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Need for Additional Internal Audit Coverage in the National Aeronautics and Space Administration. FGMSD-78-12; B-160759. December 27, 1977. 4 pp. + 5 appendices (17 pp.).

Report to Robert A. Frosch, Administrator, National Aeronautics and Space Administration; by D. L. Scantlebury, Director, Financial and General Management Studies Div.

Issue Area: Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (201).

Contact: Financial and General Management Studies Div.

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Defense Contract Audit Agency.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation.

Authority: Accounting and Auditing Act of 1950 (30 U.S.C. 66a). Anti-Deficiency Act, sec. 1311.

The National Aeronautics and Space Administration's (NASA's) internal audit staff has been reduced by 50% since 1967. The reduced audit staff has been unable to adequately audit internal operations at headquarters and several field centers and component installations. NASA carries out its mission primarily through research and development contracts with industry which are audited by the Defense Contract Audit Agency (DCAA). NASA's Office of Audit reviews DCAA's work and conducts its own audits of NASA's in-house research and development. Findings/Conclusions: NASA's internal audit function is geographically decentralized, with about 90% of the auditors located in regional offices. The Office of Audit issued 232 reports during fiscal years 1974 through 1976, of which 39 were on imprest funds and required only a few days to complete. Of the remaining reports, 50 were financial and 36 others included some aspects of financial operations. Audit coverage at each field center varied substantially and audit coverage at headquarters was generally lacking. With the exception of imprest fund audit reports, only three reports were issued during the period on headquarters activities. No reviews were made of the financial management control system, payroll system, property, accounts receivable, administrative control of funds, or the validity of financial reports required to be submitted to the Office of Management and Budget or the Treasury Department. Recommendations: The Administrator of NASA should assess the audit function to determine what actions should be taken to provide effective coverage of internal operations. (Author/SC)

04567



*UNITED STATES
GENERAL ACCOUNTING OFFICE*

Need For Additional Internal Audit Coverage in The National Aeronautics And Space Administration

The NASA internal audit staff has been reduced by 50 percent since 1967. The reduced audit staff has been unable to adequately audit internal operations at Headquarters and several Field Centers and component installations.

NASA's management needs to evaluate the audit function to determine what actions should be taken to strengthen the audit staff and provide effective audit coverage as required by the Accounting and Auditing Act of 1950.



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

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-160759

The Honorable Robert A. Frosch
Administrator, National Aeronautics
and Space Administration

Dear Mr. Frosch:

The Accounting and Auditing Act of 1950 (31 U.S.C. 66a) requires the head of each agency to establish and maintain systems of internal control, including appropriate internal audit, to provide effective control over and accountability for all funds, property, and other assets for which the agency is responsible. The act further contemplates that the head of each agency will make certain that the staffing and scope of internal audit arrangements are adequate.

We reviewed the internal audit operations of the National Aeronautics and Space Administration's (NASA's) Office of Audit for fiscal years 1974 through 1976 to determine the extent to which financial audits are made to insure that NASA is maintaining effective control over revenues, expenditures, assets, and liabilities. We excluded from our review non-financial internal audits directed toward determining economy and efficiency of operations or effectiveness in achieving program objectives, and external audits of grants and contracts. Appendix V lists the areas of audit concern included in the scope of our review.

NASA carries out its mission primarily through research and development contracts with industry. It also employs Government scientists to conduct research and development activities at Headquarters and its 10 Field Centers, its National Space Technology Laboratories, and several component installations. These scientists evaluate new concepts and give NASA the competence required to manage its contracts with private enterprises.

The research and development contracts with industry are audited by the Defense Contract Audit Agency (DCAA). NASA's Office of Audit reviews DCAA's work and conducts its own audits of NASA's in-house research and development.

NASA internal audit is geographically decentralized. About 90 percent of NASA's auditors are located in regional offices. They are responsible for conducting audits of the Field Centers and other installations within their regions.

