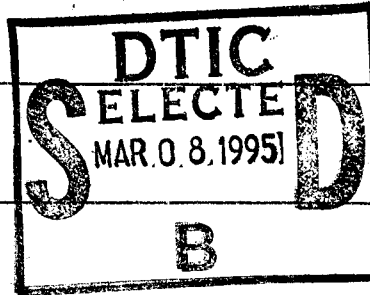


GAO

United States
General Accounting Office
Washington, D.C. 20548



Accounting and Financial
Management Division

B-248717

August 18, 1992

19950303 087

Colonel John W. Morris, USA
Commander
U.S. Army Engineer District, Buffalo
1776 Niagara Street
Buffalo, NY 14207-3199

Dear Colonel Morris:

We recently completed an audit of the [Department of the Army's fiscal year 1991 consolidated financial statements] pursuant to the Chief Financial Officers Act of 1990 (Public Law 101-576). One purpose of these statements and our audit is to provide agency managers and the Congress with complete and reliable information to use in financing, managing, and evaluating Army programs. In order to do this effectively, the accounting records throughout the Army need to be as accurate as possible. During our audit, we identified adjustments necessary to correct the accounting records at 23 Army locations.

We presented adjustments to correct the Army's consolidated financial statements in a May 19, 1992, management letter (GAO/AFMD-92-68ML) to the Assistant Secretary of the Army for Financial Management and the Director, Defense Finance and Accounting Service. However, many of these adjustments were projections based upon statistical samples performed as part of our audit and were made only to the consolidated financial statements, not to the underlying records.

Enclosure I shows about \$153 million of adjustments made to the financial statements that also need to be recorded to correct the accounting records at the Buffalo District. We have discussed most of these adjustments with your staff and provided them with supporting documentation. They may have already recorded some of the adjustments. However, all of the adjustments should be made by the end of fiscal year 1992. If you have any questions or require our assistance in resolving these matters, please contact Terry Carnahan, Acting Associate Director, on (202) 275-7095.

Please provide us your comments on these matters and a description of the actions taken within 30 days of the date

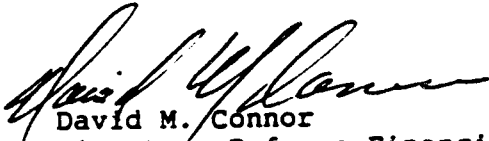
GAO/AFMD-92-107ML

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B-248717

of this letter. We are sending copies of this letter to the Assistant Secretary of the Army for Financial Management; the Director, Defense Finance and Accounting Service; and the Comptroller of the Army.

Sincerely yours,



David M. Connor
Director, Defense Financial Audits

Enclosure

| | |
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ENCLOSURE I

BUFFALO DISTRICT, NEW YORK
LIST OF PROPOSED GENERAL LEDGER
ADJUSTMENTS RESULTING FROM 1991
FINANCIAL STATEMENT AUDIT

ENCLOSURE I

| NO. | ACCOUNT TO BE ADJUSTED | GLAC | AMOUNTS | | EXPLANATION |
|-------------------|------------------------------|----------|----------------|----------------|---|
| | | | DEBIT | CREDIT | |
| 1 | Operating expenses | 6100 | 37,830.39 | | To increase accumulated depreciation. |
| | Accumulated depreciation | 1759 | | 37,830.39 | |
| 2 | Fixed assets | 1700 | 392,258.49 | | To close completed projects at 9/30/91. |
| | Construction in progress | 1720 | | 392,258.49 | |
| 3 | Plant retirement in progress | 1750 | 69,940.36 | | To correct for amount incorrectly entered. |
| | Non-oper. income<loss> | 3210.2 | | 69,940.36 | |
| 4 | Operating expense | 6100.10 | 194,948.69 | | To write off receivable for LTV account. LTV filed for bankruptcy in 1986 and no payments have been received since then. |
| | Accounts receivable | 1310.10 | | 194,948.69 | |
| 5 | Operating expense | 6100.10 | 21,206.29 | | To write off amounts relating to Fort Clinton lease, which was paid prior to year end, but was not cleared from the system; and to write off an amount relating to a joint claim which was recorded twice. |
| | Accounts receivable | 1310.20 | | 21,206.29 | |
| 6 | Operating expense | 6100.10 | 50,000.00 | | To reserve an amount for potential uncollectible receivables due to a \$110,000 A/R from 4 former employees dating back to 1979-1981. |
| | A/R - allowance | 1319 | | 50,000.00 | |
| 7 | Fixed assets | 1740.01 | 200,000.00 | | To record estimated amount payable to Regur J. Au and Sons, Inc. for Cleveland project court settlement. Mr. Laycock of the Dept. of Justice indicated that the claim had been settled in favor of Au and Sons for approximately \$500,000. |
| | Operating expenses | 6100.10 | 300,000.00 | | |
| | Accounts payable | 2110.00 | | 500,000.00 | |
| 8 | Abandoned & retired prop. | 3230.40 | 93,567,011.57 | | To write off pre-1954 costs not specifically identifiable to any project. |
| | Fixed assets | 1740.01 | | 70,196,452.15 | |
| | Fixed assets | 1700 | | 23,370,559.42 | |
| 9 | Fixed assets | 1700.00 | 4,318,280.10 | | To transfer costs associated with completed and abandoned projects, costs associated with the beach erosion projects, and the unidentifiable project costs from the construction in progress acct. to the appropriate account. |
| | Projects transferd to others | 3220.30 | 32,552,614.09 | | |
| | Non reimbursable costs | 3310.10 | 16,376,590.84 | | |
| | Unfeasible projects | 3310.141 | 4,961,811.25 | | |
| | Construction in progress | 1720 | | 58,209,296.28 | |
| TOTAL ADJUSTMENTS | | | 153,042,492.07 | 153,042,492.07 | |