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REGIONAL ECONOMIC DEVELOPMENT
SERVICES OFFICE
ABIDJAN

REPORT ON GENERAL LEDGER ACCOUNTING
FOR NON-EXPENDABLE PROPERTY

(January 30, 1984)

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681-0000-I-000-3156-00

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE

REDSO

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REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE

REDSO

1. INTRODUCTION AND SUMMARY OF FINDINGS

1.1 Introduction

This report is based upon the work carried out under the terms of reference established in Article III of the contract reference 681-000-C-00-3156-00 dated September 29, 1983. The objectives of this work as outlined by the terms of reference are :

1.1.1 To prepare general ledger accounts to show the U.S. Dollar value of non-expendable property;

1.1.2 To establish the accuracy of financial reports showing the value of AID-owned property;

1.1.3 To participate in the development of Mission procedures to ensure the proper evaluation of inventories and in other inventory matters such as periodic reconciliation of the detailed property records with the general ledger accounts;

1.1.4 To recommend changes in accounting techniques and the establishment of proper routing of documentation with regard to property transactions.

As a result of our work, general ledger accounts for the four years to September 30, 1983 have been prepared and a system of general ledger accounting established which can be applied with effect from October 1, 1983. Recommendations for improving control over non-expendable property transactions have been developed and a summary of our principles findings is set out in Section 1.2.

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1.2 Summary of findings

1.2.1 The general ledger accounts have been prepared in order to reconcile balances with the values previously reported by General Services Office (GSO) in report number U 754-1, prepared at the end of each of the four years to September 30, 1983 (see Exhibits I to IV). The policies adopted in preparing the general ledger are stated in Section 2 of this report.

In general, no significant unexplained differences were found between the general ledger amounts and those reported by GSO. However, as at September 30, 1983 there are a number of unresolved items as detailed in Exhibit V which may affect the position shown by both the general ledger and the property cards maintained by GSO. These items should be followed-up as soon as possible and appropriate adjustments made where necessary.

1.2.2 In accordance with instructions received, the value of property held by the Regional Housing Urban Development Office (RHUDO) was excluded from the general ledger accounts. We attempted to agree the total value of RHUDO property as at September 30, 1983 by reconciling the property movements since October 1, 1979 (see Section 3.1 for details). This gave rise to a difference of \$ 22,690.06 between the general ledger and the property cards for which several possible explanations have been suggested in Section 3.1 of this report. This difference has been adjusted in order to bring the values shown by the general ledger into line with the property cards values.

1.2.3 Section 4 of this report contains details of the proposed system of general ledger accounting for non-expendable property to be implemented with effect from October 1, 1983. This system should enable the general ledger to be prepared from existing documents and to facilitate the reconciliation of general ledger values with the values shown by the property cards maintained by GSO.

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1.2.4 From a review of the physical inventory procedures adopted by GSO in October 1983, we have been able to make several recommendations designed to improve the accuracy and efficiency of future physical inventories (see Section 5).

As at the date of this report, the results of the physical inventory carried out in October 1983 have not yet been compared with the property cards maintained by GSO. We consider it to be a matter of prime importance that the results of the physical inventory be evaluated as soon as possible, and that appropriate adjustments be made to both the property cards and general ledger in order to reflect the actual physical values of non-expendable property.

1.2.5 Section 6 of the report contains our recommendations for improving the general system of handling non-expendable property transactions.

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2. GENERAL LEDGER ACCOUNTS FOR REDSO FOR THE FOUR YEARS TO SEPTEMBER 30, 1983.

2.1 Summary of work carried out in preparing general ledger accounts

2.1.1 The valuation of non-expendable property as at September 30, 1979 per the detailed inventory listing provided by GSO was taken as the starting point for our work.

2.1.2 Additions and disposals of non-expendable property were analysed in full using documents provided at the REDSO office for the four years to September 30, 1983.

2.1.3 A system of accounting for non-expendable property was developed (see Section 4 of this report).

2.1.4 The non-expendable property register was written-up for the four years to September 30, 1983.

2.1.5 Standard journal vouchers (see Exhibit XII) were completed for the four years to September 30, 1983 as the basis of postings to the general ledger.

2.1.6 Adjusting journal entries were made where appropriate in order to bring the general ledger accounts into line with GSO property records.

2.1.7 General ledger accounts were written-up for the four years to September 30, 1983.

.../...

2.2 Assumptions/policies adopted in preparing the general ledger accounts

2.2.1 The overriding principle was to prepare general ledger accounts which agreed or reconciled to the values as shown by detailed inventory listings prepared by GSO.

2.2.2 It was assumed that the valuation of non-expendable property as at September 30, 1979 was correct.

2.2.3 The general ledger accounts were to be prepared only for REDSO non-expendable property. Non-expendable property belonging to Regional Inspectorate General (RIG) personnel was also to be included with REDSO and not separately distinguished.

2.2.4 Non-expendable property belonging to RHUDO was to be excluded from the general ledger accounts. This was removed from the valuation on the basis of property held at the RHUDO office and in the homes of RHUDO personnel as shown by GSO detailed inventory listings prepared at September 30, 1979 and 1983.

2.2.5 Values recorded in the general ledger accounts were based on receiving report values, as these are the values entered on the property cards maintained by GSO. This facilitated the agreement of the general ledger valuation with the property cards valuation.

