conform to plans and
- integrate financial and related quantitative information into decisionmaking.

AGENCY PAYROLLS--DO THEY ENSURE
THAT EMPLOYEES ARE PAID AMOUNTS DUE
PROMPTLY AND ACCURATELY?

Our objective in this area of review was to determine whether payroll systems in the Federal Government include procedures adequate to ensure that civilian and military employees are paid accurately and on time and that the systems contain controls necessary to prevent unauthorized payments.

On April 25, 1979, we issued a report to the Secretary of Health, Education, and Welfare recognizing recent actions taken by the Department to improve its centralized payroll system through which about 160,000 employees are paid about \$2.9 billion annually. The completed actions relate to many recommendations for improving the system that were made by us, by the Department's internal auditors, and by a blue-ribbon panel formed to evaluate the system's problems. Positive action had been taken on most of the approximately 50 recommendations we made between August 1976 and September 1977.

In 1977 the Department started operating a revised system which provided an operating method which can potentially improve efficiency and timeliness in the payroll operations. However, the revised system needs to be improved if it is to realize its potential.

In a report to the Secretary of the Department, we recommended that he

- instruct the Inspector General's office to review the system on a cyclical basis,
- ensure that adequate computer edits are established to control the propriety and reliability of data entered into the combined payroll/personnel systems,

--take action to ensure that the system edits cannot be improperly bypassed, and

--establish a system to provide for close monitoring and reviews of progress made in implementing improvements to its payroll system. 1/

The Department agreed with our findings and is implementing corrective action.

ADEQUACY OF ADMINISTRATIVE
CONTROLS OF FUNDS

Our objective in this area of review is to study agencies' accounting systems to determine the adequacy of administrative control of funds so that obligations are not incurred or funds expended in excess of what had been authorized. Our efforts resulted in the two reports summarized below.

Current balance of the Navy's foreign
military sales trust fund unknown

In response to a request by the Chairman, House Committee on Appropriations, we reviewed the Navy's accounting system for monies which foreign governments have, in accordance with sales agreements, deposited in the foreign military sales trust fund account.

We reported that we found large unreconciled differences between the foreign military sales disbursement and collection data reported by the Navy to the Department of Treasury (which maintains the trust fund) and to Defense's Security Assistance Accounting Center (which maintains detailed sales case accounting records). As a result, for some time the Treasury and the Center have shown different cash balances on their records. For example, cash balances on the Center's sales case accounting records, as of June 1, 1978, were \$554 million more than the cash balances on the Treasury's records.

Until the Navy can reconcile the differences in information it has reported to the two organizations, the correct balances deposited in trust by foreign governments cannot be determined. Also, the Navy needs to improve its accounting system so that future differences in reported disbursement data can be promptly reconciled.

1/FGMSD-79-22, Apr. 25, 1979.

We recommended that the Navy

- take prompt action to determine the trust fund cash balance that can be documented for each foreign country and require that Treasury records and sales case accounting records be adjusted accordingly and
- implement procedures to identify transactions in float so that future Treasury trust fund balances can be regularly reconciled to sales accounting records.

We also recommended that the Secretary of Defense direct the Defense Audit Service to review the validity of adjustments to the Treasury trust fund and sales case accounting records and report to him when our recommendations were implemented. 1/

The Navy is attempting to reconcile the difference in reported cash balances.

Congressional control over appropriations to the Corps of Engineers can be strengthened

During a recent 21-month period, the Corps of Engineers directed to its general expense appropriations about \$76.7 million specifically appropriated for water resources projects. As a result, the Congress was not fully advised that funds appropriated for specific project purposes were not being used for those purposes and that general expenses exceeded amounts appropriated.

In a January 31, 1979, report to the Congress, we reported the Corps of Engineers' practice of augmenting its general expenses appropriation with project funds. We pointed out that congressional control was weakened because the size and scope of centralized activities cannot be monitored and there can be no assurance that project funds are expended for their intended purposes. 2/

We recommended that the Congress require the Corps to fund its centralized function, whenever possible, through the general expense appropriation which is justified for that purpose. This would provide disclosure and control of funds.

1/FGMSD-79-2, Nov. 15, 1978.

2/FGMSD-79-12, Jan. 3, 1979.

We also recommended continuing the present funding approach for those activities located at headquarters and division offices that the Appropriation Committees consider to be more closely associated with project activities than with normal general administrative expenses.

