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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

APR 21 1971



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Dear Mr. Armstrong:

We have made a review for the settlement of accountable officers' accounts in which special emphasis was placed on the Bureau-wide system of administrative procedures and internal controls.

Our review was conducted primarily at the Bureau of Reclamation, Region 7, Denver, Colorado, and included an examination of financial transactions for fiscal years 1969 and 1970. We reviewed selected accounting and internal controls and made such tests of receipt and disbursement transactions as we deemed appropriate. In addition, we made a limited review of administrative procedures and internal controls at the Engineering and Research Center, Denver, Colorado, and at Region 6, Billings, Montana. We reviewed also pertinent reports and related workpapers of the Department's Office of Survey and Review, Audit Operations.

Our review was made pursuant to 31 U.S.C. 71 with particular emphasis on the criteria set forth in the Comptroller General's letter, B-161457, dated August 1, 1969.

In that letter, the Comptroller General pointed out that section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) requires the head of each executive agency to establish and maintain systems of accounting and internal controls, including appropriate internal audit, to provide, among other things, effective control over and accountability for all funds, property, and other assets for which the agency is responsible. He further stated that relative to functions of accountable officers, this responsibility includes providing assurance of the legality, propriety, and correctness of disbursement and collections of public funds, and that:

"In recognition that the basic responsibility for proper accounting and internal control is that of each agency, the GAO audit of accountable officers' functions will place its major emphasis on the adequacy and effectiveness of the accounting and internal controls, including internal audit, of the departments and agencies in assuring that the accountable officers' functions are discharged correctly and in accordance with the requirements of all applicable laws and regulations."

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With the exception of a need for better instructions on the separation of duties, as discussed in the following section of this report, we found the Bureau's system of administrative procedures and internal controls to be generally satisfactory in assuring that the accountable officers' functions at the locations we visited were discharged correctly and in accordance with the requirements of all applicable laws and regulations.

NEED FOR BETTER INSTRUCTIONS
ON THE SEPARATION OF DUTIES

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies states that responsibility for assigned duties and functions should be appropriately segregated between authorization, performance, keeping of records, custody of resources, and review, so as to provide proper internal checks on performance and to minimize opportunities for carrying out unauthorized, fraudulent, or otherwise irregular acts.

Reclamation Instructions in many instances did not contain specific guidelines for the segregation of duties to provide for proper internal control. In most of these instances the offices we visited had established local procedures or made duty assignments which provided adequate control; however, we noted some cases of inadequate segregation of duties as indicated below.

1. The collection officer at Region 7 received over-the-counter collections, issued the receipt, and then had the mail clerk record the collection on the daily listing of mail room receipts (Daily Abstract of Remittances). We were informed the collection officer prepared all collections (those received over-the-counter and by mail) for deposit, made the deposits, received the authenticated certificates of deposit, received and followed up on any returned dishonored customer checks, had access to contracts, issued bills for collections, prepared documents to record accounts receivable transactions in the mechanized accounting system, and verified recorded transactions to the collection documents. Also, as an alternate certifying officer, the collection officer could certify documents.

We were informed that cash collections were not numerous, that a copy of the Daily Abstract of Remittances prepared by the mail room clerk was independently verified with authenticated certificates of deposit, and that certain other activities of the collection officer were reviewed by others. In our opinion, however, the collection officer is still involved with duties that should be segregated among a number of employees.

Also, we noted that while part 484.31A of the Reclamation Instructions provides that a copy of the "Daily Abstract of Remittances" (Form 7-487) be sent to the Finance Office, we could locate no Bureau instructions requiring that the Finance Office verify the Form 7-487 by comparing it to the applicable Certificate of Deposits.

In both Regions 6 and 7, we noted that the mail clerks prepared and forwarded copies of Form 7-487 to the Finance Office. We were advised that once a month the Region 7 Finance Office makes the verification; however, in Region 6, we were advised that the verification is not made. In our opinion, internal controls over cash would be improved if Reclamation Instructions required the finance office to verify the Forms 7-487 by comparison with the applicable Certificate of Deposits.

2. At the Engineering and Research Center, we noted that an accountant who recorded entries in the accounting records was also designated as a Certifying Officer. We were informed that normally he certified only the Voucher and Schedule of Withdrawals and Credits (SF 1081), but that he was authorized to certify all vouchers, other than payroll, in the absence of other certifying officers. In our opinion, the accounting and certifying functions should be segregated.

Recommendation

To provide better assurance that all field offices have considered and established a system of separation of duties and functions that provide appropriate internal control, we recommend that the Bureau amend Reclamation Instructions to provide more specific requirements concerning the separation of duties and functions.

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We wish to acknowledge the cooperation shown our representatives during the review. We would appreciate receiving your comments as to actions taken or planned on the recommendation in this report.

In accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Chapter 3 of Title 8, the records of Bureau of Reclamation financial transactions through fiscal year 1970 may be transferred to the Federal Records Center.

A copy of this report is being sent to the Director, Office of
Survey and Review.

Sincerely yours,

Wilbur D. Campbell
Wilbur D. Campbell
Assistant Director

Mr. Ellis L. Armstrong
Commissioner, Bureau of Reclamation
Department of the Interior