



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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Room 4131
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B- 192886

January 9, 1984

The Honorable Danny L. McDonald
Chairman
Federal Election Commission



Dear Mr. McDonald:

Subject: Withdrawal of Approval of the Federal Election
Commission Accounting System (GAO/AFMD-84-30)

We have completed a review of the Federal Election Commission accounting system in operation, as requested by the Commission. Our review revealed substantial deviations from the system design we approved on September 30, 1981. The deviations led us to conclude that the system was not operating in accordance with the approved design and that it does not comply with General Accounting Office standards. Therefore we must withdraw approval of the system until the deviations have been corrected.

The deviations have been discussed with Commission staff, and we have provided them a detailed description of our findings. The nature of the more significant deviations is summarized below:

- Lack of basic documentation for portions of the system that have been automated since the system was approved. Such documentation is needed to describe how data are to be coded, entered, verified, and otherwise controlled. The lack of this documentation, in combination with losses of accounting staff, created backlogs, record errors, and a general loss of financial control and reliability of financial data at the Commission in 1982.
- Nonoperation of a transaction register that is needed to provide financial information on the accrual basis, and to complete the accounting cycle for certain transactions. Nonoperation of this register results in misstatement of certain account balances and inaccurate accounting reports, unless manual adjustments are made.
- Lack of certain subsidiary files that are needed to support related general ledger account balances, and to provide control by periodically reconciling the subsidiary files to the general ledger accounts.
- Nonuse of several necessary general ledger accounts that are needed for adequate disclosure of the Commission's financial position and costs of operations.

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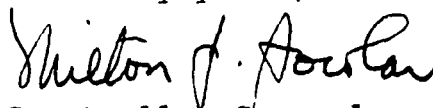
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- Lack of accountability for property owned by, or loaned to, the Commission. The lack of property accountability results not only in inaccurate financial reporting, but also precludes prevention and detection of errors, losses, and irregularities in the control of these assets.
- Accounting staff vacancies in 1982 that precluded adequate separation of duties needed to minimize risks of fraud and error. The lack of this basic internal control was clearly a causal factor in the 1982 embezzlement. The accounting staff level prescribed in the approved system design is a minimum level necessary for proper separation of duties.

During our review of the system, we noted that several of the deviations and related problems were being corrected. When the deviations are corrected, we will be pleased to consider reapproval of the system.

We wish to express our appreciation to officials and staff of the Commission for their cooperation during our review, not only of the accounting system, but also of the Commission's internal controls and its fiscal year-end financial statements. While we regret the need to withdraw approval of the accounting system, we sincerely hope our report will help contribute to continued improvements in financial management at the Commission.

Sincerely yours,

for 
Comptroller General
of the United States