STATUS OF APPROVALS AND EVALUATIONS

	<u>Defense</u>	<u>Civil</u>	D.C. Government (<u>note a</u>)	<u>Total</u>
PRINCIPLES AND STANDARDS:				
Approved during fiscal 1979	-	4	-	4
Approved as of Sept. 30, 1978, adjusted total	<u>118</u>	<u>169</u>	<u>1</u>	<u>288</u>
Approvals as of Sept. 30, 1979	118	173	1	292
Submitted informally for evaluation	-	4	-	4
Not under evaluation	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
Total systems sub- ject to approval at Sept. 30, 1979	<u>118</u>	<u>183</u>	<u>1</u>	<u>302</u>
SYSTEM DESIGNS:				
Approved during fiscal 1979	8	2		10
Approved as of Sept. 30, 1978, adjusted total	<u>62</u>	<u>114</u>	<u>-</u>	<u>176</u>
Approvals as of Sept. 30, 1979	70	116	-	186
Submitted informally for evaluation	13	17	1	31
Not under evaluation	<u>35</u>	<u>50</u>	<u>-</u>	<u>85</u>
	<u>48</u>	<u>67</u>	<u>1</u>	<u>116</u>
Total systems sub- ject to approval at Sept. 30, 1979	<u>118</u>	<u>183</u>	<u>1</u>	<u>302</u>

a/Actual number of accounting systems not yet determined.

STATUS OF APPROVALS OF ACCOUNTING SYSTEMS AT SEPTEMBER 30, 1979

APPENDIX II

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF AGRICULTURE:				
Rural Electrification Administration Program System-----	Sept. 1977	Sept. 1978	-----	-----
Agricultural Stabilization and Conservation Service Program System--	Feb. 1977	-----	FY 1980	-----
Central Accounting System-----	Feb. 1979	-----	a/ FY 1981	-----
Farmers Home Administration Program System-----	Sept. 1977	-----	-----	FY 1982
Food and Nutrition Service Program System-----	Jun. 1973	-----	-----	do.
Total-----	5	1	2	2
DEPARTMENT OF COMMERCE:				
National Bureau of Standards-----	Nov. 1977	Feb. 1953	-----	-----
Bureau of the Census-----	do.	May 1966	-----	-----
Office of the Secretary-----	do.	Feb. 1970	-----	-----
Economic Development Administration-----	do.	Oct. 1970	-----	-----
National Oceanic and Atmospheric Administration-----	do.	do.	-----	-----
Maritime Administration-----	do.	Jan. 1971	-----	-----
Patent and Trademark Office-----	do.	Mar. 1971	-----	-----
National Technical Information Service-----	do.	-----	FY 1980	-----
Total-----	8	7	1	-----

APPENDIX II

53

GAO note: The footnotes for this appendix are on page 74.

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE:				
Department of the Air Force:				
Medical Materiel Accounting System (Property Accounting)-----	Aug. 1972	Oct. 1973	-----	-----
Cadet Pay - AFROTC (Military Pay)---	do.	Jan. 1974	-----	-----
Uniformed Services Savings Deposit (Military Pay)-----	do.	do.	-----	-----
Cadet Pay - Academy-----	do.	Mar. 1974	-----	-----
Joint Uniform Military Pay System---	do.	Jun. 1974	-----	-----
Job Order Cost Accounting System---	do.	Mar. 1975	-----	-----
Federal Computer Performance Evaluation and Simulation Center Cost System-----	do.	Apr. 1975	-----	-----
Air Force Academy Stock Fund-----	do.	Jun. 1975	-----	-----
Commissary Stock Fund - Base Level - Laundry & Dry Cleaning Services - Central Office (Industrial Fund)-	do.	do.	-----	-----
Laundry & Dry Cleaning Services - Base Level (Industrial Fund)-----	do.	do.	-----	-----
Air Reserve Pay and Allowance System-----	do.	do.	-----	-----
Air Force Stock Fund - Departmental Level-----	do.	Jan. 1976	-----	-----
Base Level Materiel System (Property System)-----	do.	do.	-----	-----
Civil Engineer Cost System-----	do.	Mar. 1976	-----	-----
Automated Civilian Pay System-----	do.	May 1976	-----	-----