The Office of Audit issued 232 reports during fiscal years 1974-76, of which 30 were on imprest funds which required only a few days to complete. Our review of the remaining 193 reports showed that 50 were financial and 36 others included some aspects of financial operations. Although a number of areas of NASA's financial operations were audited during the period, the coverage at each field center varied substantially, and audit coverage at Headquarters was generally lacking.

HEADQUARTERS AUDIT COVERAGE
IS INADEQUATE

With the exception of imprest fund audit reports, only three reports were issued during fiscal years 1974-76 on Headquarters activities. No reviews were made of the

- financial management control system,
- payroll system,
- property,
- accounts receivable,
- administrative control of funds, and
- validity of financial reports required to be submitted to the Office of Management and Budget and the Treasury Department.

The latter is particularly important in view of the Treasury Department's requirement that an agency's annual status of funds report include a certification that the amounts shown in the report are correct, and that all known transactions complying with the criteria of section 1311 of the Anti-Deficiency Act have been obligated and are so reported.

FINANCIAL AUDIT COVERAGE AT
SOME CENTERS IS INADEQUATE

Internal audit coverage was also limited at some NASA Field Centers during one or more of the three fiscal years covered by our review. Excluding imprest fund audit reports:

- Only two reports were issued on Ames Research Center's operations in fiscal year 1975. One covered travel vouchers processed July 1 through October 31, 1974, and the other covered the system for managing its automatic data processing resources.

--One report--on the control and accounting for Government-owned property at the Center--was issued in fiscal year 1975 and none were issued in fiscal year 1976 on Dryden Flight Research Center.

--Only one audit report--on letters of credit--was issued at the Lewis Research Center in fiscal year 1976.

In addition, audit coverage of several smaller component installations was generally lacking. With the exception of imprest fund audits, there were no audits of the Western Test Range Operations Division, a component of Kennedy Space Center, or of Plumbrook Operations Division, a component of Lewis Research Center. One report was issued on NASA's White Sands Test Facility, a component of Johnson Space Center. Two reports were issued on the Michoud Assembly Facility and two on the Slidell Computer Complex, which are components of Marshall Space Flight Center. While these component installations do not have their own accounting systems, their operations, property, and equipment are susceptible to periodic audit. Details of our review are included in appendix I.

We discussed the need for additional internal audit coverage with the former and present Directors of the Office of Audit who generally concurred. The former Director pointed out that the internal audit staff had been cut from 105 in fiscal year 1967 to 53 in fiscal year 1976, and said that this was the primary reason certain facilities, systems, and programs were not audited as often as would be desirable. Specific comments on the lack of audits at Headquarters, Ames, Dryden, Lewis, and the component installations are discussed in appendix I.

With regard to staffing, one of our reports (FGMSD-77-3, Nov. 19, 1976) showed that of the 19 largest Federal audit organizations, NASA was 16th in the ratio of auditors to agency employees (2.4 per 1,000) and 14th in the ratio of auditors to agency appropriations (1.8 per \$100 million). Subsequent reductions in audit staff have caused these ratios to fall to about 2.2 auditors per 1,000 employees and 1.5 auditors per \$100 million appropriated. Thus, of the 19 largest Federal audit organizations, NASA remains 16th in the ratio of auditors to employees but has slipped to 15th in the ratio of auditors to agency appropriations.

CONCLUSIONS AND RECOMMENDATIONS

In our opinion, the Office of Audit is not fulfilling the internal audit requirements of the Accounting and Auditing Act of 1950 insofar as audits of internal financial operations are concerned.

While our review was not made to determine the adequacy of nonfinancial audits of economy and efficiency of operations and effectiveness in achieving program objectives, it is evident from the scarcity of audits at Headquarters, some Field Centers, and component installations that such audits also are not being performed at those locations. As a result, expenditures at these locations are not being subjected to an independent audit, and opportunities to reduce or eliminate unnecessary or wasteful practices and identify cost reductions are being lost.

We recommend that you assess the audit function to determine what actions should be taken to provide effective coverage of internal operations.

Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

We are sending copies of this report to the Acting Director, Office of Management and Budget; Chairmen of appropriate Subcommittees of the above Committees; and the Chairmen of the House and Senate Committees on the Budget, House Committee on Science and Technology, Senate Committee on Commerce, Science and Transportation, Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs, and the Subcommittee on Reports, Accounting, and Management of the Senate Committee on Governmental Affairs.

We appreciate the courtesies and cooperation extended to our representatives during our review. We are looking forward to receiving your comments.

Sincerely yours,



D. L. Scantlebury
Director

NEED FOR ADDITIONAL INTERNAL
AUDIT COVERAGE IN THE NATIONAL AERONAUTICS
AND SPACE ADMINISTRATION

CRITERIA FOR AUDIT COVERAGE OF
INTERNAL FINANCIAL OPERATIONS

Our statements of basic principles and concepts regarding internal audits of financial operations provide that the internal auditors should examine financial transactions to determine whether:

- The agency is maintaining effective control over revenues, expenditures, assets, and liabilities.
- The agency is properly accounting for its resources, liabilities, and operations.
- The agency's financial reports contain accurate, reliable, and useful financial data and are fairly presented.
- The agency is complying with the requirements of applicable laws and regulations.

Our statements provide that, in carrying out this work, the internal auditor should evaluate the adequacy of the agency's prescribed policies and procedures and the internal controls related to the agency's financial operations, including accounting and financial reporting. In addition, our Policy and Procedures Manual for Guidance of Federal Agencies provides a basis for each agency to properly plan its internal audit operations to insure adequate coverage.

Appendix V identifies specific financial areas that should be reviewed, as applicable, by an agency's internal audit staff.

NASA'S MISSION

The National Aeronautics and Space Administration, established October 1, 1958, conducts space and aeronautical activities for peaceful purposes for the benefit of all mankind. NASA's programs are intended to

- extend man's knowledge of the Earth, its environment, the solar system, and the universe;

- expand practical applications of space technology;
- develop, operate, and improve manned and unmanned space vehicles;
- improve the civil and military usefulness of aeronautical vehicles while minimizing their environmental effects and energy consumption;
- disseminate pertinent findings to potential users; and
- promote international cooperation in peaceful activities in space.

NASA utilizes the industrial community, under contracts, to design, develop, and fabricate the major hardware elements involved in its programs. Some elements of its programs are pursued within NASA installations, other government agencies, universities, and research contractors.

NASA's activities are funded by three appropriations. The fiscal year 1976 appropriations are summarized below.

Research and development	\$2,677,380,000
Construction of facilities	82,130,000
Research and program management	<u>775,512,000</u>
 Total	 <u><u>\$3,535,022,000</u></u>

The research and development funds are primarily used for contracts with industry. The research and program management funds are used to pay salaries and travel expenses of NASA employees and the cost of operating and maintaining general facilities and equipment.

NASA also received about \$260 million in fiscal year 1976 as reimbursement for acquiring and launching missiles for other Federal agencies, domestic public corporations, foreign governments, and international organizations.

ORGANIZATION OF NASA

NASA Headquarters

NASA Headquarters, Washington, D.C., is responsible for planning, coordinating, and controlling research and development programs. This is accomplished through five program offices which are responsible for space and terrestrial applications, aeronautics and space technology, space

transportation systems, space sciences, and space tracking and data systems.

NASA Headquarters had about \$187 million available in fiscal year 1976--\$111 million for research and development, \$72 million for research and program management, and \$4 million for construction.

Field installations

Directors of NASA's Field Centers and other installations are responsible for executing NASA programs, largely through contracts with research, development, and manufacturing enterprises. In addition, a broad range of research and development activities are conducted in NASA's Field Centers and installations by Government-employed scientists, engineers, and technicians to evaluate new concepts and phenomena and to maintain the competence required to manage contracts with private enterprises.

NASA's 10 Field Centers and its National Space Technology Laboratories are its principal field installations. (See app. II.) Approximate funding for fiscal year 1976 for these installations is shown in the following table.