2.2.6 The total value of additions to non-expendable property was agreed to the total values provided by GSO. In doing so, certain items of expenditure (e.g. cost of light fixtures and carpeting for office buildings and the cost of general improvements to office buildings) were excluded from the value of non-expendable property.

.../...

2.2.7 The detailed inventory listings prepared by GSO include some class 319 assets (other equipment) with both class 310 (office equipment) and class 311 (household furniture). For the purposes of preparing the general ledger, accounts have been created to record class 319 assets, but only for those items grouped with class 311 per GSO listings. The other class 319 assets have been treated as class 310 assets for general ledger purposes. Therefore, in order to reconcile the total value of class 311 (household furniture) per GSO with the general ledger, it is necessary to take the total of both classes 311 and 319 from the general ledger.

2.2.8 In certain instances, unexplained differences were found between the value of additions to non-expendable property reported by GSO and the value obtained from our analysis of receiving reports. Such differences were small in value and were adjusted to agree to GSO amounts as previously reported.

2.3 Results of preparation of general ledger accounts.

2.3.1 The position shown by the general ledger accounts at the end of each of the four years to September 30, 1983 is shown in Exhibits I to IV.

As can be seen from these exhibits, the amounts arrived at in producing the general ledger accounts are slightly different from those previously reported. The principal reasons for this are firstly that goods-in-transit values have been identified at the end of each period, whereas previously this was not possible and secondly, the U 754-1 reports included both REDSO and RHUDO non-expendable property, whereas for the purposes of preparing the general ledger, RHUDO property has been excluded and therefore becomes a reconciling item.

.../...

2.3.2 As at September 30, 1983 it was necessary to put through an inventory adjustment (see Exhibits I to III) to ensure the analysis of non-expendable property between REDSO and RHUDO agreed with the detailed inventory listings prepared by GSO. The total value of RHUDO property was obtained by identifying those items allocated to RHUDO personnel at September 30, 1983. The total value of these items was then compared with the amount obtained by taking the value of RHUDO property at September 30, 1979 and adding all values per RHUDO receiving reports for the four years to September 30, 1983 (see Exhibit IX). The difference between the two values amounting to \$ 22,690.06 is assumed to be a mis-allocation between REDSO and RHUDO and therefore an appropriate inventory adjustment has been put through the general ledger.

2.3.3 The values shown by the general ledger accounts (Exhibits I to IV), which have been reconciled to the values previously reported, are in agreement with the detailed inventory listings prepared by GSO from property cards maintained by them. It should be noted however that although a physical inventory of non-expendable property was carried out in October 1983, the results of this inventory have not yet been compared with the property cards details. Therefore the actual position with regard to non-expendable property may be different, and further adjustment may be required to both the general ledger accounts and the property cards once the physical inventory has been evaluated. This follow-up procedure is of prime importance in order to establish the actual value of non-expendable property.

2.3.4 As of the date of this report, there are certain unresolved items, where information was either not available or was incomplete. Details of such items, which were given to the Controller's Office for follow-up (see our letter dated December 13, 1983) are set out in Exhibit V.

.../...

3. NON-EXPENDABLE PROPERTY OF REGIONAL HOUSING URBAN DEVELOPMENT OFFICE (RHUDO)

3.1 In accordance with our instructions, the value of RHUDO owned property has been excluded from the general ledger. No separate general ledger has been prepared for RHUDO. However in order to establish whether the analysis of property between REDSO and RHUDO was reasonable, the value of RHUDO property was determined on a global basis (see Section 2.3.2).

Although it has not been possible to identify the difference of \$ 22,690.06 disclosed in Section 2.3.2, the following are possible explanations :

3.1.1 The non-expendable property valuation prepared by GSO from their property cards is based on average values. As RHUDO and REDSO property have been grouped together, the different purchase prices will give an average value which is not necessarily equal to values per individual receiving reports.

3.1.2 Property disposal documents did not distinguish between RHUDO owned property and REDSO owned property. Therefore in preparing the general ledger all disposals have been allocated to REDSO, although it is quite likely that some of these items were ex-RHUDO property.

3.1.3 The inventory listing did not indicate whether any RHUDO items were held in the warehouse as at September 30, 1983. Given the small number of RHUDO personnel, it is unlikely that there would be many items held in stock and it has been assumed that all items held in the warehouse were the property of REDSO.

.../...

3.2 In order to improve the procedures to ensure adequate separation of RHUDO and REDSO owned property, we recommend the following :

3.2.1 With effect from October 1, 1983, GSO should be instructed to maintain separate property cards for RHUDO property. The opening balances on these cards should be taken from the inventory listing as at September 30, 1983.

3.2.2 GSO should be instructed to prepare a separate inventory listing for RHUDO property at the end of each fiscal year.

3.2.3 GSO should prepare separate non-expendable property disposal documents for RHUDO property, so that REDSO and RHUDO disposals can be clearly identified.

3.2.4 At the end of each year a separate non-expendable property report (report number U 754-1) should be prepared for RHUDO.

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4. PROPOSED SYSTEM OF GENERAL LEDGER ACCOUNTING FOR NON-EXPENDABLE PROPERTY

4.1. Objectives

The principal objectives of the proposed general ledger accounting system are as follows :

4.1.1 To facilitate the agreement of the values shown by the property accounts in the general ledger with the values shown by the property cards maintained by GSO.

