

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

QUICK-REACTION REPORT ON DOD
SUPPORT FOR THE 1996 PARALYMPICS
AND CENTENNIAL OLYMPIC GAMES

Report No. 96-186

June 28, 1996

Department of Defense

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Acronyms

| | |
|-----|----------------------------------|
| DAO | Defense Accounting Office |
| OSE | Office of Special Events |
| WHS | Washington Headquarters Services |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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June 28, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
UNDER SECRETARY OF DEFENSE (PERSONNEL AND
READINESS)
DIRECTOR, WASHINGTON HEADQUARTERS
SERVICES
DIRECTOR, OFFICE OF SPECIAL EVENTS

SUBJECT: Quick-Reaction Report on DoD Support for the 1996 Paralympics and
Centennial Olympic Games (Report No. 96-186)

We are providing this report for information and use. This audit was requested by the Director, Office of Special Events. This report is the first in a series of reports that will be issued regarding the audit request. Management comments on a draft of this report were considered in preparing the final report.

Management comments on the draft report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. If you have any questions, please contact Mr. Raymond D. Kidd, Audit Program Director, at (703) 604-9110 (DSN 664-9110) or Mr. John A. Richards, Audit Project Manager, at (703) 604-9133 (DSN 664-9133). Appendix F lists the planned distribution of this report. The audit team members are listed on the inside back cover.

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Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-186
(Project No. 6FH-5020)

June 28, 1996

Quick-Reaction Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games

Executive Summary

Introduction. This audit report is the first in a series of reports that will be issued in response to a request from the Director, Office of Special Events regarding DoD support of the 1996 Olympic and Paralympic Games. The audit was requested to help ensure that DoD maintains proper controls over funding and logistical support to the Games. The report addresses the disposition of reimbursement for services supporting the Olympic Games and the negative balances being reported on U.S. Treasury reports, which indicate potential Antideficiency Act violations. We issued this as a quick-reaction report recommending immediate cessation of the practice of depositing reimbursements into DoD appropriations which constitutes an improper augmentation and recommending that management perform a preliminary review for potential Antideficiency Act violations.

The DoD provides substantial security and logistical support to special events, as outlined in DoD Directive 2000.15, "Support of Special Events," November 21, 1994. The Directive states that support may include equipment, personnel, technical or managerial advice, or guidance. Congress has authorized and appropriated funds for this purpose. Reimbursement for the support provided may be deposited into a DoD component's appropriation only if there is specific statutory authority to do so, or if the reimbursement qualifies as a "repayment." There is no statutory authority to permit such deposit in this case; therefore, the reimbursements should be deposited as miscellaneous receipts into the U.S. Treasury, General Fund.

Audit Objectives. The overall audit objective was to evaluate whether funds appropriated to support the Olympics were properly controlled, recorded, and accounted for. In subsequent reports we will address additional issues concerning appropriated funds and determine whether the management control program over inventory and equipment provided for Olympic security is adequate.

Audit Results. Funds appropriated to support the Olympics were inadequately controlled, recorded, and accounted for in the following respects.

- o Washington Headquarters Services accounting personnel, based on requests from the Office of Special Events, credited \$1,672,414 in collections to the DoD appropriations for the 1996 Olympic Games and other special events instead of to the U.S. Treasury, General Fund. The crediting of the collections is contrary to DoD policy; an improper augmentation of the 1996 Olympic Games appropriations; and a violation of title 31, United States Code, section 3302(b), known as the "miscellaneous receipts" statute (Finding A).

- o Negative cash balances were shown on U.S. Treasury reports for FYs 1992, 1993, 1995, and 1996 special event appropriations, which are indications of potential Antideficiency Act violations. Specifically, on at least four occasions the Defense

Finance and Accounting Service stopped expenditures from the special event appropriations because of the negative balances. Action had not yet been taken to determine whether violations of the Antideficiency Act actually occurred (Finding B).

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) transfer to the U.S. Treasury \$1,672,414, and require the Director, Washington Headquarters Services to properly deposit into the U.S. Treasury all future reimbursements for services provided in support of Olympics and other special events. The Director, Washington Headquarters Services should initiate a preliminary review of potential Antideficiency Act violations with respect to those appropriations showing negative cash balances in the U.S. Treasury reports. The Director, Office of Special Events, in conjunction with the Director, Washington Headquarters Services Accounting Division, should review the accounting process to accurately account for appropriated funds.

Management Comments. The comments received in response to the draft report were responsive. The Under Secretary of Defense (Comptroller) stated that the approximately \$1.7 million in reimbursements would be transferred from the special event appropriation into the U.S. Treasury General Fund once the specific appropriations that were augmented are identified. In addition, the Director, Washington Headquarters Services agreed that all future reimbursements will be deposited directly into the U.S. Treasury, General Fund, unless specific statutory authority is granted to accept those reimbursements directly into the special events appropriation. Both the Under Secretary of Defense (Personnel and Readiness) and the Director, Washington Headquarters Services pointed out in their comments that their actions crediting reimbursements to DoD appropriations were not done with the intent of going against Congressional directives. The Under Secretary of Defense (Personnel and Readiness) and his staff had authority to credit reimbursements to the 1984 Olympic appropriation and continued the practice for subsequent events. Although the Director, Washington Headquarters Services nonconcurred with the recommendation to do preliminary reviews of potential Antideficiency Act violations, the actions taken by Washington Headquarters Services personnel meet the intent of our recommendation. The Under Secretary of Defense, (Personnel and Readiness), in conjunction with the Director, Washington Headquarters Services, agreed to review the accounting process and seek a no-year appropriation from Congress. The Under Secretary of Defense (Comptroller) offered to assist the Under Secretary of Defense (Personnel and Readiness) to develop a proposal to Congress for a no-year appropriation. See Part I for a discussion of management comments, and Part III for complete text of management comments.

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Part I - Audit Results

Audit Background

The audit was requested by the Director, Office of Special Events. The DoD provides substantial security and logistical support to special events, as outlined in DoD Directive 2000.15, "Support of Special Events," November 21, 1994. The Directive states that support may include equipment, personnel, technical or managerial advice, or guidance. The focus is on security and law enforcement support in the areas of communications, computers, intelligence, and information; physical barriers; and coordination with local, state, and federal efforts. In supplementing local and state efforts, DoD stated in agreements with Olympic organizations that DoD shall be the supplier of last resort. Support may be provided on a reimbursable basis or by specific appropriation.

