



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

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

MAR 12 1981

Mr. Edward Hews
Acting Executive Vice President
Commodity Credit Corporation
U.S. Department of Agriculture



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Dear Mr. Hews:

Our current review of the financial statements of the Commodity Credit Corporation has disclosed the need for more timely deposits of cash by the Corporation. The Corporation determines its cash requirements on a daily basis and, on the basis of these determinations, either borrows from or repays the Treasury. If cash receipts exceed disbursements by more than a million dollars, the balance over a million is repaid to Treasury in even million dollar increments. Delays in depositing cash receipts can result in unnecessary interest expense to the Corporation. We found delays of 1 to 6 days in the deposit of FY 1980 remittances that caused the Corporation to incur approximately \$472,000 of unnecessary interest on its borrowings from Treasury (see attachment).

Procedures Inhibit
Prompt Cash Deposits

Our review of the Agricultural Stabilization and Conservation Service (ASCS) Mail Room and Claims and Collections Branch cash receipt procedures disclosed several weaknesses that prevent prompt cash deposits. These weaknesses include:

- requiring the deposit of all remittances with the designated depository the morning of the next business day following the day of receipt,
- having cash receipts delivered to the designated depositories between the hours of 11:00 a.m. and 12:00 p.m., although deposits may be credited up to 2:00 p.m.,

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Group III
report

--the delivery of cash receipts by the ASCS Mail Room to the Claims and Collections Branch after the special messenger has taken receipts to designated depositories, and

--mailing the deposit of Government checks to the Baltimore Federal Reserve Bank, requiring 2 or more days for the Bank to receive them and credit the Corporation's account.

Most of the unnecessary interest expense is caused by the slow delivery of Government checks by mail to the Federal Reserve Bank in Baltimore. To correct these problems we believe that procedures should require that all remittances be deposited the same day they are received. This could be accomplished by (1) having the ASCS Mail Room deliver cash receipts to the Claims and Collections Branch after each Postal Service delivery, (2) moving the delivery of deposits by special messenger to a time later in the day, and (3) making local arrangements for the transfer of funds to the Baltimore Federal Reserve Bank, such as wire transfer.

Inadequate Written Instructions and Procedures

At the present time, written instructions for the receipt and deposit of cash by the Claims and Collections Branch are set forth in an informal notebook which is partially typed and partially handwritten. Numerous revisions to the instructions, most undated, are filed and there are no signatures by a Corporation official indicating that these are the approved procedures to be followed by operating personnel. Although the Corporation's Comptroller directed the Financial Systems and Procedures Branch to review and incorporate present Washington cash procedures into ASCS Handbook 36-FI, Accounting for Commodity Credit Corporation Cash Receipts, little progress has been made. In fact, no ASCS publication exists containing written instructions for the deposit and disbursement of cash in ASCS headquarters for the Corporation.

We believe that the Claims and Collections Branch, Financial Management Division, ASCS, would benefit from an accounting manual of cash policies and procedures. A manual is an important part of a sound internal control system and should contribute to more timely deposits of cash with a corresponding reduction in interest expense to the Corporation.

Recommendations

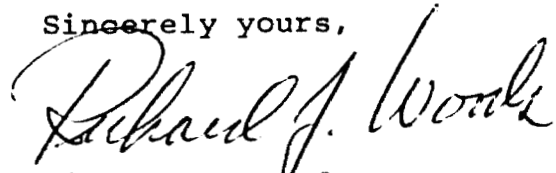
We recommend that the Corporation's cash deposit procedures be revised to:

- require that cash receipts received by the Corporation be deposited the same business day, and that arrangements be made locally for the transfer of funds to the Baltimore Federal Reserve Bank, and
- give high priority to the current effort of incorporating headquarters cash procedures into ASCS Handbook 36-FI, and include policies and procedures necessary for the prompt deposit of cash.

We discussed our concerns in this matter with the Comptroller who agreed to work toward their resolution.

If you have any questions or wish to discuss this matter further we will be happy to meet with you or your staff. We would appreciate being kept informed of the progress of the corrective actions taken to resolve this matter.

Sincerely yours,



Richard J. Woods
Associate Director

Attachment

FISCAL YEAR 1980 DEPOSITS
AND UNNECESSARY INTEREST
EXPENSE INCURRED BY
COMMODITY CREDIT CORPORATION

<u>Depository a/</u>	<u>Total Amount of Delayed Deposits</u>	<u>No. of Delayed Days c/</u>	<u>Daily Interest at 10 1/8* and 12% b/</u>	<u>Approximate Unnecessary Interest Expense</u>
Federal Reserve	\$ 150,000.00	2	\$ 41.61*	\$ 83.22
Bank of	78,644,247.07	2	25,855.64	51,711.28
Baltimore	1,127,400.82	3	312.74*	938.22
	203,704,888.90	3	66,971.47	200,914.41
	35,392,797.70	4	9,817.87*	39,271.48
	80,006.55	4	26.30	105.20
	285,000.00	5	79.06*	395.30
	79,602,393.11	5	26,170.65	130,853.25
	15,814,793.11	6	5,199.38	31,196.28
SUB TOTAL	<u>\$414,801,527.26</u>			<u>\$455,468.64</u>
United National	\$ 18,353,975.11	1	\$ 5,091.34*	\$ 5,091.34
Bank	16,488,754.99	1	5,420.96	5,420.96
	24,861.91	2	6.90*	13.80
	3,834,945.60	2	1,260.80	2,521.60
	155,562.54	3	43.15*	129.45
	3,119,415.56	3	1,025.56	3,076.68
	94,000.00	4	260.75*	1,043.00
	18,236.91	4	6.00	24.00
	83,714.65	5	23.22*	116.10
SUB TOTAL	<u>\$ 42,173,467.27</u>			<u>\$ 17,436.93</u>
TOTAL	<u>\$456,974,994.53</u>			<u>\$472,905.57</u>

a/Government checks payable to the Corporation are deposited by mail with the Baltimore Federal Reserve Bank, while commercial checks are deposited by special messenger in United National Bank, Washington, D.C.

b/Daily interest on Treasury borrowings for which cash receipts would have been applied was 10.125 percent for the months Oct.-Dec. 1979 and 12 percent for Jan.-Sept. 1980.

c/Time that had elapsed between receipt and deposit of remittances.