4.1.2 To permit such agreements/reconciliations of values to be carried out on a periodic basis.

4.1.3 To enable the value of goods-in-transit to be identified at the end of each period by establishing a goods-in-transit account.

4.1.4 To enable the value of accounts payable to be identified at the end of each period.

4.2 Outline of proposed system

The proposed system of recording non-expendable property transactions consists of three elements :

4.2.1 A memorandum non-expendable property register which records all stages of the transaction thus providing a control over the progress of transactions. This register would be outside the double-entry bookkeeping system but will form the basis for posting entries to the general ledger accounts by means of standard journal vouchers.

.../...

4.2.2 A set of general ledger accounts which record transactions through normal double-entry bookkeeping procedures. The postings to the general ledger accounts will be made principally from standard journal vouchers.

4.2.3 A standard journal voucher records amounts taken directly from the non-expendable property register, which would then be posted to the relative general ledger accounts.

The above three elements are described in Sections 4.3 and 4.4 which follow.

4.3 Non-expendable Property Register

4.3.1 Purpose of the register

The register is to be used only for additions to non-expendable property and is designed to record all the details of additions from the issue of the purchase order to payment of the final invoice.

The procedure of accounting for disposals of non-expendable property is much simpler and therefore the use of such a register is not required for disposals.

4.3.2 Layout of the register

For details of the of the layout of the register please refer to Exhibit X.

4.3.3 Features of the register

a) The register would be prepared for each asset class, namely class 310 "Office furniture and equipment", class 311 " Household furniture and furnishings", class 312 "Motor vehicles" and class 319 "Other Equipment".

b) Each purchase order should be separately recorded in the register.

c) The register should record the various stages of the transaction i.e. order, receipt of goods, payment and any differences between value of goods received as recorded on the receiving report and the payment and order values (see columns 12 and 13 of Exhibit X). In this way, the register may be used as a control record whereby the status of each order is known at any particular point in time.

d) The register will be written-up from documents already in use i.e. purchase orders, receiving reports, payment vouchers etc., thus there is very little additional work involved in maintaining it. However, it is important that the register be kept up-to-date in order that the progress of orders may be properly monitored and to ensure the accuracy of postings to the general ledger accounts, which are to be prepared only on a periodic basis from details contained in the register.

e) The register will provide the basis of postings to the general ledger accounts. It is suggested that these postings be made on a six monthly basis. At the end of each six month period, the register would be totalled, taking only the transactions arising in that particular six month period, and these totals entered onto standard journal vouchers (see Exhibit XII) for posting to the appropriate general ledger accounts. Thus the register will provide all the supporting information for the general ledger.

f) In order that each six monthly "accounting period" may be clearly distinguished, it may be appropriate for different colour inks to be used for each period when writing up the register. Such a procedure would greatly reduce the possibility of incorrect analysis in the register.

.../...

g) As the property cards maintained by GSO are valued from receiving reports, it is proposed that the general ledger should also be valued from receiving reports, in order to facilitate reconciliation :

The layout of the register highlights differences between receiving report value and payment value (see Exhibit X column 12) and between receiving report value and purchase order value (see Exhibit X column 13). Such differences must only be recognised on completion of the purchase order. In order to comply with the format of the standard journal voucher (see Exhibit 12), it is also essential that these differences are calculated in the order indicated on the register, by taking the receiving report value less the payment value and the receiving report value less the order value.

h) The goods-in-transit amount will require separate identification by a careful review of the register. Goods-in-transit will represent those items paid for prior to receipt of the goods or those orders which have not yet been completed but for which the payment value exceeds the value per the receiving report. In the case of the latter, the goods-in-transit figure will be the excess of payment value over receiving report value. The amount for goods-in-transit will be entered on the standard journal voucher.

.../...

4.4 General Ledger Accounts

4.4.1 Layout of the general ledger accounts

a) The following accounts should be maintained in the general ledger :

- i) Non-expendable property on order account
- ii) Funds obligated account
- iii) Goods-in-transit account
- iv) Property account
- v) Investment in property account

b) The account headings listed in (a) above would be maintained for each asset class as follows :

<u>Asset Class</u>	<u>Description</u>
310	Office furniture and equipment
311	Household furniture and furnishings
312	Motor vehicles
319	Other equipment

c) The general ledger accounts will be written up principally from the standard journal voucher described in Exhibit XII. For details of the format of the various general ledger account headings see Exhibit XI.

4.4.2 General ledger accounting entries

The principal transactions to be recorded are additions to non-expendable property. There will be two types of addition :

- a) Where non-expendable property is paid for prior to receipt in Abidjan, or Abidjan obtain advice of receipt in the United States by a Government department prior to actual payment being made, and
- b) Where non-expendable property is physically received prior to payment. Both types of transaction would be recorded using the standard journal voucher (see Exhibit XII) which is prepared from details recorded in the register.

The following description sets out the sequence of entries which the standard journal voucher adopts :

a) Non-expendable property (NXP) paid prior to receipt of goods

i) When purchase is raised

DR NXP on Order A/C

CR Funds obligated A/C

ii) When NXP is paid for

DR Funds obligated A/C

CR Investment in property A/C

iii) When NXP is actually received

DR Property A/C

CR Goods-in-transit A/C

b) NXP is physically received prior to payment

i) When purchase order is raised

DR NXP on Order A/C

CR Funds obligated A/C

ii) When NXP is actually received

DR Property A/C

CR NXP on Order A/C

iii) When NXP is paid for

DR Funds obligated A/C

CR Investment in property A/C

c) The standard journal voucher has been prepared in a manner which allows amounts to be taken directly from the non-expendable property register.