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Air Force (cont.):				
Military Aircraft Storage and Disposal Center Cost/Billing System (Industrial Fund System)- Airlift Services - Industrial Fund-----	Aug. 1972	May 1976	-----	-----
Air Force Industrial Fund - Departmental Level-----	do.	Jun. 1976	-----	-----
Commissary Trust Revolving Fund (Specialized Accounting System)- Stock Fund Reporting-----	do.	Sept. 1976	-----	-----
Financial Inventory Accounting - Investment Items (Property Accounting)-----	do.	Aug. 1977	-----	-----
Financial Inventory Accounting - Stock Fund (Command Level)-----	do.	Sept. 1978	-----	-----
Central Procurement (Property Accounting)-----	do.	do.	-----	-----
General Accounting & Finance System - Departmental, Command & Base Level-----	do.	do.	-----	-----
Real Property Maintenance Industrial Fund-----	do.	-----	b/Sept. 1980	-----
Air Force Retiree/Annuitant Pay System-----	do.	-----	Sept. 1980	-----
Defense Integrated Financial System for Foreign Military Sales-----	do.	-----	do.	-----
Depot Maintenance Industrial Fund-----	do.	-----	Dec. 1981	-----
Total Air Force-----	29	24	4	1

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Army:				
Canal Zone Government-----	Jun. 1964	Jun. 1964	-----	-----
Joint Uniform Military Pay System--Active Army-----	Jun. 1973	Oct. 1973	-----	-----
Standard Army Intermediate Level Supply System-----	do.	May 1975	-----	-----
Test and Evaluation Command Activities-----	do.	Aug. 1976	-----	-----
Corps of Engineers-----	Nov. 1974	Jul. 1977	-----	-----
Facilities Engineer Job Order Cost Accounting-----	Jun. 1973	do.	-----	-----
Military Pay--Academy Cadets-----	do.	Sept. 1977	-----	-----
U.S. Army Materiel Development and Readiness Command Funds Distribution-----	do.	Jul. 1978	-----	-----
Army Communications Command Funds Distribution-----	do.	Aug. 1978	-----	-----
Civilian Pay-----	do.	Dec. 1978	-----	-----
Military Retired Pay-----	do.	-----	Feb. 1980	-----
Transportation Disbursing and Reporting-----	do.	-----	do.	-----
Military Traffic Management Command-----	do.	-----	Aug. 1980	-----
Commodity Command Standard System--Stock Fund-----	do.	-----	Dec. 1980	-----
Reserve Components Pay-----	do.	-----	FY 1981	-----
Program and Budget Accounting c/-----	do.	-----	-----	Aug. 1981
Standard Finance System-----	do.	-----	-----	do.
Total Army-----	17	10	5	2

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps):				
Marine Corps JUMPS (Military Pay)-----	Mar. 1973	Jun. 1973	-----	-----
Public Works Center (Industrial Fund)-----	do.	Mar. 1974	-----	-----
Shipyards (Civilian Pay)-----	do.	Mar. 1975	-----	-----
General Area Support Points (Civilian Pay)-----	do.	do.	-----	-----
Ordnance Activities (Civilian Pay)-----	do.	do.	-----	-----
Marine Corps Activities (Civilian Pay)-----	do.	May 1975	-----	-----
Navy Regional Finance Centers (Civilian Pay)-----	do.	Jun. 1975	-----	-----
Navy Regional Finance Centers (Bond Accounting)-----	do.	do.	-----	-----
Shipyards (Industrial Fund)-----	do.	do.	-----	-----
Marine Corps Activities (General Accounting System)-----	do.	Aug. 1976	-----	-----
Ordnance Activities (Industrial Fund System)-----	do.	do.	-----	-----
Facilities Engineering Activities (Civilian Pay)-----	do.	Sept. 1976	-----	-----
Industrial Air Stations (Civilian Pay)-----	do.	do.	-----	-----
Navy JUMPS - Central Site (Military Pay)-----	do.	do.	-----	-----
Non-Mechanized Resource Management System (General Accounting System)-----	do.	do.	-----	-----

58

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps)(cont.):				
Fleet Air (General Accounting System)-----	Mar. 1973	Sept. 1976	-----	-----
Non-Mechanized Command Level Activities - Major Command/Fund Management System-----	do.	do.	-----	-----
Naval Education and Training Command (General Accounting System)-----	do.	do.	-----	-----
Navy Reserve Personnel Drill Pay--	do.	Jul. 1977	-----	-----
Midshipmen (Military Pay)-----	do.	do.	-----	-----
Naval Academy Laundry (Special Accounting and Reporting)-----	do.	do.	-----	-----
Naval Academy Midshipmen Store (Special Accounting and Reporting)-----	do.	do.	-----	-----
Fleet (Surface)(General Accounting)-----	do.	do.	-----	-----
Industrial Marine Corps Activities (Industrial Fund)----	do.	Aug. 1977	-----	-----
Navy Reserve Personnel - Armed Forces Health Professions Scholarship (Military Pay)-----	do.	do.	-----	-----
Navy Personnel - NROTC (Military Pay)-----	do.	do.	-----	-----
Naval Air Stations (Class II) (General Accounting)-----	do.	Sept. 1977	-----	-----
Bureau of Naval Personnel - Military Personnel (General Accounting and Finance)-----	do.	Sept. 1979	-----	-----
Naval Avionics Center, Indianapolis (Industrial Fund)--	do.	do.	-----	-----

