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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

OCT 5 1972

Dear Mr. Kirby:

We have examined selected aspects of the accounting system in operation at the Extension Service (ES), Department of Agriculture. Our examination included an evaluation of the adequacy and effectiveness of the accounting procedures and internal controls relative to the receipt and disbursement of funds. In addition, we tested financial transactions and records in fiscal year 1972 as we considered appropriate.

We found the procedures and internal controls generally effective and selected transactions normally processed in a satisfactory manner. We found, however, that there has been a lack of internal audit attention directed at evaluating the adequacy and effectiveness of procedures and controls over the receipt and disbursement of ES administrative funds. This matter is the subject of a separate letter to the Department of Agriculture's Office of the Inspector General.

Other matters noted during our review are summarized briefly below for your use and information.

Need for improved accounting
control over cash receipts

The General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (2 CAO 12.2) provides that all moneys received should be placed under appropriate accounting control promptly upon receipt. We noted that receipts were not placed under accounting control by ES until a Treasury Department certificate of deposit was prepared which was usually once a week.

We brought this matter to the attention of ES officials who agreed to make arrangements to have cash receipts put under accounting control on a daily basis.

Need to verify imprest fund
more often

Department of the Treasury Circular No. 1030 requires agencies to make unannounced audits of imprest funds, including the verification of cash balances, not less frequently than once each quarter. We found that only one such verification was made at ES in fiscal year 1971 and although four were made in fiscal year 1972, two were made in the same quarter. While

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no exceptions were noted during these verifications, we believe they should be made quarterly in order to assure management that (a) the imprest fund is properly accounted for, (b) the amount of the fund is not in excess of the cash requirements, and (c) procedures are being followed that will protect the fund from loss or misuse.

ES officials agreed and informed us that in the future, unannounced audits of the imprest fund will be made at least once each quarter.

Need to review accounts receivable
more frequently for collectibility

The GAO Manual (2 GAO 12.4) states that regular estimates shall be made from time to time of the portion of accounts receivable that may not be collectible and that these estimates shall be accounted for and disclosed separately in financial reports.

We found that estimates of uncollectible receivables are not regularly made at ES. In addition, we were informed that reports on the status of past due accounts receivable are not regularly reported to the Chief of the Budget and Accounting Branch for action.

After we brought this situation to the attention of ES officials, they agreed to make monthly reviews of the status of past due accounts, to estimate receivables that may not be collectible, and to take aggressive collection effort on past due accounts.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. We would appreciate receiving any comments you may have on the matters discussed in this letter.

Copies of this letter have been sent to the Inspector General, Department of Agriculture.

Sincerely yours,



H. L. Krieger
Regional Manager

Mr. Edwin L. Kirby, Administrator
Extension Service
Department of Agriculture



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Mr. Nathaniel E. Kossack
Inspector General
U.S. Department of Agriculture
Washington, D.C. 20250

OCT 5 1972

Dear Mr. Kossack.

Enclosed is a copy of our letter to the Administrator, Extension Service (ES), which contains the results of our review of selected aspects of the accounting system in operation at ES in fiscal year 1972.

As referred to in the letter, one of the matters noted during our review was a lack of internal audit attention directed at evaluating the adequacy and effectiveness of procedures and controls over the receipt and disbursement of ES administrative funds. Inasmuch as the Office of the Inspector General has the responsibility for this type of audit at ES, we are bringing this matter to your attention.

As you know, the Comptroller General, in a memorandum to Heads of Departments and Agencies dated August 1, 1969 (B-161457), reemphasized that department and agency procedures and controls should include systematic internal reviews of procedures and controls over the receipt and disbursement of funds.

In examining into the extent of internal audit coverage, we found that the Office of the Inspector General has made recent audits of various ES programs. However, we found no recent reviews of procedures and controls over the receipt and disbursement of ES administrative funds. An official of your office informed us that such reviews have not been made because of priorities in other areas.

We recognize that performing these reviews must be considered in the context of the agency's total audit requirements. However, a balanced audit coverage must include reviews of financial activities, controls and procedures inasmuch as it is the individual agencies who have the primary responsibilities in these areas.

We were informed that your office is currently making a survey of ES to determine future audit approaches and goals. We suggested to an official of your office that increased audit coverage be directed at evaluating procedures and controls over the receipt and disbursement of ES administrative funds.

We would appreciate receiving any comments you may have on this matter.

Sincerely yours,

H. L. Krieger

H. L. Krieger
Regional Manager