In addition to the entries described in 4.4.2(a) and (b) above, there is a further entry on the journal voucher (Exhibit XII journal entry number 4) which adjusts for differences between receiving report values and payment/order values. This entry is required because the values used in preparing the general ledger accounts are based on the receiving reports as described in Section 4.3.3. (g).

d) The main source of postings to the general ledger will be the standard journal voucher, which is completed using the details recorded in the non-expendable property register. As suggested in Section 4.3.3 (e), these postings would be made on a six monthly basis.

e) Goods-in-transit are to be identified at the end of each six monthly period, as described in section 4.3.3. (h). This entry will then be reversed at the end of the subsequent six month period (see Exhibit XII journal entry number 5) and the current goods-in-transit amounts identified.

f) The value of accounts payable is obtained by setting off the balances on "Funds Obligated" account and "Non-Expendable Property on Order" account.

.../...

g) With regard to disposals of non-expendable property, the only accounting entry required would be as follows :

- Debit : Investment in property account
- Credit : Property account

It is proposed that these entries be made directly from the disposal documents as and when received from GSO.

h) The proposed system of general ledger accounting for non-expendable property has been prepared using normal double-entry bookkeeping procedures. Therefore at the end of each six month period it will be possible to prepare a trial balance of non-expendable property general ledger accounts. The balances on "Property" account plus "Goods-in-transit" account should equal the balance on "Investment in Property" account plus "Accounts Payable" ("Accounts Payable" comprising "Funds Obligated" less "Non-expendable Property on Order").

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5. RECOMMENDATIONS FOR IMPROVING INVENTORY PROCEDURES

5.1 During October 1983, GSO carried out a complete physical inventory of non-expendable property. It is our understanding that this was the first physical inventory to have been undertaken for some years. As part of our assignment we were in attendance during part of the inventory in order to observe and assess the procedures adopted. Additionally the inventory procedures being implemented were discussed with GSO personnel.

In general, the actual counting and identification of items were carried out in an efficient and methodical manner. However, it was apparent that proper consideration had not been given to other inventory matters such as controlling the movement of items during the period of the inventory and the procedure to be followed in order to reconcile the physical inventory with the property cards. We have therefore developed certain recommendations for improving inventory procedures which are set-out in Sections 5.2 and 5.3.

5.2 Recommendations arising from a review of inventory procedures adopted in October 1983.

5.2.1 We recommend that comprehensive stocktaking instructions be prepared in writing setting out the procedures to be followed and the responsibilities of the persons involved.

A lack of written instructions may lead to misunderstandings and omissions in the performance of the physical inventory.

5.2.2 Wherever possible, the movement of items should be suspended or strictly controlled during the period of the inventory. Items received after the inventory has begun should be counted, but kept apart from other items. Similarly in respect of issues from the warehouse, the issue document should note whether the item involved was included or excluded from the inventory.

From our discussions with staff at GSO it was apparent that no formalised procedure for reconciling movements of property during the inventory with the property records had been established. The following procedure was to have been applied :

- a) Issues - issue documents noting the time and date of dispatch and inventory sheets indicating date and time of count. This should enable a reconciliation of movements to be carried out. However, during our attendance we noted that some count sheets did not give the time of the count.
- b) Receipts - these were to have been included as part of the inventory.

5.2.3 A formalised procedure for reconciling physical inventory quantities with quantities per the property cards should be established. Such procedures should include investigating significant differences and detailing the results of such investigations together with the action proposed.

As of the date of this report, GSO has not yet carried out a reconciliation of the quantities shown by the physical inventory with the quantities shown on their property cards. As this inventory is the first to be performed for several years, we consider it to be extremely important that such a reconciliation is carried out accurately and promptly and therefore that priority should be given to completing this exercise.

5.2.4 Inventory sheets should be prepared in advance and prenumbered. By referring to the property cards, a list of the items to be counted (description only) should be prepared and entered on the inventory sheets. This will help minimise the risk of items being omitted from the physical inventory.

No such listing of items was prepared.

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5.2.5 A control sheet detailing the inventory sheets issued should be maintained. The control sheet should indicate the number of the inventory sheet, to whom it has been issued and the date returned. The control sheet will thereby ensure that at the end of the inventory all the inventory sheets are accounted for and missing sheets highlighted.

No such control sheet was prepared.

5.3 Other recommendations concerning inventory procedures

5.3.1 The date entered on receiving reports should be the date the goods are received.

At present the date entered on the receiving reports is the date the document is prepared which may be several days after the date of receipt.

5.3.2 Inventory listings should be sent to households, and the occupiers requested to signify their agreement as to the items of non-expendable property contained in their house or apartment. Such inventory listings should state the date of inventory in order that an accurate cut-off point for the inventory may be obtained. These listings should be sent out each time a physical inventory is undertaken.

5.3.3 Warehouse space should be divided between the various agencies and all items belonging to each agency be held in these specifically designated areas. These areas should then be further sub-divided into numbered "bays" in which all items of the same type are stored. This will enable physical inventories to be performed in a more efficient manner and will reduce the time spent in collating information from several inventory sheets in respect of one type of asset.

