

B-135037-O.M., June 19, 1958

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON 25, D. C.

CIVIL ACCOUNTING AND  
AUDITING DIVISION

The Comptroller General

The Coast Guard considers the uncompleted portions of work orders at the year end at Coast Guard industrial bases and depots as valid obligations under Section 1311 of the Supplemental Appropriation Act, 1955 (68 Stat. 830). The question arises as to whether the uncompleted portions of those work orders financed from annual appropriations are valid obligations when such portions are not covered by firm commitments with commercial sources or other Government agencies. Because of the doubtful status of the Coast Guard Yard Fund, we also question whether annual appropriated funds advanced to the Coast Guard Yard can be carried over to the following fiscal year to finance such uncompleted portions of work orders.

The Coast Guard has about 26 industrial bases and depots which have an industrial accounting system and perform work requested by various Coast Guard operating units located within the same district in which the performing industrial activity is located. The industrial work at these bases and depots amounted to about 8.5 million dollars in fiscal year 1957, and consisted principally of maintenance, repair, and overhaul of aids to navigation, vessels and small boats, and other facilities used by nearby operating units. This industrial work is generally financed from annual appropriated funds and is performed by Coast Guard military and wage board personnel. The uncompleted portions of work orders at the year end generally represent the estimated cost of:

1. personal services of Coast Guard military and wage board personnel
2. materials in stock within the Coast Guard supply system
3. materials ordered or to be ordered from commercial sources or other Government agencies
4. overhead to be incurred

In connection with work orders financed from annual appropriations, our recent audit disclosed that at June 30, 1957, the uncompleted portions not covered by firm commitments with commercial sources or other Government agencies amounted to about \$115,000 for 9 of the 26 bases and depots.

In discussing with Coast Guard personnel the work orders not completed at the year end, we raised the question as to whether annual appropriated funds can be carried over to the following fiscal year to finance those portions that are not covered by firm commitments with commercial sources or

other Government agencies. We were told that 14 U.S.C. 151 gave the Coast Guard authority to consider such uncompleted work orders as obligations in the same manner as similar orders or contracts placed with private contractors. It was stated that annual appropriated funds covering these uncompleted work orders should therefore remain available for payment just as in the case of orders or contracts placed with private contractors.

It is our opinion that 14 U.S.C. 151 does not apply to Coast Guard industrial bases and depots because the industrial work is generally financed from the same annual appropriated funds that finance the operating units requesting the work. Moreover, the industrial bases and depots perform work primarily for operating units within their particular district, and the related industrial and operating units are generally under the jurisdiction of the same district commander. Therefore, we believe that when the uncompleted portions of work orders at the year end are not covered by firm commitments with commercial concerns or other Government agencies, such portions do not represent valid obligations but merely administrative reservations of annual appropriated funds.

The Yard is the Coast Guard's largest industrial plant and only shipyard. The Yard serves primarily the needs of the Coast Guard, but does some work for the Navy and the Army. The total industrial work in fiscal year 1957 amounted to about 11.5 million dollars, and consisted principally of the construction and repair of vessels and small boats, installation and repair of electronic and ordnance equipment, and the manufacture of various nautical equipment and navigational buoys. Exclusive of the construction work, the industrial work is primarily financed from annual appropriated funds.

Annual appropriated funds advanced to the Yard are recorded by the advancing activity as an expenditure in the allotment records. These advanced funds are commingled in the Yard cash account and are used without regard to any fiscal year designations. We do not know the total amount of annual appropriated funds advanced to the Yard which were carried over at June 30, 1957, to the following fiscal year to finance uncompleted portions of work orders when such portions were not covered by firm commitments with commercial sources or other Government agencies.

Because of the doubtful status of the Yard Fund, there is a question as to whether annual appropriated funds advanced to the Coast Guard Yard can be carried over to the following fiscal year to finance the uncompleted portions of work orders when such portions are not covered by firm commitments with commercial sources or other Government agencies at the year end. We cannot find specific congressional authority for the establishment of the Yard Fund as a revolving fund. Under 14 U.S.C. 648, the Secretary of the Treasury is authorized to prescribe regulations governing accounting for industrial work at the Coast Guard Yard or such similar industrial establishments as he may designate. The regulations issued by the Secretary relating to the accounting for industrial work at the Yard authorize the use of a special deposit cash

account to which all applicable collections shall be deposited and from which all disbursements relating to such work shall be made. However, the cash account was assigned a revolving fund symbol ( ) by the Treasury Department, and the Coast Guard began to consider it as a revolving fund, even though there appears to be no specific congressional authority for a revolving fund.

