



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

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DIVISION OF FINANCIAL AND  
GENERAL MANAGEMENT STUDIES



AUGUST 28, 1979

B-183363

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General William G. Moore  
Commanding General  
Military Airlift Command  
Scott Air Force Base

*AGC00007*

*See 115 for  
Title*

*AGC000035*

Dear General Moore:

This report contains the results of our survey of accounting controls over revenue and expenditure transactions of 12 accounting stations within your command. In summary, our survey did not disclose extensive weaknesses in the controls the accounting stations maintained over the Federal funds they collected and disbursed. However, we noted a few cases where controls did not comply with those specified in the GAO Policy and Procedures Manual for Guidance of Federal Agencies and in Air Force directives.

The deficient controls we noted were related to collections, accounts receivable, imprest-type funds, disbursements, and obligations. We are bringing them to your attention to help you assure that the principles, standards, and related requirements for accounting prescribed by GAO are followed. As you know, the law requires agencies to provide effective controls and accountability over all funds for which they are responsible. The identified weaknesses are discussed in enclosure I and the locations of such weaknesses are shown in enclosure II. *F/C*

We have discussed our survey results with Military Airlift Command headquarters comptroller officials and responsible Air Force base officials. Since, in most cases, they initiated or promised corrective actions, we are not making any formal recommendations at this time.

For your information, we evaluated the accounting controls using questionnaires designed to identify potential problem areas. The questionnaires were the basis of our interviews and discussions with responsible officials. When responses to questions indicated weaknesses in financial controls, we tested selected transactions to determine whether the weaknesses actually existed. We limited our work,

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however, to identifying the existence of weaknesses in internal controls and did not attempt to establish either the extent of the weaknesses or the precise corrective actions needed.

We are sending copies of this report to the Air Force Audit Agency. We would appreciate being informed in writing of the corrective action taken on the specific system weaknesses identified and discussed in the enclosures.

We appreciate the courtesies and cooperation extended to us by your staff.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury for".

D. L. Scantlebury  
Director

Enclosures

GAO OBSERVATIONS ON QUESTIONNAIRE  
RESPONSES AT 12 MILITARY AIRLIFT COMMAND  
ACCOUNTING STATIONS

As required by the Accounting and Auditing Act of 1950 (31 U.S.C. 66a), the head of each executive agency should establish and maintain a system of accounting and internal control to provide effective control over and accountability for all the agency's assets. Our survey evaluated accounting controls at 12 accounting stations within the Military Airlift Command (MAC). Although our survey showed the controls were generally adequate, it disclosed a few instances in which

- collections were not properly logged in, adequately safeguarded, or promptly deposited;
- accounts receivable were not adequately controlled and writeoffs of uncollectible accounts were not properly explained;
- authorized imprest-type fund levels were not monitored and reduced when appropriate;
- lost discounts were not fully explained on payment vouchers; and
- obligation estimates were not adequately documented.

Details of the weaknesses follow.

NEED TO IMPROVE CONTROL OVER COLLECTIONS

Inadequate controls over collections increase the possibility of receipts being lost or misplaced and could potentially delay recording, depositing, and accounting for receipts. As discussed below, some MAC accounting stations did not properly control and deposit collections in accordance with prescribed standards.

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (7 GAO 11 and 12.2) provides standards to be followed by Federal agencies in controlling fund collections. As specified in the manual, an agency's collections should be placed under appropriate accounting and physical controls promptly upon receipt and deposited daily, if possible, in an authorized depository. Appropriate accounting controls should, among other things, provide for collections received

through the mail to be logged in by the person opening the mail and processed and verified by another individual.

Air Force regulations contain these requirements for handling collections and state more specifically that they should be deposited no later than the close of the next business day after receipt. These collection controls were not exercised at some MAC accounting stations visited. For example:

- Employees opening the mail at Dover Air Force Base did not record receipts in a log. Instead, receipts were hand-carried to another office, logged in, and sent to the cashier. Under such practices, there is no assurance that all collections are accounted for.
- At Lajes Air Force Base the same employees opened the mail and processed and verified receipts. Allowing one person to perform these multiple functions compromises internal controls, thus increasing the risk of fraud and error.