The DoD appropriations for special events are listed by specific event in the DoD Appropriation Acts in the "Other Accounts" section of Title II, Operations and Maintenance. Although Operation and Maintenance appropriations are normally for only one year, recently funds appropriated for Olympic support have been made available for multiple years. For example, both the FY 1995 and FY 1996 appropriations are available through FY 1997. Further, the audit did not show any statutory authority for crediting reimbursements of expenditures of these funds to the Olympic appropriations.

The Congress appropriated \$35.4 million for DoD support of the 1996 Olympic Games during FYs 1992 through 1996, by specific appropriations. In addition, the Congress authorized the transfer of about \$2.4 million of unobligated balances from the 1994 World Cup and 1993 University Games, into the Olympic appropriations. All the appropriations combined make up the total amount Congress has authorized for the Olympic account. The FY 1996 appropriation for the Olympic Games (\$15 million) was suballocated directly to the Department of the Army which was assigned as the DoD Executive Agency in August 1995. The Assistant Inspector General for Auditing, Office of Inspector General, DoD, and the Army Audit Agency agreed to perform separate evaluations of the DoD support of the 1996 Olympic Games. The Office of Inspector General, DoD, agreed to evaluate the activities at the Office of Secretary of Defense level while the Army Audit Agency would evaluate those activities of Army designation as the DoD Executive Agency for the subject support.

Audit Objectives

The primary audit objective was to determine whether funds appropriated to support the Olympics were properly controlled, recorded, and accounted for. In subsequent reports, we will address additional areas covering the controlling, recording, and accounting for appropriated funds and determine whether the management control program over inventory and equipment provided for Olympic security is adequate. See Appendix A for a discussion on the audit scope and methodology.

Finding A. Augmentation of Appropriations

Washington Headquarters Services (WHS) accounting personnel, based on requests from the Director, Office of Special Events (OSE), inappropriately reimbursed \$1,672,414 to the Summer Olympics and previous special events appropriations. Specifically, accounting personnel directly credited miscellaneous collections and receipts for special events to a special event appropriation, rather than crediting the U.S. Treasury, General Fund, as required. Accounting personnel stated that direct crediting has been the standard procedure for DoD support of special events. As a result of crediting collections directly to the Summer Olympics and other special events appropriations, those appropriations have been improperly augmented by nearly \$1.7 million. That is, OSE increased the funds available for use in supporting the Olympics without obtaining the required congressional approval and oversight. The accounting process did not permit collections to be tracked visibly in the accounting records; therefore, collection transactions lost their identity, and summary accounting reports did not reflect the increase in available funds nor the associated receivables. These actions do not comply with DoD 7220.9-M, "DoD Accounting Manual," chapter 24, October 1983 and violated title 31, United States Code, section 3302(b) (31 U.S.C. 3302[b]), known as the "miscellaneous receipts" statute because reimbursements must be credited back to the U.S. Treasury. See Appendix D for a more complete explanation of the requirements of chapter 24 of the DoD Accounting Manual.

Restrictions on the Augmenting of Appropriations

The General Accounting Office, "Principles of Federal Appropriations Law," volume II, defines the augmentation concept. It states that as a general proposition, an agency may not augment its appropriations from outside sources without specific statutory authority. Therefore, when Congress makes an appropriation, it is also establishing an authorized program level. An agency that operates beyond this level with funds derived from other sources without specific congressional sanction usurps congressional prerogative. Volume II also addresses the fact that there is no statute that precisely prohibits the augmentation of appropriated funds. However, the concept does have an adequate statutory basis derived from several separate enactments. For example, although 31 U.S.C. 3302(b) does not specifically address augmenting appropriations, it does describe the circumstances for recording collections directly back to the U.S. Treasury, General Fund. This statute provides:

Finding A. Augmentation of Appropriations

Except as provided in section 3718(b) of this title, an official or agent of the Government receiving money for the Government from any source shall deposit the money in the Treasury as soon as practicable without deduction for any charge or claim.

Therefore, any money an agency receives from an outside source must generally be deposited into the U.S. Treasury, General Fund, not into the agency's own appropriations.

Volume II also provides the exceptions to the "miscellaneous receipts" requirement. The exceptions fall into two broad categories, statutory and nonstatutory:

1. An agency may retain moneys it receives if it has statutory authority to do so.
2. Receipts that qualify as "repayments" to an appropriation may be retained to the credit of that appropriation and are not required to be deposited into the General Fund.

Volume II describes "authorized repayments" as the reimbursements authorized to be credited directly to the appropriation by law or refunds to appropriations which represent amounts collected for payments made in error, overpayments, or adjustments for previous amounts disbursed, including returns of authorized advances.

Collections Procedures for DoD Support of Special Events

Collections have been directly credited to the Olympic and other special events appropriations account. Our review of documentation that supports the accounting files for collections showed that the collections were received for (1) reimbursable support to private, state, and local organizations, and non-Defense Federal organizations; (2) reimbursement for the purchase of equipment or materials for those organizations; (3) amounts recovered for lost or damaged equipment loaned by the DoD; and (4) refunds of overpayments for support under a Memorandum of Understanding. The review showed that only the collections totalling \$22,417 for erroneous overpayments were recorded properly. The other collections should have been recorded as miscellaneous receipts and deposited directly to the U.S. Treasury, and not credited to the DoD appropriations for the 1996 Olympic Games or previous special events. The collection procedures used for the first special event, 1980 Lake Placid Winter Olympics, are still currently followed.

OSE, over the years, has entered into a number of agreements or circumstances where it receives cash reimbursement. When that reimbursement is received, typically by check, the following process is initiated. The check and supporting documentation are forwarded under a cover memorandum to WHS, requesting that the Olympic account be credited with the face value of the check.

Finding A. Augmentation of Appropriations

The WHS accounting division certifies receipt of the check and prepares a cash collection voucher that identifies the applicable appropriation to be credited for submission to the Defense Accounting Office (DAO), Air Force District of Washington, for processing the collection. At the same time, the WHS records a negative accrual in account number DEAL"X"0001 for the applicable special event and fiscal year in the WHS Allotment Accounting System and the WHS Installation Accounting Division Collection and Payments System.

