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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

MAR 1 1974

Mrs. Mary Brooks
Director
Bureau of the Mint *AGC 00081*

Dear Mrs Brooks

This is our report on our review of the bullion and coinage metal funds at the United States Mint, Philadelphia, Pennsylvania, for fiscal year 1972 and our observations of the work of the annual settlement committees at the Philadelphia Mint for fiscal years 1972 and 1973 and at the United States Assay Office, New York, New York, for fiscal year 1973

REVIEW OF BULLION AND
COINAGE METAL FUNDS

We examined the records pertaining to the accountability for the funds, the accounts of the accountable officer, and the internal controls, including the work of the internal audit staff.

We found no discrepancies in the accounts of the funds or the accountable officer at June 30, 1972

OBSERVATION OF WORK OF
ANNUAL SETTLEMENT COMMITTEES

In connection with the audit of the financial transactions of the Treasurer of the United States, we observed the work of the annual settlement committees for fiscal years 1972 and 1973. Comments on matters observed which appear to warrant improvement follow.

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Inadequate verification of metals
stored at Belle Mead Depot ← ±▷

Substantial quantities of virgin copper and nickel metals are stored for the Mint at the General Services Administration storage depot in Belle Mead, New Jersey. At June 30, 1973, the Mint records show that about 15.7 million pounds of virgin copper and 5.7 million pounds of nickel were in storage.

Arrangements were made by the fiscal year 1973 settlement committee at the Philadelphia Mint for two members of the committee and the Philadelphia Mint Melting Division Superintendent to visit Belle Mead on July 12, 1973, for the purpose of verifying and accepting the pounds reported by the Melting Division. A member of the General Accounting Office staff accompanied the group. The committee members were briefed on the warehouse inventory procedures by Mr. Howard Clemo, Custodian, representing the Kennedy Contracting Company, Inc. The Company is responsible under a contract with the Bureau of the Mint to provide a full range of services necessary to handle, weigh, and store copper cathodes in bundle form (about 4,000 pounds each) and nickel in cut cathode form in steel drums (about 600 pounds each). DLG 05578

The committee members visually inspected the inventory area in warehouse 9 and discussed generally the physical controls over the metals and the records maintained. They requested that one bundle of copper and one skid (four drums) of nickel be placed on the scales for weight verification which was the basis for accepting about 21.4 million pounds of copper and nickel reported as under the accountability of the Melting Division. No attempt was made to reconcile the physical quantities on hand at the depot at July 12, 1973, with the June 30, 1973, balance reported by the Melting DLG 05579

Division. In our opinion the work performed by the committee members was not extensive enough to form a basis for acceptance of the inventory balances.

We also noted that about 173,000 pounds of coinage metal was received from contractors by the storage depot at Belle Mead, New Jersey, on June 30, 1972, and in June 1973, about 877,000 pounds was received. The Philadelphia Mint, which had accountability for this metal, did not receive notice of the receipts until after the settlement dates and, therefore, the metal was not included in the balances of metals delivered by the Melting Division for verification by the settlement committees as of June 30, 1972 and 1973.

We believe that if sufficient work had been performed by the settlement committee to verify the inventory of metals at the storage depot in July 1973, and in reconciling the balances submitted to the committee by the Melting Division, the unreported balances as of June 30, 1973, may have been detected. To assure that all metal subject to verification by the settlement committees is reported to the committees, deliveries to the storage depot late in June should be avoided or, if unavoidable, notice of such deliveries should be given to the accountable officer immediately.

We believe that action should be taken to make periodic counts and verification of the pounds of metal in custody of the contractor during the fiscal year. Also, the contractor should be instructed to maintain perpetual inventory records of balances on hand to facilitate reconciliation with the Mint records. We further believe that emphasis on internal controls and periodic verification of inventories should be instituted in view of a projected inventory of about 50-75 million pounds of virgin copper to be stored at the Belle Mead depot

In this regard, we understand that internal auditors have been or are planned to be located at the field offices of the Mint. The internal auditors can perform useful and valuable assistance to the annual settlement committees at all of the field offices by reviewing internal controls and procedures, including the taking or observing the taking of physical inventories, of the monetary assets for which the Mint is accountable. For example, we have been informed that the Mint plans to have an internal auditor presently located at the Philadelphia Mint take an inventory in the Spring of 1974 of the metals stored at Belle Mead, New Jersey. If this action is taken as planned, it will, in our view, be a significant step in alleviating or preventing the reoccurrence of inadequate verification work at June 30, 1973, as previously described.

Large number of bags of coins on hand

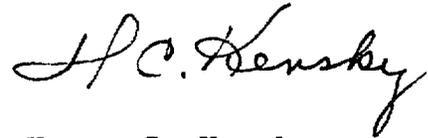
Expeditious settlement at the Philadelphia Mint was hampered by the large number of bags of coins that had to be counted. The fiscal year 1973 committee at the Philadelphia Mint spent an estimated 10 mandays counting 67,319 bags of coins. It would be helpful if a way could be found to reduce the number of bags of coins on hand at the time of the annual settlements.

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In accordance with Title 8 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, the records of financial transactions of the Bureau pertaining to the bullion and coinage metal funds through June 30, 1972, may be transferred to a Federal Records Center for storage in accordance with your records management program.

We wish to acknowledge the courtesy and cooperation given our representatives. We will appreciate receiving your comments as to any action taken or planned on the matters discussed.

Sincerely,

A handwritten signature in cursive script that reads "H.C. Kensky". The signature is written in dark ink and is positioned above the typed name and title.

Harry C. Kensky
Associate Director