

DOCUMENT RESUME

05675 - [B1045987]

Internal Audit of Financial Operations in the Department of Housing and Urban Development. FGMSD-78-25; B-160759. April 12, 1978. 5 pp. + 3 appendices (13 pp.).

Report to Secretary, Department of Housing and Urban Development; by D. L. Scantlebury, Director.

Issue Area: Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (201).

Contact: Financial and General Management Studies Div.

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs; Senate Committee on Banking, Housing and Urban Affairs.

Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a).

The Department of Housing and Urban Development's (HUD) internal audit is conducted by the Office of Inspector General which is concerned with audit, investigation, and security reviews within HUD. Audits of the accounting function are performed by the Office of Washington Operations and Special Projects which has responsibility for reviewing accounting operations in Washington, D.C., and the Office of Audit which has responsibility for reviewing accounting operations in the field. Findings/Conclusions: The two audit offices issued 4,399 reports during fiscal years 1974-76. There were 3,937 external audits involving HUD's grantees, borrowers, mortgagees, mortgagors, and other contractors and 462 internal reports. Almost all of the internal audits included a review of some aspect of financial operations. Except for financial statements of revolving funds, the Office of the Inspector General provided adequate audit coverage of HUD's internal financial operations. Financial statements of HUD's 14 revolving funds were not audited by the Office during the period covered, and there is presently no plan for providing systematic audit coverage of each revolving fund at specified intervals. Recommendations: The Secretary should assess the operations of the Office of Inspector General to determine what actions should be taken to provide effective coverage to HUD's revolving funds, giving due consideration to the need for resources for this area and other audit areas within HUD. Funds should be audited at not less than 3-year intervals. (Author/HTW)

5987

REPORT BY THE U.S.

General Accounting Office

Internal Audit Of Financial Operations in The Department Of Housing And Urban Development

Except for financial statements of revolving funds, the Office of Inspector General has provided adequate audit coverage of the internal financial operations of the Department.

Financial statements of the Department's 14 revolving funds were not audited by the Office of Inspector General during fiscal years 1974-76, and there is no plan for systematic audit coverage of each fund.

The Department's management needs to assess the operations of the Office of Inspector General to determine what actions should be taken to provide coverage to the Department's revolving funds, giving due consideration to the need for resources in this and other audit areas within the Department. The revolving funds should be audited on a periodic basis, preferably at not less than 3-year intervals.





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-160759

The Honorable
The Secretary of Housing
and Urban Development

Dear Mrs. Harris:

The Accounting and Auditing Act of 1950 (31 U.S.C. 66a) requires the head of each agency to establish and maintain systems of internal control, including appropriate internal audit, to provide effective control over and accountability for all funds, property, and other assets for which the agency is responsible. The act further contemplates that the heads of agencies will assure themselves of the adequacy of staffing and the scope of internal audit arrangements in their agencies.

We reviewed the Department of Housing and Urban Development's internal audit operations for fiscal years 1974 through 1976 to determine the extent to which financial audits are made to insure that the Department is maintaining effective control over revenues, expenditures, assets, and liabilities and that its financial reports contain accurate, reliable, and useful data. We excluded from our review non-financial internal audits of economy and efficiency of operations or effectiveness in achieving program objectives, and external audits of grants and contracts. Appendix III lists the areas of audit concern in our review.

The Department's accounting operations are carried out at the Office of Finance and Accounting, Washington, D.C., and at regional accounting divisions located in each of 10 regional offices. Internal audit is conducted by the Office of Inspector General, which is concerned with audit, investigation, and security reviews within the Department. Audits of the accounting function are performed by the Office of Washington Operations and Special Projects, which has responsibility for reviewing accounting operations in Washington, D.C., and the Office of Audit, which has responsibility for reviewing accounting operations in the field.

The two audit offices issued 4,399 reports during fiscal years 1974-76. There were 3,937 external audits involving the Department's grantees, borrowers, mortgagees, mortgagors, and other contractors, and 462 internal reports. Almost all of the internal audits included a review of some aspect of financial operations.

Our tests of a sample of reports and related working papers prepared by the Office of Washington Operations and Special Projects and the Office of Audit indicated that, with one exception, financial audit coverage of internal departmental operations in Washington and the field offices during the period covered by our review was adequate. In Washington, the Office of Special Projects issued 36 reports during fiscal years 1974 through 1976 which provided audit coverage to each of the 11 major divisions of the Office of Finance and Accounting. These reports were concerned with such financial operations as imprest funds, letters of credit, property, supplies, inventory, claims collection procedures, and the handling and custody of cash, securities, and other negotiable instruments.

