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UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
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HONOLULU, HAWAII 96815

JUN 17 1969

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

AGC DE-911
DLG 05/69

Attention: Comptroller

Dear Sir:

We have recently completed additional work in our survey of the implementation of the accounting systems for operations within the United States Army, Pacific (USARPAC). In our letter of January 14, 1969, we informed you that our survey was part of a continuing review of the implementation of the system within the Department of Defense and that additional work would be performed at other USARPAC locations. During the months of March and April 1969, we continued our survey and performed work at the United States Army, Japan (USARJ).

Our work in Japan was performed at the Headquarters, USARJ, the USARJ Finance and Accounting Office, and at the United States Army Depot Command, Japan. We also performed work at the USARPAC Headquarters at Fort Shafter. The purpose of this letter is to convey our observations on those portions of the system which we examined at USARJ. These matters are discussed below.

BUDGETING FOR UNDELIVERED ORDERS
NEEDED

Department of the Army (DA) instructions for the preparation of the fiscal year 1969 Command Operating Budget (COB) stated that the changes in the estimated levels of beginning and ending balances of undelivered orders were to be recognized in the COB. USARPAC subcommands did not budget for changes in undelivered orders in the fiscal year 1969 COB and, therefore, during July 1968, the subcommands, including USARJ, were instructed by USARPAC to develop a dollar estimate of changes in undelivered

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orders preparatory to the mid-year Budget Execution Review (BER). In October 1968 USARPAC provided similar advice as part of the instructions for the preparation of the BER.

We noted, however, that USARJ omitted estimates of changes for undelivered orders from its 1969 BER. The failure to include an amount for change in undelivered orders in the operating budget is contrary to the concept of budgeting and accounting in terms of expenses rather than obligations.

USARJ officials indicated a lack of understanding of the types of contracts that should be included in the balance of undelivered orders. While we believe that the USARPAC instructions on undelivered orders were adequate, we feel that it would be beneficial to provide greater assistance to USARJ in preparing future budgets.

NEED FOR CONFORMITY IN MILITARY PERSONNEL COSTING

Department of the Army Pamphlet 37-6 required that actual strengths reported as of the last day of each month be used as the basis for computing the following month's military personnel costs. We found, however, that the USARJ Table of Distribution and Allowance units were not reporting in accordance with these instructions. A local form USARJ 1111.1, Military Labor Report, which summarizes average strengths during the month, was used in lieu of the month-end figures.

The use of month-end strengths is part of the standard Department of Defense system as well as a DA requirement. Therefore, consistency in the method of computing military personnel expenses is important so as to avoid duplicate costing of personnel by more than one command. Under the USARJ system, this situation could occur if, for example, personnel transfers are made during the month.

At the conclusion of our survey, we brought this to the attention of USARJ officials and they agreed to take corrective action.

OPERATING TARGETS SHOULD BE ESTABLISHED

USARJ did not distribute operating targets to the Activity Control Points (ACPs) as required. Operating targets were to be established on a quarterly basis or include a quarterly breakout

of the annual ceilings at appropriate summary levels. These targets are to serve as the primary mechanism for accomplishing financial control.

Instead, we found that the primary financial control used by USARJ is the annual funding guidance received for the Command Operating Budget markup. Except for the first quarter, this guidance is not broken out by quarterly amounts. Therefore, a comparison of actual against planned performance cannot be made at the ACP level.

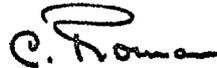
At the conclusion of our survey, we recommended that the procedures for distributing the budget be revised to include distribution of quarterly targets to ACP levels.

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Copies of this letter are being furnished to the Assistant Secretary of Defense (Comptroller) and the Assistant Secretary of the Army (Financial Management).

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