The DAO, Air Force District of Washington, returns the appropriate documents after assigning a voucher number. The WHS posts the voucher as a negative disbursement. The posting results in a like amount of negative unliquidated obligation(s). The process ends for WHS when they then must post a manual negative adjustment to the obligation record to balance the account and clear the unliquidated obligation(s). This action, in fact, manipulates the accounting system so that those miscellaneous collections will not appear on the summary accounting reports reflecting funding limits and receivables.

Our analysis of miscellaneous collection records showed that the procedures used for depositing collections into the special events appropriation do not comply with DoD 7220.9-M, chapter 24 guidance that requires collections that are not authorized as appropriation reimbursements to be deposited to the U.S. Treasury as miscellaneous receipts. The fact that the procedures do not result in the collections being deposited in the U.S. Treasury also violates 31 U.S.C. 3302(b).

Collections and Receipts for Previous Special Events

The DoD support for special events has resulted in nearly \$1.7 million in reimbursements from state and local governments as well as private organizers for several special events. DoD received approximately \$1.3 million for services provided, including non-security related services, and \$258,000 for equipment and materials purchased. The DoD also received approximately \$104,000 for loss or damage to government property since August 1993. See Appendix B for a breakdown of the special events receiving the reimbursements. Each of those transactions was recorded as miscellaneous collections or receipts and credited to the DoD appropriations for special events, including reimbursements from previous events that were directly credited to the Olympic account. See Appendix C for a breakdown of the individual collections that were credited to the Olympic appropriations. For the 1996 Olympic Games, the primary user of reimbursable services and, subsequently, primary source of reimbursements has been and will be the Atlanta Committee for the Olympic Games.

Although DoD identified to Congress a need for reimbursable services in support of previous special events, we are unaware of any legislation enacted that would provide such authority. Absent specific statutory authority, or a legitimate "refund" situation, such as the \$22,417 erroneous overpayments,

Finding A. Augmentation of Appropriations

collections for reimbursable services provided by DoD components should be recorded as miscellaneous receipts for direct deposit to the U.S. Treasury rather than to the credit of the specific appropriations.

Miscellaneous Receipts from Loss or Damage to Government Property

The Principles of Federal Appropriations Law, volume II, states "As a general proposition, amounts received by the government for loss or damage to government property cannot be credited to the appropriation available to repair or replace the property, but must be deposited in the U.S. Treasury as miscellaneous receipts. . . ." Although there are statutory exceptions, the circumstances regarding the DoD appropriations for special events, such as the 1996 Olympic Games, do not meet the exceptions. Therefore, the amounts recovered for loss or damage to government property should have been recorded as miscellaneous receipts and deposited directly to the U.S. Treasury, General Fund.

Recommendations, Management Comments, and Audit Response

A. We recommend that the Under Secretary of Defense (Comptroller):

- 1. Transfer \$1,672,414 from the special event appropriations into the U.S. Treasury, General Fund.**

Management Comments. The Under Secretary of Defense (Comptroller) partially concurred, stating that the approximately \$1.7 million in reimbursements would be transferred from the special events appropriation to the U.S. Treasury, General Fund, once the specific appropriations that were augmented by inappropriate refunds are identified. Although not required to comment, the Director, Washington Headquarters Services concurred, stating the special events appropriation was erroneously augmented. However, there was no intent by accounting personnel involved to knowingly credit these funds contrary to accounting policy and the miscellaneous receipts statute. In addition, although not required to comment, the Under Secretary of Defense, (Personnel and Readiness) concurred, stating Congress required reimbursement to the Department for support to the private organizers for the 1984 Los Angeles Summer Olympics and also required such reimbursement to be credited to the Olympic appropriation (Public Law 98-212). The Under Secretary pointed out that consequently, direct crediting of such reimbursements has been the standard procedure for DoD support of special events. Management estimated that the transfer of funds would be completed by September 30, 1996.

Finding A. Augmentation of Appropriations

Audit Response. Although the Under Secretary of Defense (Comptroller) partially concurred with the recommendation, the actions being taken meet the intent of our recommendations. The partial concurrence relates to the fact that management believed the audit did not identify the specific appropriations that were augmented. However, the audit does provide the necessary information needed to properly complete the transfer. Specifically, Appendix C of the report shows the details by the appropriation that the reimbursement was credited against and the collection voucher number that can be used by accounting personnel to determine the appropriation used on the original request. If this information is not available from the official accounting records maintained by the Washington Headquarters Services Accounting Division, then the accounting records maintained by the Director, Office of Special Events can provide this information. Based on discussions with personnel from both of these organizations, preliminary work has already been accomplished to handle the transfer of funds. Although we agree that Public Law 98-212 did allow for direct reimbursement to the 1984 Olympics, this public law does not cover appropriations beyond the 1984 Olympics and none of the appropriation laws for the 1996 Olympics or other special events provided the statutory wording allowing for the direct reimbursement to the special event appropriations. Since we found no evidence to the contrary, we agree with the management comments that state that there was no deliberate intent by personnel to circumvent appropriation laws and regulations and, thereby, deliberately inappropriately augment the special event appropriation.

2. Require the Director, Washington Headquarters Services to record all miscellaneous collections in compliance with current DoD policy. Specifically, all miscellaneous collections for reimbursable services should be deposited directly to the U.S. Treasury, General Fund, unless statutory authority is obtained from Congress to allow deposit of funds directly to a special events appropriation, such as the Olympic appropriation.

Management Comments. The Under Secretary of Defense (Comptroller) and the Director, Washington Headquarters Services concurred, stating that all future reimbursements for support provided will be deposited directly into the U.S. Treasury, General Fund, unless specific statutory authority is granted to accept those reimbursements directly into the special events appropriation. Management considers this action completed.

Audit Response. Since management recently began depositing reimbursements directly to the U.S. Treasury, General Fund, management comments are responsive and we consider the recommendation closed.

