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SEATTLE, WASHINGTON 98104

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Mr. D. G. Williams, Manager
United States Atomic Energy Commission
Richland Operations Office
Richland, Washington 99352

Dear Mr. Williams:

We have completed our audit for the settlement of accounts of accountable officers at the Richland Operations Office (RL), Richland, Washington. The purpose of this letter is to advise you of our findings and the corrective action taken or promised by your staff.

As described by letter from the Comptroller General of the United States, dated August 1, 1969, the General Accounting Office (GAO) procedures for performing settlement work have been revised. The letter points out that each agency has the basic responsibility for proper accounting and internal control for functions of their accountable officers. Therefore, the GAO audit of accountable officers' functions places major emphasis on the adequacy and effectiveness of the agencies accounting and internal controls, including internal audit.

We considered the reviews made by the Atomic Energy Commission's (AEC) Headquarters auditors in setting the scope of our review of direct AEC expenditures at Richland. Our review of expenditures by the integrated contractors was based primarily upon an analysis of the RL and Headquarters audit coverage.

We are pleased to report that the administrative procedures and controls over direct AEC expenditures were generally satisfactory. However, we did note weaknesses in internal controls over cash which your staff promised to correct. These weaknesses were: (1) some

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Mr. D. G. Williams

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employees handling cash have not been bonded, (2) certain cash handling and recording duties were not separated, and (3) some receipts were not promptly deposited.

In addition to the above matters, we noted another area of particular concern in settlement of accountable officers' accounts that we believe will merit continued close attention. This matter deals with the segregating of AEC costs from private costs where RL contractors have use permits for doing private work in addition to AEC work. An example is the agreement with the Battelle Memorial Institute-Pacific Northwest Laboratory (BNW) whereby AEC work and BNW work are conducted at the same location using a single integrated laboratory staff and the same BNW and AEC-owned facilities and equipment. Such an arrangement requires a system that will assure the accuracy of direct charges and the equity of indirect cost distributions.

We noted that recent reports by RL and Headquarters auditors disclosed several problems with the procedures for accumulating and distributing costs between AEC and BNW private work. These problems related to both the accuracy of direct cost accumulation and the equity of distributing indirect costs. Because of these findings the RL auditors have intensified their audit efforts with respect to the use permit activities.

Your report, dated February 9, 1971, to the AEC Controller stated that alternatives to the consolidated laboratory concept will be continuously evaluated in light of actual experience and that the alternative of having BNW lease AEC facilities might be brought up during the 1975 negotiations. These actions should help resolve the problems noted by the AEC Headquarters and RL audit staffs.

We wish to thank you for the cooperation of your staff during our audit. If you have any questions regarding this review, please contact us.

Sincerely yours,



William N. Conrardy
Regional Manager