



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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INTERNATIONAL DIVISION

B-164264

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MAY 16, 1979

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The Honorable James T. Broyhill  
House of Representatives

Dear Mr. Broyhill:

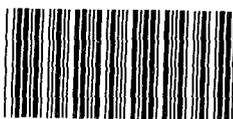
In your letter to the Comptroller General dated February 25, 1979, you asked that we investigate and report to you on the facts surrounding an alleged debt of \$42,944.24 owed the United States by the Republic of Korea Air Force (ROKAF). Members of my staff briefed you on April 25, 1979, on the results of our inquiry, and this letter will confirm the matters discussed with you at that time.

We found that U.S. Government written procedures appear generally adequate to ensure that debts owed the United States by foreign governments are resolved in a timely manner. Past actions by the Air Force on this particular case were untimely, however, and did not adhere to established collection procedures. As a result, Air Force efforts to collect this debt have progressed little since collection action was first initiated in December 1977.

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Although Air Force accounting records available at the Air Force Accounting and Finance Center in Denver, Colorado, were not in sufficient detail to permit us to verify the validity of the amounts billed to ROKAF, we have no reason to question the propriety of the charges. ROKAF has questioned the precise amount payable. However, they have not challenged the appropriateness of the charges. They have simply informed U.S. authorities in Korea that payment has not been made because the small ROKAF unit involved reportedly has no prior year funds available to cover the expense.

We discussed our findings with representatives of the Assistant Director of Air Force Accounting and Finance at the Pentagon and with responsible officials in the foreign accounts branch at the Air Force Accounting and Finance Center in Denver. The Air Force officials took no exception to our findings. As mutually agreed to, we are providing the Department of Defense a copy of this letter.



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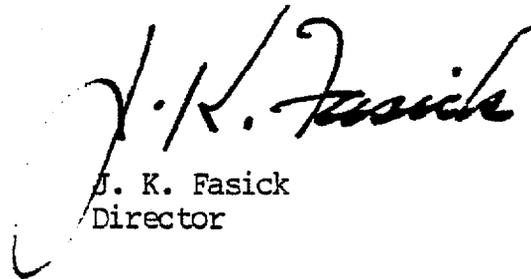
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The Air Force, prompted largely by your concern, has shown a renewed interest in this case and has promised certain actions they hope will lead to collection of the amounts due the United States. There is, however, no assurance that the proposed Air Force actions will be successful in resolving this matter. We have, therefore, advised the Air Force of our intention to follow up on this case before midyear to determine what progress has been made. We will advise you on the outcome of our followup inquiry.

The enclosed summary outlines Departments of Defense and State procedures for collecting debts owed the United States by foreign governments. The summary also highlights the particulars surrounding the case of a billing to a Republic of Korea Air Force wing located at Osan, Korea, and addresses future actions promised by the Air Force on this debt.

Sincerely yours,



J. K. Fasick  
Director

Enclosure

UNCOLLECTED RETROACTIVE UTILITY CHARGES OWED  
THE UNITED STATES BY THE REPUBLIC  
OF KOREA AIR FORCE

FOREIGN DEBT COLLECTION PROCEDURES OF  
THE DEPARTMENTS OF DEFENSE AND STATE

Several Federal agencies become involved in collection of delinquent foreign government debts to the Department of Defense. Primary responsibility for debt collection, such as the \$42,944.24 case in point, rests within the Department of Defense--specifically the U.S. Air Force. If Defense authorities' efforts are unsuccessful in bringing about payment, the matter is referred to the Department of State for direct government-to-government resolution. Foreign government debts more than 90 days in arrears are also summarized and reported quarterly to the Congress by the Treasury Department. The following paragraphs in this section describe, in more specific terms, the procedures that should have been followed in the Republic of Korea Air Force (ROKAF) case.

Air Force regulations assign primary responsibility for debt collection to the local base Accounting and Finance Officer (AFO) where the expenses were incurred. AFO is required to provide debtors original bills and two followup delinquency notices if the accounts become overdue. If AFO has been unable to collect within 90 days after the original billing, the bills and related documents are to be forwarded to Air Force Accounting and Finance Center (AFAFC) in Denver, Colorado, for further action.

Air Force guidance to AFAFC directs the center to pursue collection directly with the foreign government's embassy in Washington, D.C. In the ROKAF case, the Korean Air Attache is the AFAFC point of contact for debt collection matters. If AFAFC efforts with the Air Attache are unsuccessful, AFAFC is required to refer the case to the Defense Security Assistance Agency in the Department of Defense.