<u>Centers</u>	<u>Research and Development</u>	<u>Construc- tion</u>	<u>Research and Program Management</u>	<u>Total</u>
(000,000 omitted)				
Johnson	\$ 995	\$ 6	\$128	\$1,129
Marshall	423	3	132	558
Goddard	360	3	107	470
Lewis	165	2	80	247
Langley	147	5	92	244
Kennedy	104	26	99	229
Jet Propul- sion Lab.	192	-	-	192
Ames	136	5	50	191
Dryden	21	1	14	36
Wallops	14	1	13	28
National Space Technology Laborator- ies	<u>8</u>	<u>-</u>	<u>2</u>	<u>10</u>
Total	<u>\$2,565</u>	<u>\$52</u>	<u>\$717</u>	<u>\$3,334</u>

INTERNAL AUDIT

Audits of NASA operations are performed by the Office of Audit which reports to the Assistant to the Deputy Administrator. The audit function is geographically decentralized. About 90 percent of NASA's auditors are located in regional audit offices. They are responsible for conducting audits of the Field Centers and other installations within their regions. These audit offices report to the Director of Audit at Headquarters.

NASA's contracts with commercial organizations have been audited since 1959 by the Defense Contract Audit Agency. In fiscal year 1976, DCAA expended about 179 staff-years of effort on such audits for which it charged NASA about \$5 million.

The NASA's audit staff, 105 at its peak in fiscal year 1967, was gradually reduced to 53 by fiscal year 1976. Of the 52 staff members lost during that period, the work of 24 of them at Michoud, Western Contract Region, and GE-Daytona was transferred to DCAA cognizance. Of the other 28 staff members lost, 15 were from Headquarters. Appendix III compares audit staff at Headquarters and each Field Center in fiscal years 1967 and 1976, and shows the net change in personnel at those facilities.

With regard to staffing, one of our reports (FGMSD-77-3, Nov. 19, 1976) showed that of the 19 largest Federal audit organizations, NASA was 16th in the ratio of auditors to agency employees (2.4 per 1,000) and 14th in the ratio of auditors to agency appropriations (1.8 per \$100 million). Subsequent reductions in audit staff have caused these ratios to fall to about 2.2 auditors per 1,000 employees and 1.5 auditors per \$100 million appropriated. Thus, of the 19 largest Federal audit organizations, NASA remains 16th in the ratio of auditors to employees, but has slipped to 15th in the ratio of auditors to agency appropriations.

The audit staff issued 232 reports during fiscal years 1974-76, including 39 reports on imprest funds which NASA regulations require be audited at least annually. The imprest fund audits each generally require only a few days at most; consequently, to present a more realistic picture of the audit coverage, we have excluded these reports from appendix IV (a schedule of reports issued by each NASA audit region).

Internal audit coverage of financial operations

The reports tabulated in appendix IV covered various activities at Headquarters and the Centers. Of the 193 reports, 50 provided audit coverage of in-house financial operations and 36 others included some aspects of financial operations.

Our review of selected reports, audit programs, and supporting workpapers identified a wide-range of financial areas covered during reviews of Center operations, including some we considered among the most significant in our approval of accounting systems and reviews of systems in operations. Some of the specific areas included letters of credit, property management, supplies, travel, payroll, reimbursement practices, status of obligations, and cost accumulation systems.

Although a number of areas of financial operations were audited, the coverage at each Field Center varied substantially, and audit coverage at Headquarters was generally lacking.

HEADQUARTERS AUDIT COVERAGE IS INADEQUATE

With the exception of imprest fund audit reports, only three reports were issued during fiscal years 1974-76 on Headquarters activities:

- Employees' club operations.
- Supplies and equipment stored at the logistics branch warehouse in Arlington, Virginia.
- Evaluating the effectiveness and efficiency with which employee tuition costs were obligated, disbursed, and recorded.

No reviews were made of such areas as the overall financial management control system, the payroll system, property, accounts receivable, administrative control of funds, or the validity of financial reports required to be submitted to the Office of Management and Budget and the Treasury Department.

