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WASHINGTON REGIONAL OFFICE
U.S. GENERAL ACCOUNTING OFFICE
803 WEST BROAD STREET, FIFTH FLOOR
FALLS CHURCH, VIRGINIA 22046

MAR 14 1973

The Honorable Frank Wille
Chairman, Board of Directors
Federal Deposit Insurance Corporation

Dear Mr. Wille:

We appreciate your thoughtful comments of February 9, 1973, on our draft report. You can be assured they will be given full consideration in completing our work.

As mentioned in your letter, our staff made some suggestions which you intend to pursue. Your associates thought it would be useful for us to summarize for your consideration our thoughts on the benefits of an accounting manual and rounding of amounts on financial statements.

As you know, a manual of accounting policies and procedures, a chart of accounts, and a written organization plan are an important part of a sound internal control system. These documents contribute to accurate and reliable accounting and operating data in accordance with corporate policies. Furthermore, a clear definition of individual responsibilities and the procedures by which these responsibilities should be fulfilled can result in a more efficient operation.

The Corporation has no accounting manual or written organization plan and the chart of accounts currently in use needs updating. Certain errors found during this year's audit demonstrate the need for these documents. For example, interest on capital notes was recorded on the cash basis. As a result, \$100,000 of accrued interest which the Corporation had earned as of June 30, 1972, was not recorded. Officials in the Office of the Controller stated that the accrued interest should have been recorded and accounts have been established to record the interest from the capital notes on an accrual basis.

We believe an accounting manual and a complete chart of accounts would minimize inconsistencies such as the above. Officials in the Office of the Controller have recognized the need for these documents, and preliminary planning is under way toward developing an accounting manual. Also, a partial revision of the chart of accounts is in process. Milestones for completion of these tasks are pending.

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We suggest that consideration be given to expanding the support for the accounting manual to assure its early development. Also, you may want to give thought to the development of an organization plan and to complete updating of the chart of accounts.

Because the Corporation's financial statements contain relatively large individual balances, we suggested that the amounts in the fiscal year 1972 statements, as provided to the General Accounting Office, be shown in thousands of dollars. The Office of the Controller concurred with the suggestions.

We would appreciate receiving your views and comments on the above matters and advice as to any action taken or contemplated. We are ready to meet with you for further discussion if this will be helpful.

Sincerely yours,

H. L. Krieger
H. L. Krieger
Regional Manager

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