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps)(cont.):				
Polaris Missile Facility, Atlantic (Industrial Fund)-----	Mar. 1973	Sept. 1979	-----	-----
Atlantic/Pacific Fleets (General Accounting and Finance System)--	do.	-----	Sept. 1980	-----
Military Sealift Command (Industrial Fund)-----	do.	-----	do.	-----
Military Sealift Command Activities (Civilian Pay System)-----	do.	-----	do.	-----
Marine Corps Retired Pay (Military Pay)-----	do.	-----	do.	-----
Chief of Naval Reserve Command Level (General Accounting and Finance)-----	do.	-----	Nov. 1980	-----
Non-Mechanized RDT&E Activities (General Accounting and Finance System)-----	do.	-----	do.	-----
Chief of Naval Reserve - Reserve Personnel Navy (General Accounting and Finance System)-----	do.	-----	Sept. 1981	-----
Strategic Weapons Facility, Pacific, Silverdale (Industrial Fund System)-----	do.	-----	do.	-----
Navy Publications and Printing Service Activities (Industrial Fund System)-----	do.	-----	do.	-----
Naval Supply Systems Command (Stock Fund System)-----	do.	-----	do.	-----

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Department of the Navy (includes Marine Corps)(cont.):				
Foreign Military Sales-----	Mar. 1973	-----	Sept. 1981	-----
Naval Air Rework Facility (Industrial Fund System)-----	do.	-----	Dec. 1981	-----
Marine Corps Reserve Personnel (Military Pay)-----	do.	-----	Jul. 1983	-----
Non-Mechanized Allotment Activities (General Accounting and Finance System)-----	do.	-----	Sept. 1983	-----
Navy Retired Personnel (Military Pay)-----	do.	-----	Dec. 1983	-----
Facilities Engineering Activities, Engineering Field Division/Military Construction/Construction Battalion Center, Port Heuneme-----	do.	-----	Jan. 1984	-----
Navy Standard Civilian Payroll System-----	do.	-----	-----	Sept. 1982
Research, Development, Test, and Evaluation Activities-----	do.	-----	-----	do.
Standard Accounting and Reporting-----	do.	-----	-----	Oct. 1982
Marine Corps Headquarters-----	do.	-----	-----	Oct. 1983
Naval Education and Training - Financial Management System-----	do.	-----	-----	Jan. 1984
Integrated Disbursing and Accounting/Uniform Resource Management System-----	do.	-----	-----	do.
Office of the Comptroller-----	do.	-----	-----	do.
Property Accounting-----	do.	-----	-----	Nov. 1984
Total Navy-----	54	30	16	8

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Defense Agencies:				
Defense Logistics Agency:				
Standard Automated Material Management System -				
Financial System-----	Jan. 1974	Dec. 1973	-----	-----
Defense Contract Audit Agency-----	do.	Feb. 1975	-----	-----
Defense Investigative Service-----	do.	Jun. 1975	-----	-----
National Security Agency-----	do.	Sept. 1976	-----	-----
Defense Logistics Agency:				
Defense Industrial Fund -				
Clothing-----	do.	Sept. 1977	-----	-----
Defense Security Assistance Agency:				
Military Assistance Program-----	do.	do.	-----	-----
Defense Communications Agency:				
Communications Services				
Industrial Fund-----	do.	-----	Sept. 1980	-----
Defense Intelligence Agency-----	do.	----- b/	do.	-----
Defense Security Assistance Agency:				
Foreign Military Credit				
Sales-----	do.	-----	Sept. 1980	-----
Defense Logistics Agency:				
Base Operating Supply System-----	do.	-----	do.	-----
Defense Mapping Agency-----	do.	----- b/	do.	-----
Defense Communications Agency:				
General Appropriation System-----	do.	----- b/	Sept. 1981	-----
Defense Logistics Agency:				
Automated Payroll, Cost and				
Personnel System-----	do.	----- d/	do.	-----
World-wide Integrated				
Management of Bulk Fuels-----	do.	-----	Sept. 1982	-----
Defense Nuclear Agency-----	do.	-----	Nov. 1982	-----

