

**DOCUMENT RESUME**

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[ Review of Cancellation, Destruction, and Accounting for Unfit Currency]. February 24, 1978. 2 pp.

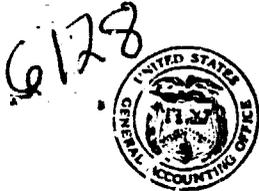
Report to Paul H. Taylor, Acting Fiscal Assistant Secretary, Department of the Treasury; by Thomas B. Colan, Assistant Director, General Government Div.

Contact: General Government Div.

Organization Concerned: Department of the Treasury: Bureau of Government Financial Operations.

Authority: 31 U.S.C. 49a.

GAO is required by law to audit the cancellation, destruction, and accounting for currency unfit for circulation. A recent review indicated that the unfit currency operations carried out at Federal Reserve banks and branches are generally conducted in a satisfactory manner. In calendar year 1977, the Department of the Treasury's Bureau of Government Financial Operations conducted audits at the 37 Federal Reserve banks and branches, including observing and evaluating every phase of the unfit currency operations. Financial audits made by internal auditors included the counting and confirmation of selected lots of unfit currency before it was destroyed by incineration or pulverization. (RRS)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

24 FEB 1978

Mr. Paul H. Taylor  
Acting Fiscal Assistant Secretary  
Department of the Treasury

Dear Mr. Taylor:

The General Accounting Office is required by law (31 U.S.C. 49a), to audit the cancellation, destruction, and accounting for currency of the United States unfit for circulation. On the basis of our recent review we believe that the unfit currency operations carried out at the Federal Reserve banks and branches are generally conducted in a satisfactory manner.

In reaching this conclusion we relied to a large extent on the work of the Treasury's Bureau of Government Financial Operations and others. In calendar year 1977 the following audits were made of the 37 Federal Reserve banks and branches:

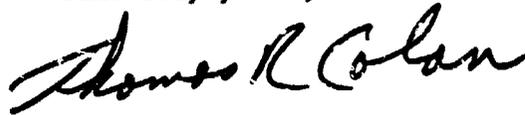
- the Bureau made an audit at each of the 37 banks and branches and an additional audit at two banks and one branch;
- the internal auditors at the banks and branches made four to five procedural audits at each of the 37 banks and branches and four financial audits at each of the 35 banks and branches which destroyed unfit currency. The required number of financial audits were made at two branch banks which began destruction operations in 1977;
- Federal Reserve Board examiners conducted financial reviews at each of the 37 banks and branches; and
- Federal Reserve Board operational analysts conducted procedural reviews at 13 of the 37 banks and branches.

Procedural audits made by the internal auditors included observing and evaluating every phase of the unfit currency operations for compliance with Treasury's regulations. Financial audits made by the internal auditors included the counting and confirmation of selected lots of unfit currency before being destroyed by incineration or pulverization.

Our audit work included (1) reviewing the unfit currency regulations issued by Treasury, (2) reviewing selected audit reports, and (3) observing the Bureau's audits at the Buffalo Branch of the Federal Reserve Bank of New York and at the Federal Reserve Bank of Richmond. The Bureau's audits disclosed some minor deviations from Treasury regulations for which bank officials took or promised to take corrective action.

We appreciate the courtesy and cooperation extended to our representatives during this review.

Sincerely yours,

A handwritten signature in black ink, reading "Thomas R. Colan". The signature is written in a cursive style with a large, prominent "C" and "l" in "Colan".

Thomas R. Colan  
Assistant Director