Office of
INSPECTOR GENERAL

Audit Report

Audit of USITC Imprest Funds

Report No. IG-03-96

UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

August 30, 1996

AUDIT OF USITC IMPREST FUNDS

The Office of Inspector General has completed an audit of the USITC imprest funds. According to the Treasury Financial Manual, agencies are responsible for making periodic unannounced audits of each imprest fund. The purpose of this audit was to determine if funds were properly accounted for and administered in accordance with Commission policy and Treasury guidelines.

Most significantly, we found that both the Office of Management Services (OMS) and the Office of Finance and Budget (OFB) had excessive funds, more than double what was justified based on the turnover rates. The excess levels were at least partially related to improvements in making payments and issuing travel advances through electronic funds transfers and government credit cards. Additional improvements being planned will further decrease the need for payments to be made through the imprest funds. The reduced need for payments and the fairly significant administrative requirements for operating an imprest fund support consolidation of the two funds at a significantly reduced level.

The Directors of OFB and OMS have discussed eliminating the OMS imprest fund and paying all claims from a single OFB fund of $2,000. The consolidation has been deferred pending implementation of two new initiatives by the OFB Director. The initiatives, providing Metro farecards and contracting for taxi service, will significantly reduce the number of claims to be paid from the imprest fund.

In reviewing internal controls, we found the imprest funds were in balance and the payments by the OMS cashier and subcashier and the OFB cashier were appropriately approved, adequately documented, and for proper claims and amounts with minor exceptions. Both funds substantially complied with the requirements for safekeeping, with two minor deficiencies. Corrective actions had been implemented as agreed upon for prior recommendations. Deficiencies that need to be corrected included that neither the OMS nor the OFB cashier were properly designated, and neither cashier completed replenishment vouchers monthly as required.

On page 9 of this report, we recommend that the Acting Director of Administration:

1. Promptly close the OMS imprest fund and reduce the OFB imprest fund to $2,000, or reduce the OFB and the OMS imprest funds to $1,000 each;

2. Review the cash turnover in six months to determine if the fund(s) should be further reduced;

3. Properly designate cashier(s) for the imprest fund(s) and ensure that each cashier has copies of applicable guidance;

4. Store the duplicate key for the OFB cash box in a signed, dated, and sealed envelope with the Office of the Secretary;

5. Change the safe combination if a fund is located in OMS;

6. Instruct the cashier(s) to submit a monthly accountability report (SF 1129); and

7. Revise USITC Directive 3602.1 and the office procedures, if desirable.

The Acting Director, Office of Administration generally agreed with the findings and recommendations. His comments are presented in their entirety as an appendix to this report.

Jane E. Altenhofen
Inspector General

INTRODUCTION AND SCOPE

The Office of Inspector General has completed an audit of the USITC imprest funds. According to the Treasury Financial Manual, agencies are responsible for making periodic unannounced audits of each imprest fund. The purpose of this audit was to determine if funds were properly accounted for and administered in accordance with Commission policy and Treasury guidelines.

Our review was conducted during June and July, 1996. The field work was performed at Commission headquarters in Washington, D.C. in OFB and the Procurement Division, OMS. We performed a cash count and reconciliation of the imprest funds to determine if the funds were properly accounted for. We validated a sample of expenditures to determine if they were properly documented and authorized. We determined whether the fund levels were consistent with cash requirements. We reviewed Commission policies and procedures, including physical safeguards, for assurance that the funds were adequately protected.

A cash count of the OMS imprest fund was conducted on June 24, 1996. The alternate fund was in balance after finding a dime in the alternate fund cashier's desk drawer. The main imprest fund was short $15.07. We concluded that the cashier was responsible for the shortage; she restored $15.07 for the fund to be in balance. Our findings were reported in inspection report No. 13-96, (IG-T-039) which is attached to this audit report. A cash count on the OFB imprest fund was conducted on July 8, 1996; the fund was in balance.

In addition to the cash counts, we examined the vouchers that were being held for replenishment. The OMS fund had 58 vouchers for various expenses totaling $1,133.15; the OFB fund had 9 vouchers for travel advances or official representation expenses totaling $1,892.42. We also examined replenishment vouchers (SF 1129) from May 1995 through July 1996 in order to evaluate the appropriateness of fund levels. We interviewed officials in OFB and OMS concerning their roles and responsibilities, and a representative of the main library on the advance process. We paid particular attention to recent policy and technology advances, such as electronic fund transfers, and the effect these have had on the imprest fund.

The most recent audit report on the Commission imprest funds was issued on April 30, 1991 (IG-05-91). We determined whether the agreed upon corrective actions were in place and operating effectively.

