

DECISION

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

118757

FILE: B-205851

DATE: June 17, 1982

MATTER OF: Veterans Administration--Payment of vouchers
with under \$30 price variances

DIGEST: Veterans Administration requests approval of modified voucher payment system whereby all freight charges or price discrepancies between purchase order and invoice amount of under \$30 that are not covered by contract will be paid at the invoiced amount without further inquiry. GAO cannot approve proposal since it is without statutory basis.

The Assistant Deputy Administrator for Budget and Finance of the Veterans Administration (VA) has requested our approval of a proposed change in the VA voucher payment system whereby all freight charges or price discrepancies between purchase order amount and invoiced amount of less than \$30, which are not covered by a specific contract, will be paid without further inquiry. Since we are aware of no statutory basis for permitting deliberate overpayments by the Government, even where the cost to the Government of ascertaining correct information exceeds the amount overpaid, we cannot approve the proposed modification.

The VA bases its proposal on a test which its payment center in Austin, Texas, conducted during April, May, and June of 1981. The test showed that during this period, 249 variances of under \$30 were investigated and resolved. The average variance was \$5.30. Of the 249 variances, 108 were attributable to freight charges (average variance: \$4.85), and 141 were attributable to price discrepancies (average variance: \$5.64). The Supply Service of the VA Medical Center in Dallas, Texas, reviewed another 155 similar variances, and concluded that 94, or 61 percent, would have been resolved against the vendor and 61, or 39 percent, would have been approved at the vendor's price.

The VA also conducted a detailed study on the vendor inquiries generated by the variances and the ensuing suspension of payment pending resolution. Based on its calculations of the average time required by its Fiscal and Supply Services to process vendor inquiries for variances of under \$30, and the hourly rate of compensation paid the employees responsible for such processing, the VA estimated the average cost for processing a vendor inquiry to be \$6.54. Using its time study, the VA calculated that:

* * * conducting inquiries on the 249 variances paid
by the Data Processing Center for the test period would
have required approximately 385 hours of work, which

would equate to .3 FTEE (full time employee equivalent) (.1 for Fiscal and .2 for Supply) at a cost of \$596 for Fiscal and \$1,017 for Supply."

The VA notes that although the savings indicated above will not result in an actual reduction of FTEE or cost for Fiscal or Supply since salary cost is a fixed cost, they will help to reduce the workload of the Fiscal and Supply Services to a manageable level.

Despite the evidence presented by the VA that the expense of processing a vendor inquiry exceeds the average amount of overpayment, we cannot approve the proposed procedure since it is without statutory basis. Although an agency may choose to examine only a percentage of the disbursement vouchers which are presented to it for payment if the average expense of auditing a voucher exceeds the average amount recovered, the agency does not have the authority to pay known discrepancies. Moreover, it appears improbable that the data which the VA compiled during the test period would remain unchanged if the automatic payment proposal were implemented. As vendors became aware of the VA's willingness to pay small discrepancies without investigation, we think it likely that both the number and the average amount of such discrepancies would rise.

If the VA wishes to implement its proposed payment system, we recommend that it seek legislative authorization.

for *Harry F. Van Cleave*
Comptroller General
of the United States