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



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OCT 21 1970

Dear Mr. Chairman:

In further response to your letter of January 26, 1970, we are reviewing the operation and management of nonappropriated fund activities at selected installations of the Department of Defense in the United States, Europe, and the Far East. We plan to submit an overall report to you as soon as our fieldwork is completed at all of the selected locations. In the meantime we are sending you our first individual report covering the results of our work at Clark and John Hay Air Bases in the Philippines.

At both Clark and John Hay, we examined accounting and auditing reports, tested internal controls including cash and inventory tests, reviewed applicable regulations, and held discussions with responsible officials.

Clark Air Base, located in Angeles in the Philippines, is the home base of the 13th Air Force and is operated by the 6200th Air Base Wing. At that base we reviewed operations of the Officers' Open Mess, the Noncommissioned Officers' Open Mess, the Airmen's Open Mess, and the Locker Sundry Fund which procures alcoholic beverages for authorized Government retail outlets.

John Hay Air Base, operated by a detachment of the wing, is located at nearby Baguio and serves as a rest and recreation site for military and civilian personnel and their dependents and as a conference site for various military organizations. Facilities for these activities are provided by the John Hay Consolidated Open Mess which we examined during this review.

As of the end of 1969, the four open messes at Clark and John Hay had 13,273 members. Total revenue reported by the messes during 1969 was \$7.5 million, and net profit was \$419,100. Financial statements (encs. I through XI) prepared from data developed by the Fiscal Control Office for the messes are enclosed for information purposes only, since the scope of our work was not designed for the certification of financial statements.

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The Fiscal Control Office, utilizing nonappropriated fund employees under the Comptroller, 6200th Air Base Wing, performs accounting services for the open messes and reviews the open mess internal controls and operating procedures. In general prescribed controls appear adequate, although we have found certain deficiencies in practice as discussed below.

SEVERANCE PAY AND RETIREMENT BENEFITS

The Clark open messes have substantially overstated past profits and net worth. The overstatements resulted from a deficiency in establishing reserves to fund existing liabilities for severance pay and retirement benefits for Philippine Nationals who are employees of the messes. Clark officials estimated that the liability for severance pay and retirement benefits would have been in excess of \$760,000 on July 1, 1970. At the end of February 1970, the messes had set aside only \$30,356 for severance pay and no funds for retirement.

Under an agreement most recently affirmed in 1969 between the U.S. Armed Forces and the Federation of Filipino Civilian Employees Associations in U.S. Bases in the Philippines, severance pay and retirement benefits will be paid to all eligible employees whose employment is terminated involuntarily and, in the case of retirement benefits, voluntarily.

The messes are required by Air Force regulations to fund the costs of all of their nonappropriated fund payroll, including severance pay and retirement benefits.

If the messes are unable to meet future requirements for severance pay and retirement benefits, the 13th Air Force would, under present regulations, provide a loan--and possibly a grant--for this purpose from its central mess fund. Central open mess nonappropriated funds are established at each of the various command levels and at Headquarters, United States Air Force. If the base is closed, the 13th Air Force central mess fund would assume the liabilities and resources of the messes involved. The responsibilities of the 13th Air Force central mess fund would be taken over by Headquarters, Air Force, if necessary, utilizing nonappropriated funds to meet the requirements for severance pay and retirement benefits.

The messes had been charging nothing for retirement benefits and insufficient amounts for severance pay against monthly income. For example the Airmen's Open Mess in the past generally had set

B-148581

aside \$200 a month, which resulted in a reserve of \$6,876 at the end of January 1970. Severance pay in the amount of \$17,610 was paid during February 1970 because of a reduction in force. Thus, the reserve was wiped out and February operations were charged with \$10,734 which caused the mess to show a loss of \$7,078 for February 1970.

In the past the amount of severance pay funds set aside in a given month varied with the profitability of operations for that month. Such allocations resulted in a distortion of reported profits with a correspondingly erroneous picture of operational efficiency and financial condition. Had the necessary allocations been charged against operations in the past, management probably would have incurred an operating deficit and might have been faced with the need to raise prices for food and beverages.

When we discussed this matter with the Commander, 6200th Air Base Wing, he concurred in our observations that adequate reserves should be established and stated that in the future each mess would reserve an amount equal to 10 percent of monthly wages. He estimated that, within 5 years, reserves of \$500,000 would be accumulated. Although voluntary separations which would affect the future liability are undeterminable, on the basis of the estimated liability in excess of \$760,000 on July 1, 1970, the planned reserves would still be inadequate.