Finding B. Negative Cash Balances Reported by Treasury

Negative cash balances were shown on U.S. Treasury reports for FYs 1992, 1993, 1995, and 1996 special event appropriations. Specifically, the "Undisbursed Appropriation Account Trial Balance" reports reflected negative cash positions for 1996 Olympic Games, 1994 World Cup Games, and 1993 World University Games appropriations, resulting in stop payment notices against the appropriations. For example, two stop payment actions lasted over 4 months each and the February 1996 Treasury Trial Balance report reflected negative balances totaling \$900,000 for two appropriations. These negative balances are indications of potential Antideficiency Act violations. Reviews of previous negative balances for special event appropriations revealed mistakes being made while implementing the accounting procedures. Although previous preliminary reviews have shown implementing mistakes, to actually determine whether violations have occurred requires preliminary reviews.

Authorized Appropriations

The Defense Authorization Act for FY 1992, Public Law 102-190, Section 306, 105 STAT. 1334, gives the Secretary of Defense the authority to provide logistical support and personnel services for the 1996 Olympic Games. Beginning in FY 1992, the Congress appropriated funds to the DoD for the 1996 Olympic Games under an annual appropriation. Subsequently, the Congress extended the period of obligational authority for the annual appropriations, allowing their use for several years. The total DoD appropriations, as approved by Congress, for the 1996 Olympic Games were:

| <u>Fiscal Year</u> | <u>Amount (\$ millions)</u> |
|--------------------|-----------------------------|
| 1992 | 2.0 |
| 1993 | 2.0 |
| 1994 | 2.0 |
| 1995 | 14.4 |
| 1996 | <u>15.0</u> |
| Total | \$35.4 |

DoD Appropriations Act, FY 1995, Public Law 103-335, 108 STAT. 2605, included funding for the 1996 Paralympics.

The \$15 million of funds appropriated for FY 1996 have been suballocated to the Department of the Army, which was designated in August 1995 as the DoD Executive Agency for the 1996 Olympic Games.

Finding B. Negative Cash Balances Reported by Treasury

In addition, Section 8104 of the DoD Appropriations Act, FY 1995, authorized the unobligated balances of those funds appropriated in FYs 1992, 1993, and 1994, under the headings "World University Games," "Summer Olympics," and "World Cup USA 1994," in Title II, to be "merged with the appropriation heading entitled Summer Olympics appearing under Title II of this Act and shall be available only for purposes described under that heading."

Accounting Procedures

To administer the appropriations for special events, such as the 1996 Olympic Games, within the DoD accounting structure, the following procedures, unique to those appropriations, are required:

- o Establishment of accounting codes. Fiscal year codes by specific event are required in the accounting code structures for the WHS as well as for each of the DAOs, which process obligations and disbursements against the appropriations for special events as a "transaction for others" or a "transaction by others." The fiscal year codes are designated by the appropriation extensions. For example, the FY 1993 appropriations for the 1996 Olympic Games were coded as 9730116.1120 for the basic fiscal year appropriation and 9730116.1111 for the extended obligation authority beyond the basic fiscal year. The following accounting codes have been established for use in processing payments against the appropriations:

- o 976/70116.1101: Basic FY 1996 appropriation with extended obligation authority through FY 1997 (Coding for funds suballocated to Army)

- o 975/70116.1101: Basic FY 1995 appropriation with extended obligation authority through FY 1997 (Coding for funds suballocated to Army)

- o 975/70116.1111: Basic FY 1995 appropriation with extended obligation authority through FY 1997

- o 9740116.1120: Basic FY 1994 appropriation

- o 973/50116.1111: Extension of obligation authority for FY 1993

- o 9730116.1120: Basic FY 1993 appropriation

- o 972/50116.1111: Extension of obligation authority for FY 1992

- o 9720116.1120: Basic FY 1992 appropriation

In addition, appropriation correlation tables were developed to process fiscal year data for the annual appropriations which are, in most cases, executed as multiyear appropriations. The establishment of separate accounting codes for each appropriation, as required by the classification of the appropriations, creates a labor-intensive effort to accurately track the obligation and

Finding B. Negative Cash Balances Reported by Treasury

disbursement activity by appropriation, and also increases the likelihood of errors. According to personnel from WHS, Directorate for Budget and Finance, funding for the special events could be differentiated in the WHS Allotment Accounting System and the WHS Installation Accounting Division Collection and Payment System using one appropriation that could cross fiscal years. The special events would be differentiated by fiscal year and event through different organization responsibility codes. This procedure would require the establishment of only one appropriation code in the DoD accounting system. Thus, only one appropriation code would be cited by disbursing offices throughout the DoD on all of the transactions for special events. The approach, utilizing a no-year appropriations, requires a change in the way Congress funds the special events program.

o Manual adjustments to specific fiscal year accounts. After the unobligated balances of completed special events have been transferred, there may be disbursements processed by DAOs citing fiscal year appropriations that no longer have enough funds available. The DAO could be processing valid adjustments to the account or making erroneous disbursements by using the wrong codes. However, either of the situations could create a negative balance that could be a potential Antideficiency Act violation or require a manual adjustment to preclude a negative closing balance on the "Undisbursed Appropriation Account Trial Balance (TFS 6654)," a monthly cash position report from the U.S. Treasury. During the period of the 1996 Olympic Games appropriations (FYs 1992 through 1996), several memoranda from the Defense Finance and Accounting Service Indianapolis Center reflected numerous appropriation codes for special events, including some of the appropriations for the 1996 Olympic Games, which have reflected negative balances on the TFS 6654. For example, the February 1996 report reflected an \$11,258 negative balance for the FY 1996 Olympic Games appropriation and an \$838,614 negative balance for the FY 1993 World Cup appropriation. As a result, the Defense Finance and Accounting Service Indianapolis Center sent out stop payment messages to all DAOs, requesting that a copy of the message be passed to all appropriate responsible paying, budget, and contracting authorities. Two of the stop payment messages were in effect for over 4 months each, thereby stopping all payment transactions against the appropriations.

Conclusion

Negative cash balances were shown on U.S. Treasury reports for FYs 1992, 1993, 1995, and 1996 special events appropriations. Managers should perform preliminary reviews to determine whether Antideficiency Act violations occurred. Although accounting procedures allow for proper monitoring of the funds available, accounting personnel believed the process was cumbersome and prone to errors. A review of accounting procedures may lead to simplifying the process. If the accounting process is simply too difficult, then the DoD needs

Finding B. Negative Cash Balances Reported by Treasury

to seek legislative relief by requesting use of no-year appropriations. If granted, procedures should be considered that could reduce the number of accounting codes needed to monitor appropriations used over an extended period of time, such as the Olympic appropriation.