Attempts have already been made to divide warehouse space between the various agencies. This procedure should be helped by the recent auction of old items, held in December 1983, which will create more warehouse space. The establishment of separate areas should be pursued as a matter of priority.

5.3.4 We recommend that a system of periodic checking of household inventories be established. This should be designed to cover all houses over a certain time-period, say one year. Not only will this establish the accuracy of household inventories but it may also highlight property which is in need of replacement due to its poor condition.

At present household inventories are principally undertaken when someone arrives or leaves a particular house.

5.3.5 An annual review of property cards should be made with the object of identifying those items which have served their estimated useful life in accordance with AID regulations.

Such items should then be physically inspected in order to determine whether replacement is required. This review is particularly applicable to household property.

At present no such review is made.

6. RECOMMENDATIONS FOR IMPROVING CONTROL OVER ACCOUNTING FOR NON-EXPENDABLE PROPERTY

During the course of our work in preparing the general ledger, we have found certain areas where the present system could be improved in order to provide greater control over non-expendable property transactions. Appropriate recommendations have been developed and are detailed in the following sections.

6.1 The status of purchase orders should be reviewed on a regular basis, at least every six months, in order to establish whether the goods are still on order or whether the order has been cancelled.

During our work in preparing the general ledger we found that a number of purchase orders were cancelled after being in issue for a substantial period of time. An example is P.O. 681-80-022 which was cancelled four years after being issued.

6.2 When purchase orders are cancelled this should be evidenced in writing.

In a number of instances, old purchase orders were cancelled, without any supporting documentation.

6.3 We recommend that the Controller's office maintain a file containing all the documents relating to non-expendable property; i.e copies of miscellaneous obligation documents, purchase orders, receiving reports, payment vouchers and disposal documents. By having all these documents on one file, it will prove easier to trace the movements of non-expendable property during the year.

At present no one file contains all the documents relating to non-expendable property.

6.4 Where possible, payment vouchers should be cross-referenced to receiving reports and vice-versa in order to facilitate cross-checking payments made with goods received.

At present there is no cross-referencing between receiving reports and payment vouchers.

6.5 Amounts per the miscellaneous obligation document (MOD) should be adjusted to the purchase order value on a regular basis, in order to ensure the documents agree.

At present, adjustments are made to miscellaneous obligation documents at irregular intervals.

6.6 Copies of motor vehicle disposal documents (AID 5-197A) should be sent to the Controller's office. This will enable a complete dossier of movements on motor vehicles to be maintained.

At present, GSO does not transmit motor vehicle disposal documents to the Controller's office.

6.7 Copies of motor vehicle documents should be sent to the Controller's office as evidence of the receipt of the vehicle purchased.

6.8 In certain instances, non-expendable property may be received directly by REDSO. In these cases, REDSO should prepare a document and send it to GSO in order that a receiving report may be prepared and the property cards updated.

At present there is little control over property which is received directly by REDSO.

6.9 Certain purchases of non-expendable property are paid for directly by the American Embassy who subsequently re-charge REDSO. In many cases the Embassy did not provide full details of the items being paid for, but merely sent a copy of the summary invoice to REDSO. Without full details it is often impossible to match payments with goods actually received. We therefore recommend that the Embassy be requested to provide full details of payments made directly by them on behalf of REDSO.

6.10 GSO should state on the receiving reports the exact value entered on the property cards.

A receiving report will from time to time include both non-expendable and expendable items. However, the breakdown between the two categories is not always clear. Therefore, in order that the general ledger accounts and property cards may be reconciled, it is important that GSO indicate the value taken as non-expendable property on the property cards, so that the same value is used in preparing the general ledger.

6.11 GSO should be requested to provide a listing of additions to non-expendable property which is cross-referenced to the related receiving reports.

At the end of each year GSO provides a list of non-expendable property additions for the year. The list does not provide details of the related receiving report numbers and consequently it is difficult to agree the additions for the year, a procedure which is important for verification purposes if differences should arise between the general ledger and the property cards. By including receiving report references, reconciliation between GSO amounts and general ledger will be facilitated.

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6.12 The analysis of property between the various class types should be carefully reviewed.

In preparing the general ledger accounts, several examples were found where GSO had classified an item in a different asset class, leading to difficulties in reconciling the general ledger and property cards.

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REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE

REDSO

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REDSO-OWNED NOW-EXPENDABLE PROPERTY
GENERAL LEDGER TRIAL BALANCE
AS AT SEPTEMBER 30,