The latter is particularly important in view of the provisions of section 4240.50 of the Treasury Department's

Fiscal Requirements Manual for Guidance of Departments and Agencies. This section, in essence, requires that an agency's annual status of funds report include a certification that the amounts shown in the report are correct, and that all known transactions complying with the criteria of section 1311 of the Anti-Deficiency Act have been obligated and are so reported. Compliance with the act, which restricts the rate of expenditure of appropriations to the period for which they are appropriated, is also required to be determined periodically.

FINANCIAL AUDIT COVERAGE AT SOME CENTERS IS INADEQUATE

Based on the number of reports issued, it is evident that internal audit of financial operations--or any other operations--was lacking at some NASA Centers in one or more of the three fiscal years covered by our review. These Centers are discussed below.

Ames Research Center

Excluding imprest fund audits, only nine reports were issued on Ames Research Center's operations during fiscal years 1974-76. In fiscal year 1975, only two reports--one on travel for July through October 1974 and one on automatic data processing operations--were issued. Three reports were issued in fiscal year 1974 and four in fiscal year 1976.

Dryden Flight Research Center

Except for reports on imprest fund audits, only one report--on the control and accounting for Government-owned property at the Center--was issued during fiscal year 1975 and none were issued during fiscal year 1976. Before 1976, the Center was under the cognizance of the Western Contract Region but is now under Ames' audit staff.

Lewis Research Center

For fiscal years 1974 and 1975, auditors issued a total of 13 reports, including 4 on financial operations. However, in fiscal year 1976, only 1 report--on letters of credit--was issued.

Component installations

In addition to having audit responsibility for the center where its auditors are located, some NASA audit regions have audit cognizance over component installations. For example, Ames auditors have cognizance over the Western Test Range Operations Division. Similarly, auditors at Lewis have audit cognizance for Plumbrook Operations Division; Johnson auditors are responsible for the White Sands Test Facility in New Mexico; Marshall auditors have cognizance over the Michoud Assembly Facility, the Slidell Computer Complex, and the National Space Technology Laboratories; and Goddard auditors are responsible for the Wallops Flight Center.

With the exception of imprest fund reports, no reports were issued during fiscal years 1974-76 on the Western Test Range or Plumbrook Operations Divisions. Only one report was issued on White Sands' operations, two on Michoud's, and two on Slidell's. Five reports were issued on the National Space Technology Laboratories and five on the Wallops Flight Center.

With the exception of the National Space Technology Laboratories, these component installations do not have their own accounting systems. However, each has operations, property, and equipment which are susceptible to periodic audit.

DIRECTOR OF AUDIT COMMENTS

The present Director of Audit was appointed to his position in May 1977, upon the retirement of his predecessor. Although the Director generally concurred in our observations on the need for additional internal financial audit coverage at Headquarters and at several Field Centers and component installations, he deferred to comments made previously by the former Director which are presented below.

The former Director pointed out to us that the number of NASA internal auditors had been cut in half since 1967, and said that this was the primary reason that certain facilities, systems, and programs were not audited as often as would be desirable.

Headquarters, which had 23 auditors and support personnel in 1967, had been reduced to just 6 people, including 2 support personnel and 1 person detailed to the Surveys and Investigations Staff of the House Committee on Appropriations until July 1978. The professional personnel in the Headquarters staff, consisting of a Director and his two Assistant

Directors, are responsible for audit management activities such as setting audit policy, preparing the annual audit plan, and evaluating reports prepared by resident Field Center auditors. The former Director agreed that there were areas in need of audit at the Headquarters level, including the financial areas mentioned on page 9, but he did not see how this could be accomplished under current staffing levels for internal audit.

The former Director also cited lack of staff as the primary reason for limited internal financial audit at some of the Field Centers. He said it was inevitable that in juggling limited personnel resources among the various centers there would be centers which could not be adequately covered. He said that Ames Research Center, staffed by five persons in fiscal year 1974, had been reduced to two auditors and one support person in fiscal year 1975, the year it produced only two audit reports. There are now five auditors and one support person at that Center.

