UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

APR 26 1972

Dear Mr. Galuardi:

The General Accounting Office has examined the accounts of accountable officers of Region 3, General Services Administration (GSA), through fiscal year 1970. We evaluated the procedures and internal controls relative to the receipt and disbursement of funds and tested financial transactions and records as we considered appropriate. Our examination did not include a review of the Region's major programs or payroll operations.

We found the procedures and internal controls generally effective and selected transactions normally processed in a satisfactory manner. There were, however, three areas identified during our examination where we believe administrative controls and procedures require strengthening. These three areas--involving the need to withhold income taxes on employees' relocation allowances, the improvement possible in the administration of travel advances, and the need for more frequent reviews of imprest funds--were discussed with officials of your Finance Division who indicated that corrective action had been or would be taken. These matters are summarized briefly below for your use and information.

Need to withhold income taxes on relocation payments made

Since July 1966, with the enactment of P.L. 89-516, Federal employees have been entitled to receive reimbursements and allowances for certain expenses incurred in connection with relocations to new permanent duty stations. A portion of such reimbursements and allowances, however, have historically been defined by the Treasury Department as being wages and, as such, subject to Federal income tax withholding. Although the specific categories and amounts of reimbursements that are considered to be taxable wages have been revised over the years, agencies have always been responsible for withholding the appropriate amounts due the Government as taxes.

In examining into the Region's method of handling such relocations, we found that the Region has never withheld from the relocation reimbursements paid to employees any amounts for Federal income tax purposes. The Region has also not included on employees' statements of earnings--as required by established Treasury regulations--the gross amount of reimbursements and allowances paid to employees involved in relocations. Although we did not attempt to identify the total number of relocation payments processed by the Region since 1966, the number could be quite substantial. As you know, the Region makes relocation payments not only for regional personnel but for personnel of your headquarters activity and a large number of boards and commissions as well.

This matter was brought to the attention of officials of your Finance Division during our exit conference held on February 29. These officials acknowledged the problem and stated that a study would be undertaken to determine the changes necessary in the Region's payroll operations to provide for tax withholdings on relocation payments when appropriate. During the conference, we also discussed how the relocation payments made since July 1966--and subject to tax withholding--should be treated. In this respect, we suggested that the Region communicate with the Internal Revenue Service to determine how the Service wants to handle this matter. We are sending a letter to the Internal Revenue Service to apprise them of this situation.

Improvement needed in the administration of funds advanced for travel purposes

GSA regulations provide that employees authorized to travel may obtain an advance of funds to defray necessary travel expenses. Such advances are made for the sole purpose of meeting reimbursable travel expenses and the regulations stipulate that the unused portion of travel advances are to be promptly refunded when no longer required by the traveler. The Finance Division of each GSA accounting center is responsible for reviewing the travel advances outstanding on a continuing basis, to ensure that only the amounts actually needed by employees are retained.

In examining into the Region's administration of travel advances, we found that these funds were being effectively controlled for regional, headquarters, and most commission and board employees. A major problem, however, was identified in the travel advances made to Equal Employment Opportunity Commission (EEOC) personnel. In this regard, a large number of the travel advances made to EEOC personnel--228 employees with travel advances totaling $54,719--were found to be outstanding for a period of one year or more. Many of these advances had, in fact, been outstanding for 2-, 3-, and--in some cases--4-year periods. The results of our analysis of the travel advances outstanding at June 30, 1971, are summarized below.

Analysis of travel advances outstanding at June 30, 1971

	EEOC travelers	All others	Totals
Number of outstanding travel advances reviewed	488	628	1,116
Number of travel advances outstanding 60 days or more	299	124	423
Number of travel advances outstanding 1 year or more	228	13	241
Dollar value of travel advances outstanding 60 days or more	$98,562	$29,009	$127,571
Dollar value of travel advances outstanding 1 year or more	$54,719	$ 1,350	$ 56,069

The Finance Division apparently had not been periodically reviewing the need for the travel advances retained by EEOC personnel. We noted that the most recent review undertaken by the Finance Division had occurred some 15 months prior to our examination but had not been adequately followed up after initial--and apparently unsuccessful--inquiry with the commission. We also found that several of the travel advances outstanding involved individuals no longer employed by EEOC, that there were errors in the travel advance records, and that some records were not being reconciled to the general ledger control account.

In discussing this matter with officials of the Finance Division, we were advised that this problem had been recognized and that a joint GSA-EEOC examination into this area had been recently initiated. These officials also stated that a recent reorganization of the Finance Division would further improve control over the travel funds advanced to commission and board employees. In this respect, we were advised that three separate groups are being established within the Finance Division to specifically service the accounting needs of the various boards and commissions, the Region, and your headquarters' activity.

Imprest funds not being reviewed and verified at required frequencies

Treasury Department Circular No. 1030, dated April 3, 1970, paragraph 6(g), requires that agencies make unannounced verifications of cash balances at least once each quarter. Existing GSA regulations have not been revised, however, to comply with the latest Treasury requirement. In this regard, paragraph 8-b of GSA Manual OAD 1210.1A provides only that:

> "At least once each fiscal year, the Chief, Finance Division, or his designee, will conduct an unannounced cash count ***. He will determine that the funds are properly accounted for, the amount of the fund is not in excess of cash requirements, and the precedures [sic] being followed adequately protect the funds from loss or misuse."
>
> (Underscoring - GAO)

The Region, in addition to assuring that internal requirements comply with those established by the Treasury Department, should also develop procedures to assure that the review and verification of imprest funds do occur at the required frequencies. Many of the imprest funds maintained by regional, GSA central office, and the various board and commission cashiers were not audited annually. In examining into the status of 109 imprest funds, we found that 32 funds had not been audited within 12 months of our review and that for 29 funds there were no records to indicate when the last review had been performed. The results of our analyses of the 109 funds reviewed are summarized below.

	Number of funds not audited within 12 months	Number of funds for which there was no record of audit
Region 3	24	1
Central office	3	-
Boards and commissions	5	28
Totals	32	29

We discussed this matter with officials of the Finance Division who advised us that internal procedures would be revised to comply with Treasury requirements. These officials stated that since separate groups within the Finance Division will be responsible for regional, headquarters, and board and commission accounting, they should be able to perform the required imprest fund verifications at quarterly intervals. We believe that the Finance Division's plans should materially improve and strengthen the internal controls in this area and, accordingly, we are not making any specific recommendations at this time.

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The records of financial transactions through June 30, 1970, may be stored in accordance with your records retention and disposal program.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review, and we would appreciate being advised of any further action taken on the matters discussed herein.

Copies of this letter have been sent to the Acting Administrator; Director, Office of Finance; and Director, Office of Audits and Investigations, of GSA.

Sincerely yours,

John P. Carroll

(for) H. L. Krieger
Regional Manager

Mr. J. F. Galuardi
Regional Administrator
Region 3, General Services Administration