

092733



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

JAN 14 1969

Commander in Chief  
United States Army, Pacific  
Fort Shafter, Hawaii 96558

Attention: Comptroller

Dear Sir:

We have completed our initial work in connection with our survey of the implementation of the accounting system for operations at the Headquarters, United States Army, Pacific (USARPAC). This is part of a continuing review by the General Accounting Office of the implementation of the system within the Department of Defense. Our review is being performed pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). We plan to continue work on this survey at other USARPAC 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 examined to date. As part of our USARPAC survey we also performed work at Fort Shafter and at the Headquarters, United States Army, Hawaii (USARHAW), Schofield Barracks in Hawaii during the period October - December 1968.

We found that generally USARPAC was proceeding satisfactorily with implementation of the system and has complied with the Department of Defense and Department of the Army instructions for the accounting system for operations. However, we noted some problems related to implementation which are summarized below.

Military personnel expense authority was not included in subcommand operating budgets

Military personnel expense authority was excluded from USARPAC subcommand operating budgets for fiscal year 1969. We were informed at USARPAC that this exclusion was considered appropriate since the subcommands could not be expected to budget for military expense authority when they did not have control over troop movements. We brought this

~~714864~~ **092733**

r to the attention of the Department of the Army (DA) and we were advised that this procedure would be corrected. Subsequently, we were advised that USARPAC subcommand budgets would include military personnel expense authority beginning with the third quarter of the fiscal year.

Prior year undelivered orders were not considered in formulating the fiscal year 1969 budget nor expensed at the time supplies or services were received

The DA instructions for the preparation of the fiscal year 1969 Command Operating Budget (COB) stated that (1) differences between obligations and expenses caused by changes in the estimated levels of beginning and ending balances of undelivered orders for supplies and contracts were to be recognized in the COB and (2) deliveries of prior year undelivered orders were to be expensed in the period in which delivered. Subsequently, instructions for the preparation of the Budget Execution Review reemphasized that resources consumed in fiscal year 1969 are expenses of that year regardless of the year in which obligated.

We found, however, that undelivered orders obligated during prior years but delivered during fiscal year 1969, were not considered in developing the change in undelivered orders and direct expense portions of the budget by either USARPAC or USARHAW nor were they being expensed in fiscal year 1969 as the supplies and services were received. This action was apparently decided upon because of the doubt expressed by responsible officials of both commands as to whether such deliveries should be re-expensed during this first year under the accrual basis of accounting since they had already been expensed in previous periods.

We believe that the provisions contained in the DA instructions for handling prior years undelivered orders are in accordance with the Office, Secretary of Defense (OSD) guidelines and if properly implemented should aid in reflecting an accurate record of operations. To indicate the significance of the effect this has upon the USARHAW program, we noted that prior year undelivered orders applicable to fiscal year 1969 amounted to \$2.5 million as compared to a budget of \$43 million for Operations and Maintenance.

Undelivered orders under \$10,000 were being obligated and expensed simultaneously

The Procedures Manual for Resource Management at Class I Installations for FY 1968, DA Pamphlet 37-5, March 1967, provided for the simultaneous obligation and expensing of undelivered orders under \$10,000. However, current DA procedures do not prescribe a dollar criteria but adhere to the OSD concept of expensing at the time goods or services are received.

During our survey, we found that USARHAW had adopted the former procedure and was expensing orders under \$10,000 at the time of obligation regardless of the period of delivery.

In order to provide for uniform treatment of undelivered orders throughout the Army, we believe that USARPAC and its subordinate commands should conform to the current DA procedure of expensing at the time goods or services are received.

Military personnel expense data  
not forwarded in a timely manner

Military personnel expense data applicable to USARHAW activities were not being forwarded in a timely manner to the Finance and Accounting Office at Fort Shafter. As a result, the consolidation of information for the status of the Operating Budget Report was delayed. We believe that the practice of having each of the 79 USARHAW cost centers individually forward these data has contributed to this problem.

- - - -

Copies of this letter will be made available to the Assistant Secretary of the Army for 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*  
C. Roman  
Director