EXHIBIT I

CLASS 310 - OFFICE FURNITURE AND EQUIPMENT

		<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Inventory of non-expendable property at beginning of period		90 449.17	117 568.74	154 108.10	379 715.27
Goods-in-transit		-	29 596.00	3 405.00	18 656.00
Property received during the year		32 081.00	8 782.00	224 404.00	63 712.00
		<u>122 530.17</u>	<u>155 946.74</u>	<u>381 937.10</u>	<u>462 083.27</u>
Property disposed of during the year		(4 961.43)	(1 838.64)	(2 221.83)	(36 577.34)
Inventory adjustments		-	-	-	(430.78)
Total inventory at close of period	US \$	<u>117 568.74</u>	<u>154 108.10</u>	<u>379 715.27</u>	<u>425 075.15</u>
Represented by :					
Investment in property at beginning of period		114 375.14	150 358.50	234 933.67	424 443.15
Accounts payable		3 193.60	3 749.60	144 781.60	632.00
Inventory adjustments		-	-	-	-
Total inventory at close of period	US \$	<u>117 568.74</u>	<u>154 108.10</u>	<u>379 715.27</u>	<u>425 075.15</u>
Total inventory as shown above		117 568.74	154 108.10	379 715.27	425 075.15
Less: : Goods-in-transit		-	(29 596.00)	(3 405.00)	(18 656.00)
Add back : RHUDO non-expendable property received - cumulative		-	-	10 943.00	13 679.00
Inventory adjustment (as shown above)		-	-	-	430.78
Value as shown by report U754-1	US \$	<u>117 568.74</u>	<u>124 512.10</u>	<u>387 253.27</u>	<u>420 528.93</u>

REDSO-OWNED NON-EXPENDABLE PROPERTY

GENERAL LEDGER TRIAL BALANCE

AS OF SEPTEMBER 30

CLASS 311 - HOUSEHOLD FURNITURE AND FURNISHINGS

		<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Inventory of non-expendable property					
at beginning of period		400 380.66	399 738.24	392 784.29	595 229.73
Goods-in-transit		-	2 226.00	118 723.00	-
Property received during the year		<u>49 381.00</u>	<u>13 767.00</u>	<u>130 800.00</u>	<u>65 854.00</u>
		449 761.66	415 731.24	642 307.29	661 083.73
Property disposed of during the year		(50 023.42)	(22 946.95)	(47 077.56)	(166 321.33)
Inventory adjustments		<u>-</u>	<u>-</u>	<u>-</u>	<u>20 167.16</u>
Total inventory at close of period	US \$	<u>399 738.24</u>	<u>392 784.29</u>	<u>595 229.73</u>	<u>514 929.56</u>
		=====	=====	=====	=====
Represented by :					
Investment in property at beginning of period		399 738.24	392 784.29	534 200.73	505 929.56
Accounts payable		-	-	61 029.00	9 670.06
Inventory adjustments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total inventory at close of period	US \$	<u>399 738.24</u>	<u>392 784.29</u>	<u>595 229.24</u>	<u>514 929.56</u>
		=====	=====	=====	=====
Total inventory (classes 311 and 319)		484 029.58	504 377.26	783 583.24	721 467.67
Less : Goods-in-transit (classes 311 and 319)		-	(11 066.00)	(118 723.00)	-
Add back : RHUDO non-expendable property received					
-cumulative (classes 311 and 319)		5 892.00	6 272.00	21 802.00	39 213.00
Inventory adjustment (as shown above)					
- classes 311 and 319		<u>-</u>	<u>-</u>	<u>-</u>	<u>(23 120.84)</u>
Value as shown by report U 754-1	US \$	<u>489 921.58</u>	<u>499 583.26</u>	<u>686 662.24</u>	<u>737 559.83</u>
		=====	=====	=====	=====

EXHIBIT III

REDSO-OWNED NON-EXPENDABLE PROPERTY
GENERAL LEDGER TRIAL BALANCE
AS OF SEPTEMBER 30

CLASS 319 - OTHER EQUIPMENT

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Inventory of non-expendable property at beginning of period				
Goods-in transit	85 225.12	84 291.34	111 592.97	188 953.51
Property received during the year	-	8 840.00	-	-
	<u>5 476.00</u>	<u>28 021.00</u>	<u>89 785.00</u>	<u>27 393.00</u>
	90 701.12	121 152.34	201 377.97	215 746.51
Property disposed of during the year				
Inventory adjustments	(6 409.78)	(9 559.37)	(13 024.46)	(12 162.08)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 953.68</u>
Total inventory at close of period	US \$ 84 291.34	111 592.97	188 353.51	206 538.11
	=====	=====	=====	=====
Represented by :				
Investment in property at beginning of period				
Accounts payable	84 291.34	111 592.97	187 203.51	205 388.11
Inventory adjustments	-	-	1 150.00	1 150.00
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total inventory at close of period	US \$ 84 291.34	111 592.97	188 353.51	206 538.11
	=====	=====	=====	=====

REDSO-OWNED NON-EXPENDABLE PROPERTY
GENERAL LEDGER TRIAL BALANCE
AS OF SEPTEMBER 30

CLASS 312 - MOTOR VEHICLES

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Inventory of non-expendable property at beginning of period	36 254.00	45 739.00	45 839.00	88 066.00
Goods-in-transit	6 090.00	-	8 057.00	-
Property received during the year	7 925.00	100.00	52 833.00	-
	<u>50 269.00</u>	<u>45 839.00</u>	<u>106 729.00</u>	<u>88 066.00</u>
Property disposed of during the year	(4 530.00)	-	(18 663.00)	-
Total inventory at close of period	US\$ <u>45 739.00</u> =====	US\$ <u>45 839.00</u> =====	US\$ <u>88 066.00</u> =====	US\$ <u>88 066.00</u> =====
 Represented by :				
Investment in property at beginning of period	45 739.00	45 839.00	88 066.00	88 066.00
Accounts payable	-	-	-	-
Total inventory at close of period	US\$ <u>45 739.00</u> =====	US\$ <u>45 839.00</u> =====	US\$ <u>88 066.00</u> =====	US\$ <u>88 066.00</u> =====
 Total inventory as shown above	 45 739.00	 45 839.00	 88.066.00	 88 066.00
Less : goods-in-transit	(6 090.00)		(8 057.00)	-
Difference	(100.00)	(100.00)	-	-
Value as shown by report U754-1	US\$ <u>39 549.00</u> =====	US\$ <u>45 739.00</u> =====	US\$ <u>80 009.00</u> =====	US\$ <u>88 066.00</u> =====

