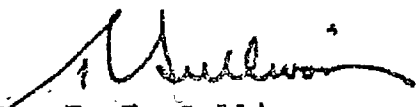


*Memorandum**B. 163758-am, Dec. 3, 1973*

TO : General Counsel

FROM : Director, TCD -  T. E. Sullivan

SUBJECT: Use of military funds to defray cost of data input

Transportation and Claims Division has been involved with the military paying offices since July 1969, in an arrangement whereby the finance centers, as a byproduct of their paying operations for domestic household goods shipments, input additional data elements required by us for our computerized audit system for domestic household goods payments. The consolidated data are then transmitted to us in magnetic tape form on a monthly basis and we reimburse the centers quarterly for the cost of preparing these data. Since July 1971, the Military Traffic Management and Terminal Service has also been obtaining similar data and the cost of collecting these data has been prorated between the General Accounting Office and Military Traffic Management and Terminal Service.

The receipt of information in magnetic tape form has saved us the trouble and expense of key punching the data for use in the system in the GAO, and has probably resulted in an overall savings to the Government. In addition, we have found that the computerized audit is a more effective audit than we were able to do on a manual basis because of the personnel cost involved.

We are currently involved in the development of a computerized system for auditing payments for shipments of general commodities. Again, we are finding that many of the data elements which we require for our audit are also required by MTMTS for a new traffic management information system which they are developing. We are, therefore, currently pursuing a cooperative effort with MTMTS to make arrangements to have the data for both of

our projects prepared in the various finance centers. We estimate that the total cost of this effort for both organizations will be in the neighborhood of one-half million dollars a year beginning July 1, 1973. We feel that the receipt of this information will ultimately result in an overall savings to the GAO through the computerization of part of our audit and hopefully the eventual turning over of this audit to the military as recommended by the recent Ad Hoc committee report. A copy of this report is attached. MTMTS will have similar savings and will be able to do a more effective job in their traffic management responsibility area.

In a typical fiscal year, we issued approximately 40,000 overcharges for 9 million dollars to the rail and motor carriers for general commodity freight services performed for the military. When the overcharges are collected by us, the money is usually deposited to the credit of the Army or Navy Management Fund from where it will eventually find its way back to the Army or Navy appropriations. Collections for the account of the Air Force, DOD, or the Marine Corps are deposited to the applicable appropriation. Since these monies would not have been available to the military if it were not for the GAO's audit, we are interested in exploring the legality of financing the cost of the data services necessary to perform the audit from the military funds in some manner. Specifically, can these overcharge recoveries deposited to the Management Fund legally be made available by the Department of Defense to finance the entire cost of generating the data for use by MTMTS and the GAO? If we can take this approach it will be a net savings to the GAO, although not to the Government overall. However, we feel that the overall accounting for the funds will be substantially simplified.

We are forwarding the question to you for your decision in this matter.

Attachment

Indorsement

DEC 3 1973

Director, Transportation and Claims Division

Returned. The net effect of your proposal would be that funds appropriated to carry out the functions of the military departments would be used to pay certain costs related to audits which the General Accounting Office is required to perform pursuant to section 322 of the Interstate Commerce Act, as amended, 49 U.S.C. 66. Such use of funds would be contrary to 31 U.S.C. 628 which provides that appropriated funds may be applied solely to the objects for which made and no others and would also be contrary to the general rule that payment for services rendered by one agency of the Government for another is not authorized where the services are required by law in carrying out the normal functions of the performing agency and for which appropriations are specifically provided. See 33 Comp. Gen. 27, 31.

Accordingly, it is our view that overcharge recoveries may not be used by, or made available by, the Department of Defense to finance costs otherwise properly chargeable to appropriations of the General Accounting Office.

Attachment

Paul G. Dembling

Paul G. Dembling  
General Counsel