Recommendations, Management Comments, and Audit Response

B.1. We recommend that the Director, Washington Headquarters Services initiate a preliminary review of potential Antideficiency Act violations as they relate to the negative balances shown on the U.S. Treasury reports. This review is a requirement of the DoD 7000.14-R, "Financial Management Regulation," volume 14, chapter 3, August 1995.

Management Comments. The Director, Washington Headquarters Services nonconcurrent, stating that there is no special events appropriation with a negative cash balance in the accounting records of the Washington Headquarters Services, which are the books of original entry. The Director went on to state that there have been instances previously where negative balances existed in certain special events appropriations. The cause was always the inaccurate posting of disbursements to the wrong fiscal year. All of these instances have been reviewed, corrected, and validated. Although not required to comment, the Under Secretary of Defense (Comptroller) nonconcurrent, stating that Washington Headquarters Services has previously corrected erroneous accounting transactions that caused the negative balances shown on the U.S. Treasury reports.

Audit Response. Despite the nonconcurrences, the intent of the recommendation has been met and no further management actions are necessary. The objective of our recommendation and of any preliminary research for potential Antideficiency Act violations is to determine whether a violation exists or whether the negative balance is an accounting error or other administrative error. Washington Headquarters Services met that objective when they determined the negative balances were accounting errors. As stated in our finding paragraph, we agree that previous negative balances were caused by accounting errors, rather than from overobligating the funds. However, all reported negative balances require some type of research to make that determination.

B.2. We recommend that the Director, Office of Special Events, in conjunction with the Director, Washington Headquarters Services Accounting Division review options for the accounting process to accurately account for funds appropriated for the special events. If the accounting process is simply too difficult, then DoD needs to seek congressionally approved language changes in the DoD Appropriations Act to use no-year appropriations.

Finding B. Negative Cash Balances Reported by Treasury

Management Comments. The Under Secretary of Defense (Comptroller), Under Secretary of Defense (Personnel and Readiness), and Director, Washington Headquarters Services concurred, stating that they would work together to review the accounting process and take steps to obtain the required Congressional approval for utilizing a no-year appropriation for future special events to simplify the accounting process. Management did not provide an estimated completion date.

Audit Response. Management comments were responsive to the recommendation. We fully agree with management's attempt to simplify the accounting process by obtaining the appropriate authority for the use of a no-year appropriation. No further funds will be appropriated for the 1996 Olympics. However, management should request the no-year designation prior to receiving appropriations for future special events.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

We conducted this financial related audit from November 1995 through April 1996. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and accordingly included such tests of management controls as were deemed necessary. We reviewed records and supporting documentation, dated from January 1992 through March 1996, concerning issues relating to the findings and recommendations. We relied on computer-processed data from the WHS Allotment Accounting System and WHS Installation Accounting Division Collection and Payment System to develop our audit conclusions. We did not evaluate the general and application controls of either of these systems, although we relied on the data produced by these systems to conduct the audit. We did review the supporting documentation for the transactions downloaded and found the data base to be reliable for quantifying our finding. No projections were made from the data provided by the systems. Not evaluating the controls did not affect the results of the audit. Appendix E lists the organizations visited or contacted during the audit.

Management Control Program

The results of our evaluation of management controls related to the adequacy of financial controls and controls over inventory and equipment loaned to Olympic activities will be addressed in subsequent reports.

Summary of Prior Audits and Other Reviews

There were no related audits or other reviews of DoD support of the Olympics performed in the last 5 years.

Appendix B. Miscellaneous Collections/Receipts Due to the U.S. Treasury

SUMMARY OF MISCELLANEOUS COLLECTIONS/RECEIPTS WHICH SHOULD HAVE BEEN
DEPOSITED INTO THE U. S. TREASURY, GENERAL FUND,
AS OF 2/8/96¹

| <u>APPROPRIATION</u> | <u>DOD SUPPORT PROVIDED</u> | <u>PURCHASE EQUIPMENT/ MATERIALS</u> | <u>LOST OR DAMAGED EQUIPMENT</u> | <u>INSUFF EXPLAN²</u> | <u>TOTALS</u> |
|--|-------------------------------------|--|--|--------------------------------------|-----------------------|
| 1996 Olympic Games (501161111 (DEAL50001)) | \$ 817,963.96 | \$ 93,347.87 | \$ 70,732.25 | \$4,660.32 | \$ 986,704.40 |
| 1994 World Cup Games (408291120 (DEAL40001)) | 483,893.77 | 164,491.15 | 21,564.81 | 12.71 | 669,962.44 |
| 1993 University Games (308271120 (DEAL30002)) | <u>0.00</u> | <u>600.00</u> | <u>11,367.36</u> | <u>3,780.00</u> | <u>15,747.36</u> |
| SUBTOTALS | <u>\$1,301,857.73</u> | <u>\$258,439.02</u> | <u>\$103,664.42</u> | <u>\$8,453.03</u> | <u>\$1,672,414.20</u> |
| TOTAL: \$1,672,414.20 | | | | | |

