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United States  
General Accounting Office

Seattle Regional Office

Room 1992, Jackson Federal  
Building  
915 Second Avenue  
Seattle, WA 98174

B-249197

January 8, 1993



148408

Major General David A. Bramlett  
Commander  
Hdqtrs. 6th Infantry Division (L)  
U.S. Army Garrison, Alaska  
Fort Wainwright, AK 99703-5000

Dear General Bramlett:

This letter discusses the internal control weaknesses we identified at installations within your command, including the 6th Infantry Division (Light) and the United States Army Garrison, Alaska, at Forts Richardson, Wainwright, and Greely. The accounting office which services these posts is located at Fort Richardson. Our work was performed as part of our examination of Army's financial statements for the fiscal year ended September 30, 1991, and on related internal controls.<sup>1</sup>

The weaknesses identified include inadequate controls over (1) recording equipment on the Consolidated Installation Property Book, (2) accounting for turned-in equipment, (3) capitalizing real property in a timely manner, (4) promptly filing and properly following up on inventory discrepancy reports, (5) promptly processing civilian employee separations and submitting accurate time cards, (6) reporting accrued civilian annual leave on the general ledger, and (7) making timely vendor payments.

While these matters did not materially affect our opinion on Army's financial statements, they nevertheless warrant your attention. We discussed the matters addressed in this letter with responsible personnel including the Garrison Commander and Division personnel and have

<sup>1</sup>Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, August 9, 1992) and Financial Audit: Examination of the Army's Financial Statements for Fiscal Year 1991 (GAO/AFMD-92-83, August 9, 1992).

property book officer was appointed. These officials also said that they had completed a CIPB property inventory in March 1992.

We suggest that you direct the Garrison Commander to test the updated system supporting CIPB to ensure that the system problems have been resolved and that it is operating as intended and producing accurate equipment quantity and dollar values.

TURNED-IN EQUIPMENT NOT PROPERLY ACCOUNTED FOR

During our review of Division and TDA equipment items, we found that one item turned in to another command had not been properly removed from the Division property book. Also, seven items turned in to the installation's Supply Support Activity by other units were not recorded in inventory and accounting records.

According to Army Regulation 710-2, paragraph 2-13 (Disposing of Materiel), property book officers are relieved from accounting for property after it is turned in to a Supply Support Activity (SSA). At Fort Richardson, the SSA is the Directorate of Logistics (DOL). When items are turned in to an SSA, the SSA is to provide a receipt to the unit representative. This serves as the basis for decreasing the balance on hand on the unit's property book. The SSA is responsible for ensuring that the item received is properly recorded in its inventory and accounting records. These records are used to update the general ledger accounting records. Army guidelines state that general ledger property accounts should be updated at least monthly.

We randomly selected and inventoried 19 equipment items on the Division property book. We located all but one of these items. We found that a helicopter, valued at \$3,442,062 remained on the Division property book as of June 1991 although it had been turned in to the Aviation Systems Command (AVSCOM) in Killeen, Texas, in April 1991 and subsequently issued to the Marine Corps. Pursuant to direction from AVSCOM, the Division in Alaska had issued a memorandum in April 1991 instructing units to follow normal supply procedures and turn in remaining helicopters to DOL at Fort Richardson. However, the unit responsible for the helicopter mistakenly shipped it directly to AVSCOM without notifying DOL. AVSCOM did not provide a receipt to the shipping unit, the property book

office, or DOL. As a result, the helicopter was not removed from the Division property book, and the Division remained accountable and responsible for the helicopter after it was issued to the Marine Corps. Subsequent to our review, Army officials told us they had implemented procedures to prevent a recurrence of this "lack of communication." They said that aviation units within the Division are to notify the Assistant Chief of Staff and the Division Support Command of any directives from AVSCOM prior to implementing them.

We also selected 26 equipment turn-in transactions from the Division and 2 TDA property book office files and compared them to DOL's inventory and accounting records to determine if they were added to the installation's inventory records and general ledger inventory balances. We found that seven items turned in to DOL by other units had not been recorded in DOL records. The recorded turn in dates for the seven equipment turn-in transactions ranged from 12 to 126 business days prior to our review.

DOL staff found supporting documents for four items and entered them, but were unable to locate supporting documents for the remaining three items. DOL officials stated that they had not had the time to enter the four documents into the system.

We suggest that you direct the Garrison Commander to

- ensure that established procedures are followed regarding items turned in to DOL, and
- direct DOL to promptly record all turned-in inventory items.

