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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



SEP 1 1970

CIVIL DIVISION

BEST DOCUMENT AVAILABLE

Dear Mr. Kossack:

The General Accounting Office has reviewed selected aspects of the sight draft system of the Commodity Credit Corporation (CCC). Copies of the report to the Executive Vice President, CCC, were furnished you on July 16, 1970. As part of the review, we examined into related internal audit work performed by your Region 6 office.

Generally, Region 6 reviews were adequate; however, we noted two areas where we believe the establishment of approved audit guides for use by all regions could result in improving audits of the operations of State and county offices. Region 6 representatives advised us that they did not have audit guides approved by the Office of the Inspector General (OIG) Headquarters Office for use in auditing administrative operations in State and county offices. They stated that the audit guides used within their region may be different from the guides used by other OIG regions in performing similar reviews.

VERIFICATION OF REPORTS
OF BLANK DRAFTS ON HAND

OIG has not established an approved audit guide specifically requiring an independent inventory of blank sight drafts on hand in State and county offices. In Region 6, the extent of verification of blank sight drafts on hand varied or was not determinable.

The Region had an unapproved audit guide for application in State offices that required a physical inventory of blank drafts on hand and reconciliation to pertinent records. We were advised, however, that this guide had only been applied in one State office--South Dakota. The Region 6 workpapers on administrative reviews in the three State offices we visited included varying amounts of evidence regarding the verification of State office inventory reports of drafts on hand. In one State a comparison was made of actual items on hand to accountability records, while in another state the workpapers contained little evidence of verification.

The Region's unapproved audit guides for application in county offices included general audit survey steps requiring consideration of controls over drafts such as safeguarding and periodic inventories. The guides, however, included no specific requirement to verify reports of blank drafts on hand through independent inventory procedures.

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audit workpapers on reviews made in the three county offices we visited indicated that some consideration had been given to control of blank drafts, but did not show that a physical inventory of drafts was performed.

We believe that independent verification of inventory reports of blank drafts on hand in State and county offices is necessary to ensure that these documents are properly controlled and accounted for. We believe also that such a requirement should be included in audit guides approved for use by all OIG regions.

VERIFICATION OF REPORTS
OF ISSUED DRAFTS

Audit guides used by Region 6 do not specifically require that State and county office reports of issued drafts be verified to supporting documents. Program review guides approved by the OIG Headquarters Office as well as Region 6 unapproved guides for reviews of administrative operations require that selected expenditure documents be traced to issued drafts. This procedure would not, in our opinion, provide adequate assurance that drafts reported as issued are supported by valid expenditure documents. Rather, issued drafts should be verified to supporting expenditure documents.

Although not required by audit guides, Region 6 representatives stated that they do sometimes trace selected drafts to supporting expenditure documents. Region 6 workpapers on reviews made in six county offices showed that this procedure was used for one office.

We believe that reviews of the propriety of drafts issued should include tests based on a selection of issued drafts as shown in State and county office inventory reports. We believe also that such a procedure should be included in audit guides approved for use by all OIG regions.

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We would appreciate being advised of actions taken on the matters discussed in this letter. Also, during the course of your regularly scheduled audits, we would appreciate your following up on the recommendations in our sight draft report to the Executive Vice President, CCC, to determine whether appropriate corrective actions have been taken.

Sincerely yours,

Arland N. Berry
Victor L. Lowe
Associate Director

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Mr. Nathaniel E. Kossack
Inspector General
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