A reduction in staff at the Lewis Research Center contributed to the fact that only one audit report was issued there in fiscal year 1976. In determining how best to cover all the centers with limited personnel, it was decided to reduce the Lewis staff to only two auditors. For a time in fiscal year 1976, Lewis had only one auditor; the other was on extended sick leave pending action on his disability retirement application.

With regard to the component installations, the former Director stated that these were relatively smaller than Field Centers and needed fewer audits than the centers. He agreed, however, that there were operations and considerable property and equipment at the installations which should be subjected to audit more frequently than once or twice over a 3-year period.

CONCLUSIONS

The Office of Audit is not fulfilling the internal audit requirements of the Accounting and Auditing Act of 1950 insofar as audits of internal financial operations are concerned.

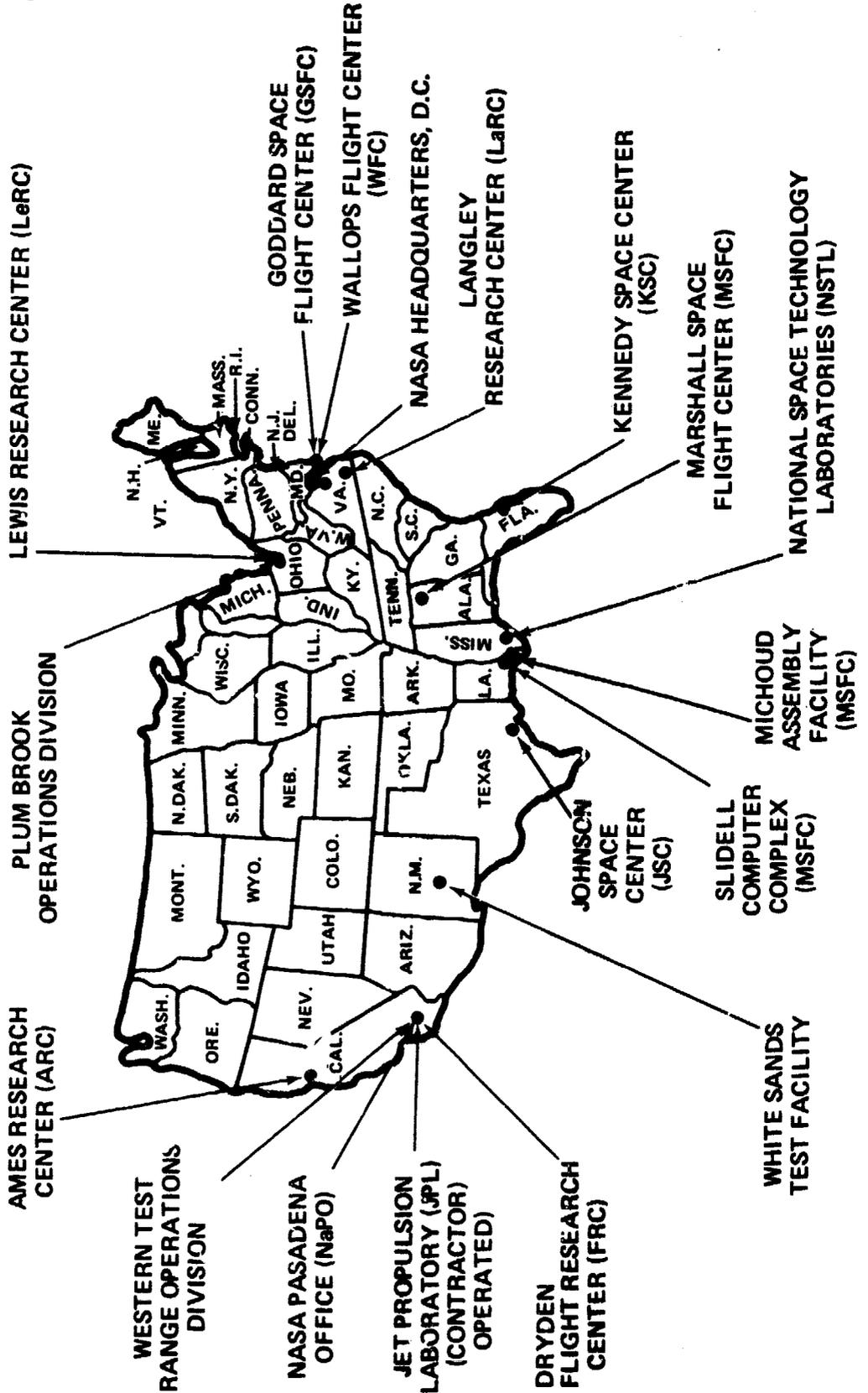
While our review was not made to determine the adequacy of non-financial audits of economy and efficiency of operations and effectiveness in achieving program objectives, it is evident from the scarcity of audits at Headquarters and some Field Centers and component installations that such audits also are not being performed at those locations. As a result, expenditures at these locations are not being

