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Mr. Voss, OP
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20543

MANPOWER AND WELFARE
DIVISION

288 3 1973

Mr. Tom Kouzes
Deputy Assistant Secretary for
Administration and Management
Department of Labor



Dear Mr. Kouzes:

The General Accounting Office has made a survey of Department of Labor's audit activities carried out by the Office of Contract and Grant Audit. Our work was performed during 1972 primarily at Region III - Philadelphia with limited work being performed at Departmental Headquarters in Washington, D.C.

Because of other higher priority work we had to discontinue our survey and do not plan further work in this area at this time. However, we would like to bring your attention to certain observations noted during our survey which we believe affect the audit activity.

- Apparently due to limited staff, the Regional Audit Office did not generally examine into such areas as, the equity of charges for overhead costs, the validity and reasonableness of "in-kind" contributions, program effectiveness, or contract monitoring activity. In addition, these areas were generally not being covered by public accountants performing audits for the Department.
- Reports prepared by the public accountants had remained in the Regional Audit Office from 5 to 14 months before being reviewed and forwarded to the Manpower Administration for appropriate action.
- The Regional Audit Office did not have sufficient data for selecting representative contracts or grants for audit. Also, even if this data was available, there was no definitive criteria for making a random sampling to ensure that representative contracts and grants received adequate coverage.

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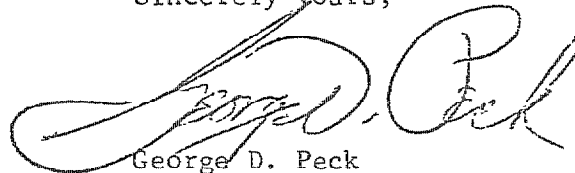
--Some information in the Automated Audit Review System (AARS) was inaccurate and incomplete. For example, audits made of contract expenditures in fiscal year 1966, and contracts on which "final audits" were made in 1967 through 1970, remained open as of March 1972 on AARS reports even though most of these contracts had no audit exceptions or only small amounts of audit exceptions. On the other hand, many contracts listed as open audit items had been closed out by the Manpower Administration several months prior to the time they continued to appear in AARS reports. The inaccuracy of these reports and their untimely receipt in Region III from the Manpower Administration minimizes their usefulness as a management tool.

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We have discussed the above observations with Department headquarters and regional officials who generally agreed with our observations and stated that the matters would be looked into and corrective actions taken.

We wish to acknowledge the cooperation given to our representatives during the survey. We would appreciate being advised of the action taken or planned on matters discussed in this report.

Sincerely yours,



George D. Peck
Assistant Director

cc: Secretary of Labor
Mr. McVeigh (OASA)
Mr. Dye (OASA)
Mr. Coe (OASA)
Regional Administrator, Philadelphia