After we advised Dover Air Force Base officials of the control weaknesses, they said that mailroom clerks would log in receipts. Lajes Air Force Base officials also agreed to segregate their mail clerks' duties so that one employee would not control all aspects of receipt transactions.

McGuire Air Force Base employees did not always properly handle cash receipts. They did not always verify the accuracy of receipt logs by comparing them daily against collection vouchers, and deposits were usually made about 2 days late. Because of the importance of collections being deposited promptly, GAO, Treasury, and Air Force accounting procedures manuals all contain guidance on frequency of deposits. These manuals generally specify that the receipts should be deposited daily when practical and economical to do so.

The practice of holding collections delays the use of funds by the Treasury and increases the potential for loss, misplacement, or misuse of funds. McGuire Air Force Base officials have issued instructions requiring that cash receipts be deposited no later than 1 working day after they are received.

NEED TO IMPROVE CONTROLS  
OVER ACCOUNTS RECEIVABLE

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (2 GAO 12.4) states that accounts receivable

should be recorded accurately and promptly upon completion of the acts which entitle an agency to collect the amounts involved. Accounting for receivables is an important form of control; it provides a systematic record of amounts of cash due that must be collected.

The responses to the questionnaire indicated that, at the accounting stations we visited, controls over receivables generally complied with GAO and Air Force regulations. The responses, however, identified the following minor weaknesses at Kirtland and Travis Air Force Bases.

At Kirtland, the base's civil engineer office used a manual system to compute utility charges and prepare related statements for use in billing non-Air Force customers. The base's accounting and finance office, after receiving the statements from the civil engineer office, bills the customers and records the amounts billed as receivables. However, no procedures were developed for ensuring that all statements were received from that office. Utility charges for the 3-month period we reviewed totaled about \$1.6 million to 33 non-Air Force users. MAC headquarters officials said the situation at Kirtland was not representative of other bases. They said that the manual system should be adequate if Kirtland officials follow prescribed procedures. Headquarters officials agreed to emphasize the need to follow the procedures.

At Travis Air Force Base, officials did not know the dollar amount of receivables written off as uncollectible. They were authorized to write off amounts up to \$25; larger amounts were to be transferred to the Air Force Finance Center for collection. Records showing that these procedures were being complied with did not exist. Travis Air Force Base officials, after being informed of this, agreed to keep the records needed to assure both effective control over receivables and proper handling of those receivables deemed uncollectible at the Base level.

NEED TO LIMIT FUND LEVELS  
FOR IMPREST-TYPE FUNDS

Air Force disbursing officers normally hold cash outside the Treasury for such things as miscellaneous payments, making change, payrolls, and delivery to other accountable officers. Such funds are known as "cash held at personal risk" and include money advanced to imprest funds for cash payment of small purchases and for advances to employees for authorized expenditures. Rules controlling disbursements from both these

funds are the same, and for simplicity, both will hereafter be referred to as imprest-type funds.

According to the GAO Policy and Procedures Manual for Guidance of Federal Agencies (7 GAO 27.4), imprest-type funds should be limited to the amount necessary for normal disbursements. Air Force directives set the limit at amounts needed to satisfy from 3 days' to 1 month's disbursement needs depending on how long it takes to get funds to the disbursing office for estimated daily cash needs.

MAC headquarters has set the maximum authorized imprest-type fund level for all its bases at the amount necessary to meet 3 days' disbursement needs. We found, however, that three bases held funds in excess of disbursement needs although their authorized fund levels, as discussed below, met MAC requirements. Another base we visited did not have sufficient records to determine if fund levels exceeded needs.

Rhein-Main Air Force Base in West Germany was authorized a \$267,000 imprest-type fund which is divided between Deutsche marks (\$200,000) and dollars (\$67,000). At the time of our visit, the daily average disbursements in dollars totaled only about \$9,400; the average monthly bills paid from the Deutsche marks fund totaled about \$150,000. After discussing these excess fund amounts with appropriate accounting and finance officers, we were told that MAC headquarters approved a reduction of Rhein-Main's authorized fund level to \$164,000.

Norton Air Force Base was authorized a \$76,595 imprest-type fund that the accounting and finance officer reduced to \$57,595. Yet, this lower amount still appeared to be too high based on disbursements made during July 1978. Comptroller officials at MAC headquarters said that some of the money was needed for contingencies and unknown requirements and contended that the fund should not be reduced since it was already 25 percent below the Air Force standard.