The Defense Security Assistance Agency is required to use every available means to collect the debts. Like AFAFC, this agency also channels its collection inquiries to the foreign government's U.S.-based embassy. If a positive response is not forthcoming within 20 days of referral from AFAFC, the Defense Security Assistance Agency refers these cases to the Office of Monetary Affairs in the Department of State. In addition, the Defense Security Assistance Agency reports debts more than 90 days in arrears to the Foreign Credit Monetary Unit in the Treasury Department. The Treasury representative told us that, in turn, they prepare quarterly reports on foreign accounts receivable, by country and category--such as logistics support--and submit these reports to the Congress as required under the Foreign Assistance Act of 1961, as amended.

When the Department of State's Office of Monetary Affairs receives debt referrals from the Defense Security Assistance Agency, State contacts the respective U.S. Embassy and requests direct assistance in bringing about payment of the overdue amounts.

#### THE ROKAF CASE

In December 1976, the Korea Electric Company (KEC) presented a bill to the U.S. Base Civil Engineer, Osan Air Base, Korea, for \$1,457,154.64. This amount represented the retroactive portion of the electric utility rate increase for the period February 13, 1974, to October 20, 1976. The retroactive aspect resulted from reported agreements reached during negotiations under the Status of Forces Agreement between the United States and Republic of Korea Joint Committee and KEC. The agreement centered on a 200-percent increase in electric rates to U.S. Forces in Korea with acceptance by U.S. negotiators of a 3-year retroactive provision. AFO at Osan paid KEC the requested \$1.4 million on June 17, 1977. Although unconfirmed, one source told us that the one-time retroactive charges to all U.S. Forces in Korea totaled about \$22.0 million which includes the \$1.4 million Osan portion.

Your constituent informed us in March 1979 that his personal investigation revealed that under the Status of Forces Agreement, the U.S. Air Force installation at Osan had agreed to provide the small ROKAF unit located there with electricity at prevailing rates on a reimbursable basis. It appears that the personal action on the part of your constituent is what ultimately prompted the Osan AFO to submit a bill in December 1977 to ROKAF for its share of the \$1.4 million retroactive charge paid KEC in June 1977 by the United States.

The ROKAF unit did not respond to the Osan AFO original bill notice and, as a result, the Osan AFO subsequently sent the ROKAF four followup delinquency notices from February until May 1978. With no indication of ROKAF willingness to pay, the Osan AFO sent the bill to AFAFC on July 12, 1978, nearly 7 months after the original billing. Moreover, it was not until January 1979 that the Osan AFO notified AFAFC that the ROKAF unit had advised AFO that ROKAF had no prior year funds available to pay the bill.

Air Force procedures require only two followup notices before referral to AFAFC. The Osan AFO, for reasons unknown to officials we questioned at AFAFC, chose to disregard the procedures related to both the number of followup notifications and the time limitations before forwarding the case to AFAFC. As a result, several months of delay were encountered at the AFO level in attempting to collect amounts due the United States.

On receipt of the delinquent bill from the Osan AFO, AFAFC promptly wrote the Air Attache in the Korean Embassy, explaining the situation and requesting his assistance in bringing about collection. In August 1978, the Air Attache replied to AFAFC but offered no direct assistance and suggested that the matter should be handled between the respective air force units in Korea. AFAFC officials told us that because of "a shortage of staff to work the case" no action was taken between August 1978 and March 1979 to recover the amount due the United States.

We noted that Air Force procedures required AFAFC to refer the case to the Defense Security Assistance Agency in August 1978. This was not done. Because the Air Force failed to follow procedures in this case when it did not refer the matter to a higher level for further action, neither the Defense Security Assistance Agency, the Department of State nor the Treasury Department were aware of the ROKAF delinquent account.

#### STATUS OF AIR FORCE ACTIONS

As previously noted, the total amount which the United States has requested of ROKAF is \$42,944.24. After our inquiry, the Osan AFO notified AFAFC on March 22, 1979, that ROKAF has contested the validity of a portion of the total—\$19,347.22. U.S. authorities at Osan have installed a utility test meter at the ROKAF unit for a 3-month period to validate only the contested charges. The remaining portion of the total amount due—\$23,597.02—has not been contested by ROKAF and the Osan AFO has sent this bill to the Comptroller, U.S. Forces Korea, for guidance and assistance in negotiating with ROKAF. It appears that AFO is again attempting to bring about collection at the local level and is not following procedures which require referral to AFAFC, the Defense Security Assistance Agency, and ultimately to the Department of State.

In view of the fragmented approach the Air Force is following, and the excessive delinquency—about 15 months since the original billing—we have advised the Air Force of our intention to follow up in the near future on this case.