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF DEFENSE (cont.):				
Defense Agencies (cont.):				
Office of Dependent Schools-----	Jan. 1974	-----	-----	Sept. 1982
Office of the Secretary of Defense-----	do.	-----	-----	do.
Uniform Services University of the Health Sciences-----	do.	-----	-----	do.
Total Defense agencies-----	18	6	9	3
DEPARTMENT OF ENERGY:				
Southwest Power Administration-----	Jul. 1952	Jul. 1952	-----	-----
Southeast Power Administration-----	Jul. 1977	Nov. 1952	-----	-----
Bonneville Power Administration:				
General Accounting System-----	Jul. 1968	Dec. 1973	-----	-----
Payroll System-----	do.	Jun. 1974	-----	-----
Alaska Power Administration-----	Apr. 1971	-----	FY 1981	-----
Departmental Accounting System-----	e/(Unapproved)	-----	FY 1982	-----
Total approved-----	5	4	-	-
Total unapproved-----	1	-	2	-
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE:				
Departmentwide (Umbrella system)-----	Apr. 1970	f/Apr. 1970	-----	(FY 1981)
Office of the Secretary-----	do.	f/Mar. 1973	-----	do.
Food and Drug Administration-----	do.	f/Jun. 1974	-----	do.
Health Care Financing Administration -				
Administrative Accounting-----	do.	f/Jun. 1975	-----	do.
National Institutes of Health -				
Administrative Accounting-----	do.	f/Jun. 1976	-----	do.
National Institute of Education-----	do.	f/Sept. 1977	-----	do.

Department or agency	Principles and standards approved	System designs approved	Target dates for approval of unapproved system designs	
			In operation	Under development
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (cont.):				
National Institutes of Health:				
Management Fund-----	Apr. 1970	-----	Jun. 1980	-----
Service and Supply Fund-----	do.	-----	do.	-----
Health Care Financing Administration:				
Trust Fund Accounting-----	do.	-----	Sept. 1980	-----
Social Security Administration:				
Administrative Accounting-----	do.	-----	do.	-----
Disability Insurance System-----	do.	-----	do.	-----
Earnings Record System-----	do.	-----	do.	-----
Retirement and Survivors				
Insurance System-----	do.	-----	do.	-----
Centralized Payroll System-----	do.	-----	FY 1981	-----
Health Care Financing Administration:				
Health Insurance and Supplemen- tary Medical Insurance Premium System-----	do.	-----	do.	-----
Health Insurance System-----	do.	-----	do.	-----
Supplementary Medical Insurance System-----	do.	-----	do.	-----
Public Health Service:				
Service and Supply Fund-----	do.	-----	do.	-----
Social Security Administration:				
Black Lung System-----	do.	-----	do.	-----
Supplemental Security Income System-----	do.	-----	do.	-----

63

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE (cont.):				
Public Health Service:				
Public Health Service Officer Payroll-----	Apr. 1970	-----	FY 1982	-----
Alcohol, Drug Abuse and Mental Health Administration-----	do.	-----	-----	FY 1981
Center for Disease Control-----	do.	-----	-----	do.
Health Resources Administration-----	do.	-----	-----	do.
Health Services Administration-----	do.	-----	-----	do.
Public Health Service Hospital Cost Accounting-----	do.	-----	-----	do.
Indian Health Service Hospital Cost Accounting-----	do.	-----	-----	do.
Office of the Assistant Secretary for Health-----	do.	-----	-----	do.
Office of Education-----	do.	-----	-----	do.
Departmental Federal Assistance Financing System-----	do.	-----	-----	FY 1982
Regional Accounting System-----	do.	-----	-----	do.
Total-----	31	6	15	10
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
General Accounting System-----	Apr. 1968	q/Apr. 1970	-----	-----
Payroll System-----	do.	-----	FY 1980	-----
Total-----	2	1	1	-

