

## DOCUMENT RESUME

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[The National Aeronautics and Space Administration's System of Accounting for Accounts Receivable]. FGMSD-77-89; B-159687. October 21, 1977. 4 pp.

Report to Robert A. Frosch, Administrator, National Aeronautics and Space Administration; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

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A review of the National Aeronautics and Space Administration's (NASA) system of accounting for accounts receivable, including related billing and collection procedures, indicated that NASA was promptly collecting amounts due from other Federal agencies and the public under an accounting system approved by the Comptroller General in June 1969. Findings/Conclusions: Internal accounting procedures did not assure, however, that accounts receivable were accurately recorded and reported. Specifically, the \$267.2 million balance of accounts receivable reported to the Department of the Treasury on September 30, 1976, was incorrect because: NASA had already collected about \$200.6 million of the recorded and reported accounts receivable; about \$13.3 million of accounts receivable from the public was improperly classified as accounts receivable from Federal agencies; and about \$14.7 million of accounts receivable was neither recorded nor reported. The \$200.6 million overstatement occurred because, although collections were timely, internal billings were not prepared and processed promptly. The materiality of the amount of deposit funds and accounts receivable involved precluded a fair presentation of NASA's financial condition. Recommendations: The Administrator of NASA should direct the Comptroller to assure that internal billings are promptly prepared and processed to show accurate receivable balances in accounting system records and reports. (Author/SW)



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

DIVISION OF FINANCIAL AND  
GENERAL MANAGEMENT STUDIES

21 OCT 1977

B-159687

The Honorable Robert A. Frosch  
Administrator, National Aeronautics  
and Space Administration

Dear Dr. Frosch:

This report reviews the National Aeronautics and Space Administration's (NASA's) system of accounting for accounts receivable, including related billing and collection procedures. This report discusses NASA's need to more accurately record and report accounts receivable.

Our review showed that NASA was promptly collecting amounts due from other Federal agencies and the public under an accounting system approved by the Comptroller General in June 1969. However, internal accounting procedures did not assure that accounts receivable were accurately recorded and reported. Specifically, the \$267.2 million balance of accounts receivable reported to the Department of the Treasury on September 30, 1976, was incorrect because:

- NASA had already collected about \$200.6 million of the recorded and reported accounts receivable.
- About \$13.3 million of accounts receivable from the public was improperly classified as accounts receivable from Federal agencies.
- About \$14.7 million of accounts receivable was neither recorded nor reported.

Officials at NASA headquarters agreed with our findings and stated that procedures were being revised to improve the accuracy of reported accounts receivable.

SCOPE OF REVIEW

As of September 30, 1976, NASA reported accounts receivable of \$267 million--\$76 million from Federal agencies and \$191 million from the public. We examined the billing,

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collecting, accounting, and reporting of accounts receivable from the public at NASA headquarters in Washington, D.C., and the Goddard Space Flight Center in Greenbelt, Maryland. This report is part of a multiagency review on which we plan to issue an overall report to the Congress.

We did not obtain written confirmation of the accounts receivable balance from NASA's customers, but we did test the accuracy of the receivables by examining (1) the data supporting account balances, (2) the reconciliation of headquarters and field office accounts, and (3) the accounting procedures used.

### ACCOUNTS RECEIVABLE NOT ACCURATELY REPORTED

NASA had already collected about \$200.6 million which was included in the balance of accounts receivable reported to the Department of the Treasury as of September 30, 1976.

NASA acquires and launches missiles on a reimbursable basis for other Federal agencies and for public organizations such as domestic public corporations, foreign governments, and international organizations. About 90 percent of this reimbursable missile acquisition and launching work during fiscal year 1977 was controlled by two NASA field offices, of which the largest was the Goddard Space Flight Center.

The public organizations are required to pay NASA headquarters for the reimbursable work as the field offices incur related costs. The remaining chain of events is summarized as follows.

- Headquarters places these payments in deposit fund accounts.
- The field offices record accounts receivable as they incur costs.
- The field offices submit bills to headquarters for reimbursement.
- Headquarters processes the bills which decrease its deposit fund accounts and increase its accounts for funds available to the field offices.

--After headquarters' processing, the field offices reduce accounts receivable and increase funds available for their operations.

The net effect is an internal transfer of funds whereby the field offices are reimbursed from the deposit funds for the costs incurred.

We realize that some balance will remain in the field office accounts receivable during the period the field office is waiting for reimbursement. However, if all field office billings are prepared and processed promptly, accounts receivable will primarily consist of those reimbursable costs incurred by field offices for which funds have not yet been deposited with NASA headquarters.

The \$200.6 million overstatement of NASA's accounts receivable occurred because, although collections were timely, internal billings were not prepared and processed promptly. As of September 30, 1976, field offices incurred costs and recorded accounts receivable but had not billed headquarters for about \$118.5 million of the total, which was due as reimbursements for missile launches for public organizations. Although we did not determine the length of time all these accounts receivable had remained unbilled, some of the costs were incurred several months previously.

In addition to the field offices' delays in preparing billings, headquarters' delays in processing them resulted in \$82.1 million in overstated accounts receivable. For example, of the \$42 million headquarters owed Goddard Space Flight Center on September 30, 1976, over \$40 million had been billed for over 60 days and two of the billings included in this total had been outstanding for over 15 months.

These delays resulted in a \$200.6 million overstatement of both field office accounts receivable and funds on deposit with headquarters on September 30, 1976. Other accounting and reporting errors at that date were (1) about \$13.3 million in accounts receivable from the public was improperly classified and reported as accounts receivable from Federal agencies and (2) about \$14.7 million of accounts receivable was neither recorded nor reported because of problems encountered in mechanizing the accounting system. These problems have since been corrected.

CONCLUSION

NASA's delays in preparing and processing internal billings resulted in incorrect accounting and financial reporting. The materiality of the amount of deposit funds and accounts receivable involved precluded a fair presentation of NASA's financial condition.

RECOMMENDATION

We recommend that you direct the Comptroller to assure that internal billings are promptly prepared and processed to show accurate receivable balances in accounting system records and reports.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

We are sending copies of this report to the Chairmen, House Committees on Government Operations, Appropriations, and Science and Technology; and the Senate Committees on Governmental Affairs and on Commerce, Science and Transportation. Because of their expressed interest, we are also sending copies to Senator Robert Packwood and Congressman Newton I. Steers. Copies are also being sent to the Director, Office of Management and Budget, and the Secretary of the Treasury.

We appreciate the courtesies and cooperation shown to us by your representatives during this review.

Sincerely yours,

  
D. L. Scantlebury  
Director