¹ Source: Commitment/Obligation/Accrual/Disbursement Register, WHS

² Insufficient explanation for the collection in the WHS records

Appendix C. Miscellaneous Collections/Receipts Credited to 1996 Olympic Account

DETAILED INFORMATION FOR APPROPRIATION 501161111 (DEAL50001) AS OF 2/8/96

| RECEIVING OFFICE DATE | COLLECTION FROM | DAO COLL VOU NUMBER | DOD SUPPORT PROVIDED | PURCHASE EQUIPMENT/MATERIALS | LOST OR DAMAGED EQUIPMENT | INSUFF EXPLAN |
|-----------------------|---------------------|---------------------|----------------------|------------------------------|---------------------------|-----------------|
| 11/3/94 | City of Orlando | CS00582 | | | | 4,117.27 |
| 11/3/94 | City of Dallas | CS00583 | | | | 543.05 |
| 11/3/94 | WCOC | CS00586 | | | 60.00 | |
| 11/3/94 | City of Dallas | CS00585 | | 65,494.35 | | |
| 11/3/94 | WCOC | CS00584 | | 27,853.52 | | |
| 11/21/94 | City of Oakland | CS00908 | | | 241.05 | |
| 11/21/94 | US Rowing Assoc | CS00909 | | | 1,043.95 | |
| 11/21/94 | WCOC | CS00907 | 29,812.96 | | | |
| 3/17/95 | Chicago Park Dist | CS02350 | | | 13,579.00 | |
| 3/17/95 | State Department | CS02351 | | | 108.00 | |
| 3/17/95 | State of Michigan | CS02352 | | | 236.50 | |
| 12/8/94 | State of NJ | CS01187 | | | 264.75 | |
| 1/17/95 | Chicago Police | CS01435 | | | 900.00 | |
| 1/17/95 | NJ Sports Expo | CS01431 | 92,000.00 | | | |
| 1/20/95 | ACOG | CS01478 | 3,828.00 | | | |
| 6/21/95 | ACOG | CS03761 | 39,750.00 | | | |
| 6/9/95 | ACOG | CS03597 | 11,884.00 | | | |
| 9/21/95 | Western NY | CS04981 | | | 500.00 | |
| 9/28/95 | Columbus 96 | CS00008 | 227,000.00 | | | |
| 8/31/95 | Contemporary Svs | CS04672 | | | 4,834.00 | |
| 10/20/95 | Dept of Treasury | CS00275 | 212,780.00 | | | |
| 10/30/95 | City of SF | CS00406 | | | 2,765.20 | |
| 11/21/95 | Dept of Treasury | CS00656 | 209.00 | | | |
| 12/14/95 | Baltimore Prom | CS00954 | | | 2,863.00 | |
| 12/14/95 | SOOC | CS00952 | | | 43,336.80 | |
| 12/14/95 | ACOG | CS00953 | 700.00 | | | |
| 1/17/96 | Columbus 96 | CS01333 | 200,000.00 | | | |
| SUBTOTALS | | | <u>817,963.96</u> | <u>93,347.87</u> | <u>70,732.25</u> | <u>4,660.32</u> |
| TOTAL | \$986,704.40 | | | | | |

Appendix C. Miscellaneous Collections/Receipts Credited to 1996 Olympic Account

DETAILED INFORMATION FOR APPROPRIATION 408291120 (DEAL40001) AS OF 2/8/96

| RECEIVING OFFICE DATE | COLLECTION FROM | DAO COLL VOU NUMBER | DOD SUPPORT PROVIDED | PURCHASE EQUIPMENT/ MATERIALS | LOST OR DAMAGED EQUIPMENT | INSUFF EXPLAN |
|-----------------------------|---------------------|---------------------------|----------------------------|-------------------------------------|---------------------------------|------------------|
| 3/24/94 | WCOC | CS02583 | 29,812.96 | | | |
| 7/22/94 | WCOC | CS04368 | 12,500.00 | | | |
| 8/5/94 | City of Pontiac | CS05164 | 79,237.30 | | | |
| 6/8/94 | WCOC | CS03723 | 42,500.00 | | | |
| 6/30/94 | City of Dallas | CS04016A | 37,000.00 | | | |
| 7/22/94 | City of Orlando | CS04369 | 79,513.02 | | | |
| 5/3/94 | WCOC | CS03164 | 4,050.00 | | | |
| 8/5/94 | City of Pontiac | CS05163 | | 56,253.78 | | |
| 8/31/94 | Foxboro Stadium | CS05781 | 5,000.00 | | | |
| 8/31/94 | Foxboro Stadium | CS05799 | 51,390.55 | | | |
| 9/19/94 | COMCAST Cable | CS05978 | | | | 12.71 |
| 8/18/94 | DC Government | CS52530 | 80,513.60 | | | |
| 9/19/94 | IL State Police | CS05979 | | | 7.00 | |
| 10/4/94 | Stanford Univ | CS0133F | | | 21,557.81 | |
| 10/4/94 | Stanford Univ | CS0133G | | 108,237.37 | | |
| 9/27/94 | City of Pasadena | CS00002 | 51,376.34 | | | |
| 4/26/94 | WCOC | CS3050A | 11,000.00 | | | |
| SUBTOTALS | | | <u>483,893.77</u> | <u>164,491.15</u> | <u>21,564.81</u> | <u>12.71</u> |
| TOTAL | \$669,962.44 | | | | | |

Appendix C. Miscellaneous Collections/Receipts Credited to 1996 Olympic Account

DETAILED INFORMATION FOR APPROPRIATION 308271120 (DEAL30002) AS OF 2/8/96

| <u>RECEIVING OFFICE DATE</u> | <u>COLLECTION FROM</u> | <u>DAO COLL VOU NUMBER</u> | <u>DOD SUPPORT PROVIDED</u> | <u>PURCHASE EQUIPMENT/MATERIALS</u> | <u>LOST OR DAMAGED EQUIPMENT</u> | <u>INSUFF EXPLAN</u> |
|------------------------------|------------------------|----------------------------|-----------------------------|-------------------------------------|----------------------------------|----------------------|
| 9/29/93 | Spanish Govt | CCV008384 | | | 8,359.36 | |
| 10/19/93 | Travelers Ins | CS00266 | | | 840.00 | |
| 12/06/93 | N.Y. State Police | CS00987 | | | 2,168.00 | |
| 8/13/93 | Buffalo Athlete | CS04911 | | | | 3,780.00 |
| 8/13/93 | Board of Educ | CS04910 | _____ | <u>600.00</u> | _____ | _____ |
| SUBTOTALS | | | | <u>600.00</u> | <u>11,367.36</u> | <u>3,780.00</u> |
| TOTAL | \$15,747.36 | | | | | |

ACRONYMS:

ACOG Atlanta Committee for the Olympic Games
 SOOC Special Olympics Organizing Committee
 WCOC World Cup Organizing Committee
 WHS Washington Headquarters Services

Appendix D. Descriptions of DoD Regulations

DoD Directive 2000.15, "Support of Special Events," November 21, 1994, establishes policy and assigns responsibilities for managing DoD support of international and national special events.

DoD 7000.14-R, "DoD Financial Management Regulation," volume 1, "General Financial Management Information, Systems, and Requirements," was issued in May 1993. Chapter 2 describes the conceptual framework for the DoD accounting system. An accounting system is the total structure of methods and procedures used to record, classify, and report information on the financial position and operations of a governmental unit. It encompasses the procedures and processes from the point a transaction is authorized, through processing the data, to issuing financial and management information statements and reports containing the data in detail or summary form. It also includes payroll, disbursement, and cost accounting functions. Chapter 7 establishes the internal control standards to give reasonable assurance that the accounts are reliable.