In the field offices, the Office of Audit provided coverage to the 10 Regional Accounting Divisions by auditing 5 of them each fiscal year. Their audits were directed toward determining the accuracy of accounting records and reports, the adequacy of safeguards over assets, and the proper collection and accounting for all revenues. The audits also encompassed reviews of obligations, disbursements, and unliquidated obligations.

REVOLVING FUND FINANCIAL STATEMENTS NOT AUDITED

The only area which did not receive adequate internal audit coverage was the financial statements of the Department's 14 revolving funds. The financial statements of these funds--with assets in excess of \$11 billion--were not audited by the Office of Inspector General during fiscal years 1974 through 1976. (See app. II).

One of the basic principles and concepts of internal audit is that the auditor should examine financial transactions to the extent necessary to determine whether an agency's financial reports contain accurate, reliable, and useful financial data. This is essential if such reports are to be useful to agency management and others interested in departmental operations. The need for such reviews was evidenced by our recent audits and audits by the Office of Inspector General which disclosed weaknesses in financial operations involving the Department's Federal Housing Administration and National Flood Insurance Funds. Details of our review are provided in appendix I.

COMMENTS OF THE OFFICE
OF INSPECTOR GENERAL

The Assistant Inspectors General for Audit and for Washington Operations said that since GAO audits the Federal Housing Administration Fund annually and the National Flood Insurance Administration Fund every 3 years, audits of the financial statements of those two funds by the Office of Inspector General would have duplicated most of GAO's work. Furthermore, they did not believe it was necessary for the Office of Inspector General to audit the financial statements of the other 12 funds. They believed they had provided adequate coverage to 4 funds during fiscal years 1974-76 by issuing 15 reports on various aspects of those funds, and said that audits of aspects of three additional funds were made in fiscal year 1977 or are planned for fiscal year 1978. Moreover, their internal and external audits in the field often dealt with financial aspects of revolving fund activities and with the assets of the major funds.

The Assistant Inspectors General said they audit revolving fund activities that can successfully compete for resources in the audit planning process, and believe their coverage of the funds is adequate when balanced against other audit needs of the Department. They said that in addition to this report, two of our recent reports had recommended more internal audit of automatic data processing activities and results of Department programs. If audit resources remain constant, increased efforts in these two areas, or in coverage of the revolving funds, would have to be accomplished at the expense of reducing coverage in some other area.

We agree that complete financial audits by the Office of Inspector General for the purpose of certifying financial statements would not always be necessary to adequately audit the revolving funds. Our policy on the responsibility of internal auditors to examine Federal agency financial reports calls only for "enough internal auditing to provide assurance as to the reliability and credibility of financial reports prepared from the accounts." 1/

We disagree, however, with the contention of the Assistant Inspectors General that their audit coverage of the

1/Letter from the Comptroller General to the Deputy Director of the Bureau of the Budget (B-115398), July 31, 1968.

revolving funds was adequate. First, of the 15 reports issued on four revolving funds, 12 were on the Federal Housing Administration and only 1 each were on aspects of the New Communities Guarantee Fund, the Rehabilitation Loan Fund, and the Low-Rent Public Housing Program. The reports on the latter three funds did not, in our opinion, provide much assurance as to the reliability and credibility of the funds' financial statements

Second, statements of 10 of the 14 funds were not audited at all during fiscal years 1974-76. The 10 funds had more than \$6 billion in assets. One of them--the College Housing Loans Fund--has assets in excess of \$3 billion and annual income and expenses of more than \$100 million. That fund was not audited in fiscal years 1974-76, nor in fiscal year 1977, and there is no plan to audit it in fiscal year 1978. Even if the Office of Inspector General's internal and external audits in the field dealt with aspects of this fund or the other funds, such field work alone could not provide assurance that the funds' financial statements contain accurate financial data and can be relied upon by Department management and others interested in the Department's operations, such as congressional committees.

CONCLUSIONS AND RECOMMENDATIONS

Except for financial statements of revolving funds, the Office of Inspector General provided adequate audit coverage of the Department's internal financial operations during the period covered by our review. Financial statements of the Department's 14 revolving funds were not audited by the Office of Inspector General during that period, and there is presently no plan for providing systematic audit coverage of each revolving fund at specified intervals. We recognize that fund audits must compete against other areas for resources, and that the decision to make additional resources available for these audit areas, or shift them within the Office of Inspector General, is a judgment that must be made by Department of Housing and Urban Development management.

