

DOCUMENT RESUME

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Report to Joseph E. Kasputys, Assistant Secretary, Department of Commerce; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

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Problems observed in the Department of Commerce's centralized accounting system are noted and corrective measures are discussed. The accounting system was not being operated in accordance with the approved system design and, as a result, the system was not producing useful financial reports for management. Five of the six Department organizations were not furnishing estimates of program and project costs to the Office of Finance Management. Because of deficiencies in financial reports, some organizations maintained unofficial financial reporting systems to supplement reports prepared by the accounting system. Corrective procedures involved submission of operating cost estimates and plans by all agencies serviced by the Department's centralized accounting system.

Findings/Conclusions: Financial statements now include a comparison of actual and estimated costs. Supplemental accounting records are no longer being maintained, as adequate comparative financial reports are being generated. Fund control procedures utilizing cost-based budgeting are in various stages of planning and implementation. (RRS)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

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B-133339

The Honorable Joseph E. Kasputys
Assistant Secretary
for Administration
Department of Commerce

Dear Mr. Kasputys:

This is the second report on our review of the Department of Commerce's centralized accounting system operated by the Office of the Secretary. The system provides accounting services for six Department organizations and several regional commissions.

This report points out problems we observed with the system's financial management reporting and the actions we understand have been taken to correct deficiencies we brought to the attention of responsible departmental officials. The following defines the problems noted and corrective actions taken.

The accounting system was not being operated in accordance with the approved system design. As a result, the system was not producing useful financial reports for management. The problems we noted are described below:

- Five of the six Department organizations were not furnishing estimates of program and project costs to the Department's Office of Financial Management Services. As a result, the financial reports could not be prepared to compare planned with actual costs.
- Because of the deficiencies noted above some organizations maintained unofficial financial reporting systems to supplement the reports prepared by the accounting system.
- Only one agency had administrative control of fund procedures approved by the Department as required in the approved system design.

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On June 5, 1975, we met with representatives from the Office of the Secretary, discussed our findings, and made suggestions for improving the financial management reporting system which is used to prepare financial statements comparing actual and planned costs. On July 23, 1975, the Acting Assistant Secretary for Administration responded by letter to our suggestions. He generally agreed with our recommendations and advised that corrective actions would be taken to:

- Have operating cost estimates prepared and included in monthly reports.
- Eliminate supplemental accounting records maintained by user organizations and modify the existing reporting system to meet user needs.
- Use cost-based budgeting concepts in connection with fund control procedures.

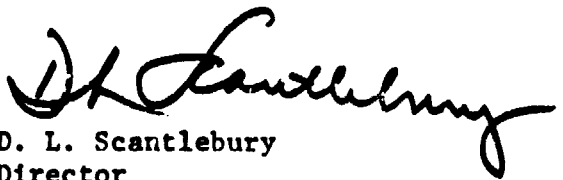
In a followup meeting on October 13, 1976, the Director, Office of Financial Management Services, informed us that:

- All agencies serviced by the Department of Commerce's centralized accounting system are now submitting operating cost estimates and plans; and financial statements now include a comparison of actual and estimated costs.
- Supplemental accounting records are no longer being maintained because the comparative financial reports now being prepared adequately serve management's needs.
- Fund control procedures utilizing cost-based budgeting are in various stages of being planned and implemented.

We believe the actions taken and in process, if effectively carried out, are sufficient to bring the system in operation in line with the system design approved by the Comptroller General.

We appreciate the cooperation given our staff during our review. We would appreciate your comments and advice on the matters discussed in this report.

Sincerely yours,


D. L. Scantlebury
Director