This audit was performed in accordance with applicable generally accepted government auditing standards. Accordingly, the audit included an examination of internal controls and other auditing procedures that were considered necessary under the circumstances.

BACKGROUND

An imprest fund is a fixed cash or petty cash fund in the form of currency, coins or treasury checks, which has been advanced to an authorized cashier by an official Government disbursing officer, without charge to an appropriation or fund account. The disbursements from the fund are generally made to employees: (1) for purchasing small dollar goods and services from vendors; (2) as advances for specifically authorized expenditures; or (3) as reimbursements for authorized expenditures.

Two imprest funds have been established in the Commission. A $1,500 fund, which is located in the OMS Procurement Division, is used to pay claims for small purchases, training related expenses, local transportation, and books/pamphlets. A fund of $200, which was advanced from the main fund, is used for the same purposes in the absence of the OMS cashier; this fund is usually referred to as the "alternate" fund. However, an alternate fund is supposed to function only during short absences of the cashier, at a maximum no longer than five days. Establishing the fund on a permanent basis, as in OMS, constitutes a subfund. A $4,000 fund, located in OFB, is used for travel advances, travel vouchers under $25, and official reception and representation claims.

Guidance concerning the establishment and maintenance of the imprest funds and the responsibilities of cashiers and disbursing officers is set forth in the Treasury Financial Manual, Volume I, Part 4, Chapter 3000; the Treasury Manual of Procedures and Instructions for Cashiers, June 1993; USITC Directive 3602.1, Imprest Fund Claims and Advances, dated February 1, 1990; and desk top procedures issued by the Procurement Division on December 29, 1989. OFB had procedures dated January 18, 1990 that were not used.

The OMS main fund was left unsecured one night in June 1996. The security breach was reported to the Commission's security officer. The matter was reviewed by the appropriate officials and was not investigated as part of this audit.

Department of Treasury regulations require the agency to conduct periodical unannounced verifications of cash balances in imprest funds; these spot checks are to be made at least once each quarter and include funds held by subcashiers. The Office of Inspector General conducted quarterly cash counts of the imprest funds from June 1995 through August 1995; the cash counts were discontinued due to a lack of resources. Unannounced verifications have not been conducted since August 1995.

As part of our review of internal controls, we reviewed the letters of assurance for fiscal year 1995 submitted by the Directors of OFB and OMS. The Directors provided assurances based on their examination of internal controls in accordance with the Federal Managers' Financial Integrity Act. The letters identified no deficiencies concerning the imprest funds.

FINDINGS AND RECOMMENDATIONS

Most significantly, we found that both OMS and OFB had excessive funds, more than double what was justified based on the turnover rates. The excess levels were at least partially related to improvements in making payments and issuing travel advances through electronic funds transfers and government credit cards. Additional improvements being planned will further decrease the need for payments to be made through the imprest funds. The reduced need for payments and the fairly significant administrative requirements for operating an imprest fund support consolidation of the two funds at a significantly reduced level.

In reviewing internal controls, we found the imprest funds were in balance, and the payments by the OMS cashier and subcashier and the OFB cashier were appropriately approved, adequately documented, and for proper claims and amounts with minor exceptions. Both funds substantially complied with the requirements for safekeeping, with two minor deficiencies. Corrective actions had been implemented as agreed upon for prior recommendations. Deficiencies that need to be corrected included that neither the OMS nor the OFB cashier were properly designated, and neither cashier completed replenishment vouchers monthly as required.

AUTHORIZATION AND DESIGNATION

The Manual for Cashiers, Chapter 2, Designation section, states that cashiers are to be designated by an agency head or designee of authority. Cashier designations are to be recorded on an Optional Form (OF) 211, "Request for Change or Establishment of Imprest Fund" or an internal form used in lieu of the OF 211. Cashiers must be designated by the agency head or an individually named approving official, who must be delegated such authority on a Form 2958.

Neither of the cashiers were properly designated. The cashier designations were recorded on OF 211s. However, the forms were signed by the OFB Director who had not been delegated such authority on a Form 2958. The OMS cashier was established as a Class A and the OFB cashier as a Class B. The class of the cashier is significant in that only certain classes are able to advance funds to a subcashier or alternate; a Class A cashier can advance funds only to an alternate on a short term basis.

As discussed in the background section, the OMS "alternate" fund is operating as a subfund. Therefore, the subcashier should be designated on an OF 211. The designation was on the OF 211, but the form was improperly completed for an alternate cashier and signed by the OFB Director who did not have this authority.