REDSO

UNRESOLVED ITEMS

1. Three sets of furniture were ordered under Purchase Order 841-1051. These were accounted for under Receiving Report numbers 458-81, 459-81 and 462-81 of November 1981. Additionally Receiving Report number 502-82 of May 1982 is referenced to Purchase Order 841-1505, thus making four sets of furniture received. Therefore it has not been possible to match Receiving Report 502-82 (value \$ 9,395) against any purchase order. For the purposes of preparing the general ledger, this receiving report has been debited to "Property Account" and credited to "Investment in Property Account".

We recommend that further investigation be carried out with regard to this matter to establish :

- (a) that the purchase order references on the receiving reports are correct ;
- (b) whether three or four sets of furniture were actually received (i.e has there been a duplication of a receiving report);
- (c) whether, in the event that four sets of furniture were received , payment has been made for the fourth set.

Once the above points are resolved, appropriate adjustments (if necessary) may then be made to the general ledger accounts and property register.

2. With respect to purchase order number 530-82-029, (asset class 310), the goods were received on receiving report number 508-82 but no payment details could be found. This items has therefore been shown as an open order.

.../...

3. Goods under purchase order number 681-82-051 (asset class 319) were received on receiving report number 484-82. No payment details could be found, therefore this has been shown as an open order.
4. Purchase order number 82/3770 (RIG) against Miscellaneous Obligation Document (MOD) number 82-310-07 (class 310) has been included on the non-expendable property register. However, no receiving report or payment details could be found and the order is shown as an open item.
5. Is purchase order number 681-82-35 (MOD number 82-310-22) concerning installation of "Group Statistique". a separately identifiable item ? If so, it should be entered on the property cards and included as non-expendable property. This has not been entered in the general ledger accounts as at September 30, 1983.
6. Has any of the equipment under purchase order number 82-2164 (MOD number 82-310-24) concerning Wang equipment been received ? If so, what are the RR numbers and were they recorded on property cards ? This item is shown as an open order in the general ledger.
7. A decision is required with respect to certain types of expenditure as to whether they are to be recorded as non-expendable or expendable property. At present, such items are not recorded on property cards and therefore have not been included in the general ledger. Examples of the type of expenditure incurred are as follows :
 - 7.1 Installation of carpets and curtains at the Vallon (class 310)
 - 7.2 Installation of security grilles at Redso buildings as per MOD's 82-319-07 and 82-319-03 (RIG)
 - 7.3 Cost of "supplementary work" at Franke buildings as per MOD 82-310-06 (RIG) value \$20,896.29.
 - 7.4 Cost of installing light fixtures etc.

.../...

8. No receiving report of payment details could be found for Wang equipment appearing on purchase order number 530-82-024 (MOD number 82-310-02-RIG), therefore this order has not been recorded in the general ledger. If any of these items are to be treated as non-expendable property, appropriate entries will have to be made in the general ledger.

9. Purchase order number 81-83-673 (MOD number 83-310-07) concerning cost of 83-310-07, P.O 681-83-673 installing "Group Statistique":

9.1 Is this the same as purchase order number 681-82-35 (MOD number 82-310-22)?

9.2 What is the nature of the item?

9.3 Is it to be included as non-expendable property ? No receiving report could be traced and we have assumed it is not recorded on property cards.

10. Should the MOD 83-319-02 concerning installation of electrical wires and coaxial cable for Wang equipment for a value \$ 4,587.60 be considered as non-expendable property ? At present it has been excluded from the general ledger.

REDSO

SUMMARY OF OPEN ITEMS AS AT SEPTEMBER 30, 1983

CLASS 310 - OFFICE FURNITURE AND EQUIPMENT

<u>REGISTER</u> <u>REFERENCE</u>	<u>PURCHASE</u> <u>ORDER NUMBER</u>	<u>PURCHASE</u> <u>ORDER</u>	<u>GOODS-IN</u> <u>TRANSIT</u>	<u>ACCOUNTS</u> <u>PAYABLE</u>
81/310/2	530-81-060	22 188.00	173.00	-
82/310/1	530-82-029	200.00	-	200.00
82/310/1	530-82-086	42 434.00	14 050.00	-
82/310/2	681-83-184	84 533.00	-	-
82/310/3	530-82-027	15 870.00	3 438.00	-
82/310/3	82/3770	3 537.00	-	-
83/310/1	681-83-612	400.00	-	-
"	681-83-700	600.00	-	432.00
"	681-83-677	300.00	-	-
"	843-2166	5 626.00	-	-
83/310/2	681-83-721	950.00	-	-
"	843-2109	17 290.00	-	-
"	MOD 83-310-12	500.00	-	-
83/310/3	681-83-613	500.00	460.00	-
"	MOD 83-310-02	2 500.00	-	-
"	681-83-680	600.00	535.00	-
"	83-3215	3 000.00	-	-
		<hr/>	<hr/>	<hr/>
	US\$	201 028.00	18 656.00	632.00
=====				

