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Report to Adm. Owen W. Siler, Commandant, Coast Guard; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

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Results are reported of a questionnaire survey of ten Coast Guard districts and the Coast Guard Academy to evaluate procedures and controls applicable to revenue and expenditure transactions. Responses were obtained primarily through interviews and discussions with officials of the district offices and the Academy. Findings/Conclusions: A need was found to: improve procedures for recording and collecting receivables; immediately log in collections received through the mail; explain the reasons for lost discounts on vouchers; strengthen accountability for imprest funds; and explain the basis used in estimating obligations on the obligating documents. Many of the weaknesses noted could have been corrected sooner if district officers had been audited regularly by the DOT's internal audit staff. (RRS)



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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

DEC 16 1976

B-115336

Admiral Owen W. Siler, Commandant
U.S. Coast Guard
Department of Transportation

Dear Admiral Siler:

This report is to inform you of the results of a questionnaire survey we made at 10 Coast Guard districts and the Coast Guard Academy to evaluate procedures and controls applicable to revenue and expenditure transactions. This work was done pursuant to our responsibilities set forth in the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The questionnaire covered the system of internal controls over collections, disbursements, imprest funds, and obligations and was designed to identify potential problem areas. Responses were obtained primarily through interviews and discussions with responsible officials of the district offices and the Coast Guard Academy. These responses indicated some potential weaknesses in the Coast Guard's financial management system. We tested selected transactions at the New Orleans, Louisiana, district office; however, our work was limited to identifying weaknesses in the internal controls system and not to determining the extent of the weaknesses and the degree of corrective action needed.

We discussed the results of our survey with responsible district and Academy officials who, in most instances, initiated or promised corrective action. We are informing you of the weaknesses identified to help you in discharging your responsibilities under 31 U.S.C. 66a which requires agency heads to provide effective control over and accountability for all funds for which they are responsible.

Our observations regarding the system weaknesses identified are included in enclosure I and the locations at which weaknesses were observed are identified in enclosure II. Generally, there was a need to

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- improve procedures for recording and collecting receivables,
- immediately log in collections received through the mail,
- explain the reasons for lost discounts on vouchers,
- strengthen accountability for imprest funds, and
- explain the basis used for estimating obligations on the obligating documents.

Although corrective actions were taken or promised in most cases, we suggest you do a followup to determine whether the actions were adequate.

Many weaknesses we noted could have been corrected sooner if the district offices had been audited regularly by the Department of Transportation's internal audit staff. Officials at most locations said they had not been audited by the internal audit staff within the last 3 years. To help assure that the system is adequate and is being followed, we suggest you request the Director of Audits, Department of Transportation, to make periodic reviews at the district offices and the Academy.

Because action had been either taken or promised to correct the system deficiencies noted at the district offices and the Academy, we are not making any formal recommendations at this time. We would, however, appreciate written advice of the corrective actions taken.

We wish to thank you for the courtesies and cooperation extended by officials of the district offices and the Academy to our representatives.

A copy of this report is being sent to the Director of Audits, Department of Transportation.

Sincerely yours,



D. L. Scantlebury
Director

Enclosures - 2

GAO OBSERVATIONS ON QUESTIONNAIRERESPONSES AT 10 COAST GUARDDISTRICT OFFICES AND THE COAST GUARD ACADEMYNEED TO IMPROVE PROCEDURES TO
COLLECT AND RECORD RECEIVABLES

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (4 GAO 55) states that an agency's debt collection program must be comprehensive, vigorous, and uniformly applied in principle to be effective. The program should provide for timely, forceful, and persistent action to collect all claims.

Based on information available, the Coast Guard district offices and Academy had more than \$5 million of recorded accounts receivable. We could not, however, evaluate the debt collection program because at five district offices they did not have (1) uniform standards for determining when accounts receivable were delinquent and (2) monthly accounts receivable aging reports which identify customer accounts and the time they are overdue. Accounts receivable were considered delinquent after 30 days at the Cleveland, Ohio, and San Francisco, California, district offices; after 90 days at the New Orleans, Louisiana, district office; after about 9 months at the Long Beach, California, district office; and after 1 year at the St. Louis, Missouri, district office.

Uniform standards for determining when accounts receivable are delinquent and the use of aging reports are essential for management to judge the overall collectability of recorded accounts receivable. Without uniform standards of short duration (such as 30 days) for determining when accounts receivable are delinquent, appropriate action such as referral to the U.S. Attorney for collection, cannot be taken in a timely manner.

Also, the Long Beach district office lacked routine procedures for assuring that copies of all marine license violation fines are sent to the accounting unit where accounts receivable are established. We noted also that the New Orleans district office, in some cases, waited up to 6 months before sending copies of fines and penalties to the accounting unit so accounts receivable could be established.

MAIL COLLECTIONS NOT LOGGED IN

The Coast Guard Comptroller Manual requires that sound accounting control of remittances must begin at the earliest point of receipt and continue until final disposition. If remittance control is not established in the mailroom and periodic audits made, there is no assurance that all receipts are accounted for. Mail clerks are responsible for opening all mail addressed to the collection clerk, recording pertinent data in a mail register, and delivering receipts and related documents to the collection clerk.