DoD 7000.14-R, "DoD Financial Management Regulation," volume 14, "Administrative Control of Funds and Antideficiency Act Violations," was issued in August 1995. Chapter 1 establishes policy and procedures for the administrative control of funds. Chapter 3 provides guidance for conducting preliminary reviews of potential violations. Specifically, chapter 3 requires that a preliminary review must be requested within 10 business days upon receipt of a draft report that alleges a potential violation. Volume 14, Appendix A describes the procedures and details for controlling available funds to include guidance relative to reimbursable orders.

DoD 7220.9-M, "DoD Accounting Manual," chapter 24, was issued in October 1983. Chapter 24 prescribes the standards for recording transactions in the installation-level budgetary accounts. Specifically, paragraph B.4 describes the standards for recording reimbursement transactions back to the U.S. Treasury.

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense (Comptroller), Washington, DC
Office of the Under Secretary of Defense (Personnel and Readiness), Washington, DC
Office of the Deputy Under Secretary of Defense Requirements and Resources,
Washington, DC
Office of Special Events, Washington, DC
Washington Headquarters Services, Washington, DC
Office of the Assistant to the Secretary of Defense (Public Affairs), Washington, DC

Department of the Army

Headquarters, United States Forces Command, Joint Task Force-Olympic,
Fort McPherson, GA
Army Audit Agency, Washington, DC
Army Audit Agency, Joint Task Force-Olympics, Fort McPherson, GA

Defense Agencies

Headquarters, Defense Finance and Accounting Service, Washington, DC
Defense Finance and Accounting Service Center, Indianapolis, IN

Non-Defense Federal Organizations

Atlanta Committee for Olympic Games, Atlanta, GA
Atlanta Paralympic Organizing Committee, Atlanta, GA

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Under Secretary of Defense (Personnel and Readiness)
 Deputy Under Secretary of Defense Requirements and Resources
 Director, Office of Special Events
Director, Washington Headquarters Services
Assistant to the Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Agencies

Director, Defense Finance and Accounting Service
 Director, Defense Finance and Accounting Service Indianapolis Center

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



JUN 18 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD

SUBJECT: Quick Reaction Audit Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games (Project No. 6FH-5020) dated May 10, 1996

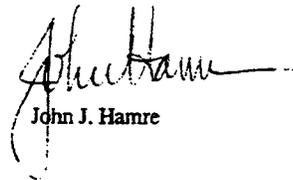
This memorandum provides the Office of the Under Secretary of Defense (Comptroller) response to recommendations A, B.1, and B.2 of subject draft audit report.

This office partially concurs with recommendation A. Your report does not identify the specific appropriations that were augmented by inappropriate refunds. Once this information is available, my staff will work with Washington Headquarters Services and the Office of Special Events to identify available balances within the affected accounts of the Office of Special Events and to deposit appropriate amounts with the U.S. Treasury, General Fund.

However, this office does not concur with recommendation B.1. Because the accounting reports no longer show negative cash balances for the accounts listed, Washington Headquarters Services does not need to initiate preliminary review of potential antideficiency violations.

This office concurs with recommendation B.2. The establishment of a no-year account for special events would reduce accounting errors. Additionally, it would give the Department increased flexibility to manage this account.

My point of contact on this guidance is Mr. John Johnson. He may be contacted at (703) 697-3101, extension 23.


John J. Hamre

Attachment

QUICK REACTION AUDIT REPORT ON
DoD SUPPORT FOR THE 1996 PARALYMPICS AND CENTENNIAL OLYMPIC GAMES
(PROJECT NO. 6FH-5020 DATED MAY 10, 1996)

★★★★★

RECOMMENDATIONS

DODIG RECOMMENDATION A: We recommend that the Under Secretary of Defense (Comptroller):

- (1) Transfer \$1,672,414 from the special events appropriations into the U.S. Treasury, General Fund.
- (2) Require the Director, Washington Headquarters Services to record all miscellaneous collections in compliance with current DoD policy. Specifically, all miscellaneous collections for reimbursable services should be deposited directly to the U.S. Treasury, General Fund, unless statutory authority is obtained from the Congress to allow deposit of funds directly to a special events appropriation, such as the Olympics appropriation.

DoD RESPONSE: Partially Concur.

The report does not identify the specific appropriations that were augmented by inappropriate refunds. Once this information is available, the Office of the Under Secretary of Defense (Comptroller) will work with the Office of Special Events and Washington Headquarters Services to identify available balances within the affected accounts of the Office of Special Events and to transfer the appropriate amounts to the General Fund of the Treasury. In the future, Washington Headquarters Services will deposit reimbursements into the General Fund of the Treasury absent statutory authority to deposit them to an account of the Office of Special Events.

DODIG RECOMMENDATION B-1: We recommend that the Director, Washington Headquarters Services initiate a preliminary review of potential Antideficiency Act violations as they relate to the negative balances shown on the U.S. Treasury Reports. This review is a requirement of the DoD 7000.14-R, "Financial Management Regulation," volume 14, chapter 3.

DOD RESPONSE: Nonconcur.

Washington Headquarters Services has previously corrected erroneous accounting transactions that caused the negative balances shown on the U.S. Treasury Reports.

DODIG RECOMMENDATION B-2: We recommend that the Director, Office of Special Events, in conjunction with the Director, Washington Headquarters Services Accounting Division review options for the accounting process to accurately account for funds appropriated for the special events. If the accounting process is simply too difficult, then DoD needs to seek congressionally approved language changes in the DoD Appropriations Act to use no-year appropriations:

DOD RESPONSE: Concur. We agree that Washington Headquarters Services and the Office of Special Events should work together to ensure accurate accounting and adherence to established

DoD accounting procedures and policies. In addition, the establishment of a no-year account for special events would reduce accounting errors by reducing the complexity of multiple accounting codes and entries. A no-year account would also give the Department increased flexibility to manage this account. This office will work with Under Secretary of Defense (Personnel and Readiness) and the Office of the General Counsel to develop a proposal to the Congress that future appropriations to Defense for support of international sporting events be funded in a no-year appropriation.

