

DOCUMENT RESUME

03110 - [A2353471]

[Review of the Department of Labor's Accounting System for Recording and Reporting Accounts Receivable from the Public]. FGMSD-77-31; B-159687. August 17, 1977. 3 pp.

Report to Alfred M. Zuck, Assistant Secretary for Administration and Management, Department of Labor; by Harold L. Stugart (for D. L. Scantlebury, Director, Financial and General Management Studies Div.).

Issue Area: Accounting and Financial Reporting (2800).
Contact: Financial and General Management Studies Div.
Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

The accounts receivable recorded in the accounting system approved by the Comptroller General in October 1972 for the Department of Labor were not accurate. As a result, the balance of accounts receivable from the public reported to the Department of the Treasury was inaccurate. Recorded and reported accounts receivable due from the public contained both overstatements and understatements. Findings/Conclusions: As of September 30, 1976, the Department of Labor reported accounts receivable from the public of \$3,663,717, which were primarily benefit payments due from employers and overpayments due from recipients. The accounts receivable were understated by a net of \$1,729,146 as a result of omissions, errors, and misclassifications. The reported accounts receivable from the public were overstated by \$2,161,632 and understated by \$3,890,778. The lack of close supervision appeared to be one of the main contributing factors causing these errors. Recommendations: To assure that amounts due from the public are accurately compiled and reported as accounts receivable on the Department of Labor's statement of financial condition, the Assistant Secretary for Administration and Management of the Department of Labor should emphasize to the Office of Accounting personnel the need for increased supervisory review over the preparation of financial statements and reports to the Department of the Treasury. (SC)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-159687

AUG 17 1977

The Honorable Alfred M. Zuck
Assistant Secretary for Administration
and Management
Department of Labor

Dear Mr. Zuck:

This is our report reviewing the Department of Labor's accounting system for recording and reporting accounts receivable from the public. This review was performed at Department of Labor headquarters in Washington, D.C., and is part of a multiagency review on which we plan to issue an overall report to the Congress.

Our review showed that the accounts receivable recorded in the accounting system approved by the Comptroller General in October 1972 were not accurate. Consequently, the balance of accounts receivable from the public reported to the Department of the Treasury was inaccurate.

The following sections summarize the scope and results of our review and our recommendation to assure more accurate recording and reporting of accounts receivable.

SCOPE OF REVIEW

As of September 30, 1976, the Department of Labor reported accounts receivable from the public of \$3,663,717, which were primarily benefit payments due from employers and overpayments due from recipients. We reviewed the accounting for and reporting of these receivables. We limited our review to the accounting records at the Washington, D.C., headquarters.

ACCOUNTS RECEIVABLE INACCURATELY
RECORDED AND REPORTED

Recorded and reported accounts receivable due from the public contained both overstatements and understatements.

FGMSD-77-31

3471

03110

The accounts receivable were understated by a net of \$1,729,146 as a result of omissions, errors, and misclassifications.

Accounts receivable should be promptly and accurately recorded. Proper accounting for receivables is an important form of control because it allows for the systematic recording of amounts due and provides management with needed information on total overpayments, actions taken, and the overall effectiveness of collection actions.

As of September 30, 1976, the Department of Labor's reported accounts receivable from the public of \$3,663,717 were overstated by \$2,161,632 and understated by \$3,890,778.

The accounting and reporting errors which caused the overstatement follow.

- An error of \$2,151,168 was made in posting to the general ledger account.
- Amounts due from the public included \$10,464 which was due from another Federal agency. This classification error was made because the receivable was posted to the wrong account.

The accounting and reporting errors which caused the understatements resulted when:

- An omission of \$2,050,183 from the general ledger accounts resulted in this amount's exclusion from the report.
- Personnel in the Office of Accounting did not receive an amended report for inclusion in the consolidated statement of financial condition. However, this revised report, which indicated that receivables were \$1,762,700 greater than was originally reported, was provided to Treasury for inclusion in the consolidated statement of financial condition.
- Amounts totaling \$40,535 which were due from several sources were omitted when the financial statements were prepared.
- Amounts due of \$37,360 under two benefit programs were not entered into the automated accounting system.

We discussed these accounting and reporting errors with responsible personnel in the Office of Accounting. Although we could not determine the exact causes of these errors, the lack of close supervision appeared to be one of the main contributing factors. The exercise of more care in the preparation of financial statements and reports to Treasury would help solve this problem.

RECOMMENDATION

To assure that amounts due from the public are accurately compiled and reported as accounts receivable on the Department of Labor's statement of financial condition, we recommend that you emphasize to the Office of Accounting personnel the need for increased supervisory review over the preparation of financial statements and reports to Treasury. Officials of the Office of Accounting agreed with our findings and initiated corrective actions to provide more accurate accounting and reporting.

We would be pleased to discuss our review results with you or your representatives and would appreciate receiving your comments on the actions taken on our recommendation within 30 days.

We are sending copies of this report to your Department's Director, Office of Audit and Investigations.

Sincerely yours,


D. L. Scantlebury
Director