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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 1800 FEDERAL OFFICE BUILDING  
911 WALNUT STREET  
KANSAS CITY, MISSOURI 64106

GAO 00340

November 10, 1972

Mr. B. J. Clendenning  
Superintendent of Industries  
Federal Prison Industries, Inc.  
Marion, Illinois 62959

Dear Mr. Clendenning:

The General Accounting Office has completed an examination of the financial statements of the Federal Prison Industries, Inc., (FPI), Marion, Illinois, for fiscal year 1972. The examination was made pursuant to the Government Corporation Control Act (31 U.S.C. 841).

Our review, completed in August 1972, was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and financial transactions and such other auditing procedures as we deemed necessary in view of the nature and volume of the transactions and the effectiveness of internal controls. We took into account the audit work completed in June 1972 by the Office of Internal Audit of the Department of Justice.

We discussed with you at the conclusion of our examination the need to strengthen procedures for recording Accounts Payable. Our examination disclosed an understatement of about \$22,355 in Accounts Payable at June 30, 1972 with a corresponding understatement in inventory value. This occurred because receiving department personnel were dating receiving reports as of the date prepared and not the day the supplies were actually received.

A similar situation, attributable to the same cause was found in our last examination at June 30, 1968. This was discussed in our report dated December 30, 1968 to the Superintendent of Industries.

We wish to acknowledge the cooperation and courtesies extended to our representatives during the review. We will appreciate your comments as to the measures adopted to correct the dating of receiving reports.

Copies of this letter are being sent to the Commissioner of Industries, Federal Prison Industries, Inc.; the Assistant Attorney General for Administration, Department of Justice; and the Warden, United States Penitentiary, Marion, Illinois.

Sincerely yours,

K. L. WEARY  
K. L. Weary  
Regional Manager

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