#### INTERNAL CONTROLS

The recreational facilities of the John Hay Consolidated Open Mess, such as the golf course and shop, slot machines, and bingo, were being used primarily by Philippine Nationals, including distinguished Philippine political visitors, although such individuals may not use similar facilities at Clark Air Base. Also Philippine Nationals were permitted to purchase some packaged liquors. The patronage by large numbers of Philippine Nationals was responsible for the sound financial position of the John Hay mess. It was by far the most successful, from a financial point of view, of the four open messes we reviewed. (See enc. XI.)

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Although the John Hay Consolidated Open Mess constitution generally restricts membership to U.S. military and civilian personnel, guest and courtesy cards are permitted and were easily obtained by Philippine Nationals.

In a report dated December 9, 1969, the Air Force Auditor General Resident Office reported that the unrestricted use of the open mess by Philippine Nationals had existed in some degree for a number of years and that curtailment of such privileges would undoubtedly strain relationships between the Air Force and the Philippine Government. We believe that the Air Force should reexamine the advisability of continuing to allow such liberal use by Philippine Nationals of facilities established for the benefit of U.S. military and civilian personnel.

#### Inventory controls

Except for the matters discussed below, the inventory controls prescribed by the Air Force appear adequate.

At the Clark Officers' Open Mess, meat losses amounting to \$775 occurred from September 1, 1969, to February 28, 1970. Mess officials were aware of this problem and advised us that they intended to set up a stock record system in the kitchen to reduce these losses. Also the mess controls over equipment needed improvement because locations of items were not shown on property cards.

A separate set of stock record cards was being maintained for promotional items received free of charge by the Clark Airmen's Open Mess. At least 350 free cases of one particular brand of beer were received during 1969 and were issued in some instances without the necessary approval signature and in other instances the approving official was also the receiving official. Also in a few cases at the Clark Airmen's Open Mess there was no record of the location of equipment.

#### Cash controls

Except for the matters discussed below, cash controls prescribed by the Air Force appear adequate to protect cash assets and to provide proper reporting of cash transactions. Nevertheless violations of these procedures had been noted in past audit reports by the Fiscal Control Office and in our own observations. In addition mess officials felt that there was an indeterminable amount of pilferage by waiters and bartenders. From our observations, however, the weakest area of cash control involved slot machines.

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With respect to slot machines, we found that:

- An unauthorized type of machine was in use.
- Many of the machines returned less than the 80-percent return to the players required by 13th Air Force and Pacific Air Forces regulations.
- Slot machine meter readings were being recorded but, because of questionable accuracy, the data were not being used for cash control purposes.
- Prescribed coin collection procedures could be strengthened.

We also noted that, at the John Hay Open Mess, annual slot machine income had increased \$134,000 from 1968 to 1969. This increase occurred after base officials discovered that (1) several employees, in collusion, had altered jackpot payout records to cover their theft of funds in 1968 and (2) coins had been stolen from machines by mess employees after closing. These employees have been prosecuted in accordance with applicable laws or regulations, and appropriate changes have been made in operating procedures to attempt to prevent the recurrence of thefts of these types.

Type of slot machines in use

The open messes had two basic types of machines--the automatic jackpot machine and the guaranteed jackpot machine. An automatic jackpot machine pays jackpots mechanically, whereas the guaranteed jackpot machine does not and the winner must collect the jackpot from a cashier. Smaller payouts are made mechanically by both types of machines.

The 13th Air Force regulations governing the open messes require that all slot machines be of the guaranteed jackpot type, since this type of machine does not require the accumulation of large amounts of coins for automatic jackpot payouts. The regulations provide that, because of the cost of buying new machines, automatic jackpot machines in use may be modified to the guaranteed jackpot type. Nevertheless the preponderance of machines in use in the Clark open messes were of the unmodified automatic jackpot type. The automatic jackpot slot machines in the John Hay Consolidated Open Mess recently had been converted to the guaranteed jackpot type.

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B-148581

The control advantage of metering all coins played and all coins paid out is a feature which may be added to either type machine. Contrariwise a manufacturer of slot machines has stated that meters are not wholly reliable, may be easily tampered with, and should be used only as a guide.

We believe that adequate control over slot machines can be achieved only by close adherence to the surveillance prescribed by Air Force regulations. Such surveillance includes the presence of a disinterested witness who is knowledgeable of slot machines, along with a club official, whenever machines are opened; the verification of jackpots and approval of jackpot payouts by a club official; the witnessing of jackpots and jackpot payouts by a disinterested third party; the adequate identification of jackpot payout recipients and witnesses; the payment of jackpots by a cashier; and test confirmations of jackpot payouts at a later date by sending a form letter to the persons on record as having received the jackpot payout.