65

Department or agency	Principles and standards approved	System designs approved	Target dates for approval of unapproved system designs	
			In operation	Under development
DEPARTMENT OF THE INTERIOR:				
Government of American Samoa-----	Jul. 1952	Jul. 1952	-----	-----
Bureau of Indian Affairs-----	Nov. 1972	h/Jan. 1953	-----	(FY 1981)
Trust Territory of the Pacific Islands-----	Mar. 1954	Mar. 1954	-----	-----
Bureau of Land Management-----	Feb. 1969	Aug. 1971	-----	-----
Geological Survey-----	Aug. 1970	Dec. 1972	-----	-----
Departmental Integrated Payroll System-----	do.	Jan. 1974	-----	-----
Bureau of Reclamation-----	Dec. 1971	Jun. 1974	-----	-----
Bureau of Mines-----	Jun. 1972	Sept. 1975	-----	-----
Denver Inter-Bureau Payroll System-----	do.	h/Aug. 1977	(Mar. 1980)	-----
Office of the Secretary-----	Sept. 1979	Sept. 1979	-----	-----
U.S. Fish and Wildlife Service-----	May 1969	-----	Sept. 1980	-----
National Park Service-----	Sept. 1978	-----	do.	-----
Heritage Conservation and Reservation Service-----	May 1969	-----	-----	Sept. 1980
Total-----	13	10	2	1
DEPARTMENT OF JUSTICE:				
Immigration and Naturalization Service-----	May 1969	Apr. 1967	-----	-----
Legal Activities and General Administration-----	do.	Feb. 1973	-----	-----
Centralized Payroll System-----	do.	Mar. 1973	-----	-----
Bureau of Prisons:				
Administrative Accounting-----	do.	Jun. 1974	-----	-----
Drug Enforcement Administration-----	do.	May 1975	-----	-----
Automated Debt Collection/Information System-----	do.	Jun. 1975	-----	-----
Federal Bureau of Investigation:				
Payroll-----	do.	do.	-----	-----

66

Department or agency	Principles and standards approved	System designs approved	Target dates for approval of unapproved system designs	
			In operation	Under development
DEPARTMENT OF JUSTICE (cont.):				
Law Enforcement Assistance Administration:				
Administrative Accounting-----	May 1969	Sept. 1976	-----	-----
Federal Bureau of Investigation:				
Administrative Accounting-----	do.	Apr. 1977	-----	-----
Bureau of Prisons:				
Automated Prisoners Deposit Fund-----	do.	Sept. 1977	-----	-----
Law Enforcement Assistance Administration:				
Education Program Notes Receivable Accounting-----	do.	Sept. 1979	-----	-----
Bureau of Prisons:				
Commissary Accounting-----	do.	-----	-----	FY 1983
Total-----	12	11	-	1
DEPARTMENT OF LABOR:				
Federal and State Employment Security Agencies System (Federal Portion)-----				
Departmental Accounting System-----	May 1970	Dec. 1970	-----	-----
	Mar. 1968	Oct. 1972	-----	-----
Total-----	2	2	-	-
DEPARTMENT OF STATE:				
International Boundary and Water Commission, United States and Mexico-----				
Working Capital Fund-----	Sept. 1968	h/Jan. 1953	(FY 1981)	-----
Foreign Service Retirement and Disability Fund-----	do.	May 1965	-----	-----
	do.	Jul. 1970	-----	-----

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF STATE (cont.):				
Agency for International Development:				
American Payroll-----	Jul. 1979	Sept. 1976	-----	-----
Payroll Systems:				
Domestic and Western Hemisphere-----	Sept. 1968	Sept. 1977	-----	-----
Foreign Service Institute-----	do.	-----	FY 1980	-----
Payroll Systems:				
Eastern Hemisphere-----	do.	-----	-----	FY 1981
Agency for International Development:				
General Accounting-----	Jul. 1979	-----	-----	FY 1982
Departmental Accounting System-----	Sept. 1968	-----	-----	do.
Total-----	9	5	1	3
DEPARTMENT OF TRANSPORTATION:				
Coast Guard-----	Jun. 1970	h/Dec. 1951	-----	(FY 1981)
Alaska Railroad Revolving Fund-----	do.	Sept. 1957	-----	-----
Federal Highway Administration-----	do.	Jun. 1967	-----	-----
Office of the Secretary-----	do.	Mar. 1974	-----	-----
National Highway Traffic Safety Administration-----	do.	Feb. 1975	-----	-----
Transportation Systems Center-----	do.	Jun. 1976	-----	-----
Federal Railroad Administration-----	do.	Sept. 1976	-----	-----
Federal Aviation Administration-----	do.	-----	-----	i/ FY 1981
Total-----	8	7	-	1

