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B-165743 May 11, 1973

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The Honable Michael P. Balxano, Jr., Director ACTION Washington, D.C. 20525

Dear Mr. Blaxano:

By letter of February 23, 1973, Mr. Bruce A. Wilburn, you Associate Director for Administration and Finance, advised our Office of plans for determining the amount of, and adjusting a shortage in, the balance of the deposit fund account 44X6107 representing the accumulated amount of readajustment allowances owing to Peace Corps Volunteers, and requested our comments with regard to the proposed course of action.

As indicated in the letter, Peace Corps Volunteers are authorized a stipend of $75 a month which is deposited and held in a special Treasury Deposit Fund Account (44X6107), and paid to the Volunteer upon completion of his tour of duty to help him readjust to his home environment in the United States. During his period of service, withdrawals may be made from this account for a variety of purposes. Because of inadequate document flow and accounting system deficiencies, which were outlined to the Peace Corps by a series of letters from our Office in 1966 and 1967 and in our report entitled "Report on Progress Toward Development of an Adequate Accounting System in the Peace Corps, " dated August 15, 1969, B-165743, the subsidiary listing of readjustment allowance balances due each Volunteer has not been reconciled to the general ledger balances maintained for those amounts nor to the balance maintained by the United States Treasury in account 44C6107. The letter states that since the imbalances has existed for more than ten years and the nature of the items causing the imbalance as it pertains to any given fiscal year cannot be ascertained because of the lack of available records, any percise determiniation of differences by category or by individual Volunteers appears impossible of attainment. However, it is stated that indications are that the subsidiaries are greater than the general ledger and the deposit fund balance in the order of $400.000.

The letter proposes the following course of action:

a. Contractual assistance will be immediately sought, to determine the exact amount of difference, to provide a documented and supportable reconciliation process, and to obtain consultative recommendations as to necessary steps to insure that the subsidiaries, general ledgers and deposit fund balances are reconciled on a monthly basis.

b. The exact amount of the difference is expected to be determined by May 15,

1973. Once the is accomplished ACTION will charge this amount to its current appropriation from which readjustment allowances are transferred to the deposit fund account. Or, should the subsidiary balances be less than the deposit fund balance we will process docuents tranferring such amount to a Miscellaneous Receipts account.

c. ACTION will thereupon, and consistently, on a monthly basis, aggressively pursue the reconciliation of these balances to insure that the situation of imbalance will not recur in the account.

Whether this problem is to be solved by a contractor or by Government employees is a decision to be made by your agency. However, in this connection, we would like to point out that the problem still remains after a previous contractual effort. The Peace Corps engaged Price Waterhouse and Company in 1968 to review this and other accounting systems problems. Also, engaging a contractor likely would be more costly than adding agency personnel and ultimately the knowledge gained by the contractor in studying the system would be lost to lyour agency upon the contractor's departure. If nonstatutory personnel ceilings are the reason for considering obtaining contractual assistance, ACTION could request an increase in such ceilinigs from the Office of Management and Budget after first ascertaining whether qualified personnel can be reallocated internally. In view of the neglect of this problem for many years, the need for immediate corrective action should not now be considered so urgent as to warrant engaging a contractor if the tasks can be performed economicallly by Government employee. We believe that ACTION should carefully review personnel availability and cost implications before awarding a contract for this work.

The proposed plan contemplates charging the shortage to the current appropriation available for payment of the readjustment allowances, with no attempt to ascertain or collect any overpayments reflected therein. As indicated in our report of August 15, 1969, supra, while part of the shortage may be attributable to accounting errors and inadequacies, a substantial portion thereof represents actual overpayments to departing Volunteers. Such overpayments create debts owed to the United States by the Volunteers receiving them, as well as responsibility for improper payments on the part of the accountable officers who certified or paid such payments. There is authority under the Federal Claims Collection Act of 1966, approved July 19, 1966, Pub. L. 89-508, 80 Stat. 308, and the joint standards promulgated in accordance therewith by the Attorney General and the Comptroller General, to terminate collection action under the act of October 21, 1968, Pub. L. 90-616, 82 Stat. 1212, 5 U.S.C. 5584, to waive collection of an overpayment of pay to an employee of an executive agency, in stipulated circumstances. Likewise, there is authority under 31 U.S.C. 82c for our Office to relieve a certifying officer from liability for an improper payment under circumstances stated therein. However, these statutes contemplate the consideration of individual cases, wherein the identity of the individual debtor and the amount of the debt are known, together with the circumstances in each case, from which it may be terminated, waived, or relieved. Neither your agency nor the General Accounting Office has legal authority for a blanket forgivenss of unknown debts owed by unknown individuals or blanket relief or unknown accountable officers for unknow amounts of improper payments, such as is contemplated here.

The letter of February 23, 1973, states that "* * * any precise determination of differences by category or by individual Volunteers appear impossible of attainment." We believe it should be possible to ascertain the individual

indebtednesses, at least for the more recent fiscal years. As a minimum, reconciliations should be made for each month of the current fiscal year as a basis for correcting errors made this year and for evaluating weaknesses in the system. A reconciliation must be made to ascertain the correctness of the subsidiary records of the Volunteers' accounts and to establish the actual amount of the shortage, which is the difference between the liability shown in the subsidiary records and the amount on deposit in the fund account. To the extent that it is practicable and economical, reconciliations should be made back to June 30, 1970.

A reasonable effort should be made to determine whether overpayments were made and to ascertain to whom such overpayments were made and the amounts thereof, collect the overpayments, and determined whether such overpayments resulted from fraud or negligance on the part of the accountable officers. We believe a reasonable approach would be to limit this effort to payments made during the past three years. In any event, the prior approval of the Congress must be obtained before your agency may write off any debts or improper payments not conizable under the statutes cited above.

Furthermore, while the current appropriation from which readjustment allowances are transferred to the deposit fund account would appear to be available to adjust uncollectable shortages attributable to the current fiscal year, there is no authority to charge against that appropriation any uncollectible shortages attributable to prior fiscal years. Your agency should either obtain from the Congress a specific appropriation fro the purpose of adjusting the uncollectible shortage, or obtain from the Congress specific authority to use an existing appropriation for that purpose.

Sincerely yours,

PAUL G. DEMBLING Acting Comptroller General of the United States