

20 December 1989

MEMORANDUM FOR: Chief, Political and Psychological Staff  
 VIA: Acting Inspector General  
 FROM: [ ] Acting Deputy Inspector General for Audit  
 SUBJECT: PPS Reply To QRPLUMB Report of Audit

1. We have reviewed subject reply dated 9 November 1989. Your reply to recommendations #1 - #6, and #8 clears those recommendations. Additional information is required from you concerning recommendations #7, and #9 - #13 to clear the audit report. Please provide us the additional information within 30 days to clear those recommendations.

Recommendation #7: Establish proper procedures for recording Newark's fundings to the London Office.

Recommendation #9: Establish an accounting system at the London office and provide necessary training and professional support to the office bookkeeper.

Recommendation #10: Ensure that the operations of the UPC are reported and registered in accord with British law.

Your reply primarily addresses your plan to consider designating the London office (and the Munich office) a noncontrolled subsidy operating under a fiscal plan. However, such conversion would not eliminate the need for an effective accounting system in the London office which you do not discuss at all. The London office's acknowledgment of receipt of funds from Newark, without documentation to support expenditures, is not sufficient to expense those funds. In addition, your reply does not appear to address Recommendation #10. Please inform us of the action taken to improve the accounting system and associated controls in the London office and provide us specific information concerning Recommendation #10.

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Recommendation #11: Submit financial statements required by the Administrative Plan which reflect the consolidated operations of QRPLUMB.

Recommendation #12: Provide PSB with the data necessary to adjust the G. L. 1601 account for the operations of the Munich office.

Your reply to Recommendations #11 and #12 states that the required information will be submitted on or about 30 November 1989 with notification to the Audit Staff. To date we have not received notification that the required financial statements have been submitted to the Office of Financial Management.

Recommendation #13: Coordinate with Policy and Coordination Staff and Office of General Counsel and obtain a written opinion that the circumstances of U.S. subscriptions to the "Sucasnist" journal are in compliance with E.O. 12333.

Your reply states that once all the data is compiled you will again request PCS concurrence. The Office of General Counsel (OGC) is not mentioned in your reply even though an initial meeting was held with PPS, OGC, PCS, and Audit Staff representatives to discuss QRPLUMB and E.O. 12333 issues, and Recommendation #13 specifically requests a written opinion. Please provide us OGC's opinion on QRPLUMB's compliance with E.O. 12333.

2. We plan to visit the domestic office of QRPLUMB in February 1990 to verify the implementation of needed accounting controls and to assist us in planning the complete audit of QRPLUMB which is scheduled for the fourth quarter of Fiscal Year 1990.

SUBJECT: PPS Reply to Report of Audit of QRPLUMB

C/PAD/AS. [ ]:dm/31769 (19 December 1989)

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