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF THE TREASURY:				
Bureau of Engraving and Printing	May 1969	Jul. 1952	_____	_____
Bureau of the Mint:				
Administrative Accounting	do.	Jan. 1953	_____	_____
Bureau of Government Financial Operations:				
Administrative Accounting	do.	Mar. 1966	_____	_____
Fiscal Service Payroll System	do.	j/May 1967	(Sept. 1980)	_____
Bureau of the Public Debt:				
Administrative Accounting	do.	Jun. 1968	_____	_____
Bureau of Government Financial Operations:				
Central Accounting for Cash Operations	Oct. 1968	Oct. 1968	_____	_____
Bureau of the Public Debt:				
Public Debt Accounting	Dec. 1968	Dec. 1968	_____	_____
Bureau of Government Financial Operations:				
Investments Accounting Operations	Mar. 1969	Mar. 1969	_____	_____
Central Accounting for Foreign Currency	Jun. 1969	Jun. 1969	_____	_____
Office of the Secretary	May 1969	do.	_____	_____
U.S. Secret Service	do.	Nov. 1971	_____	_____
Internal Revenue Service:				
Administrative Accounting	do.	Oct. 1972	_____	_____
Bureau of Customs	May 1970	Nov. 1972	_____	_____
Consolidated Federal Law Enforcement Training Center	May 1969	Jun. 1973	_____	_____
Working Capital Fund	do.	Feb. 1974	_____	_____
Internal Revenue Service:				
Tax Lien Revolving Fund	do.	Mar. 1974	_____	_____
Bureau of Alcohol, Tobacco, and Firearms	do.	May 1974	_____	_____

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
DEPARTMENT OF THE TREASURY (cont.):				
Internal Revenue Service:				
Revenue Accounting-----	Dec. 1972	Jun. 1974	-----	-----
Bureau of the Mint:				
Bullion and Monetary Accounting-----	May 1969	-----	Sept. 1980	-----
Internal Revenue Service:				
Treasury Payroll/Personnel System (IRS Application)-----	do.	-----	-----	FY 1982
Total-----	20	18	1	1
ACTION:				
General Accounting-----	Mar. 1975	Aug. 1978	-----	-----
Volunteer Readjustment Allowance-----	do.	-----	Dec. 1980	-----
Payroll-----	do.	-----	-----	FY 1981
Domestic Volunteer Pay System-----	do.	-----	-----	do.
ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS-----	Jun. 1972	Jun. 1972	-----	-----
AMERICAN BATTLE MONUMENTS COMMISSION-----	Aug. 1958	Aug. 1958	-----	-----
CIVIL AERONAUTICS BOARD:				
Administrative Accounting-----	Jul. 1977	h/Jan. 1968	-----	(FY 1981)
Payroll-----	do.	Sept. 1976	-----	-----
COMMODITY FUTURES TRADING COMMISSION-----	Sept. 1978	-----	-----	Sept. 1980
COMMUNITY SERVICES ADMINISTRATION-----	Apr. 1979	-----	FY 1981	-----
CONSUMER PRODUCT SAFETY COMMISSION-----	Sept. 1978	-----	FY 1980	-----
ENVIRONMENTAL PROTECTION AGENCY-----	Dec. 1973	Sept. 1977	-----	-----

Department or agency	Principles and standards approved	System designs approved	Target dates for approval of unapproved system designs	
			In operation	Under development
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	May 1971	h/Feb. 1973	(Sept. 1980)	
EXECUTIVE OFFICE OF THE PRESIDENT The White House	e/(Unapproved) Oct. 1969		Sept. 1980	
FARM CREDIT ADMINISTRATION	Nov. 1975	Mar. 1976		
FEDERAL COMMUNICATIONS COMMISSION	Sept. 1958	Sept. 1958		
FEDERAL ELECTIONS COMMISSION	Sept. 1978		Sept. 1980	
FEDERAL EMERGENCY MANAGEMENT AGENCY	e/(Unapproved)		Sept. 1980	
FEDERAL HOME LOAN BANK BOARD	Jun. 1972		Sept. 1980	
FEDERAL MEDIATION AND CONCILIATION SERVICE	Dec. 1969		FY 1981	
FEDERAL TRADE COMMISSION	k/ Aug. 1958	Aug. 1958		
GENERAL SERVICES ADMINISTRATION:				
Appropriation Accounting	e/(Unapproved)	h/Jun. 1965	(FY 1980)	
Manpower and Payroll Statistics	Apr. 1973	h/Apr. 1973	(FY 1981)	
Federal Building Fund	Sept. 1977	Sept. 1977		
Automated Data Processing Fund	e/(Unapproved)		FY 1980	
National Archives, Trust and Gift Funds	do.		FY 1981	
General Supply Fund	do.		FY 1982	
Construction Services Fund	do.			FY 1983
Federal Telecommunications Fund	do.			do.
Working Capital Fund (note 1)	do			do.