INADEQUATE CONTROLS OVER TIMELY CAPITALIZATION  
OF REAL PROPERTY CONSTRUCTION PROJECTS

Department of the Army guidelines state that real property account balances should be updated quarterly. We reviewed 30 randomly selected in-house capital projects completed at least 3 months before our review. According to an Army official, 17 had been capitalized. However, the costs of 13 projects, ranging from about \$6,000 to about \$158,000, had not been recorded in the Integrated Facilities System, which is the Army's real property system and is to be used to update the general ledger.

Army Regulation 420-17 states that the Facilities Engineer is responsible for maintaining the real property records and for entering data on newly constructed or otherwise acquired items of real property into the property record system.

During our review, we found no procedures in place to ensure that completed projects were recorded promptly in the general ledger. However, after we notified officials from the Directorate of Engineering and Housing of our findings, they said that they would develop procedures to improve completed project processing timeliness.

We suggest that you direct the Garrison Commander to monitor this effort and implement procedures that require projects to be recorded in the property system promptly.

INADEQUATE CONTROLS OVER PROMPT FILING AND FOLLOW UP OF REPORTS OF DISCREPANCIES

Over one half of the 29 Reports of Discrepancies (RODs) we reviewed at DOL were either not properly documented or were not filed or followed up in accordance with time limits set by Army regulations. If RODs are not filed and resolved appropriately, installations may pay for items ordered but not received and inventory and accounting records may contain errors.

Receiving units at Army installations use RODs to document shipping and packaging discrepancies. These discrepancies arise when received items do not match shipping documents, such as variations in quantity or quality due to improper packaging. The receiving units file RODs with shippers, such as Army depots, who are responsible for researching and resolving the discrepancies and initiating corrective actions. RODs also serve as supporting documentation for inventory accounting and financial adjustments.

Army Regulation 735-11-2, Section VI (Procedures), requires that destinations outside the continental United States file RODs with shippers within 150 calendar days of shipment. Receiving units filing RODs are to follow up if shippers do not respond within prescribed time frames. Follow-up is to be initiated and documented 60 days from the date the ROD was mailed to the shipper, if the ROD is not resolved within that time.

DOL at Fort Richardson did not have an oversight mechanism, such as a centralized log, to monitor the status of RODs. Individual staff members were responsible for maintaining RODs specific to their areas. Also, staff members responsible for maintaining RODs told us that when staff members change, little information on the status of RODs is provided to new staff members.

We reviewed 29 randomly selected RODs from the 129 RODs found in files maintained by DOL staff members at the time of our review. Because of a lack of documentation, we were not able to determine if 8 of the 29 RODs were filed in a timely manner. Of the remaining 21, 5 RODs were filed 17 to 80 days late.

Of the 29 RODs, 18 required follow up. Because of a lack of documentation, we were not able to determine if 9 of these 18 RODs were followed up in a timely manner. Of the remaining 9, 6 were followed up 21 to 436 days late, 2 were not followed up at all and 1 was followed up correctly. Eleven of these 18 remained unresolved at the time of our review.

At the end of our review, Fort Richardson officials told us that managers were processing "initial" RODs within current guidelines and that follow-ups were initiated on overdue responses. They said that they would continue these efforts as time, workload, and personnel permitted. However, they did not implement new procedures to ensure oversight of this activity in the future.

We suggest that you direct the Garrison Commander to establish and maintain a central log of RODs; to review RODs on this log periodically to ensure that they are appropriately filed, followed up, and resolved; and to adequately document these actions.

CIVILIAN SEPARATION DOCUMENTS  
NOT PROCESSED PROMPTLY

Adequate controls did not exist to ensure that separated employees were promptly removed from the payroll system. Allowing separated employees to remain on the payroll past the separation date creates an environment conducive to errors and fraud.

Army Regulation 37-105, paragraph 2-6a (Transaction Documentation and Control), requires that separated employees be removed from the payroll after official notification from the Civilian Personnel Office. Between the last day of work and receipt of official notification, Fort Richardson's procedures require that the separated employee's unit submit a time card that is signed by the supervisor and shows zero hours worked. This is to ensure that separated employees who have not yet been removed from the payroll records are not paid.

We randomly selected the names of 30 separated employees from a universe of 214 who had separated between October 1990 and April 1991 and found that 18 had remained on the payroll for at least one pay period following separation, and one individual was paid too much. Of these 18 employees, 8 had remained on the payroll for 4 or more pay periods. According to a Civilian Personnel Office official, separated employees' units often do not submit separation documents promptly for processing. This, in turn, delays the personnel office's notification to the Civilian Payroll Office. Regarding the overpayment, one employee, who separated in the middle of a pay period had been paid \$687.60 for 40 hours he did not work. According to a Civilian Payroll official, the overpayment was corrected when the former employee notified the Civilian Payroll Office and returned the overpayment.