#### Coin collection and counting procedures

A different disinterested noncommissioned officer is assigned daily to verify the collection of coins from the slot machines. On the basis of our observations, we conclude that coin collection procedures prescribed by the open messes can be strengthened by (1) establishing uniform procedures among the various messes, (2) closing the machine rooms to patrons during coin collection to avoid interference with the operation, and (3) ensuring that the coin counter has no other duties, such as recording meter readings, resetting meters, and carrying keys, so that he can devote full attention to his job.

#### Purchasing controls

Although the purchasing controls prescribed in Pacific Air Forces regulations and open mess standing operating procedures appear to be generally adequate, we have noted certain procedures which require strengthening. The open messes made imprudent purchases of consumable supplies and disregarded Pacific Air Forces standards for entertainment expenses. It appears that these instances are due to the relative independence of the messes. Consequently the 6200th Air Base Wing is currently planning to establish a nonappropriated fund procurement office to centralize procurement of supplies and services for the three open messes and other nonappropriated activities at Clark.

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Consumable supplies

During calendar year 1969 the three open messes at Clark received approximately \$3.3 million in goods for consumption and resale. Although there is an established procedure for review and approval of property and equipment purchases over \$250 there is no such restriction on the purchase of supplies.

We noted references in past internal audit reports, prepared by the Fiscal Control Office, to wasteful procurements. Also we were advised that liquor salesmen visited the club custodians to push their products by offering incentives such as bar accessories and promotional items. The locker fund manager (see p. 12) has informed us that it is not necessary for the salesmen to visit the installations since purchases should be based on past usage. He has stated that, as a result of salesmen visiting the clubs, orders have been placed by the open messes for merchandise which does not sell well.

As an example, the Airmen's Open Mess, in June 1968, ordered 1,150 cases of liquor in decanter-type bottles at a total cost of \$25,645. As of December 1969 there were 631 cases of this liquor in the storeroom valued at \$10,149, which represented approximately one third of the total liquor inventory, and only about 60 cases had been sold during the previous 6 months. There was no evidence that the purchase request or the purchase order, which were both submitted and approved by an assistant club custodian who is no longer stationed at Clark, had been approved or reviewed by either the open mess custodian or the Fiscal Control Office.

Entertainment expenses

Although Pacific Air Forces headquarters had established an optimum goal for open mess entertainment expenses of 15 percent of sales, there were variations from this standard. In 1969 the Clark Officers' Open Mess having sales of \$1,921,300 spent \$167,100, or 9 percent, for entertainment; the Clark Airmen's Open Mess having sales of \$1,189,200 spent \$224,500, or 19 percent, for entertainment.

Construction controls

We have been advised that no appropriated fund construction projects for open messes in excess of \$10,000 have been completed since January 1, 1967. Nonappropriated fund construction, renovation,

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and improvement projects of \$5,000 or more totaled \$222,000 during the period January 1967 through January 1970. This work was accomplished by the open messes using their own staffs of maintenance personnel or paying contractors, off-duty appropriated fund civilians, or off-duty military personnel. The cost to each activity was as follows:

| <u>Activity</u>                              | <u>Cost</u>      |
|--|------------------|
| Clark Officers' Open Mess                    | \$109,700        |
| Clark Noncommissioned Officers'<br>Open Mess | 50,700           |
| Clark Airmen's Open Mess                     | 61,600           |
| John Hay Consolidated Open Mess              | <u>-</u>         |
| Total  | <u>\$222,000</u> |

Normally work requests are prepared for nonappropriated fund projects and sent to the Base Civil Engineer for review, approval, and preparation of a work order. Nevertheless certain projects which lacked approved work orders were not recorded on the property records of the Base Civil Engineer. For example no work request or work order supported the construction of a patio area and a snack bar counter at the Clark Officers' Open Mess which was accomplished in July 1967 at a cost of \$83,900.

#### Idle funds and investments

Air Force policies provide that cash in excess of current requirements normally be invested in U.S. Government securities. Bank savings accounts or certificates of deposit are also authorized, particularly where convenience or prompt liquidity are major factors. Generally interest rates on bank investments are much less than those rates paid on Government securities.