REDSO

SUMMARY OF OPEN ITEMS AS AT SEPTEMBER 30, 1983

CLASS 311 - HOUSEHOLD FURNITURE AND FURNISHINGS

<u>REGISTER</u> <u>REFERENCE</u>	<u>PURCHASE</u> <u>ORDER NUMBER</u>	<u>PURCHASE</u> <u>ORDER</u>	<u>GOODS-IN</u> <u>TRANSIT</u>	<u>ACCOUNTS</u> <u>PAYABLE</u>
82/311/1	530-82-036	8 743.00	-	9 670.06
83/311/1	530-83-017	45 255.00	-	-
"	530-83-040	38 642.00	-	-
"	681-83-658	5 390.00	-	-
"	681-83-659	3 158.00	-	-
83/311/2	530-83-044	4 320.00	-	-
"	681-83-694	18 018.00	-	-
"	681-83-729	3 458.00	-	-
	US \$	126 984.00	-	9 670.06

REDSO

SUMMARY OF OPEN ITEMS AS AT SEPTEMBER 30, 1983

CLASS 319 - OTHER EQUIPMENT

<u>REGISTER</u> <u>REFERENCE</u>	<u>PURCHASE</u> <u>ORDER NUMBER</u>	<u>PURCHASE</u> <u>ORDER</u>	<u>GOODS-IN</u> <u>TRANSIT</u>	<u>ACCOUNTS</u> <u>PAYABLE</u>
82/319/1	681-82-051	1 150.00	-	1 150.00
83/319/1	681-83-725	11 750.00	-	-
		<u>US \$ 12 900.00</u>	-	1 150.00
		=====		

EXHIBIT IX

REDSO

SUMMARY OF MOVEMENTS ON RHUDO NON-EXPENDABLE PROPERTY

	<u>CLASS 310</u>	<u>CLASS 311</u>	<u>CLASS 319</u>
Value of RHUDO non-expendable property as at September 30, 1979 per detailed inventory listing	4 131.64	13 364.68	2 165.62
Additions during the four years to September 30, 1983 as per receiving reports:			
September 30, 1980	-	5 892.00	-
" 1981	-	380.00	-
" 1982	10 943.00	11 416.00	4 114.00
" 1983	2 736.00	17 411.00	-
Total theoretical value of RHUDO non-expendable property	17 810.64	48 463.68	6 279.62
Value of RHUDO non-expendable property as at September 30, 1983 per General Services Office detailed inventory listing	<u>18 241.42</u>	<u>28.296.52</u>	<u>3 325.94</u>
* Difference	US \$ (430.78)	20 167.16	2 953.68
		=====	

* The above difference has been adjusted by a journal entry in order to bring the analysis of non-expendable property between REDSO and RHUDO into line with the detailed inventory listing prepared by General Services Office.

LAYOUT OF THE NON-EXPENDABLE PROPERTY REGISTER

PURCHASE ORDER			RECEIPT OF GOODS			PAYMENT			DATE ORDER	DIFFERENCES		ADJUSTMENT
Date	Details	Value \$	R/R No	Date	Value \$	Voucher reference	Date	Value \$	Completed	R/R less payment (7-10)	R/R less order (7-4)	Communicated to GSO
1	2-3	4	5	6	7	8	9	10	11	12	13	14

Note : R/R = Receiving Report

Numbers 1 - 14 indicate column numbers

REDSO

FORMAT OF THE GENERAL LEDGER ACCOUNTS

(1) Non-expendable Property C1 Order account

Date	Register/Other reference	Description	A M O U N T		\$ Balance
			Debit	Credit	

(2) Funds Obligated account

Date	Register/Other reference	Description	A M O U N T		\$ Balance
			Debit	Credit	

(3) Goods-in-Transit account

Date	Register/Other reference	Description	A M O U N T		\$ Balance
			Debit	Credit	

REDSO

FORMAT OF THE GENERAL LEDGER ACCOUNTS

(4) Property account

Date	Register/Other reference	Description	A M O U N T		\$ Balance
			Debit	Credit	

(5) Investment in Property account

Date	Register/Other reference	Description	A M O U N T		\$ Balance
			Debit	Credit	

NXP JOURNAL VOUCHER

J. V. No.

Date

REFERENCE	EXPLANATION	DEBIT	CREDIT
(1)	NXP ON ORDER A/C (column 1) FUNDS OBLIGATED A/C(")	XXXXX	XXXXX
(2)	PROPERTY A/C (column 5) * GOODS-IN-TRANSIT A/C NXP ON ORDER A/C	XXXXX	XXXXX
(3)	FUNDS OBLIGATED A/C (column 9) INVESTMENT IN PROPERTY A/C (column 9)	XXXXX	XXXXX
(4)	INVESTMENT IN PROPERTY A/C (column 12) either (a) negative (b) positive	XXXXX	XXXXX
	NXP ON ORDER A/C (column 13) either (a) positive (b) FUNDS OBLIGATED A/C (difference)	XXXXX	XXXXX
(5)	NXP ON ORDER A/C GOODS-IN-TRANSIT A/C (Reversal of previous period goods in-transit entry)	XXXXX	XXXXX
	TOTAL,		

Prepared by

(Signature)

Approved by

(Signature)

(Title)

(Title)

* To be identified at the end of each period by totalling all payments recorded in the register for which goods have not yet been received.