

United States General Accounting Office

GAO

Report to the Chairwoman,  
Subcommittee on Government  
Activities and Transportation,  
Committee on Government Operations,  
House of Representatives

August 1989

TRANSPORTATION  
AUDITS

GSA's Accounting for  
Transportation  
Overcharges



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**Accounting and Financial  
Management Division**

B-214149

August 30, 1989

The Honorable Cardiss Collins  
Chairwoman, Subcommittee on  
Government Activities and Transportation  
Committee on Government Operations  
House of Representatives

Dear Madam Chairwoman:

This report responds to your request that we examine the General Services Administration's (GSA) accounting procedures for funds collected as transportation overcharges and determine what amounts have been transferred to the miscellaneous receipts account of the Department of the Treasury.

GSA did not transfer any funds to Treasury in fiscal year 1987. At the end of fiscal year 1988, GSA transferred to Treasury \$39 million of \$101.2 million in collections that was available after disbursements for expenses and carrier refunds. The \$39 million transferred included \$19 million available for transfer in fiscal year 1987 but unintentionally delayed for about a year. The \$62.2 million retained by GSA included reserves for contingent liabilities and provisions for the subsequent year's contract audit and administrative activities.

We identified several factors that GSA should consider in estimating contingency reserves that should enable GSA to effectively transfer appropriate levels of transportation collections to Treasury and still maintain a sufficient capital base for reserves. We believe that these factors should be incorporated into formal written procedures for determining and documenting contingency reserves and are making this recommendation to the Acting Administrator of GSA.

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**Background**

In 1975, GSA became the central audit authority for reviewing and recovering transportation overcharges paid to commercial carriers by federal government agencies. GSA auditors, and auditors it contracts with, examine the federal government's bills for transportation of property and for federal employee travel. The costs of the contract audits and their associated administrative expenses are paid from the funds collected from transportation overcharges identified through GSA's audit process. Effective with the passage of Public Law 99-627 on November 7, 1986, GSA is

required to transfer the balance of the overcharge collections to the miscellaneous receipts account of Treasury at least annually.

## Objectives, Scope, and Methodology

The objectives of this report were to (1) examine GSA's accounting procedures for funds collected as transportation overcharges and (2) determine the disposition of transportation overcharges collected by GSA.

In performing our examination, we reviewed GSA's transportation overcharge collections and disbursement activity from October 1, 1986, through August 31, 1988, and overcharge collections transferred to Treasury through March 31, 1989. We also interviewed GSA personnel responsible for the transportation overcharge collection, disbursement, and transfer process to determine their roles and reviewed the applicable legislation, particularly Public Law 99-627, and GSA's written procedures covering transportation audit activity. Our work was performed in accordance with generally accepted government auditing standards. The General Services Administration provided written comments on a draft of this report. These comments are presented and evaluated in the "Agency Comments and Our Evaluation" section of this report and are included in appendix II.

## GSA Transportation Overcharge Collection, Disbursement, and Transfer Activity

From October 1, 1986, through August 31, 1988, GSA collected receipts of \$100.8 million in transportation overcharges and disbursed \$34 million for carrier refunds and contract audit services and administration. Actual collection and disbursement activity, by fiscal year, is presented in table 1.

**Table 1: Transportation Overcharge Collections and Disbursements**

Dollars in millions			
Fiscal year	Gross receipts	Disbursements <sup>a</sup>	Net collections
Balance forwarded	\$0	\$0	\$34.4 <sup>b</sup>
1987	47.2	16.6	30.6
1988 (through August) <sup>c</sup>	53.6	17.4	36.2
<b>Total</b>	<b>\$100.8</b>	<b>\$34.0</b>	<b>\$101.2</b>

<sup>a</sup>Disbursements include payments for contract audits, administrative costs, and carrier refunds.

<sup>b</sup>Prior to the passage of Public Law 99-627, overcharge collections were returned to the agency that paid the overcharge. Net collections that were in GSA's account on November 7, 1986, the date the act became effective, have been commingled in this balance.

<sup>c</sup>Receipts and disbursements for the month of September 1988 were not available for GSA to consider in its transfer analysis until after fiscal year-end.

Of the \$101.2 million in net collections, \$39 million was transferred on September 30, 1988, the last day of the fiscal year, to the miscellaneous receipts account of Treasury. The \$39 million consisted of \$19 million recommended for transfer in fiscal year 1987 by GSA's Office of Transportation Audits and another \$20 million recommended for transfer during fiscal year 1988. GSA retained \$62.2 million of the \$101.2 million in net collections. Of this retained amount, \$23.2 million was reserved for the settlement of carrier protests, \$15.6 million was retained to pay the cost of the subsequent fiscal year's contract audit and administrative activity, and the balance of \$23.4 million was undesignated and available for transfer to Treasury. GSA eventually transferred \$21 million to Treasury in March 1989, 6 months after the end of fiscal year 1988. GSA officials stated that quarterly transfers will be made in the future.