Open mess activities at Clark Air Base and John Hay Air Base had the following amounts deposited in interest-bearing bank accounts as of the end of their respective fiscal years in 1969:

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| <u>Activity</u>                              | <u>Total</u>     |
|--|------------------|
| Clark Officers' Open Mess                    | \$ 53,900        |
| Clark Noncommissioned Officers'<br>Open Mess | 195,900          |
| Clark Airmen's Open Mess                     | 112,700          |
| John Hay Consolidated Open Mess              | <u>385,800</u>   |
| Total  | <u>\$748,300</u> |

In addition the John Hay Consolidated Open Mess, as of December 1969, had investments of \$20,000 in U.S. Government Bonds and a non-interest-bearing loan receivable from the Clark Officers' Open Mess in the amount of \$34,750. (See p. 11.)

In January 1970 the Comptroller, 6200th Air Base Wing, recommended that the John Hay Consolidated Open Mess invest an additional \$100,000 in time deposits. This was not done since, as discussed on page 11 of this report, the directed transfer of \$135,000 from the John Hay Consolidated Open Mess to the Pacific Air Forces Central Open Mess Fund for a Clark Officers' Open Mess grant/loan will utilize the excess cash.

#### ADEQUACY OF FINANCIAL REPORTING OF OPERATIONS

The reports of operation and the statements of financial condition of the open messes at Clark were significantly distorted by nondisclosure of, and lack of provision for, the contingent liability of \$760,000 for retirement benefits and severance pay. The John Hay Consolidated Open Mess financial reporting is generally adequate except for the reporting of bingo profits as discussed below. Nevertheless the financial reporting requirements established by the Air Force appear to be adequate and, when accurately met, should result in a reasonable presentation of the financial condition and operations of the open messes.

The Fiscal Control Office at Clark and its branch at John Hay maintained all accounting and payroll records; prepared reports and financial data; and analyzed and reviewed financial operations and controls. The participating nonappropriated fund activities performed basic operational and clerical duties and prepared consolidated daily reports which were transmitted to the Fiscal Control Office.

At the John Hay Consolidated Open Mess, costs had been improperly allocated to the bingo operation to reduce the amount of reported profit. For example in the month of December 1969 the bingo operation was reported to have a net loss of \$1,939. If certain charges

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B-148581

unrelated to bingo, such as operating expenses for supplies and expendable equipment and salaries of waiters and certain other employees, had not been allocated to the bingo operation, it would have shown a net profit of \$2,668 for the month. Air Force Manual 176-3 states that "Bingo should not realize a large net profit\*\*\*." Although the net profit from bingo at the John Hay Consolidated Open Mess was reported as \$3,905 for the year ended December 20, 1969, we estimated that, had operating expenses not been improperly allocated, the net profit for the bingo operation would have been about \$22,800.

The practice of improperly allocating costs to the bingo operation was discontinued in February 1970.

#### APPROPRIATED FUND SUPPORT

Fifteen military personnel, including one lieutenant and 14 enlisted men, and one civilian, grade GS-12, were assigned full time to the operation of Clark and John Hay open messes at an annual salary cost of about \$134,000. Reliable estimates of other appropriated fund support to nonappropriated fund activities were not available. Property lists of the Base Civil Engineer showed that real estate for nonappropriated fund activities at Clark Air Base was valued at \$4.8 million and \$875,000 at John Hay Air Base. It was not possible to determine what portion of these amounts had been funded from appropriated funds.

Reports by the Base Civil Engineer indicated that appropriated fund maintenance costs for nonappropriated fund activities at Clark Air Base were about \$200,000 for fiscal year 1969. An accurate estimate of utilities provided is not available, inasmuch as the Department of Defense has decided that utilities will be provided free of charge to overseas open messes and no records of such usage have been maintained.

In addition the Air Force Auditor General and the Air Force Inspector General provided auditing support to the Clark and John Hay open messes at an indeterminate cost to appropriated funds.

At the John Hay Consolidated Open Mess, the nonappropriated fund activities provided personnel who worked in the Base Transportation Section, Administrative Section, Civil Engineering Section and Security Police. Although these personnel did work for both nonappropriated fund activities and appropriated fund activities, their salaries, totaling \$48,000 per year, were paid from nonappropriated funds. The Commanding Officer, John Hay Air Base, informed us that the base could not be maintained in its present condition without this support from the nonappropriated fund activities.

