



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

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MAY 7 1974



The Honorable
The Secretary of the Army

Dear Mr. Secretary:

This report presents the results of our review of the Corps of Engineers' system of controls, including internal audit, over receipt and disbursement transactions.

Our review was made at the Corps' headquarters office, Washington, D.C.; division offices at Cincinnati, Ohio, and Honolulu, Hawaii; and district offices at Fort Worth, Texas; Omaha, Nebraska; and Vicksburg, Mississippi. During our review we made tests, using statistical sampling techniques, of receipt and disbursement transactions to determine whether the system was operating effectively.

Except for insufficient internal audit coverage of the Corps' financial activities as discussed below, the Corps' system of processing receipt and disbursement transactions, including administrative examination, is generally satisfactory. Our statistical test of individual transactions disclosed no material errors and an acceptable overall error rate.

INSUFFICIENT INTERNAL AUDIT COVERAGE
OF FINANCIAL TRANSACTIONS

Section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) requires the head of each executive agency to establish and maintain systems of accounting and internal controls, including appropriate internal

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audit, to provide, among other things, effective control over and accountability for all funds, property, and other assets for which the agency is responsible.

Department of the Army regulations placed the responsibility for audits of the financial and accounting activities in the United States Army Audit Agency. In April 1973 the Auditor in Charge, Corps of Engineers Site Audit Group, Army Audit Agency, stated that no audits of the Corps' financial and accounting activities had been made in the past 3 or 4 years and, except for a review of the Corps' central payroll function, none were included in a projected work schedule for the next 18 months.

In our view, the past and planned level of effort of the Army Audit Agency in reviewing the financial and accounting activities of the Corps of Engineers is not adequate to discharge the Department's responsibilities under Section 113 of the Accounting and Auditing Act of 1950.

Recommendation

We recommend that the Secretary of the Army direct the Army Audit Agency to devise an adequate program for the audit of the Corps of Engineers' financial and accounting activities.

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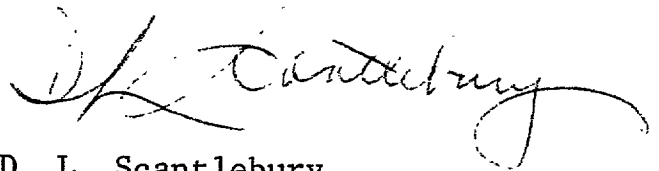
In accordance with 8 GAO 13, the records supporting the accounts of accountable officers through June 30, 1973, may be transmitted to the Federal Records Center for storage in accordance with the Corps' records management program.

Your comments on our recommendation regarding the audit of the Corps of Engineers' financial and accounting activities will be appreciated.

We appreciate the cooperation extended our representatives during this review.

Copies of this report are being sent to the Senate and House Committees on Appropriations and Government Operations, the Director, Office of Management and Budget, the Administrator of General Services, the Secretary of Defense, and to the Chief of Engineers and the Chief, United States Army Audit Agency, Department of the Army.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. L. Scantlebury".

D. L. Scantlebury
Director