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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

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MAR 7 1974

Mr. Edward F. Phelps, Controller
Federal Deposit Insurance Corporation
550 Seventh Street, NW
Washington, D C 20429

Dear Mr. Phelps:

In the course of our recently completed audit of the Corporation's fiscal year 1973 financial statements, we saw at first hand the steps being taken to improve your accounting operations as outlined in the Chairman's letter of April 11, 1973. We realized this was an ongoing effort and discussed with your associates additional points that warranted consideration in bringing this project to a successful conclusion.

We noted that an organization plan for the Accounting and Budgeting Branch has been drafted and that work has started on updating the chart of accounts and preparing an accounting manual. When completed, these documents should contribute to a more efficient operation and provide accurate and reliable accounting and operating data in accordance with corporate policies.

During this year's audit we discussed with Accounting Section personnel possible improvements in the Corporation's accounting for cash receipts and the control of furniture, fixtures, and equipment. We were asked to provide our thoughts on these matters.

The Corporation has no written procedures for recording cash received prior to the yearend but deposited during the next year. We were advised that yearend adjustments to cash are made based on the subjective judgment of accounting personnel which often results in adjustments being made for only larger cash receipt items. For example, items totaling approximately \$53,000, which were collected prior to June 30, 1973, were not included in the cash account for yearend.

We suggest that consideration be given to establishing procedures to ensure that all cash receipts are recorded in the proper accounting period.

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As for furniture, fixtures, and equipment, the Deputy Controller has issued procedures for controlling and recording these items but we found that they are often not followed. For example, in many instances required documentation is not furnished to the Accounting Section when property is purchased, sold, lost, or transferred between organizations. As a result, an accurate inventory cannot be maintained.

The value of these assets is over \$2 million and we believe that management attention is warranted to insure that established procedures for controlling these items are enforced.

Your comments on the above matters and advice as to any action taken or planned would be appreciated. We are ready to meet with you or your staff for further discussion if this would be helpful.

Sincerely,



H L Krieger
Regional Manager