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Approved For Release 2003/05/14 : CIA-RDP79-00167A000100040014-4

8 SEP 1967

MEMORANDUM FOR: Director of Finance

SUBJECT : Verification of Receipt of Goods Paid
For Under the FEDSTRIP/MILSTRIP Systems

1. The attached report represents the second review the Certification and Liaison Division made of the FEDSTRIP/MILSTRIP payments for property.

2. In essence we say that we are getting the materiel paid for; that we can in good conscience continue to pay these billings on the basis of "constructive evidence of receipt"; and, we need new general ledger accounts to make verification efficient and workable.



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Acting Chief,
Certification and Liaison Division
Office of Finance

Attachment

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VERIFICATION OF THE PROPERTY

PAID FOR UNDER THE FEDSTRIP/MILSTRIP SYSTEMS

I. Selection of Items to be Verified

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A. There were 2,612 FEDSTRIP/MILSTRIP transactions with a dollar value of [redacted] recorded in general ledger account No. 606 for the period 1 April - 30 June 1967. Of these transactions, there were 1,079 in excess of \$100 with a dollar value of [redacted] and 1,533 of less than \$100 with a dollar value of [redacted]. The transactions in excess of \$100 represented 41% of the total transactions and 98% of the total dollar value. The transactions of less than \$100 represented 59% of the total transactions and less than 2% of the total dollar value.

B. From this broad base of data, approximately 5% of the transactions over \$100 and approximately 3% of the transactions less than \$100 were selected for review. There were sixteen "unmatched" transactions and one hundred and six "matched" transactions with a dollar value of [redacted] in the over \$100 group. There were nine "unmatched" transactions and eighty "matched" transactions with a dollar value of [redacted] in the less than \$100 group

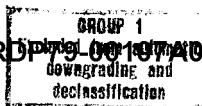
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C. Working papers were prepared on the selected items and provided the basis for the verification of the receipt of property paid for under the FEDSTRIP/MILSTRIP systems. The verification program also identified causes of differences requiring remedial action and/or policy changes. The examination of the source material represents the second review completed under this activity.

II. Findings

A. Verification of Receipt of Property

The related property for each test transaction was found to have been received, however, 15% were improperly recorded for the reasons shown below:



1. Failure to Change Unit Price - 4 Instances

Failure of the Office of Logistics Stock Control Unit to change the receiving report to the unit price on vendors packing slips caused a nominal difference between payment and acquisition price. The "constructive receipt" concept applied to the FEDSTRIP/MILSTRIP program permits acceptance of vendors prices shown on packing slips as the amount to be billed.

2. Transportation, Packing and Handling (TPH) - 14 Instances

The most significant factor in the development of "unmatched" entries is the variable use of TPH charges. In some instances the TPH charge was included in the general ledger 606 entry but omitted in the 607 portion or vice versa. There were also instances of computation errors in computing and adding the TPH charge to the price of the acquisition. Another factor causing slight differences is the application of the 6.5% TPH to the unit price as compared to adding it to the overall total price.

3. Coding Errors - 5 Instances

Contributing to "unmatched" entries were coding errors in the preparation of the posting voucher. All of these were adjusted during the period of the review.

4. Quantities Billed and Received - 4 Instances

The discrepancies noted were cases of overbilling or under-billing resulting from quantities shown to have been received by a warehouseman not in agreement with the applicable quantities listed on the billings. In such instances amended receiving reports or inventory adjustment should be made or the difference should be written off as an inconsequential discrepancy by the Office of Logistics.

5. Receiving Information in Archives - 4 Instances

There were four transactions totaling \$2,209.25 for which the Debit Voucher Information had already been transferred to Archives.

6. Unresolved Transaction

Purchase Order 027049 totaling [redacted] is unsettled at this time. Material requisitioned has been received; however, 1,200 units were billed @ \$18.50 each whereas the correct

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price should have been [] per unit. The formal receiving report is being held in abeyance pending a price adjustment by the Army.