### **Delay in Transferring \$19 Million Available in Fiscal Year 1987**

In fiscal year 1987, GSA determined that \$19 million in transportation overcharge collections was available for transfer to the miscellaneous receipts account of Treasury. The \$19 million was not transferred until September 30, 1988, primarily because the office within GSA responsible for approving the transfer did not issue the final transfer instruction. Public Law 99-627 specifies that the balance of overcharge collections, after making adequate provisions for expenses associated with the transportation audit process, be transferred to Treasury at least annually. As GSA had determined that \$19 million was available for transfer to Treasury in fiscal year 1987, and the transfer was not made until a year later, it did not comply with this legislative requirement in fiscal year 1987.

### **Retaining Overcharge Collections**

GSA retains a large percentage of the net transportation overcharge collections to reserve for possible contingent liabilities. This has the effect of reducing the balance of net collections available for remittance to Treasury. To illustrate, in July 1987, GSA's Office of Transportation Audits recommended \$19 million of the \$52 million balance of overcharge collections for transfer to Treasury, retaining \$33 million to cover contingencies. In March 1988, the Office of Transportation Audits recommended \$15 million of the \$44 million balance for transfer, retaining \$29 million to cover contingencies. In September 1988, the Office of Transportation Audits retained over \$23 million to cover contingencies, after transferring a portion of the balance.

Although we did not review in detail the reasonableness of the contingency reserves, discussions with GSA personnel revealed that they were

very conservative in determining the level of needed reserves. Although these personnel were aware of other factors which could be included in analyzing collections for subsequent remittance to Treasury, these factors were not utilized. For example, GSA does not consider the funds restoration process in setting contingency reserves. Through that process, an agency that transfers funds to Treasury and subsequently finds that these funds are needed to cover obligations could request recovery of the funds. GSA also does not consider that subsequent transportation overcharge collections could be used to fund contingencies that become liable and due. In addition, GSA does not consider historical claims resolution data in setting reserve amounts. We believe that using these additional factors in estimating reserve amounts would enable GSA to more effectively transfer appropriate levels of collections to Treasury and maintain a sufficient working capital base for contingencies.

We noted that GSA does not have formalized procedures to document its process for estimating reserves. Written documentation is needed to ensure that all factors are considered in determining reserve amounts and to ensure consistent application of the contingency reserving process. In addition, federal accounting standards found in GAO's Policy and Procedures Manual for Guidance of Federal Agencies, Title 2, require that internal control systems and all transactions be documented.

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## Conclusions

For fiscal year 1987, GSA did not comply with the legislative requirement in Public Law 99-627 that the balance of overcharge collections, after making adequate provisions for expenses associated with the transportation audit process, be transferred to Treasury at least annually. GSA did transfer \$39 million in transportation overcharge collections to Treasury in fiscal year 1988. In addition, GSA lacks formal procedures for estimating contingency reserves on the balance of overcharge collections.

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## Recommendation

We recommend that the Acting Administrator of GSA take steps to ensure that Treasury's fund restoration process, subsequent transportation overcharge collections, and historical claims experience are considered when estimating contingency reserves. These factors should be included in formalized written procedures covering the transportation overcharge collection and transfer process.

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## Agency Comments and Our Evaluation

In official comments on a draft of this letter, the Acting Administrator of GSA agreed with our recommendation and stated that written procedures will be formalized. (See appendix I.) The Acting Administrator noted that GSA's transfer of net collections to Treasury for the second quarter of fiscal year 1989 reflects the factors included in our recommendation.

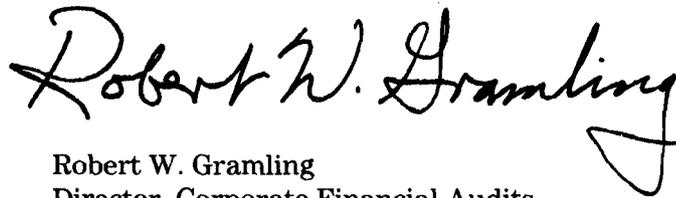
GSA disagreed with our finding that for fiscal year 1987 the agency did not comply with the legislative requirement contained in Public Law 99-627 that the balance of overcharge collections, after making adequate provisions for expenses associated with the transportation audit process, be transferred to the miscellaneous receipts account of Treasury at least annually. GSA contended that the \$19 million identified and recommended for transfer in fiscal year 1987 was not transferred because the agency was awaiting Treasury's approval to reclassify an account used in the funds transfer process. GSA stated that the reclassification was necessary in order to preclude the automatic transfer of collections in this account to Treasury's miscellaneous receipts account at fiscal year-end. GSA noted that the \$19 million was transferred to Treasury at the end of fiscal year 1988, following Treasury's approval of the account reclassification earlier that year.