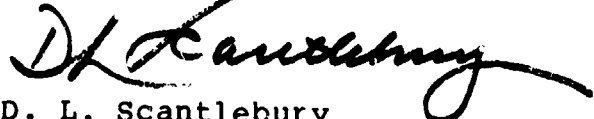
We recommend that you assess the operations of the Office of Inspector General to determine what actions should be taken to provide effective coverage to the Department's revolving funds, giving due consideration to the need for resources for this area and other audit areas within the Department. We suggest the funds be audited at not less than 3-year intervals.

Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen, House Committee on Government Operations and Senate Committee on Governmental Affairs; the Chairmen, House Committee on Appropriations and Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations; the Chairmen, House Committee on Banking, Currency and Housing and Senate Committee on Banking, Housing and Urban Affairs; the Chairmen, House and Senate Committees on the Budget; and the Inspector General, Department of Housing and Urban Development.

We appreciate the courtesies and cooperation extended to our representatives during our review. We are looking forward to receiving your comments concerning matters discussed in this report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury". The signature is written in black ink and is positioned above the typed name and title.

D. L. Scantlebury
Director

INTERNAL AUDIT OF
FINANCIAL OPERATIONS IN THE

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CRITERIA FOR AUDIT COVERAGE OF
INTERNAL FINANCIAL OPERATIONS

Our statements of basic principles and concepts regarding internal audits of financial operations provide that the internal auditor should examine financial transactions to the extent necessary to determine whether:

- The agency is maintaining effective control over revenues, expenditures, assets, and liabilities.
- The agency is properly accounting for its resources, liabilities, and operations.
- The agency's financial reports contain accurate, reliable, and useful financial data and are fairly presented.
- The agency is complying with the requirements of applicable laws and regulations.

Our statements provide that, in carrying out this work, the internal auditor should evaluate the adequacy of the agency's prescribed policies and procedures and the internal controls related to the agency's financial operations, including accounting and financial reporting. In addition, our "Policy and Procedures Manual for Guidance of Federal Agencies" provides a basis for each agency to properly plan its internal audit operations to insure adequate coverage.

Appendix III identifies specific financial areas that should be reviewed, as applicable, by an agency's internal audit staff.

ORGANIZATION AND FUNDING

The Department of Housing and Urban Development is the principal Federal agency responsible for programs concerned with housing needs and improving and developing the Nation's communities. Among other activities, the Department administers mortgage insurance programs that help families to become homeowners; a rental subsidy program for lower income families who otherwise could not afford decent housing;

and programs that aid neighborhood rehabilitation and the preservation of urban centers from blight and decay. In fiscal year 1976, the Department received appropriations in excess of \$6.1 billion to administer these programs.

The Department conducts activities at its central office in Washington, D.C., its 10 regional offices, and at numerous area and insuring offices.

INTERNAL AUDIT

The Office of Inspector General was established in January 1972 to consolidate the audit, investigation, and security functions of the Department. The Office of Inspector General had a staff of 468 as of June 30, 1976, including about 330 auditors and support personnel in the Office of Audit and 20 auditors and support personnel in the Office of Washington Operations and Special Projects.

The Special Projects group is responsible for reviewing operations in Washington, D.C. It is also assigned those cases which require high-level expeditious handling. These include highly sensitive cases, White House inquiries, and congressional requests. The Office of Audit is responsible for auditing the operations carried out at the Department's field offices located in 10 cities throughout the United States.

The Office of Inspector General generally performs both internal and external audits. Internal audits involve evaluations of selected departmental, administrative, and program operations to determine the effectiveness and efficiency with which managerial responsibilities are being carried out. External audits are audits made of grantees, borrowers, mortgagees, and other contractors to determine compliance with laws, regulations, and other requirements. In fiscal years 1974 through 1976, the Office of Inspector General issued a total of 4,399 audit reports. Of these, 3,937 were external audits of the Department's contract and grant programs, while the remaining 462 reports dealt with internal operations. About two-thirds of audit staff time was devoted to external audits, and one-third to internal audits during the 3-year period.