ASSESSMENTS, MAJOR GRANTS, AND  
LOANS MADE OR RECEIVED

The open messes ordinarily are assessed one percent of gross income for the U.S. Air Force and Pacific Air Forces Central Open Mess Funds. Assessments made in 1968 and 1969 were as follows:

| <u>Activity</u>                | <u>1968</u>     | <u>1969</u>     |
|--------------------------------|-----------------|-----------------|
| Clark Air Base                 |                 |                 |
| Officers' Open Mess            | \$23,800        | \$23,700        |
| Noncommissioned Officers'      |                 |                 |
| Open Mess                      | 26,200          | 28,000          |
| Airmen's Open Mess             | 16,300          | 15,900          |
| John Hay Air Base Consolidated |                 |                 |
| Open Mess                      | <u>10,700</u>   | <u>12,400</u>   |
| Total                          | <u>\$77,000</u> | <u>\$80,000</u> |

Of the four open messes we examined, only the Clark Officers' Open Mess had received any grants or loans from the Pacific Air Forces Central Open Mess Fund after January 1, 1967. The Clark Officers' Open Mess received a combination loan/grant from the Pacific Air Forces Central Open Mess Fund in February 1970. The money was to finance construction of an air-conditioned enclosure for an existing patio and to furnish and equip the new facility. The financial arrangements involved a grant of \$84,000 and a loan of \$84,000 for a total of \$168,000. These arrangements were to be financed indirectly by the John Hay Consolidated Open Mess which was directed by the Pacific Air Forces Central Open Mess Fund Council to transfer \$135,000 in cash and to assign a \$33,000 loan receivable from the Clark Officers' Open Mess to the Central Open Mess Fund. The Central Open Mess Fund was to provide the \$135,000 in cash to the Clark Officers' Open Mess and the mess would be required to repay only the \$84,000 loan to the Central Open Mess Fund.

The Pacific Air Forces Central Open Mess Fund is authorized by Air Force regulations to make grants and loans to certain nonappropriated fund activities.

The Central Open Mess Fund Council, from January 1, 1967, to May 6, 1970, has made loans of \$1,568,500 and grants of \$445,700 to open messes and other nonappropriated fund activities in the Pacific area, such as aero clubs and golf clubs.

B-148581

| <u>Activities</u>             | <u>Grants</u>    | <u>Loans</u>       | <u>Total</u>       |
|-------------------------------|------------------|--------------------|--------------------|
| Officers' Open Messes         | \$258,400        | \$ 980,400         | \$1,238,800        |
| Enlisted Men's Open<br>Messes | 156,200          | 376,100            | 532,300            |
| Other                         | <u>31,100</u>    | <u>212,000</u>     | <u>243,100</u>     |
| Total                         | <u>\$445,700</u> | <u>\$1,568,500</u> | <u>\$2,014,200</u> |

The above grants and loans were based on 48 approved actions arising from 51 applications which originally totaled \$2,736,400.

EVALUATION OF AUDITS AND FOLLOW-UP  
OF AGENCY ACTIONS

The Fiscal Control Office (see p. 2) performed 32 audits—unannounced cash counts and semiannual reviews—of the Clark and John Hay open messes from January 1, 1968, through February 25, 1970.

In addition the resident staff of the Air Force Auditor General and the 13th Air Force Open Mess Assistance Team performed audits and the Inspector General's Office of Special Investigation performed special reviews.

These audits and reviews have been effective in identifying problem areas in operations of nonappropriated fund activities. The recommendations made by the audit teams to correct the problems, however, have not always been adequately considered and applied to the messes by management. One notable example is the lack of control over slot machine operations. Since January 1968 the Fiscal Control Office has recommended in eight separate audit reports that slot machine controls at open messes be strengthened. In addition the resident Air Force audit staff reported on a comprehensive review of slot machine controls in December 1969 and made a number of recommendations to improve operations. Despite these reports, control procedures are still inadequate, as discussed on pages 5 and 6 of this report.

CLARK LOCKER SUNDRY FUND

The Clark Locker Sundry Fund was established to provide various authorized governmental retail outlets with a source for procuring alcoholic beverages. The bulk of the locker fund's sales are to open messes. The financial statements (encs. IX and X) prepared from data developed by the Fiscal Control Office for the locker fund are enclosed for information purposes only, since the scope of our work was not designed for the certification of financial statements.

B-148581

Profits of the locker fund were distributed as follows: 60 percent to the Clark Air Base Central Base Fund, 20 percent to the 13th Air Force Subcommand Welfare Fund, and 20 percent remained in the locker fund as working capital. This distribution had been in effect since September 1968. Beginning July 1, 1970, the distribution ratio was to have been changed to 20 percent to the Clark Air Base Central Base Fund and 60 percent to the 13th Air Force Subcommand Welfare Fund.

#### Cash controls

Reports of cash counts made by the Fiscal Control Office during the period March 1968 through November 1969 disclosed no discrepancies in the cash controls of the locker fund.

#### Purchasing

The locker fund ordering procedure is based on a combination of prior demand experience and individual suppliers' lead times. With the exception of the matters discussed on pages 6 and 7 of this report, these procedures appear to be operating satisfactorily.