The imprest-type fund at Lajes Air Force Base in the Azores has apparently never reached its authorized level of \$382,000. For example, during August 1978, the fund ranged from \$141,000 to \$293,000. The fund was authorized to hold excessive cash because there is no banking facility at Lajes and it takes about 3 weeks to process a replenishment voucher through the New York Federal Reserve Bank. Comptroller officials at MAC headquarters said that a request for a banking facility at Lajes was sent to USAF headquarters, and if it is approved, the authorized fund level should be reduced.

At McChord Air Force Base, the monthly imprest-type fund disbursements were not monitored to determine if fund amounts were adequate. Without a systematic review of disbursements and frequency of replenishments, the base finance officer could not determine if authorized amounts exceeded needs. During our visit, McChord's accounting and finance officer instituted a quarterly review to establish the amount of cash needed in the imprest-type fund and said that the authorized level will be adjusted when appropriate.

NEED TO EXPLAIN LOST  
DISCOUNTS IN WRITING

The GAO Policy and Procedures Manual (7 GAO 24.8) requires that (1) procedures be established to ensure prompt processing of invoices so that payments can be made within the time prescribed and (2) failures to take discounts are fully explained. Air Force directives require lost discounts to be explained on the voucher. Such a record enables the disbursing office to take corrective action to prevent future losses. We found that these requirements were followed at most bases we reviewed; however, we noted minor problems at two bases where lost discounts were not always fully explained on payment vouchers.

At Travis Air Force Base the extent of lost discounts was not known. Therefore, officials there did not know if losses were significant or if reasons for lost discounts could be corrected. Since our visit to Travis, discounts have been reported monthly to the accounting and finance office and, therefore, problems causing lost discounts can be identified and corrected.

At the time of our visit to McChord Air Force Base, a backlog existed in the payment of vouchers that probably contributed to the loss of discounts. Of the 104 paid vouchers we sampled, we found 3 with lost discounts totaling \$44.68; no reasons were stated on the vouchers for these losses. Subsequently, MAC officials said that the backlog had been eliminated, and lost discounts are now generally documented.

NEED TO ADEQUATELY  
DOCUMENT OBLIGATION ESTIMATES

GAO's Policy and Procedures Manual for Guidance of Federal Agencies provides guidance for Federal agencies to follow in recording obligations. Among other things, the Manual requires agencies to estimate the amount of an obligation if the exact amount is not known when it is incurred,

and to show on the obligating document the basis for and computation of the estimate (7 GAO 17.1). Recording this information helps ensure consistent application of established estimating methods and provides management with a basis for evaluating the reliability of the methods used.

We observed that 10 of the accounting stations we visited were not complying with the GAO requirement when estimating amounts of obligations. This problem was discussed with MAC headquarters officials who agreed to include enough information on obligating documents so that the estimates can be fully evaluated.

SUMMARY OF OBSERVATIONS  
AT 12 MILITARY AIRLIFT COMMAND ACCOUNTING STATIONS

Accounting stations

Air Force Base

Weaknesses noted

Collections not logged in upon receipt

Duties of persons handling collections not adequately divided

Receipt logs not verified daily with collection vouchers

Collections not promptly deposited

Controls over billing and recording receivables are inadequate

Writeoffs and transfers of uncollectible amounts not recorded

Authorized imprest-type fund levels not commensurate with need

Imprest-type fund disbursements not monitored

Lost discounts not recorded

Lost discounts not documented

Estimated obligations not adequately supported

	Kirtland	Travis	Lajes	Dover	McGuire	Rhein-Main	Norton	McChord	Scott	Little Rock	Charleston	Pope
Collections not logged in upon receipt				X								
Duties of persons handling collections not adequately divided			X									
Receipt logs not verified daily with collection vouchers					X							
Collections not promptly deposited					X							
Controls over billing and recording receivables are inadequate	X											
Writeoffs and transfers of uncollectible amounts not recorded		X										
Authorized imprest-type fund levels not commensurate with need			X			X	X					
Imprest-type fund disbursements not monitored								X				
Lost discounts not recorded		X										
Lost discounts not documented								X				
Estimated obligations not adequately supported	X			X	X	X	X	X	X	X	X	X