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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

AUG 18 1976

B-159797



The Honorable
The Secretary of Defense

Dear Mr. Secretary:

We surveyed the industrial fund accounting system for printing and duplicating services in the Department of the Air Force to determine if it was being operated in accordance with the system design approved by the Comptroller General in February 1970.

Based on our work at the Air Force printing and duplicating plant at Robins Air Force Base, Georgia, we concluded that the accounting system is being operated in accordance with the approved system design and is substantially in compliance with the principles, standards, and related requirements currently prescribed by the Comptroller General in Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies. We were informed that the same system design has been implemented at six other Air Force printing and duplicating plants.

In arriving at our conclusion, we observed and tested operating procedures and controls over (1) the establishment and collection of accounts receivable, (2) expenditures and obligations, (3) property and equipment, and (4) the accumulation and distribution of incurred costs. We also evaluated and tested the accounting procedures used in maintaining asset, liability, capital, revenue, cost, and statistical accounts in the general ledger.

We found that the Air Force Audit Agency had reviewed aspects of the system in 1974 and that the review was adequately performed.

We noted, however, that the industrial fund, which should be self-sustaining to the extent possible, was not reimbursing the host base for support services. Details follow.

SUPPORT COSTS OF HOST BASE
NOT CHARGED TO PRINTING PLANT

DOD Directive 7410.4 contains the various objectives of industrial funds. One of the specific objectives is as follows:

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"Require ordering agencies to budget, control and account for the cost of all goods and services ordered, rather than allow them to obtain goods and services free. Conversely, at the industrial fund activity the objective shall be pursued of reducing the amount of goods and services not paid for from the industrial fund. Taken together these two statements establish the objective that the industrial funded activity will neither furnish nor receive free goods and services, nor will the activity enter into any arrangements to offset services received and services furnished. This requirement is designed to instill in the officials of these agencies a greater sense of responsibility and self-restraint in limiting their orders, and balancing the cost of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands." (Underscoring supplied.)

The host installation, Robins Air Force Base, had no procedures for obtaining reimbursement from the printing plant industrial fund for the cost of support services, including the costs to (1) prepare and maintain the employment records of civilian personnel assigned to the printing plant, (2) process and prepare the payroll and maintain related records for civilian employees, and (3) provide fire protection, plant security, and automatic data processing services.

Air Force officials at Robins told us that host installations provide such support services without cost to all industrially funded printing plants in accordance with existing Air Force procedures. While Robins officials had not estimated the cost of providing these support services to the printing plant, they were of the opinion that such costs would not be significant in relation to the printing plant's annual operating budget.

Officials at the Air Force Accounting and Finance Center told us that the Air Force was in the process of revising Air Force Manual 170-15, entitled "Printing and Duplicating Services, Air Force Industrial Fund," to require that all Air Force industrially funded printing plants reimburse host installations for their costs of providing support services. In view of the issuance of this instruction, we are making no recommendation at this time. However, at an appropriate future date, we will review its implementation.

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We wish to acknowledge the courtesies and cooperation extended our representatives during the survey. We shall appreciate your informing us when the revision to Air Force Manual 170-15 is issued.

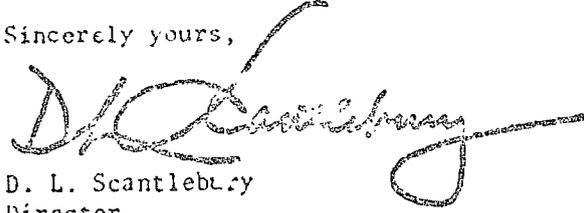
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A copy of this letter is being sent to the Congressional Joint
Committee on Printing.

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Sincerely yours,



D. L. Scantlebury
Director

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