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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

AUG 3 1972

Dear Mr. Morley

We made a review to settle the ^{Review of} accounts of the certifying officers employed in the central office of the Department of Housing and Urban Development (HUD). Our review covered transactions certified during fiscal year 1971.

Our review was directed primarily to evaluating the financial management system as it pertained to transactions for which the certifying officers were responsible. In addition, we examined the June 30, 1971, financial statements issued for the following programs: urban renewal, rehabilitation loans, housing for educational institutions, loans for housing the elderly or handicapped, public works or facilities, low-rent housing, urban mass transportation, new communities, and riot reinsurance.

We reviewed administrative procedures, accounting practices, and internal controls and included such tests as we considered appropriate. We did not have the benefit of internal audit examinations to reduce the scope of our review of fiscal year 1971 transactions because the HUD Office of Audit had not conducted audits in the areas that we reviewed for the period we covered.

We are pleased to inform you that the work of the certifying officers was generally satisfactory, although we did find that some unallowable relocation expenses had been certified for payment. We found the administrative procedures and internal controls pertaining to cash receipts and disbursements to be effective, and the financial management system, as it pertained to transactions for which the certifying officers were responsible, to be generally adequate to assure that disbursement transactions were appropriate, valid, and legal. We noted some weaknesses or discrepancies, however, in (1) the detailed financial records controlling property and equipment located in the central, regional, and area offices, and (2) the records pertaining to travel advances made by the central office to employees in the regional and area offices. We noted also that accounting manuals except for the low-rent housing program had not been prepared. A discussion of our findings follows.

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UNALLOWABLE RELOCATION EXPENSES
CERTIFIED FOR PAYMENT

We examined 88 travel expense vouchers aggregating about \$75,000 which had been submitted by 30 employees and certified for payment in fiscal year 1971. We noted that six vouchers, or about 7 percent, included relocation expenses which were designated as being unallowable by the Office of Management and Budget (OMB) Circular No. A-56. The unallowable relocation expenses were approximately \$2,000, or about 3 percent of the dollar amount of the travel expense vouchers we examined. The unallowable relocation expenses included property taxes and subsistence payments for periods in excess of the 30-day limitation imposed by OMB Circular No. A-56. We discussed this matter with the certifying officer and action was started to recover the improper amounts paid.

We recommend that HUD review a representative sample of paid travel expense vouchers in which relocation expenses were claimed, and determine on the basis of its findings whether expansion of the review would be advantageous.

ACCURACY OF PROPERTY RECORDS NOT DETERMINED

Our review disclosed that the accuracy of the balance in the general ledger control account for personal property and equipment, as well as the detailed records showing quantities of the various items, had not been determined by comparison with quantities on hand since the establishment of HUD in fiscal year 1966. Action on verifying the accuracy of these records had been held in abeyance pending their replacement with computerized records. However, because the development of the computerized records has been delayed, cognizant HUD employees in fiscal year 1972 instituted procedures designed to ascertain the accuracy of present records.

TRAVEL ADVANCE RECORDS INCOMPLETE

There are indications that the travel advance records may be incomplete. A number of employees disagreed with the balances shown as being due from them for travel advances. Insofar as we could determine, the causes for the possible incompleteness of the records were (1) incorrect balances were transferred from the Federal Housing Administration (FHA) records to the Administrative Operations Fund (AOF) when control of travel advances was assumed by the AOF and (2) in handling the large volume of travel expense vouchers that resulted from the reorganization of HUD, AOF inadvertently did not record all travel expense vouchers processed by both the regional and central offices. Cognizant HUD employees have initiated procedures designed to (1) correct errors, if any, in the travel advance balances transferred to the AOF travel

records from the FHA records, and (2) record travel expense vouchers, if any, that have not been entered in the AOF travel records.

EXAMINATION OF FINANCIAL STATEMENTS---
LACK OF ACCOUNTING MANUALS

In our opinion, the financial statements for the nine programs that we examined present fairly the financial position of these programs at June 30, 1971.

We noted, however, that accounting manuals were lacking for all the programs except the low-rent housing program. The lack of accounting manuals did not seem to present a recordkeeping problem in the central office, primarily because of the availability of personnel with continuity of employment and experience in the accounting aspects of these programs. However, in newly established field offices the lack of experienced personnel as well as accounting manuals could hamper accounting for the financial operations of the programs. Accordingly, we recommend that the preparation of accounting manuals be expedited.

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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 records management program.

We appreciate the courtesies and cooperation extended to our representatives during the review. Your comments as to any action taken or planned to be taken on the matters discussed in this report will be appreciated.

We are also sending copies of this report to the Secretary, the Inspector General, and the Assistant Inspector General for Audit, Department of Housing and Urban Development.

Sincerely yours,

Frank V. Subalusky

for
B. E. Birkle
Associate Director

The Honorable Harry T. Morley
Assistant Secretary for Administration
Department of Housing and Urban
Development

BEST DOCUMENT AVAILABLE