In response to our findings, the Finance and Accounting Officer told us that his office intends to coordinate with the Civilian Personnel Office to resolve this problem by ensuring that the payroll office is notified sooner when employees separate.

We suggest that you direct the Garrison Commander to establish procedures that require units with civilian employees, the Civilian Personnel Office, and the Civilian Payroll Office to process separation documents within one pay period following an employee's separation. In addition, we suggest that the Garrison Commander ensure that supervisors comply with the existing procedures requiring that terminated employees' time cards be submitted showing zero hours worked after their termination date.

NO PROCEDURES FOR REPORTING OF ACCRUED  
CIVILIAN ANNUAL LEAVE

Finance and Accounting Office officials were not aware of the need to record accrued civilian annual leave on the general ledger and had no established procedures to do so. Army Regulation 37-1, paragraph 23-4 (Payroll and Benefits), specifies that amounts due for benefits be recorded as of the end of the fiscal year, provided the payment is probable and the amount is estimable. If accrued civilian annual leave is not recorded on the general ledger, Army's liabilities are understated.

We informed the Finance and Accounting Office officials of this requirement and, as a result, \$2.3 million for Fort Richardson's accrued annual leave was included on the general ledger as of September 30, 1991. However, the Finance and Accounting Office inadvertently omitted an additional \$1.5 million in accrued annual leave that should have been recorded for Forts Wainwright and Greely. In April 1992, the Finance and Accounting Officer told us that the value for accrued annual leave had been properly recorded for all three posts.

We suggest that you direct the Garrison Commander to establish appropriate procedures implementing Army Regulation 37-1, paragraph 23-4, to ensure that the Finance and Accounting Office properly records accrued civilian annual leave on the general ledger.

LACK OF CONTROLS OVER TIMELY PAYMENT  
PROCESSING RESULTED IN LATE PAYMENTS

The Finance and Accounting Office's Prompt Payment Act report for fiscal year 1991 showed that 2,578 (15 percent) of the 16,996 payments it made that were subject to the Prompt Payment Act were paid late. The Prompt Payment Act of 1982 (31 U.S.C. 3901-3907) provides specific criteria to federal agencies for determining due dates on commercial invoices when related contracts do not include payment-timing provisions. The act also requires federal agencies to pay interest when payments are late. Thus, the government can save money with timely payments.

According to the Finance and Accounting Officer, payments were made late during fiscal year 1991 because invoices and receiving reports from other units were not promptly

forwarded to the Commercial Payments Office. In addition, he said the office was understaffed and the system for processing payments was inefficient.

Subsequent to our review, the Finance and Accounting Officer reported that overtime and additional military personnel were used to review the files and pay all old invoices and that temporary civilian employees and military personnel were helping to maintain the current level of timely payments to vendors. Additionally, the Finance and Accounting Officer told us that hardware and software equipment configurations were being modified to provide for a more efficient system and a fax machine was ordered to facilitate timely receipt of receiving reports from activities. While such improvements may speed the payment process, it is important that they do not weaken controls designed to ensure that only proper invoices are paid.

We suggest that you direct the Garrison Commander to monitor the Finance and Accounting Office's efforts to implement a more efficient payment processing system that includes controls to ensure that commercial payments are both proper and timely.

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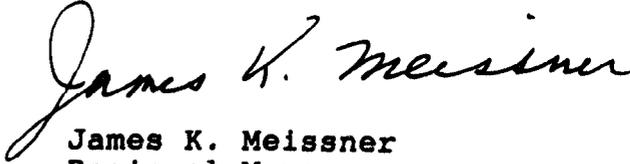
Developing Army's first set of financial statements and initiating the related improvements in financial management have involved considerable cooperative efforts by the Army and GAO. We appreciate the courtesy and cooperation extended to us by officials within the U.S. Army's Alaska region.

Please provide us your comments on the issues discussed in this letter and your planned and actual corrective actions within 30 days.

B-249197

If you have any questions or wish to discuss any of these issues further, please contact either me or Carla Revell, Accounting and Finance Issue Area Manager, at (206) 287-4800.

Sincerely yours,

A handwritten signature in cursive script that reads "James K. Meissner". The signature is written in black ink and is positioned above the typed name and title.

James K. Meissner  
Regional Manager

(918789)

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