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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

GENERAL GOVERNMENT
DIVISION

AUG 1 1972

Dear Dr. White

We have completed a survey of the National Oceanic and Atmospheric Administration's (NOAA) management controls over personal property. The survey was performed primarily at NOAA's Property and Supply Branch in Washington, D C We do not plan further review at this time, however, we wish to present our findings which show a need for corrective action.

A primary purpose of reconciling control accounts with subsidiary records is to ensure the accuracy and reliability of accounting data and related information used for management purposes. Our survey revealed that NOAA's Finance Division made unsupported adjustments, debits and credits, to its general ledger fixed asset control accounts at the close of fiscal year 1971. The purpose of the adjustments was to bring the control accounts into agreement with the subsidiary personal property records maintained by NOAA's Property and Supply Branch.

We found that as of May 31, 1972, there was an unreconciled difference of about \$4.6 million in funded acquisitions of fixed assets between the records of the Finance Division and the Property and Supply Branch. The difference had accumulated since the beginning of fiscal year 1972 and is the result of the two units being unable to match documentation in support of acquisitions. The matching process requires each unit to provide acquisition documentation having identical information.

In view of the apparent deterioration of the control-subsidiary account relationship and the extent of unsupported adjustments to the general ledger accounts, we believe there is an urgent need for NOAA to review and, where necessary, revise its procedures for reconciling the general ledger accounts with the subsidiary property records. Revisions should be made with the objectives of eliminating the need to make substantial and unsupported adjustments and of effecting reconciliations on a current basis.

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Department of Commerce Administrative Order No. 217-9 and chapter 37, section 16, of the NOAA Directives Manual provide general procedures for Property Review Boards in making findings and recommendations with respect to lost, stolen, damaged, sacrificed or unserviceable property. We reviewed 20 Personal Property Review reports on file in the Property and Supply Branch and observed that the reported facts were inadequate to support the findings and recommendations of the Boards.

We made further inquiry into two cases which reinforced our belief that the Boards were, generally, not requiring adequate investigation of the facts and circumstances of cases referred to them. In one case a Board approved the request of an operating unit to delete an item of property valued at \$23,605 from its accountable property records. A member of that Board informed us that the decision was based solely on information reported by the operating unit that there were no records to indicate that this item had ever been assigned to the unit, nor could they locate the item. At our request, the case was investigated further and it was found that the item had been donated by the unit to a State surplus agency 3 months after the Board's action.

We recommend that NOAA take action to insure that its Property Review Boards conduct thorough investigation of the facts and circumstances surrounding the loss, theft, damage or unserviceability of property referred to them for survey action. NOAA should further require that the Boards submit sufficiently detailed reports to support their findings and recommendations.

In examining NOAA's procedures and practices for taking physical inventories, we noted that the custodians of property are responsible for taking and certifying the physical inventories of non-expendable property assigned to them. Such a practice violates basic principles of internal control and is contrary to the Department of Commerce Handbook of Accounting Principles and Standards. We believe it is essential for adequate internal control that, except in extraordinary circumstances, designated officials other than the custodians be given responsibility for taking and certifying the physical inventories.

As a part of this survey we observed the taking of a physical inventory of non-expendable property located at and assigned to the National Weather Service's Equipment Maintenance Standards Branch (EMSB). The inventory revealed the following

1. Twenty-two assigned items having a total value of \$8,791 listed on the master property records could not be located.

2. Thirty-nine items located at EMSB with a total value of \$15,897 were not assigned to EMSB but to other NOAA operating units according to the master property records
3. One hundred twenty-three items located at EMSB having a total estimated value of \$76,236 did not appear on the master property records.

In discussing the results of the inventory with EMSB and NOAA officials, we obtained the following information

1. There was no explanation for the 22 unlocated items.
2. Most of the 39 items located at but not assigned to EMSB had probably been transferred there on repair status. Required paper work for the transfers was either not prepared or incorrectly prepared. We did not find instructions in the NOAA Directives Manual which outlined procedures to be followed when transferring property to a repair status.
3. Many of the 123 items not listed on the master property records had been received by EMSB for future distribution to field stations, but the necessary paper work to add them to property records had not been completed. We noted that some of these items had been received by EMSB 6 months prior to our inventory.

We believe that the results of this inventory, taken only 3 months after the custodian completed a regularly scheduled inventory, demonstrate possible problems in the maintenance of property records. We suggest that NOAA identify underlying reasons for having to adjust records for differences found in physical inventories and take necessary corrective action.

We wish to acknowledge the cooperation extended to our representatives during the survey. We would appreciate receiving information as to your action or views on the matters discussed in this letter.

Copies of this letter are being sent to the Assistant Secretary for Administration and to the Director, Office of Audits, Department of Commerce.

Sincerely yours,


Donald C. Pullen
Assistant Director

Dr Robert M White, Administrator
National Oceanic and Atmospheric Administration
Department of Commerce