#### CONCLUSIONS

Various Air Force manuals and regulations, as augmented by instructions from Headquarters, Pacific Air Forces; Headquarters, 13th Air Force; and the 6200th Air Base Wing, prescribe procedures to safeguard resources and promote operational efficiencies of open messes. These procedures include accounting, reporting, and operating policies and auditing requirements which have been applied, for the most part, by the messes and surveillance organizations described in this report. Although the current prescribed procedures appear generally adequate, we have encountered several practices which we believe require significant improvement.

The lack of sound financial planning is reflected in the failure to provide sufficient funds for severance and retirement pay liabilities, in unreliable data on appropriated fund support, and in construction projects and other purchases undertaken without prescribed approvals. Inventory controls, particularly for equipment and promotional items, are nonexistent in some cases and inadequate in others. The lack of control over slot machine operations represents a significant and long continuing deficiency.

The use of facilities at John Hay Consolidated Open Mess by Philippine Nationals raises questions concerning the advisability of the Air Force's continuing to allow such liberal use of the facilities.

B-148581

The transfer of funds from the John Hay Consolidated Open Mess to the Pacific Air Forces Central Open Mess Fund to finance improvement projects of the Clark Officers' Open Mess, although apparently not contrary to regulations, is, nevertheless, inequitable to the respective members.

In general, the internal audit and review teams have been effective in identifying problem areas, although their recommendations have not always been adequately considered and applied to the messes by management, particularly with respect to the recommendations relating to slot machine deficiencies.

We discussed the results of our review at both Clark and John Hay with the responsible local officials, and they generally agreed to take action to correct the problems identified.

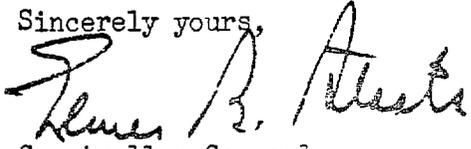
The Committee may wish to consider whether the Air Force should reexamine the advisability of continuing to allow such liberal use by Philippine Nationals of the facilities of the John Hay Consolidated Open Mess.

The Committee may also wish to consider directing that the Air Force devise a means to measure the cost of all types of appropriated fund support given to nonappropriated fund activities.

We have not discussed the results of our review with officials of Headquarters, United States Air Force nor requested their formal comments.

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

We trust that the results of our review at Clark Air Base and John Hay Air Base and our plans for future reporting of the assignment are responsive to your request.

Sincerely yours,  
  
Comptroller General  
of the United States

Enclosures - 11

The Honorable George H. Mahon  
Chairman, Committee on Appropriations  
House of Representatives

CLARK AIR BASE OFFICERS' OPEN MESS  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 25, 1969

## ASSETS:

|   |                |
|---|----------------|
| Cash  | \$186,600      |
| Accounts receivable                         | 103,300        |
| Prepayments for supplies and other expenses | 50,100         |
| Merchandise                                 | 112,800        |
| Fixtures and equipment                      | <u>185,400</u> |

|              |                  |
|--------------|------------------|
| Total assets | <u>\$638,200</u> |
|--------------|------------------|

## LIABILITIES AND NET WORTH:

|                        |                |
|------------------------|----------------|
| Current liabilities    | \$139,200      |
| Noncurrent liabilities | 62,900         |
| Net worth              | <u>436,100</u> |

|                                 |                  |
|---------------------------------|------------------|
| Total liabilities and net worth | <u>\$638,200</u> |
|---------------------------------|------------------|

Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

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ENCLOSURE II

CLARK AIR BASE OFFICERS' OPEN MESS  
STATEMENT OF INCOME AND EXPENSE  
YEARS ENDED DECEMBER 25, 1968 and 1969

|  | <u>1968</u>        | <u>1969</u>        |
|--|--------------------|--------------------|
| Total revenue                            | <u>\$2,220,400</u> | <u>\$2,204,700</u> |
| Gross profit on revenue                  | 1,073,300          | 1,126,900          |
| Operating expense                        | <u>1,064,500</u>   | <u>1,192,500</u>   |
| Gross profit or loss (-) from operations | 8,800              | -65,600            |
| Plus:                                    |                    |                    |
| Membership dues                          | 146,100            | 150,800            |
| Other income                             | <u>9,000</u>       | <u>19,800</u>      |
| Total income                             | <u>163,900</u>     | <u>105,000</u>     |
| Less:                                    |                    |                    |
| U.S. Air Force assessments               | 23,800             | 23,700             |
| Other expenses                           | <u>16,700</u>      | <u>5,300</u>       |
| Total nonoperating expense               | <u>40,500</u>      | <u>29,000</u>      |
| Net profit                               | <u>\$ 123,400</u>  | <u>\$ 76,000</u>   |

Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

CLARK AIR BASE NONCOMMISSIONED OFFICERS' OPEN MESS  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 22, 1969

## ASSETS:

|   |                  |
|---|------------------|
| Cash  | \$267,900        |
| Accounts receivable                         | 59,800           |
| Accrued interest receivable                 | 2,800            |
| Prepayments for supplies and other expenses | 188,400          |
| Merchandise                                 | 123,000          |
| Fixtures and equipment                      | <u>294,800</u>   |
| Total assets                                | <u>\$936,700</u> |

## LIABILITIES AND NET WORTH:

|                                 |                  |
|---------------------------------|------------------|
| Current liabilities             | \$113,200        |
| Noncurrent liabilities          | 38,000           |
| Net worth                       | <u>785,500</u>   |
| Total liabilities and net worth | <u>\$936,700</u> |

Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

CLARK AIR BASE NONCOMMISSIONED OFFICERS' OPEN MESS  
STATEMENT OF INCOME AND EXPENSE  
YEARS ENDED DECEMBER 22, 1968 AND 1969

|                              | <u>1968</u>        | <u>1969</u>        |
|------------------------------|--------------------|--------------------|
| Total revenue                | <u>\$2,513,200</u> | <u>\$2,635,000</u> |
| Gross profit on revenue      | 1,242,000          | 1,364,400          |
| Operating expense            | <u>1,210,300</u>   | <u>1,405,700</u>   |
| Gross profit from operations | 31,700             | -41,300            |
| Plus:                        |                    |                    |
| Membership dues              | 89,400             | 151,100            |
| Other income                 | <u>14,700</u>      | <u>18,600</u>      |
| Total income                 | <u>135,800</u>     | <u>128,400</u>     |
| Less:                        |                    |                    |
| U.S. Air Force assessments   | 26,200             | 28,000             |
| Other expenses               | <u>6,400</u>       | <u>11,100</u>      |
| Total nonoperating expense   | <u>32,600</u>      | <u>39,100</u>      |
| Net profit                   | <u>\$ 103,200</u>  | <u>\$ 89,300</u>   |

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Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

CLARK AIR BASE AIRMEN'S OPEN MESS  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 20, 1969

## ASSETS:

|   |                  |
|---|------------------|
| Cash  | \$177,300        |
| Accounts receivable                         | 49,700           |
| Accrued interest receivable                 | 2,600            |
| Prepayments for supplies and other expenses | 57,100           |
| Merchandise                                 | 82,600           |
| Fixtures and equipment                      | <u>157,100</u>   |
| Total assets                                | <u>\$526,400</u> |

## LIABILITIES AND NET WORTH:

|                                 |                  |
|---------------------------------|------------------|
| Current liabilities             | \$ 62,800        |
| Noncurrent liabilities          | 28,700           |
| Net worth                       | <u>434,900</u>   |
| Total liabilities and net worth | <u>\$526,400</u> |

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CLARK AIR BASE AIRMEN'S OPEN MESS  
STATEMENT OF INCOME AND EXPENSE  
YEARS ENDED DECEMBER 20, 1968 AND 1969

|                              | <u>1968</u>        | <u>1969</u>        |
|------------------------------|--------------------|--------------------|
| Total revenue                | <u>\$1,536,100</u> | <u>\$1,471,500</u> |
| Gross profit on revenue      | 790,300            | 830,900            |
| Operating expense            | <u>771,300</u>     | <u>904,300</u>     |
| Gross profit from operations | 19,000             | -73,400            |
| Plus:                        |                    |                    |
| Membership dues              | 79,900             | 93,700             |
| Other income                 | <u>18,200</u>      | <u>25,000</u>      |
| Total income                 | <u>117,100</u>     | <u>45,300</u>      |
| Less:                        |                    |                    |
| U.S. Air Force assessments   | 16,300             | 15,900             |
| Other expenses               | <u>3,800</u>       | <u>2,800</u>       |
| Total nonoperating expense   | <u>20,100</u>      | <u>18,700</u>      |
| Net profit                   | <u>\$ 97,000</u>   | <u>\$ 26,600</u>   |

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JOHN HAY AIR BASE CONSOLIDATED OPEN MESS  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 20, 1969

## ASSETS:

|                                   |                    |
|-----------------------------------|--------------------|
| Cash                              | \$ 552,000         |
| Accounts receivable               | 8,500              |
| Loan receivable                   | 34,700             |
| Accrued interest receivable       | 4,600              |
| Prepayments for supplies          | 48,100             |
| Investment--U.S. Government bonds | 20,000             |
| Merchandise                       | 89,400             |
| Fixtures and equipment            | <u>277,800</u>     |
| Total assets                      | <u>\$1,035,100</u> |