AUDIT COVERAGE OF INTERNAL FINANCIAL AREAS

The Department's accounting operations are carried out at the Office of Finance and Accounting in Washington, D.C.,

and at regional accounting divisions located in 10 field offices. The Office of Washington Operations and Special Projects audits the Office of Finance and Accounting. The Office of Audit has responsibility for auditing the regional accounting divisions.

Audits of the Office of Finance and Accounting

The Office of Washington Operations and Special Projects provided us with 36 reports prepared during fiscal years 1974-76 on activities of the Office of Finance and Accounting. Our analysis of the reports showed that they provided audit coverage to each of the 11 major divisions within the Office of Finance and Accounting. The reports dealt with such areas as

- the handling and custody of cash, securities, and other negotiable instruments;
- claims collection procedures;
- inventory and control of capitalized personal property;
- letters of credit;
- property and supply branch activities; and
- imprest funds.

The Office of Washington Operations and Special Projects also reviewed the General and Subsidiary Ledger Division in the Office of Finance and Accounting. That division, among other duties, maintains general and subsidiary ledgers on all insurance funds, salary and expens. limitations, and appropriated funds available under budget allocations. The review included tests to determine the accuracy of postings to the books of account, and an analysis to determine the reasons for delays in closing the books of account and in receipt and issuance of reports.

Audits of regional accounting divisions

Regional accounting divisions perform accounting services for all regional office programs. They prepare reports and analyses of accounting and financial data and administer the regional office accounting systems.

The Office of Audit provides audit coverage to 5 of the 10 regional accounting divisions each fiscal year. A standard audit guide is used by the auditors. The audit objectives, as stated in the guide, are to determine whether:

1. The accounting and other records are accurate.
2. The accounting system provides adequate safeguards over assets so as to preclude their waste, loss, or improper use.
3. All known revenues are collected and properly accounted for.
4. Financial reports are accurate and timely.

The Office of Audit's reviews of regional accounting divisions encompass obligations, disbursements, control of cash, negotiable instruments and other assets, financial reports, and unliquidated obligations.

Need for audit of revolving fund financial statements

The Office of Inspector General made no audits between FY 1974 and FY 1976 of the financial statements of the Department's 14 revolving funds. Two of the funds were audited by us during this period. As shown in appendix II, the 14 revolving funds had assets in excess of \$11.3 billion and net operating expenses of over \$3.7 billion at September 30, 1976.

One of the basic principles and concepts of internal audit is that the auditor should examine financial transactions to the extent necessary to determine whether an agency's financial reports contain accurate, reliable, and useful financial data, and are fairly presented. This is essential if such reports are to be useful to agency management and others interested in Departmental operations. Our reviews of the financial statements of two of the department's revolving funds have identified opportunities to reduce or eliminate unnecessary or wasteful practices.

In one review, we found problems with the Department of Housing and Urban Development's accounting system for billing and collecting Federal Housing Administration mortgage insurance premiums from mortgagees. We reported the need to take prompt action to collect millions of dollars of delinquent mortgage insurance premiums (FGMSD-76-54, May 5,

1976). The Office of Inspector General issued two reports-- in August 1975 and February 1976--which disclosed many of the same problems.

Similarly, our review of the National Flood Insurers Association's financial controls disclosed that numerous weaknesses involving a major component of the National Flood Insurance Program could adversely affect the Government's ability to

- determine amounts payable to the Association under the program;
- determine flood insurance premium rates;
- prepare financial statements of the program's condition and results of operations; and
- make management decisions.

Specifically, our review indicated that controls over the Association's accounting system were not adequate to assure that all (1) cash receipts were deposited in banks and properly recorded in the general ledger, (2) flood insurance information received from servicing companies was properly entered into the financial records, and (3) flood insurance forms containing incorrect or missing information were identified and rejected before final computer processing. (CED-77-47, Mar. 22, 1977.)

COMMENTS OF THE OFFICE
OF INSPECTOR GENERAL

The Assistant Inspectors General for Audit and for Washington Operations said that since GAO audits the Federal Housing Administration Fund annually and the National Flood Insurance Administration Fund every 3 years, audits of the financial statements of those two funds by the Office of Inspector General would have duplicated most of GAO's work. Furthermore, they did not believe it was necessary for the Office of Inspector General to audit financial statements of the other 12 funds. They believed they had provided adequate coverage to four funds during fiscal years 1974-76 by issuing 15 reports on various aspects of those funds, and that audits of aspects of three additional funds were made in fiscal year 1977 or are planned for fiscal year 1978. Moreover, their internal and external audits in the field often dealt with financial aspects of revolving fund activities and with the assets of the major funds.