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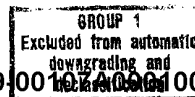
III. Conclusions

- A. All property paid for has been received.
- B. Payment prior to verification should continue to be made on the basis of "constructive evidence of receipt".
- C. Although the discrepancies noted under "Findings" above need correcting they are not sufficiently serious to warrant cancelling this program.
- D. The Office of Logistics is retiring receiving information to Archives too soon.

IV. Recommendations

- A. A consistent and uniform method is needed for recording Transportation, Packing and Handling costs.
- B. The establishment of new general ledger accounts to record only property procured under the FEDSTRIP/MILSTRIP system (per VIII B of previous report) is essential to the efficiency of the verification program.
- C. Differences in quantities shipped with quantities listed as having been received should be adjusted by the Office of Logistics.
- D. Receiving records for fiscal year 1965 activity had been retired to Archives whereas Finance had not completed payments in every instance. Recommend these records not be retired until Finance has effected complete payment.
- E. Cost per unit as shown on receiving reports should tally with the related cost per unit on packing slips.
- F. Since results of the first and second quarter "Verification of the Property Paid for under FEDSTRIP/MILSTRIP Systems" show that between 97% and 98% of the dollar value was found to be in transactions of over \$100 that only those transactions be considered for future tests.

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G. The verification program be discontinued until the new general ledger accounts are provided as recommended above.

[Redacted Signature Box]

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Authorized Certifying Officer

CONCUR:

[Redacted Signature]

7 Sept 67
Date

Chief, Certification and Liaison Division

Recommendations as Stated in Para IV are Hereby Approved:

29 Sept. 1967
Date

* [Redacted Signature]

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*Reference Para IV G, above:

The verification program will be continued on a non-scheduled basis until new accounts are provided. Upon provision of new accounts, verification will be on a regularly scheduled basis.

Distribution:

- Orig. - C/C&L
- 1 - D/F
- 1 - PPS
- 1 - OL
- 2 - FSSB

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GROUP 1
Excluded from automatic
downgrading and
declassification

ROUTING AND RECORD SHEET

SUBJECT: (Optional)				
FROM: A/Chief, Certification & Liaison Div. 513 Key Bldg. ⑩			EXTENSION	NO.
TO: (Officer designation, room number, and building)			DATE	
		DATE		OFFICER'S INITIALS
		RECEIVED	FORWARDED	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. Director of Finance 1212 Key Bldg.				<p>1. Pursuant to our conversation I have annotated your signature line to direct the continuation of the verification program on a now scheduled basis until new accounts are provided, and if and when they are provided verification will be on a regularly scheduled basis</p> <p style="text-align: right;">⑩</p>
2.				
3. Chief, C&L Division 513 Key Bldg.				
4.				
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14.				
15.				

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM
 UNCLASSIFIED CONFIDENTIAL X SECRET

OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Deputy Director of Finance 1212 Key Bldg.		<i>RAH</i>
2	<i>C & L</i>		
3	<i>1 to 2 please read</i>		
4	<i>comments &</i>		<i>Discussed, see attached</i>
5	<i>then lets discuss</i>		<i>(P)</i>
6	<i>Director of Finance RAH 1212 Key Bldg</i>		
ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE

Remarks:

1. I have reviewed the attached C&L report on verification of receipt of goods paid for under the FEDSTRIP/MILSTRIP system for the quarter ended 30 June 1967. I believe the resolution of recommendation IV-A, B and C is dependent ^{on} and may well be deferred until procedural reviews now under consideration are completed.

2. The recommendations in IV-D and E would appear to be subject to ad hoc negotiation with the Office of Logistics without the need for a formal action by Director of Finance.

FOLD HERE TO RETURN TO SENDER (OVER)

FROM: NAME, ADDRESS AND PHONE NO. DATE

9/12/67

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3. IV-F - I believe this recommendation should be accepted for immediate implementation.

4. IV-G - I do not concur with IV-g. I believe the present verification program modified on the basis of IV-F should be continued. It is probable that it will be several months before separate general ledger accounts can be made effective if, in fact, it is determined that they are warranted.



Chief, Policy and Planning Staff

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