



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

JUN 27 1975



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Mr. Ray K. Molsenbocker  
Assistant Administrator for  
Administration  
National Credit Union Administration  
2625 M Street, NW.  
Washington, D.C. 20456

Dear Mr. Molsenbocker:

We have reviewed selected aspects of the internal control system in effect at the National Credit Union Administration in connection with our interim audit work.

On the basis of our review, we believe certain internal controls should be strengthened. By instituting improvements in the areas outlined below, we believe the Administration could achieve a more effective system of internal control over its operations. At the conclusion of our interim work we discussed the points developed with the staff of the Division of Financial Management and have included their comments below.

Need to improve accounting  
control over collections

The Administration receives substantial amounts of funds at its Washington Headquarters from various sources. It is, therefore, important that effective internal controls be maintained over these funds to minimize the possibilities of misuse and to assure that all funds are accounted for properly.

Among the more important elements of internal control in the handling of receipts is promptly placing the funds

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under appropriate accounting control. We found that control over receipts is not sufficient to insure adequate security for Administration funds.

All mail is opened in the mailroom but no listing is made of receipts at that time. After the mail has been opened it is sent to the Division of Financial Management. Under this procedure, there is no accounting control over these funds between the time the mail is opened and the time it is delivered to the Division of Financial Management. Even after the mail is received by the Division of Financial Management, accounting control over the funds received is not established until they reach the office which processes them.

We discussed this matter with the staff of the Division of Financial Management and they agreed that controls over receipts need to be strengthened. We were informed that corrective action was being planned but had not yet been implemented.

Need for separation of timekeeping  
and paycheck distribution functions

In the Administration's Washington office, the responsibility for review of time and attendance cards and other personnel documents and the responsibility for distribution of payroll checks are vested in the same individual.

Effective internal control of payroll requires that employees participating in the preparation, review, or approval of time and attendance records or other personnel documents should not participate in the distribution of paychecks. We believe such separation of duties is an important element of internal control because it reduces the opportunity to commit fraudulent or other irregular acts.

We discussed the matter with Division of Financial Management staff and were informed that a new procedure to distribute paychecks would be implemented by July 1975.

Need to improve the physical management  
of furniture and equipment

During our review, we observed and participated in the physical inventory of furniture and equipment in the

Division of Financial Management. During this inventory we noted that a number of items on the inventory list were not in their proper location, items that should have been on the inventory list were not, and a number of items did not have identification tags. Three weeks after the taking of the inventory, the results of the inventory and the property records had not been reconciled.

Property accounting for Federal agencies should include procedures for the keeping of a reliable system of records of physical quantities of Government-owned property and its location.

In our opinion, the keeping of accurate records of physical quantities of furniture and equipment would assist in the procurement and control over utilization of such property, including the identification of excess property and its use, transfer or disposal in accordance with statutory and regulatory requirements.

If you would like to discuss any of these matters in more detail, we shall be glad to meet with you at your convenience.

Sincerely,

~~E. L. Krieger~~  
H. L. Krieger  
Regional Manager

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