We believe that the \$19 million could have been transferred to Treasury earlier than September 30, 1988. These funds had already been identified as available for transfer. Had they been appropriately transferred to the account awaiting reclassification, the automatic closing out of the account to the miscellaneous receipts account of Treasury at the end of fiscal year 1987 would have accomplished the task of returning the funds to Treasury and fulfilled the legislative requirement. In addition, the account reclassification to which GSA referred was approved by Treasury in October 1987.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from the date of this letter. At that time, we will send copies of the report to the Acting Administrator of the General Services Administration, the Director of the Office of Management and Budget, the Secretary of the Treasury, and other interested parties. Copies will also be made available to others upon request. Please contact me at (202) 275-9406 if you or your staff have any questions concerning the report. Other major contributors to this report are listed in appendix II.

Sincerely yours,



Robert W. Gramling  
Director, Corporate Financial Audits



# Comments From the General Services Administration



Administrator  
General Services Administration  
Washington, DC 20405



July 7, 1989

The Honorable  
Charles A. Bowsher  
Comptroller General  
of the United States  
General Accounting Office  
Washington, DC 20548

Dear Mr. Bowsher:

The General Services Administration (GSA) staff has reviewed the draft report entitled "Transportation Audits: Examination of GSA's Accounting for Transportation Overcharges" (GAO/AFMD-89-47), dated June 23, 1989, and agrees with the report recommendation. Comments on some of the report findings and the recommendation are provided in the enclosed statement. I request that these comments be considered when preparing this report for formal issuance.

Thank you for the opportunity to comment on this report.

Sincerely,

*for*   
Richard G. Austin  
Acting Administrator

Enclosure

**Appendix I  
Comments From the General  
Services Administration**

**GSA COMMENTS ON GAO DRAFT REPORT  
"TRANSPORTATION AUDITS: EXAMINATION OF  
GSA'S ACCOUNTING FOR TRANSPORTATION OVERCHARGES,"  
DATED JUNE 23, 1989**

Finding

GAO draft letter, first page, second paragraph, third sentence, "The \$39 million transferred included \$19 million available for transfer in fiscal year 1987 but unintentionally delayed for about a year."

Comment

In regard to the delay in the transfer of the \$19 million, this was approximately the timeframe during which receipt account symbol 475250 was being reclassified by Treasury from "available" to "unavailable." This reclassification was necessary in order to preclude the automatic closing out of these receipts at fiscal year-end.

Finding

GAO draft letter, page 4, section entitled, "Delay in Transferring \$19 Million Available in Fiscal Year 1987."

Comment

In addition to the above explanation, it was an accepted practice to return funds to miscellaneous receipts of the Treasury on an annual basis (as opposed to more frequently). Furthermore, this practice was in accordance with Public Law 99-627, which included the following provision: "At least annually... after making adequate provision for expenses... the balance of the overpayments collected by the General Services Administration shall be transferred to miscellaneous receipts of the Treasury...."

Therefore, the \$19 million was returned at the end of fiscal year 1988, following Treasury's approval of the receipt account reclassification earlier that year.

In fiscal year 1989, Treasury agreed that a more frequent return of funds to miscellaneous receipts (i.e., quarterly) would be acceptable. GSA is currently following this practice.

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Finding

GAO draft letter page 7, first paragraph, first sentence, "We believe that using these additional factors in estimating reserve amounts would enable GSA to more quickly transfer collections to Treasury and maintain a sufficient working capital base for contingencies."

Comment

The funds restoration process was one of the factors referred to in the above sentence. GSA obtained from Treasury a notification that restorations of funds transferred to Treasury's miscellaneous receipts account could be requested if and when claims are settled in favor of the carriers. The restoration factor is currently being utilized in determining the periodic transfer of receipts from transportation overcharges to miscellaneous receipts of the Treasury.

Recommendation

We recommend that the Acting Administrator of GSA take steps to ensure that GSA, when estimating contingency reserves, includes Treasury's fund restoration process, subsequent transportation overcharge collections, and historical experience, in determining the amount of transportation overcharges available for transfer to the Treasury. These factors should be included in formalized written procedures covering the transportation overcharge collection and transfer process.

Comment

The Federal Supply Service (FSS) agrees with this recommendation and will formalize existing written procedures developed over the last 2 years. FSS's recommended transfer of net collections to the Treasury for the second quarter of fiscal year 1989 reflects the funds restoration process, availability of future period's transportation overcharge collections, and historical claims resolution data in estimating contingency reserves.