The Assistant Inspectors General said they audit revolving fund activities that can successfully compete for resources in the audit planning process, and believe their coverage of the funds is adequate when balanced against other audit needs of the Department. They said that in addition to this report, two of our recent reports had recommended more internal audit of automatic data processing activities and results of Department of Housing and Urban Development programs. If audit resources remain constant, increased efforts in these two areas, or in coverage of the revolving funds, would have to be accomplished at the expense of reducing coverage in some other area.

We agree that complete financial audits by the Office of Inspector General for the purpose of certifying financial statements would not always be necessary to adequately audit the revolving funds. Our policy on the responsibility of internal auditors to examine Federal agency financial reports calls only for "enough internal auditing to provide assurance as to the reliability and credibility of financial reports prepared from the accounts." (See footnote, p. 3.)

We disagree, however, with the contention of the Assistant Inspectors General that their audit coverage of the revolving funds was adequate. First, of the 15 reports issued on four revolving funds, 12 were on the Federal Housing Administration and only 1 each were on aspects of the New Communities Guarantee Fund, the Rehabilitation Loan Fund, and the Low-Rent Public Housing Program. The reports on the latter three funds did not, in our opinion, provide much assurance as to the reliability and credibility of the funds' financial statements.

Second, statements of 10 of the 14 funds were not audited at all during fiscal years 1974-76. The 10 funds had more than \$6 billion in assets. One of them--the College Housing Loans Fund--has assets in excess of \$3 billion and annual income and expenses of more than \$100 million. That fund was not audited in fiscal years 1974-76, or in fiscal year 1977, and there is no plan to audit it in fiscal year 1978. Even if the Office of Inspector General's internal and external audits in the field dealt with aspects of this fund or the other funds, such field work alone could not provide assurance that the funds' financial statements contain accurate financial data and can be relied upon by Department management and others interested in Department operations, such as congressional committees.

CONCLUSIONS AND RECOMMENDATIONS

Except for financial statements of revolving funds, the Office of Inspector General provided adequate audit coverage to the Department's internal financial operations during the period covered by our review. Financial statements of the Department's 14 revolving funds were not audited by the Office of Inspector General during that period, and there is presently no plan for providing systematic audit coverage of each revolving fund at specified intervals. We recognize that fund audits must compete against other areas for resources, and that the decision to make additional resources available for these audit areas or shift them within the Office of Inspector General is a judgment that must be made by management of the Department of Housing and Urban Development.

We recommend that you assess the operations of the Office of Inspector General to determine what actions should be taken to provide effective coverage to the Department's revolving funds, giving due consideration to the need for resources for this area and other areas within the Department. We suggest the funds be audited at not less than 3-year intervals.

REVOLVING FUNDS
SUMMARY SCHEDULE OF ASSETS, INCOME, AND EXPENSES
FISCAL YEAR 1976 PLUS TRANSITION QUARTER

	Assets (note a)	Income (note b)	Expense (note b)	Net income or expense (note b)
Revolving Fund Liquidating Programs	814,955	28,137	178,472	\$ -150,335
Urban Renewal Programs	1,027,852	8,964	1,469,701	-1,460,737
Rehabilitation Loan Fund (note c)	339,396	9,475	7,968	1,507
Community Disposal Operations Fund	4,945	303	0	303
Rental Housing Assistance Fund	53,146	17,754	262	17,492
Nonprofit Sponsor Assistance	9,161	0	385	-385
College Housing Loans	3,374,565	126,748	127,472	-724
Low-Rent Public Housing Program (note c)	130,319	5,852	267	5,585
Housing for the Elderly or Handi- capped Fun.	647,688	20,395	7,922	12,473
National Insurance Development Fund	93,596	14,165	17,942	-3,777
New Communities Guarantee Fund (note c)	39,034	3,127	6,449	-3,322
Working Capital Fund	12,416	38,773	38,807	-34
Federal Housing Administration Fund (note c)	4,788,200	720,824	1,800,267	-1,079,443
National Flood Insurance Fund	<u>7,238</u>	<u>8,779</u>	<u>83,482</u>	<u>-74,703</u>
Total	<u>\$11,342,511</u>	<u>\$1,003,296</u>	<u>\$3,739,396</u>	<u>\$-2,736,100</u>

a/As of Sept. 30, 1976.

b/Period July 1, 1975, to Sept. 30, 1976.

c/Some audit coverage was provided by Department of Housing and Urban Development auditors to these funds in fiscal years 1974, 1975, and 1976.