At four district offices (Boston, Mass.; New York, N.Y.; Portsmouth, Va.; and Seattle, Wash.) and the Coast Guard Academy, we observed that all mail addressed to the collection clerk was not being opened and logged in upon receipt by mail clerks. In the Seattle district office, for example, the mail was delivered unopened to the collection clerk who sorted and delivered it to the accounting branch before remittances were recorded in the proper register. In the New York district office, officials said the mail clerk only kept a log of registered mail received.

USE OF CONTROLLED RECEIPTS

The Coast Guard Comptroller Manual requires that collection receipts be prenumbered to control the forms from the time they are purchased. At the New Orleans district office we were told that shipments of prenumbered collection receipts from the Coast Guard Supply Center were delayed several times during 1975, and as a result, unnumbered receipts were purchased and used by the collection clerk and Marine Inspection Offices. Using unnumbered receipts can result in the loss of collections control.

MISSED DISCOUNTS NOT EXPLAINED IN WRITING

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (7 GAO 24) requires that (1) procedures be established for insuring that invoices on which cash discounts have been offered are processed promptly so that payment may be made within the time prescribed and (2) failures to take such discounts be fully explained on the appropriate document.

At two district offices (St. Louis, Mo. and Honolulu, Hawaii) and the Coast Guard Academy, we were told that failures to take the discounts were not explained on the documents. Information as to the numbers and amounts of missed discounts was not readily available.

NEED TO STRENGTHEN ACCOUNTABILITY
OVER IMPREST FUNDSLack of single accountability
for imprest funds

The Coast Guard Comptroller Manual states that a cashier must store all public money in a safe or other suitable container that is accessible only to himself. When it is necessary to use an alternate cashier, the manual requires the cashier to transfer needed funds to the alternate and obtain a signed receipt for the amount transferred.

At the St. Louis district office, the cashier and alternate used the same imprest fund drawer in the safe rather than separate drawers. A third party, the alternate collection clerk, also had access to the imprest fund drawer in the safe. Such a situation does not comply with accepted standards because only the individual who is responsible and accountable for a specific fund should have access to it.

Alternate cashiers were
not being appointed

The Coast Guard Comptroller Manual requires that an alternate cashier be designated to perform the duties of the cashier in the cashier's absence.

At four district offices (Boston, Cleveland, Portsmouth, and Seattle), alternate cashiers were not appointed for a number of the imprest funds, especially those located onboard Coast Guard cutters. We determined that there were 31 imprest funds in these districts totaling \$992,116; however, 19 of the funds--totaling \$836,087--did not have alternate cashiers. Of the 19 funds, 14 were located onboard Coast Guard cutters, 3 at base stations, 1 at an air station, and 1 at a safety station.

Safe combinations not
accessible in emergencies

The Department of Transportation Imprest Fund Manual requires that records of the combination to safes used to hold currency and checks be placed in a sealed envelope and stored in a secure place. Two individuals should have the safe combination so that it can be opened if the cashier is absent or in emergencies. At three district offices (New Orleans, Portsmouth, and Seattle), we noted that the combination to the imprest fund safe was known only by the respective cashiers.

BASIS AND COMPUTATION OF ESTIMATES
NOT SHOWN ON OBLIGATION DOCUMENTS

The GAO Policy and Procedures Manual for Guidance of Federal Agencies (7 GAO 17.1) requires that the basis for and computation of an estimated obligation be shown on the obligating document. This is necessary so that appropriate adjustments can be made if it is later disclosed that the obligation was estimated incorrectly by a significant amount. Otherwise, one adjustment may be made at the end of the month for such differences.

At the Honolulu district office, neither the basis for nor computation of estimates was shown on obligating documents. At the Portsmouth district office, the official responsible for obligating funds did not know the method used to estimate obligations. Under these circumstances it appears questionable that management would have all the information necessary to exercise proper fund control.

SUMMARY OF GAO OBSERVATIONS AT DISTRICT OFFICES AND THE COAST GUARD ACADEMY

<u>District office</u>	<u>Need to improve record and collect receivables</u>	<u>Mail collections not logged in</u>	<u>Use of uncontrolled receipts</u>	<u>Missed discounts not explained in writing</u>	<u>Lack of single account-ability over <u>input</u></u>	<u>Alternate cashiers not appointed</u>	<u>Safe combinations not accessible in emergencies</u>	<u>Basis and computation of estimates not shown on obligation documents</u>
Boston		X				X		
Cleveland	X					X		
Honolulu				X				X
Los Angeles	X							
New Orleans	X							
New York			X				X	
Portsmouth		X						
San Francisco	X	X				X		5/X
Seattle		X						
St. Louis	X			X		X		
Coast Guard Academy		X		X				

g/Method used to estimate obligations not known by responsible section chief.