Under Secretary of Defense (Personnel and Readiness) Comments



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000



JUN 7 1996

MEMORANDUM FOR FINANCE AND ACCOUNTING DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Quick Reaction Audit Report on DoD Support for the 1996 Paralympics
and Centennial Olympic Games (Project NO. 6FH-5020), May 10, 1996

This memorandum provides comments and recommendations on corrective actions to be taken as a result of the May 10, 1996 Quick Reaction Audit, subject as above. The overall audit objective was to "evaluate whether funds appropriated to support the Olympics were properly controlled, recorded, and accounted for." The draft audit report recommends immediate cessation of the practice of depositing reimbursements into DoD appropriations, which constitutes an improper augmentation, and requires management to perform a preliminary review of potential Antideficiency Act violations.

First finding: The draft audit report states that, as a general proposition, an agency may not augment its appropriations from outside sources without specific statutory authority. However, it also goes on to state that there is no statute that precisely prohibits the augmentation of appropriated funds. The report finds, however, that procedures used for depositing collections into the special events appropriation do not comply with DoD financial guidance that requires that such appropriation reimbursement be deposited to the U.S. Treasury as miscellaneous receipts. It goes on to recommend that \$1,642,414 be transferred from the special event appropriations into the U.S. Treasury, General Fund.

I concur with this finding with the following qualification. Congress required reimbursement to the Department for support to the private organizers for the 1984 Los Angeles Summer Olympics and also required such reimbursement to be credited to the Olympic appropriation (P.L.98-212). Congressional direction for special events support since that time has continued to highlight security and law enforcement assistance (e.g., P.L. 101-510, SRept 102-113, HRept 102-527). Consequently, direct crediting of such reimbursements has been the standard procedure for DoD support of special events. This direct crediting was done to ensure that such reimbursements for support outside the area of Federal responsibility would remain dedicated to security support to public authorities for special events. In no way was the reimbursement crediting done to augment the special events appropriations and thereby go against Congressional intent, but rather it was done to comply with the congressional direction to ensure that DoD support to special events remains in the area of security support for public authorities.



Second Finding: The second finding of the draft audit report was that negative cash balances were shown on U.S. Treasury reports for FYs 1992, 1993, 1995, and 1996 special events appropriations, and the report suggested that such negative balances may be indications of potential Antideficiency Act violations. The report goes on to state that a simplification of the accounting process for special events merits review.

In response, I note that the negative balances resulted from the day-to-day billing activities from the field, and at no time did OSD or WHS obligate more funds than were able to be spent. I concur with the report's recommendations that DoD should seek legislative relief by requesting use of no-year appropriations for special events and internal procedures to reduce the number of accounting codes.

To summarize, the Quick Reaction Audit Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games highlighted two areas of particular concern. The first finding, concerning the augmentation of funds, was not recognized by Department personnel who had been working these reimbursable procedures since 1984. Since being brought to our attention during the current review, the reimbursements have been placed into the miscellaneous receipts account. Regarding the second finding addressing possible Antideficiency Act violations and recommendations for streamlining accounting procedures, no violations have been found and the no-year appropriation recommendation will be requested.

The Office of Special Events helps many communities across the country, and DoD activities world-wide, in the area of security on a short-term basis. Because of this expertise, DoD is able to accomplish required security support at little, if any, cost to the taxpayer. Such support has been supplied to: treaty negotiations, Presidential inaugurations, sporting events, and international summits; and for many temporary needs by military units, exercises and missions. Their service has proved invaluable to many, and simplifying DoD's ability to support these events and missions is a worthwhile goal to pursue.



Edwin Dorn

Washington Headquarters Services Comments



DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155



20 JUN 1996

MEMORANDUM FOR DoD INSPECTOR GENERAL
DIRECTORATE FOR FINANCE AND ACCOUNTING

SUBJECT: Quick Reaction Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games (Project No. 6FH-5020)

The subject draft audit report has been reviewed and the following comments are provided as per your request.

WHS concurs with recommendation 2 of Finding A. The Special Events appropriation was erroneously augmented by approximately \$1.6 million in appropriation refunds. However, there was no intent by accounting personnel involved to knowingly credit these funds contrary to accounting policy and the miscellaneous receipts statute. All future reimbursements for support provided will be deposited directly into the U.S. Treasury General Fund unless specific statutory authority is granted to accept those reimbursements directly into the Special Events appropriation.

WHS nonconcur with recommendation 1 of Finding B. There is no Special Events appropriation with a negative cash balance in the accounting records of WHS, which are the books of original entry. There have been instances previously where negative cash balances existed in certain Special Events appropriations. The cause was always the inaccurate posting of disbursements to the wrong fiscal year. All of these instances have been reviewed, corrected, and validated.

As of April 30, 1996, two appropriations had negative cash balances on the Treasury books, 973/50116.1120 for \$-14,409.14, and 976/60116.1120 for \$-109,445.21. This resulted from disbursements being reported to the Treasury with inaccurate data, and then being corrected and posted in the official accounting records with accurate accounting data. Disbursements reported to the Treasury are recorded without review, whereas disbursements recorded in the WHS accounting system are researched when it is apparent an accounting classification is incorrect. For example, the negative cash balance for 976/60116.1120 is for funds suballocated to the Army and accounted for by DFAS that should have been charged to 976/70116.1120.



It is important to note that the inaccurate posting of certain disbursements has been compounded by the increasing number of single year and multiple year appropriations which have been enacted for the Special Events. Since Fiscal Year 1992, there have been 13 separate appropriations for the Special Events, most of which have multiple years of availability. This contributes to accounting errors when an appropriation's life is extended during a fiscal year and unobligated balances from several appropriations are combined into a current year appropriation.

WHS concurs with recommendation 2 of Finding B. Accounting for future Special Events would be greatly simplified if one No-Year (X) appropriation was established to fund all events. This new appropriation could also have reimbursable authority and receive future direct appropriations from Congress as necessary. WHS representatives will meet with appropriate personnel from the Special Events office to analyze the current accounting process. A recommendation will be made by August 31, 1996 to simplify the accounting process for the Special Events appropriation.

My point of contact for this audit report is Mr. William Bader who can be reached at 703-614-0971.

We appreciate the opportunity to provide these comments.


D. O. Cooke
Director

Audit Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

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