FSS's fiscal year 1989 second quarter recommended transfer of \$30 million net collections to Treasury's miscellaneous receipts will increase the balance in this account to \$90 million (and to \$100 million before the end of fiscal year 1989). This recommended transfer also leaves only \$5 million in Suspense Fund 207.X, to serve as working capital base for contingencies. The \$5 million will be maintained or revised as experience proves a lesser amount is required.

# Major Contributors to This Report

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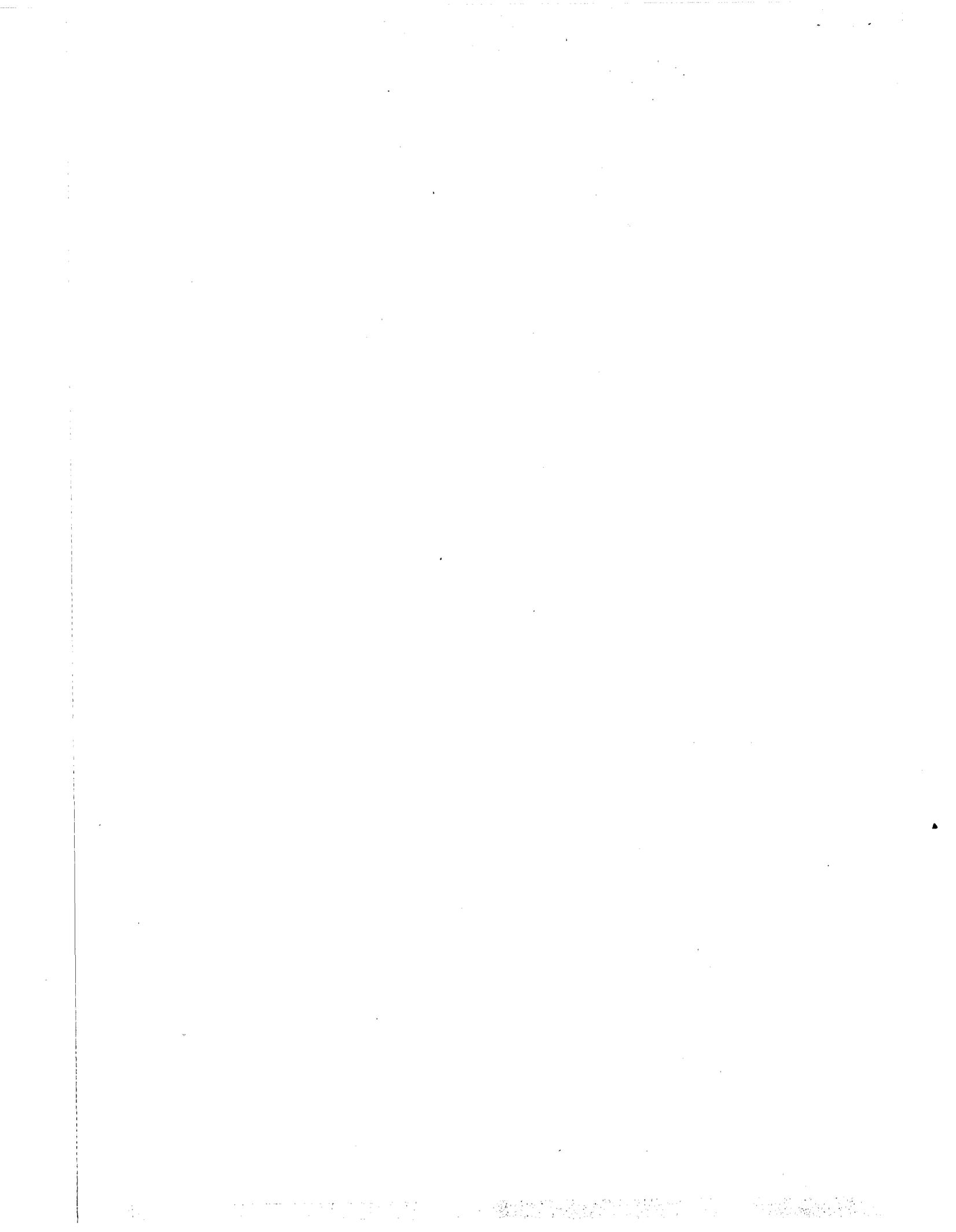
**Accounting and  
Financial Management  
Division, Washington,  
D.C.**

Roger R. Stoltz, Assistant Director (202) 275-9408  
Steven J. Sebastian, Accountant-in-Charge  
Marla A. Freedman, Accountant

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**Office of the General  
Counsel**

Richard T. Cambosos, Senior Attorney



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