SUMMARY OF MAJOR AREAS
OF FINANCIAL INTEREST FOR REVIEW AND
EVALUATION BY AGENCY INTERNAL AUDIT ORGANIZATIONS

CASHGeneral

Internal control procedures
Adequacy of records and procedures
Cash accounts identified by appropriation and/or
fund
Periodic or surprise cash counts
Reconciliation of cash with the Treasury Department
fund balances
Compliance with laws and regulations
Reports

Collections

Physical control
Cash recorded immediately after receipt
Timely deposit of cash receipts
Excessive funds on hand
Cash in transit--cutoff dates

Disbursements

Preaudit prior to approval for disbursement
Disbursement recorded promptly in records
Disbursement in transit at time of cutoff

Imprest Funds

Compliance with fund restrictions
Advances
Reimbursements--service provided
Adequacy of invested capital

Other

Investments

RECEIVABLES

Internal control procedures
Compliance with laws and regulations
Receivables identified by appropriation and/or fund

Classification of receivables:
 Interagency/fund
 External
 Price established on documentation for:
 Actual cost
 Estimated cost
 Accounts reviewed, delinquent accounts identified
 Provisions for doubtful accounts
 Control--adjustments and writcoffs
 Collection and liquidation of receivables

ADVANCESTravel

Internal control procedures
 Administration control over travel
 Compliance with travel regulations
 Control over Government travel regulations
 Timely settlement of employees' travel advances
 Authorized expenses

Contractors

Liquidation--services provided/returned

Grantees

Liquidation--services provided/returned

PROPERTY

Internal control procedures
 Policy, procedures, and recordkeeping
 Integrated property and financial records
 Account classification:
 Furniture/fixtures
 Equipment
 Plant and equipment
 On assignment--to others
 On assignment--from others
 Supplies and materials
 Property valuation established on documentation for:
 Cost
 Estimated
 Salvage
 Compliance with laws and regulations

Physical control:
 Acquisition
 Removal
 Utilization of property
 Excess property
 Identification
 Timely recording in the property/financial records
 Control over loss/writeoffs
 Reconciliation of physical inventories with property records/financial records
 Depreciation/obsolescence
 Evaluation of maintenance costs and economic value

LIABILITIES

Internal control procedures
 Account classification:
 Accounts payable
 Contract provisions
 Accruals
 Intergovernmental/fund
 Advance payments
 Contingencies
 Unfunded
 Long-term debts
 Timely recording of liabilities
 Accounts identified by appropriation/fund
 Liquidation of liabilities
 Support/pricing of liabilities

ADMINISTRATIVE CONTROL OF FUNDS

Internal control procedures
 Separation of accounts by appropriation/fund:
 Apportionment
 Subdivision of funds
 Obligations
 Disbursements
 Reporting
 Compliance with laws/regulations
 Incurrence of obligations:
 Authority
 Availability of funds:
 Precertification
 Commitment accounting
 Compliance with section 1311 criteria
 Timely recording
 Policy and procedures

Liquidation and recoupment of excess obligations
 Use of "M" accounts
 Reprogramming/transferring of funds
 Accounting for proceeds
 Status of funds reports

REVENUES

Internal control procedures
 Revenue accounts identified by appropriation/fund:
 Fees, fines
 Reimbursements to appropriation
 Authorized services
 Established fees:
 Total costs--supported by accounting records
 Estimated/negotiated
 Statutory
 Timely recording of billings
 Adjustments/writeoffs
 Compliance with laws and regulations
 Comparison amounts billed/cost of services provided

COSTS

Internal control procedures
 Timely recording in accounts
 Separation of costs:
 Pay and allowance
 Direct
 Indirect
 Depreciation
 Contracts/grantees
 Unfunded
 System integrated with financial records
 Basis for costs
 Cost reports--full disclosure and useful to management
 Comparison of costs to standards of measurements
 Compliance with laws and regulations
 Allocation of costs

REPORTS

Full disclosure of financial condition
 Compliance with laws and regulations
 Supported by accounting system
 Usefulness to management
 Timeliness of reports

Accurate, reliable, truthful
Comparison of budgeted/programed costs with actual
costs
Footnoted as required

OTHER

Approved systems implemented
Followup of prior recommendations

(91180)