subjected to an independent audit. Consequently, opportunities to reduce or eliminate unnecessary or wasteful practices and identify cost reductions are being lost.

RECOMMENDATION

We recommend that you assess the audit function to determine what actions should be taken to provide effective coverage of internal operations.

LOCATION OF NASA MAJOR AND COMPONENT INSTALLATIONS



COMPARISON OF
NASA OFFICE OF AUDIT STAFFING
FISCAL YEARS 1967 and 1976

<u>Audit office</u>	<u>Number of staff</u>		
	<u>Peak year</u> <u>1967</u>	<u>Changes</u>	<u>Fiscal year</u> <u>1976</u>
Headquarters	23	-15	8
Northwest region:			
Ames	1	5	6
Dryden (note a)	0	0	0
Northeast region:			
Goddard	7	0	7
Wallops (note b)	0	0	0
Lewis	5	-3	2
Southwest region:			
Johnson	17	-9	8
Southeast region:			
Kennedy	9	-2	7
Mid-Atlantic region:			
Langley	0	5	5
South Central region:			
Marshall	13	-5	8
Michoud	12	-12	0
National Space Tech- nology Lab. and Slidell	1	0	1
Western Contract Region	8	-7	1
Other:			
Electronic Research Center (note d)	4	-4	0
GE-Daytona (note d)	5	-5	0
Total	<u>105</u>	<u>-52</u>	<u>53</u>
Professional staff	86	-42	44
Support staff	<u>19</u>	<u>-10</u>	<u>9</u>
Total	<u>105</u>	<u>-52</u>	<u>53</u>

a/Audit coverage provided by Ames.

b/Audit coverage provided by Goddard.

c/Audit coverage provided by Marshall.

d/Closed.

SUMMARY OF AUDIT REPORTS ISSUEDDURING FISCAL YEARS 1974-1976 (note a)

<u>Regions/centers</u>	<u>Audit reports</u>			<u>Total</u>	<u>Financial reports</u>
	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>		
Headquarters	2	1	-	3	2
Northwest region:					
Ames	3	2	4	9	5
Dryden	4	1	-	5	4
Kennedy-West	-	-	-	-	-
Northeast region:					
Goddard	7	5	10	22	4
Wallops	1	1	3	5	1
Lewis	7	5	1	13	5
Plumbrook	-	-	-	-	-
Southwest region:					
Johnson	10	7	8	25	5
White Sands	-	1	-	1	-
Southeast region					
Kennedy	7	4	7	18	3
Mid-Atlantic region:					
Langley	19	16	8	43	8
South Central region:					
Marshall	10	8	12	30	10
Michoud	-	1	1	2	-
Slidell	2	-	-	2	-
National Space Technology Lab.	3	1	1	5	1
Western Contract Region	<u>5</u>	<u>5</u>	<u>-</u>	<u>10</u>	<u>2</u>
Total	<u>80</u>	<u>58</u>	<u>55</u>	<u>193</u>	<u>50</u>

a/Audits of imprest funds have been excluded (see p. 8).