Department or agency	Principles and standards approved	System designs approved	Target dates for approval of unapproved system designs	
			In operation	Under development
INDIAN CLAIMS COMMISSION	Jan. 1961	Jan. 1961		
INTERNATIONAL COMMUNICATIONS AGENCY	Dec. 1968	m/Dec. 1970		
INTERSTATE COMMERCE COMMISSION	k/ Jun. 1968	Jun. 1968		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	Jun. 1969	Jun. 1969		
NATIONAL CAPITAL PLANNING COMMISSION	Mar. 1958	Mar. 1958		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES:				
National Endowment for the Arts	Jun. 1973	Jun. 1975		
National Endowment for the Humanities	do.	do.		
NATIONAL LABOR RELATIONS BOARD:				
General Accounting	Jun. 1972		FY 1981	
Payroll System	do.			FY 1981
NATIONAL MEDIATION BOARD	Jul. 1958	Jul. 1958		
NATIONAL SCIENCE FOUNDATION:				
General Accounting	Apr. 1969	Jun. 1973		
Payroll System	do.	May 1974		
NATIONAL TRANSPORTATION SAFETY BOARD	Jun. 1978		Aug. 1980	
NUCLEAR REGULATORY COMMISSION	May 1977			Sept. 1980

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
OFFICE OF PERSONNEL MANAGEMENT:				
Retirement and Disability Fund-----	Nov. 1968	Nov. 1968	-----	-----
Group Life Insurance Fund-----	do.	do.	-----	-----
Employee Health Benefits Fund-----	do.	do.	-----	-----
Retired Employees Health Benefits Fund-----	do.	do.	-----	-----
Administrative Accounting-----	do.	May 1970	-----	-----
RAILROAD RETIREMENT BOARD-----	Jun. 1968	Feb. 1971	-----	-----
SECURITIES AND EXCHANGE COMMISSION-----	Jun. 1969	Jun. 1969	-----	-----
SELECTIVE SERVICE SYSTEM-----	Jan. 1973	Jun. 1974	-----	-----
SMALL BUSINESS ADMINISTRATION:				
Payroll-----	Dec. 1968	Jun. 1974	-----	-----
General Accounting-----	do.	Jun. 1975	-----	-----
Surety Bond Guarantee Program-----	do.	Jun. 1978	-----	-----
SMITHSONIAN INSTITUTION-----	Aug. 1959	Aug. 1959	-----	-----
National Gallery of Art-----	Nov. 1958	Nov. 1958	-----	-----
U.S. ARMS CONTROL AND DISARMAMENT AGENCY-----	Sept. 1979	-----	-----	Dec. 1980

<u>Department or agency</u>	<u>Principles and standards approved</u>	<u>System designs approved</u>	<u>Target dates for approval of unapproved system designs</u>	
			<u>In operation</u>	<u>Under development</u>
VETERANS ADMINISTRATION:				
Administrative Accounting-----	Oct. 1972	Sept. 1956	-----	-----
Medical Care and Administration-----	do.	do.	-----	-----
Supply Fund-----	do.	do.	-----	-----
Personnel and Pay System-----	do.	Jul. 1969	-----	-----
Insurance Program-----	do.	Oct. 1972	-----	-----
Construction Appropriations-----	do.	Jun. 1975	-----	-----
Mortgage Loan Program-----	do.	Sept. 1976	-----	-----
Compensation, Pension, and Education-----	do.	-----	FY 1984	-----
DISTRICT OF COLUMBIA GOVERNMENT-----	h/ Feb. 1972	-----	-----	i/ FY 1981
	(Mar. 1980)			
Total all agencies:				
approved-----	292	186	-	-
unapproved-----	10	-	73	43

(990114)

- a/Will include approval of the Department's payroll system previously approved in September 1967.
- b/The fund control aspects of this system were approved in September 1979.
- c/This system is composed of the following segments:
- Procurement Funds Distribution--approved August 1978
 - Program Funds Distribution--approved September 1979
 - Customer Order Control--projected approval in July 1980
 - Accounting and Reporting--projected approval in August 1981
- d/Will include approval of the payroll system previously approved in February 1975.
- e/Approval expected in fiscal 1980.
- f/Development of new standard system will result in reapproval on date shown in parentheses.
- g/Designs of subsystems have not been completed.
- h/Designs to be resubmitted on the date shown in parentheses.
- i/The actual number of accounting systems is not yet determined.
- j/This system will be replaced by a Departmentwide integrated payroll/personnel system, which will also replace the Internal Revenue Service payroll system.
- k/A revised statement of principles and standards is under review. System design is expected to be resubmitted after the revised statement is approved.
- l/In addition, the General Services Administration does accounting for numerous small commissions and agencies which do not maintain accounting systems of their own.
- m/Design approval except for automatic data processing portion; target date for completion of the entire system is October 1983.

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