



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

WMA 114190

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

Income
2800

IN REPLY
REFER TO:

AUG 21 1980

Mr. Raymond Fontaine
Assistant Administrator for Plans,
Programs and Financial Management
General Services Administration

Budget function
0451

Dear Mr. Fontaine:

On July 1, 1980, we issued a report to the Congress expressing our opinion on the fiscal year 1979 [financial statements of the Pennsylvania Avenue Development Corporation] (PADC). The General Services Administration (GSA) provides necessary accounting services to PADC and produces the Corporation's statements. Although we reported that overall the financial statements were fairly presented, certain procedural problems needed attention in order to provide more accuracy to PADC's accounting records.

In summary, we found that a cash reconciliation to the U.S. Treasury records had not been completed for fiscal year 1979. This resulted in PADC's cash balances being understated by over \$31.5 million because several transactions were not recorded in the accounting records. Further, we noted that a periodic analysis of accounts payable and receivable needs to be made to assure that these accounts do not contain invalid data. The Director of Finance at GSA agreed with our findings and told us that cash reconciliations and analyses of PADC payable and receivable accounts would be made.

CASH TRANSACTIONS WERE NOT
ENTERED INTO THE ACCOUNTING
RECORDS

Fiscal Year 1979 cash transactions of over \$31.5 million were not recorded in the accounts until after the end of the fiscal year. One of the three PADC cash accounts, (Land Acquisition and Development Revolving Fund) had a negative balance of over \$16.5 million at September 30, 1979 although the actual balance was about \$71,000. GSA prepared a cash reconciliation with Treasury Department records that showed the following adjustments were necessary to correct the cash accounts.



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*Group III
report*

<u>Fund</u>	<u>Unadjusted Balance 9-30-79</u>	<u>Amount of Adjustment</u>	<u>Adjusted Balance 9-30-79</u>
Salaries and Expenses	\$ 368,885	(\$ 125,101)	\$ 243,784
Land Acquisition Revolving Fund	(16,654,785)	16,726,007	71,222
Public Development Fund	<u>19,217,561</u>	<u>14,969,039</u>	<u>34,186,600</u>
TOTAL	<u>\$ 2,931,661</u>	<u>\$31,569,945</u>	<u>\$34,501,606</u>

The explanation for these adjustments is as follows:

--an adjustment of \$125,101 in the Salaries and Expense Fund cash account resulted because the year end unobligated fund balance returned to the U.S. Treasury was not deducted from the cash balance.

--a net adjustment of \$16.7 million in the Land Acquisition and Development Revolving Fund cash account resulted from failure to record (1) \$21.4 million for 14 loans from the U.S. Treasury during FY 1979 and (2) \$4.7 million for repayment of three loans to the U.S. Treasury.

--a net adjustment of \$14.9 million in the Public Development Fund cash account resulted from the failure to adequately account for (1) \$12.3 million for a supplemental appropriation received and (2) \$2.6 million because GSA erroneously deducted this amount from its report to the U.S. Treasury.

We were told by GSA accountants that recording of the cash transactions was inadvertantly missed. Errors of this nature, however, could be avoided by a periodic reconciliation of PADC's cash records to the U.S. Treasury accounts. The Director of Finance at GSA told us that periodic reconciliations of disbursements were made with Treasury records, but the reconciliation of receipts was not. He said that in the future such periodic reconciliations would be made.

NEED TO PERIODICALLY REVIEW
ACCOUNTS PAYABLE AND RECEIVABLE
RECORDS

PADC's accounts payable and receivable had not been analyzed by GSA to eliminate items that were no longer valid. As a result there were several items that appeared invalid because adequate supporting data could not be located.

For example, about \$31,000 of the \$95,300 of trade accounts payable in the Salaries and Expense Appropriated Fund at September 30, 1979 was not liquidated as of March 31, 1980. Many of the payables were recorded in early 1979 and were over a year old by March 1980. Also four items in PADC's accounts receivable totaling about \$6,400 had been on the books for over twelve months. GSA accountants could not provide us with sufficient evidence to validate these individual amounts.

The Director of Finance at GSA acknowledged the lack of analysis of the receivables and payables and said that these accounts would be periodically analyzed to eliminate invalid items.

We appreciate the cooperation we received during this audit. If you have any questions concerning the above matters please contact Mr. Morton Solomon of my staff on 426-1780.

Sincerely yours,



Richard J. Woods
Associate Director