It is our opinion that the Coast Guard Yard Fund is not an authorized revolving fund, but is a special deposit fund as designated by the Secretary. Therefore, the Yard industrial work which is financed from annual appropriations is actually being carried out within the framework of these same appropriations. Under these circumstances, it appears that the uncompleted portions of year end work orders at the Yard should not be financed during the following year from the prior year's annual appropriations if such uncompleted portions are not covered by firm commitments with commercial sources or other Government agencies.

We submit the following questions for advice and instructions.

1. Is the Coast Guard authorized to consider uncompleted portions of work orders at various Coast Guard industrial installations as valid obligations under Section 1311 of the Supplemental Appropriation Act, 1955, when the work orders are financed from annual appropriations and when the uncompleted portions are not covered by firm commitments with commercial sources or other Government agencies at the year end?
2. Does the Coast Guard have the authority to consider the Yard Fund as a revolving fund?
3. In view of the provisions of 14 U.S.C. 151, can annual appropriated funds advanced to the Yard be legally carried over to the following fiscal year and used to finance the uncompleted portions of year end work orders if such uncompleted portions are not covered by firm commitments with commercial sources or other Government agencies?

S. B. Savage, Jr.  
Deputy Director, Civil Accounting  
and Auditing Division

**Enclosures:**

- Certain pertinent pages of the U.S. Coast Guard Manual
- Letter dated July 10, 1956, from L. B. Collins, Assistant Director, CAAD, to the Director, CAAD
- The Engineer's Digest, September-October 1956

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Director, Civil Accounting and Auditing Division

Returned. Section 151 of the act of August 4, 1949, 63 Stat. 507, 14 U.S.C. 151, is similar to a provision contained in the Naval Appropriation Act of July 1, 1922, 42 Stat. 812, which provision together with a substantially similar provision contained in the Army Appropriation Act of June 5, 1920, 41 Stat. 975, was codified as 41 U.S.C. 23, commonly known as the project or work order law.

The purpose of 14 U.S.C. 151, was to make available the Coast Guard appropriations obligated by a project or work order, in respect of work or material furnished by Government-owned establishments, in the same manner and to the same extent as if the order had been placed with a private contractor. That is to say, the project or work order had the effect of continuing the obligation availability of funds provided in the Coast Guard annual appropriations beyond the end of the fiscal year for which appropriated. See A-29887, January 27, 1930.

In reporting out the bill (H.R. 6949) which became the act codified in 14 U.S.C. 151, it was stated in House Report No. 2070, 77th Congress, that its enactment "would place Coast Guard and Navy industrial and repair establishments on an equal footing with commercial concerns in undertaking repair work as though a contract had been let." And in House Report No. 818, 75th Congress, on H. R. 6866 which was enacted as the act of June 2, 1937, 50 Stat. 245, the Navy Department stated at pages 2 and 3 that "project orders issued by the Navy include not only manufacturing work but ship repair and other work, services, and materials not embraced by the term 'manufacture.'"

The Coast Guard industrial bases and depots are designed to perform industrial activities and, therefore, such plants properly may be regarded as "Government-owned establishments" within the meaning of that term as used in the code provisions 14 U.S.C. 151 and 41 U.S.C. 23. See B-109049-O.M., May 7, 1952. In obligating Coast Guard funds for the accomplishment of work projects under the terms of 14 U.S.C. 151, it is immaterial whether the Coast Guard places orders for work to be done with its own establishments or with other Government-owned establishments, and it follows that the method used in financing the work is not determinative of the propriety of obligations incurred thereunder. Orders placed by the Coast Guard with such Government-owned plants, if otherwise proper, constitute valid obligations against the appropriations current at the time the orders are issued and accepted and are for reporting as such under section 1311. See B-10302-O.M., December 4, 1940 and B-121811-O.M., January 5, 1955. The first question is answered accordingly.

As to the second question, the Coast Guard Yard Fund provided for by 14 U.S.C. 648 finances industrial operations at the Coast Guard Yard Curtis Bay, Maryland, on a reimbursable basis with neither profit nor loss to the Yard. While the Treasury Department initially decided upon

a special deposit account to record the transactions authorized under the law apparently to obviate the cumbersome accountable warrant fiscal procedures then in effect, it later reestablished such account as a revolving fund with the knowledge and approval of our Office. See Treasury Department Announcement of Account Symbols and Titles, Treasury No. 229, Agency No. 20-40, dated May 4, 1951, and paragraph 2 of General Regulations No. 84, Second Revision, dated November 20, 1950. The Yard Fund has all the attributes of a revolving fund, and the failure of the law to specifically designate it as such does not preclude its proper classification and operation as a revolving fund.

The third question, in view of the answers to the first and second questions, is answered in the affirmative.

JOSEPH CAMPBELL

Comptroller General  
of the United States

Attachments