



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

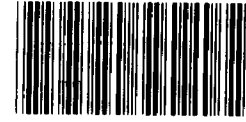
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ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

JUL 9 1981

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The Honorable Richard S. Schweiker
The Secretary of Health and Human
Services



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Dear Mr. Secretary:

Subject: Approval of the Health Services Administration's
Accounting System Design (AFMD-81-90)

It is my pleasure to approve the accounting system design for the Health Services Administration. The design, which was submitted formally on June 12, 1981, is adequate and in conformity with your approved Accounting Principles and Standards.

The system design does not provide accounting for the full cost of operations for components of the Administration. Cost accounting data produced by this system for use by Public Health Service Hospitals and Indian Health Service Hospitals and Clinics will be augmented by separate systems which will produce data on a full applied cost basis. We will separately evaluate and approve these system designs.

In evaluating the system design, we looked at the automatic data processing aspects primarily to determine their adequacy as to internal controls, audit trails, data integrity and consistency with the accounting specifications. Automated aspects of the design relating to cost based and obligation based operating plans have not yet been developed. We will evaluate the automated design for these plans when they are completed.

The system design provides for monthend travel expenditure adjustments at the appropriation level for significant amounts of unperformed travel. We suggest that, as part of the development of the automated design relating to cost based operating budget reporting, consideration be given to making these adjustments at the cost center level.

To maintain the approved status of the design, planned changes should be discussed with our representatives and, if deemed significant, submitted formally for approval.

We suggest that the Department of Health and Human Services internal auditors periodically review the system to assure that

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it is operating as prescribed. At some future date we will examine selected aspects of the system and advise you as to whether it is functioning effectively and in accordance with the approved design.

Please express our appreciation to your staff for their efforts and cooperation during our review, particularly Messrs. Linza and Gibson of the Office of the Secretary and Messrs. Solomon and Carpenter of the Health Services Administration.

Sincerely yours,

MILTON J. SOCOLAR

Acting Comptroller General
of the United States

cc: Mr. Phillip Kropatkin
Acting Assistant Inspector General
for Auditing
Department of Health and Human
Services

bc: Mr. Campbell
Mrs. Robinson
Mr. Donlon
Mr. Pewanick
Mr. Leland