SUMMARY OF MAJOR AREAS
OF FINANCIAL INTEREST FOR REVIEW AND
EVALUATION BY AGENCY INTERNAL AUDIT ORGANIZATIONS

CASHGeneral

Internal control procedures
Adequacy of records and procedures
Cash accounts identified by appropriation and/or fund
Periodic or surprise cash counts
Reconciliation of cash with the Treasury Department
fund balances
Compliance with laws and regulations
Reports

Collections

Physical control
Cash recorded immediately after receipt
Timely deposit of cash receipts
Excessive funds on hand
Cash in transit--cutoff dates

Disbursements

Preaudit prior to approval for disbursement
Disbursement recorded promptly in records
Disbursement in transit at time of cutoff

Imprest Funds

Compliance with fund restrictions
Advances
Reimbursements--service provided
Adequacy of invested capital

Other

Investments

RECEIVABLES

Internal control procedures
Compliance with laws and regulations
Receivables identified by appropriation and/or fund

Classification of receivables:
 Interagency/fund
 External
 Price established on documentation for:
 Actual cost
 Estimated cost
 Accounts reviewed, delinquent accounts identified
 Provisions for doubtful accounts
 Control--adjustments and writeoffs
 Collection and liquidation of receivables

ADVANCESTravel

Internal control procedures
 Administrative control over travel
 Compliance with travel regulations
 Control over Government travel regulations
 Timely settlement of employees' travel advances
 Authorized expenses

Contractors

Liquidation--services provided/returned

Grantees

Liquidation--services provided/returned

PROPERTY

Internal control procedures
 Policy, procedures, and recordkeeping
 Integrated property and financial records
 Account classification:
 Furniture/fixtures
 Equipment
 Plant and equipment
 On assignment--to others
 On assignment--from others
 Supplies and materials
 Property valuation established on documentation for:
 Cost
 Estimated
 Salvage
 Compliance with laws and regulations

Physical control:

- Acquisition
- Removal
- Utilization of property
- Excess property
- Identification
- Timely recording in the property/financial records
- Control over loss/writeoffs
- Reconciliation of physical inventories with property records/financial records
- Depreciation/obsolescence
- Evaluation of maintenance costs and economic value

LIABILITIES

Internal control procedures

Account classification:

- Accounts payable
- Contract provisions
- Accruals
- Intergovernmental/fund
- Advance payments
- Contingencies
- Unfunded
- Long-term debts
- Timely recording of liabilities
- Accounts identified by appropriation/fund
- Liquidation of liabilities
- Support/pricing of liabilities

ADMINISTRATIVE CONTROL OF FUNDS

Internal control procedures

Separation of accounts by appropriation/fund:

- Apportionment
- Subdivision of funds
- Obligations
- Disbursements
- Reporting
- Compliance with laws/regulations
- Incurrence of obligations:
- Authority
- Availability of funds:
- Precertification
- Commitment accounting
- Compliance with section 1311 criteria
- Timely recording
- Policy and procedures

Liquidation and recoument of excess obligations
 Use of "M" accounts
 Reprograming/transferring of funds
 Accounting for proceeds
 Status of funds reports

REVENUES

Internal control procedures
 Revenue accounts identified by appropriation/fund:
 Fees, fines
 Reimbursements to appropriation
 Authorized services
 Established fees:
 Total costs--supported by accounting records
 Estimated/negotiated
 Statutory
 Timely recording of billings
 Adjustments/writeoffs
 Compliance with laws and regulations
 Comparison amounts billed/cost of services provided

COSTS

Internal control procedures
 Timely recording in accounts
 Separation of costs:
 Pay and allowance
 Direct
 Indirect
 Depreciation
 Contracts/grantees
 Unfunded
 System integrated with financial records
 Basis for costs
 Cost reports--full disclosure and useful to management
 Comparison of costs to standards of measurements
 Compliance with laws and regulations
 Allocation of costs

REPORTS

Full disclosure of financial condition
 Compliance with laws and regulations
 Supported by accounting system
 Usefulness to management
 Timeliness of reports

Accurate, reliable, truthful
Comparison of budgeted/programed costs with actual
costs
Footnoted as required

OTHER

Approved systems implemented
Followup of prior recommendations