



UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 403, U.S. CUSTOMHOUSE, 810 SOUTH CANAL STREET  
CHICAGO, ILLINOIS 60607

SEP 29 1971

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Mr. George J. Vavoulis  
Regional Administrator, Region V  
Department of Housing and Urban Development  
360 North Michigan Avenue  
Chicago, Illinois 60601

Dear Mr. Vavoulis:

We have made a review for the settlement of accounts of the certifying officers of Region V, Department of Housing and Urban Development, for the period of July 1, 1968, through June 30, 1971. The review, completed in August 1971, was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review was directed primarily toward the [settlement of the certifying officers' accounts] and included an examination of administrative procedures and controls relating to the collection and disbursement of funds, and such tests of individual financial transactions as we considered appropriate. Program operations were not included in our review.

We reviewed the internal auditors' work and we deemed this work to be of quality and coverage to enable us to limit our tests of the accounting records. We found the financial management system, including internal controls, to be generally satisfactory, and the financial transactions tested by us were processed in a satisfactory manner. However, we noted a need for improvement in certain procedures and controls as the deficiencies summarized in this report show. The deficiencies were discussed with members of your staff and corrective action was either initiated or was being considered. A summary of the deficiencies follows:

--About \$250,000 of \$4.1 million of cash received by the HUD regional office during our test period, the 3 months ended September 30, 1970, was not recorded in the mail room control register. These receipts had not been recorded because cash received (1) by mail which is not opened in the mail room, and (2) by messenger from the city of Chicago, is delivered directly to the accounting section.

Additionally, control of cash received in offices of the region located several city blocks from the regional office was not established until after the cash had been transferred by messenger to the regional office mail room.

--Contrary to Federal property management regulations, the HUD regional office had leased, since October 1969, varying areas of office space directly from a Chicago building corporation at a cost of about \$15,000.

--Of 98 time and attendance records examined, 24 had not been posted to show the employees' status during the 6 days of the pay period which had already elapsed, and 14 were posted in advance for the 4 remaining days of the pay period.

--Of 19 employees distributing payroll checks to other employees, 17 had not been designated as check distribution clerks; 2 of the employees distributing payroll checks were also time and attendance clerks.

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In accordance with Chapter 3, Title 8, of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, the records of financial transactions through June 30, 1971, may be transmitted to the Federal Records Center for storage as provided by your agency's over-all records management program.

Copies of this report are being sent to the Secretary, the Assistant Secretary for Administration, and the Director of the Office of Audit, Department of Housing and Urban Development.

We wish to acknowledge the cooperation extended to our representatives during this review, and would appreciate being advised of the final action taken on the foregoing items.

Sincerely yours,

*M. R. Wolfson*  
M. R. Wolfson  
Regional Manager

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