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UNITED STATES GENERAL ACCOUNTING OFFICE  
INTERNATIONAL DIVISION  
FAR EAST BRANCH  
1833 KALAKAUA AVENUE  
HONOLULU, HAWAII 96815

JUN 18 1969

Commander in Chief  
Pacific Air Forces  
Hickam Air Force Base,  
Hawaii 96553

DLG05584

Attention: Comptroller

Dear Sir.

We have completed our initial work in connection with our survey of the implementation of the accounting system for operations within the Pacific Air Forces (PACAF). Our survey was performed at the following PACAF installations:

1. Fifth Air Force, Headquarters, Fuchu Air Station, Japan
2. 6100th Support Wing, Tachikawa Air Base, Japan

This is part of a continuing review of the implementation of the accounting systems for operations within the Department of Defense. We plan to continue work on this survey at other PACAF locations, and it is probable that we will perform additional work at your Headquarters as the survey progresses.

The purpose of this letter is to convey our observations on those portions of the system which we have examined. We performed our work during the period February to April 1969.

BUDGETING AND ACCOUNTING AT  
FIFTH AIR FORCE FOR CIVILIAN  
PERSONNEL IS IN NEED OF IMPROVEMENT

We observed that all direct civilian personnel costs for Fifth Air Force installations are budgeted for and charged to the 6100th Support Wing. The Wing provides centralized accounting and paymaster functions for PACAF civilian employees. We were informed that about half of these costs or approximately \$25 million for FY 1969 are attributable to other subordinate Fifth Air Force operating budget recipients. As a result,

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expenses charged to the Wing are significantly overstated, and the expense authority given and expenses charged to other operating budget recipients are understated.

We also observed that, although the reimbursement program expense authority for civilian labor is issued to subordinate operating budget recipients, all of the expenses incurred are charged to the 6100th Support Wing. We believe that this practice results in a distortion of reported expenses and makes comparisons of operating budget authority and expenses incurred difficult and misleading.

In view of the above we recommend that Fifth Air Force establish procedures to budget for and charge civilian personnel expenses to those operating budget recipients which are the benefiting organizations. We advised Fifth Air Force officials of our recommendation and they agreed in principle with our recommendation and informed us that a study of this problem would be initiated.

EXPENSES INCURRED UNDER INTERSERVICE  
SUPPORT AGREEMENTS WERE NOT RECORDED  
IN A TIMELY MANNER

The 6100th Support Wing has two interservice support agreements (ISSAs) under which the Army and Navy provide various maintenance and logistical services to Air Force operated dependent schools. We found that the expenses incurred under these ISSAs were not being recorded in a timely manner because accounting personnel waited for late arriving billing documents before recording the transactions. During our survey, we recommended that the Wing expedite the accounting for ISSAs by recording monthly estimates of the expenses.

At the time of our survey, the Wing's practice was to record the transactions at the time billing documents were received from the supporting services. As of March 31, 1969, the most recent billing document received for the Army ISSA was for services performed during January 1969, and therefore, recorded expenses were two months in arrears. Further, no expenses had been recorded for the Navy ISSA at March 31, 1969. Wing officials informed us that attempts to obtain prompt expenditure advice from the Army and the Navy had been unsuccessful.

At the conclusion of our survey, we recommended that procedures be amended to provide for the recording of monthly estimates of the expenses. Under this procedure, recorded expenses would be adjusted as actual billing documents are received. Wing officials agreed with our recommendation and stated that a procedure along the lines of our recommendations would be instituted.

INCORRECT USE OF COST CENTER  
AND ELEMENT OF EXPENSE CODES

We also noted transactions in which incorrect cost centers and elements of expense were being charged. During our survey, we brought these to the attention of accounting officials and, in most cases, corrective action was initiated. Examples of those errors that were of a recurring nature are shown below.

1. Purchase requests for the maintenance of dependent schools real property were incorrectly coded with a Base Civil Engineer cost center code rather than the dependent school code.
2. Wing provided maintenance support for hospital vehicles was incorrectly charged to the element of expense code intended for maintenance received from sources outside the Department of Defense. Air Force regulations provide an appropriate element of expense for the costs of maintenance received from DOD activities.

NEED FOR LOCAL INSTRUCTIONS FOR  
GENERAL LEDGER ACCOUNTING

We found that local operating instructions for general ledger accounting entries had not been prepared, and as a result, accounting personnel were forced to operate from Air Force regulations which did not provide detailed procedures. This lack of adequate instructions caused misunderstandings and errors. We brought this to the attention of Wing officials and they informed us that operating instructions would be prepared. Examples of operating errors were:

1. The equipment-in-use accounts have not been reconciled to priced out equipment records.
2. Expensed construction and expensed equipment accounts had not been established.

3. The subsidiary account "Material-in-Stores, Ammunition" did not agree with the inventory balance reflected on source documentation.

Action was also initiated to correct these errors.

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Copies of this letter will be made available to the Assistant Secretary of the Air Force (Financial Management) by our Office in Washington, D. C.

We would like to express our appreciation for the cooperation extended to our staff during this survey. We will be glad to discuss these matters further if you so desire and would appreciate receiving any comments you may have concerning the above matters. If we can be of assistance to you in implementing the system, please advise us.

Sincerely yours,

  
C. Roman  
Director