

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Legislative Liaison, a record of which is kept by the Distribution Section, Publications Branch, OAS

B-169144  
5-1-70

089883



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

RELEASED

A. G. Gort.

RELEASED

B-169144

MAY 1 1970



Dear Mr. Chairman:

Further reference is made to your request of February 17, 1970, that we make an audit of the purchases of the District of Columbia Government (District) to determine the extent that time discounts are realized.

In the District there are over 50 departments or agencies that order and/or receive goods or services. After delivery has been made, the department or agency receiving the goods or services verifies the quality and quantity of goods or services received and prepares the payment voucher. The voucher is then sent to the Finance Office, Department of Finance and Revenue, where an audit of the voucher is made before it is certified for payment.

An official in the Finance Office informed us that it was the responsibility of the department preparing the voucher to record the applicable discount terms and that the Finance Office, as part of its audit, verifies the discount terms against the terms of the contract and/or the invoice. A monthly report is prepared by the Finance Office showing only the amount of time discounts realized.

A District official informed us that the vouchers paid in February 1970 were considered typical of the District's monthly activity. Thus, we examined all vouchers paid during February and, for those vouchers which indicated that discounts were offered, we compared the amount of the discount per the terms stated on the vouchers with the amount of the discount taken. This examination covered about 11,490 vouchers and showed that discounts totaling \$24,935 were offered on 1,469 vouchers. We found that the District took the discounts on 972 vouchers (66 percent) and realized \$21,175 (85 percent) of the discounts offered. Thus, this test shows that the District lost \$3,760 in discounts on vouchers paid during February 1970.

It is significant to point out that of the remaining 497 vouchers on which the discounts were not taken, 182 were, according to the date on the vouchers, paid within the discount period. The discounts lost on these vouchers amounted to \$1,453 or about 40 percent of the amount lost on vouchers paid during the month. Also, we found that 123 vouchers were paid within 15 days after the discount period. The discounts applicable to these vouchers amounted to \$741.

9-15718 | 089883

B-169144

In B-157824, dated January 25, 1966 (45 Comp. Gen. 447), the Comptroller General held that while a certifying officer is not pecuniarily liable for amounts lost for failure to certify a voucher within a time discount period, the certification of a voucher in the full amount when the Government is entitled to take a discount constitutes a "false, inaccurate, or misleading" certification under 31 U.S.C. 82c and the certifying officer is liable for the amount of the discount lost.

The District of Columbia Code (47 D.C. Code 120a) states, in part, that the auditor of the District of Columbia, or any employee in that office duly authorized in writing who certifies a voucher, shall be held responsible for and required to make good to the United States or to the District of Columbia the amount of any illegal, improper, or incorrect payment resulting from any false, erroneous, or misleading certification made by him. The functions of the auditor relating to the certifying officer and employees were transferred to the Accounting Division of the Finance Office by Reorganization Order No. 3 under the authority granted to the Commissioner by Reorganization Plan No. 3 of 1967. Accordingly, the rule of 45 Comp. Gen. 447 is applicable to the District and its certifying officer may be held liable for the amount of discounts lost on those vouchers paid within the discount period.

To test the accuracy of the discount terms recorded on the vouchers, we selected 150 vouchers paid on February 2, 1970, which were identified with specific contracts and compared the discount terms offered by the contracts, if applicable, with the discount terms recorded on the vouchers. We found 40 instances where the contracts had offered discounts, however in 18 instances the discount terms were not recorded on the voucher. The discounts lost on these 18 vouchers amounted to \$447. Further, we found that 7 of the 18 vouchers were paid within the discount period. Thus, our test of one day's activity showed that the amount of discounts lost for February 1970 was larger than the \$3,760 shown above.

Attached to your request was correspondence between you and the Commissioner of the District of Columbia regarding lost discounts between January and December 1969 on one contract between the District and a local optical firm. In a letter to you dated February 3, 1970, the Commissioner stated that a heavy workload and financial restraints caused by the delay in the fiscal year 1970 appropriation were the reasons for not taking advantage of the 5 percent discount offered by the local optical firm.

The fiscal year 1970 appropriation act for the District was approved in December 1969 and our review covered the vouchers paid during February 1970. Although the reasons advanced by the Commissioner may have delayed payments to the local optical firm, we believe that they are not the basic reasons why the District did not take full advantage of discounts offered.

In our opinion, some discounts were lost because of improper supervision and review of the payment activity. We believe that these reasons are particularly applicable to those cases where (1) vouchers were paid within the discount period and the discount was not taken and (2) the discount terms were not recorded on the voucher. Further, our discussions with officials from four of the larger District departments revealed that only one department has special procedures for identifying and expediting the processing of the vouchers which offer time discounts. We believe that the implementation of such procedures, in each department, would result in additional discounts realized since many vouchers that we examined were paid from 1 to 15 days after the discount period.

In our opinion, District officials should make additional efforts to take advantage of time discounts. We believe that procedures should be established, in each District department or agency, to expedite the preparation and processing of vouchers on which time discounts are offered. Also, we believe that the Finance Office needs to strengthen the supervision and review of the payment activity by ascertaining that (1) discount terms offered by the contract or vendor's invoice are recorded on the voucher for consideration at the time of payment and (2) discounts are taken when payments are made within the discount period.

The preparation of a periodic report showing discounts lost, and the reasons therefor, would enable District officials to appraise the progress being made in strengthening procedures in this area as well as decide whether further action is necessary.

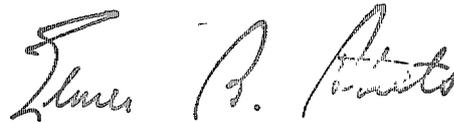
- - - -

We have not discussed our findings with District officials. We therefore request that you advise the Commissioner, District of Columbia Government, as to the results of our review. We will furnish the appropriate District officials with a detailed listing of those vouchers paid within the discount period, but on which the discount was not taken, so that recovery action may be initiated.

B-169144

We plan to make no further distribution of this letter unless copies are specifically requested, and then only after agreement has been obtained or public announcement has been made by you concerning its contents.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James P. Smith".

Comptroller General  
of the United States

The Honorable John S. Monagan  
Chairman, Special Studies Subcommittee  
Committee on Government Operations  
House of Representatives