## LIABILITIES AND NET WORTH:

|                                 |                    |
|---------------------------------|--------------------|
| Current liabilities             | \$ 33,200          |
| Noncurrent liabilities          | 19,600             |
| Net worth                       | <u>982,300</u>     |
| Total liabilities and net worth | <u>\$1,035,100</u> |

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JOHN HAY AIR BASE CONSOLIDATED OPEN MESS  
STATEMENT OF INCOME AND EXPENSE  
YEARS ENDED DECEMBER 20, 1968 AND 1969

|                              | <u>1968</u>              | <u>1969</u>              |
|------------------------------|--------------------------|--------------------------|
| Total revenue                | \$ <u>1,042,100</u>      | \$ <u>1,195,800</u>      |
| Gross profit on revenue      | 625,800                  | 797,100                  |
| Operating expense            | <u>483,800</u>           | <u>596,200</u>           |
| Gross profit from operations | 142,000                  | 200,900                  |
| Plus:                        |                          |                          |
| Membership dues              | 8,200                    | 8,100                    |
| Other income                 | <u>18,800</u>            | <u>35,100</u>            |
| Total income                 | <u>169,000</u>           | <u>244,100</u>           |
| Less:                        |                          |                          |
| U.S. Air Force assessments   | 10,700                   | 12,400                   |
| Other expenses               | <u>900</u>               | <u>4,500</u>             |
| Total nonoperating expense   | <u>11,600</u>            | <u>16,900</u>            |
| Net profit                   | \$ <u><u>157,400</u></u> | \$ <u><u>227,200</u></u> |

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Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

CLARK LOCKER SUNDRY FUND  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 1969

|                                   |                  |
|-----------------------------------|------------------|
| <b>ASSETS:</b>                    |                  |
| Cash                              | \$ 35,900        |
| Accounts receivable               | 121,300          |
| Cash advance                      | 800              |
| Prepayments to vendors            | 105,600          |
| Merchandise                       | 379,100          |
| Fixtures and equipment            | <u>11,200</u>    |
| Total assets                      | <u>\$653,900</u> |
| <br>                              |                  |
| <b>LIABILITIES AND NET WORTH:</b> |                  |
| Current liabilities               | \$ 48,900        |
| Noncurrent liabilities            | 2,700            |
| Net worth                         | <u>602,300</u>   |
| Total liabilities and net worth   | <u>\$653,900</u> |

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Condensed from financial statements prepared by the Clark Air Base Fiscal Control Office.

CLARK LOCKER SUNDRY FUND  
STATEMENT OF INCOME AND PROFIT DISTRIBUTION  
YEARS ENDED DECEMBER 31, 1968 AND 1969

|   | <u>1968</u> | <u>1969</u> |
|---|-------------|-------------|
| Total revenue                                   | \$1,403,700 | \$1,147,300 |
| Gross profit on revenue                         | \$ 470,700  | \$ 382,400  |
| Net profit                                      | \$ 408,300  | \$ 327,700  |
| Share to 13th Air Force Subcommand Welfare Fund | \$ 129,500  | \$ 65,500   |
| Dividends to Clark Central Base Fund            | \$ 230,400  | \$ 196,600  |
| Retained net profit                             | \$ 48,400   | \$ 65,500   |

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CLARK AND JOHN HAY AIR BASE OPEN MESSES  
 COMPARISON OF SELECTED INCOME STATISTICS  
 FISCAL YEAR 1969

|  | <u>Total<br/>revenue</u> | <u>Gross<br/>profit or loss(-)<br/>from<br/>operations</u> | <u>Membership<br/>dues</u> | <u>Net<br/>profit</u> |
|--|--------------------------|--|----------------------------|-----------------------|
| JOHN HAY AIR BASE:                     |                          |  |                            |                       |
| Consolidated Open Mess                 | \$1,195,800              | \$200,900  | \$ 8,100                   | \$227,200             |
| CLARK AIR BASE:                        |                          |  |                            |                       |
| Officers' Open Mess                    | \$2,204,700              | \$-65,600  | \$150,800                  | \$ 76,000             |
| Noncommissioned<br>Officers' Open Mess | \$2,635,000              | \$-41,300  | \$151,100                  | \$ 89,300             |
| Airmen's Open Mess                     | \$1,471,500              | \$-73,400  | \$ 93,700                  | \$ 26,600             |

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