In order to properly carry out their responsibilities, the imprest fund cashiers need to be familiar with pertinent guidance: the Manual for Cashiers, USITC Directive 3602.1, and office procedures. The OFB cashier did not have and was not familiar with the the Manual for Cashiers, USITC Directive 3602.1, or the 1990 office procedures.

DETERMINING CASH REQUIREMENTS

The Manual for Cashiers, Chapter 3 states that cash on hand should be kept to the minimum needed to meet normal requirements, and recommends that the cashier turnover his or her advance at least once every two months. Accordingly, the $1,500 OMS fund should have an average replenishment of $750 per month and the $4,000 OFB fund should have an average replenishment of $2,000 per month.

The OMS and OFB funds had very low turnover rates for the period June 1995 through June 1996, indicating that both funds had excess levels. The turnover rate for the OMS fund was approximately once every three and a half months, with an average replenishment of $474. The turnover rate for the OFB fund was once every eight months, with an average replenishment of $450. Using the five month period of February through June 1996, after the reduction in force was completed and the Commission had a final appropriation, the turnover rate for the OMS fund was the same and the rate for the OFB fund increased to once every ten months.

To attain the two month turnover rate, the OMS fund would have to be reduced to $950 and the OFB fund to $900. A combined fund could be justified for $2000, less than half of the current $5,500 combined total of the two funds.

SAFEKEEPING FACILITIES

The Manual for Cashiers, Chapter 4, states that relatively small funds may be stored in a file cabinet with a bar and combination lock; larger funds should be stored in a relatively nonmovable safe with three-position dial combination feature. Separate cash boxes or safe drawers must be provided for alternates and subcashiers. The combination and a duplicate key to the cash box should be placed in a sealed envelope, which is to be placed in a safe controlled by an appropriate official. The combination of the safe should be changed 1) annually, 2) whenever there is a change of cashier, and 3) when the combination has been compromised.

OMS and OFB were substantially in compliance with these requirements. The OMS and OFB cashiers stored the imprest funds, even though they were relatively small, in a nonmovable safe with three-position dial combination feature. The OMS cashier and subcashier each had a separate cash box with a combination lock and the OFB cashier had a cash box with a key. The combinations for the safe in OMS, the safe in OFB, and the two lock boxes in OMS were placed in a safe controlled by the Secretary. OFB changed the safe combination in January 1996.

We identified two minor deficiencies; these were:

> -- The OFB cashier kept both the original and duplicate key for the cash box inside the safe, along side the cash box. The cashier said she leaves the keys in the safe because she is the only person who knows the safe combination. To comply with the Manual for Cashiers, the duplicate key should be placed in a sealed envelope and stored with the Secretary.

-- The OMS safe combination was last changed on March 14, 1991, when there was a change of cashier. The combination should have been changed five times since then to comply with the annual requirement in the Manual for Cashiers.

The main cashier in OMS expressed concern that the cash boxes for her fund and the subfund were kept in the same safe. This arrangement is allowed by the Manual for Cashiers. However, the office could secure the subfund in a file cabinet with a bar and combination lock, which are usually readily available, to accommodate the cashier.

CASH PAYMENTS

The Manual for Cashiers states that payments may be made for many types of small purchases and travel advances when approved by a duly authorized official and supported by appropriate documentation. USITC Directive 3602.1 provides Commission policy on the claims to be paid from the OMS and OFB funds. Paragraph 7a of the directive states that the OMS fund will pay claims not exceeding $50 for 1) small purchases, 2) training related expenses, 3) local transportation, and 4) books/pamphlets. Paragraph 7b of the directive states that the OFB fund will pay "last minute" travel advances, travel vouchers under $25, and official reception and representation claims.

The payments by the OMS cashier and subcashier and the OFB cashier that we reviewed were appropriately approved, adequately documented, and for proper claims and amounts with the following exceptions:

-- On May 28, 1996, the OMS cashier paid $49.85 for travel expenses (voucher # 1203), which should have been paid from the OFB fund.

-- Multiple invoices paid by the OMS cashier had figures or dates crossed out or covered with whiteout which destroyed the original record; sometimes the changes were initialed and dated, but not always. Most were obvious errors, such as putting the date in the amount paid box, but several were changes in the amounts, causing confusion as to the exact amount paid. The cashier was instructed that whiteout should not be used on original vouchers and that figures or dates that are crossed out should be initialed and dated.

REPLENISHMENTS

The Manual for Cashiers, chapter 9, states that cashiers should submit replenishment vouchers as often as needed, but at least once each month if there are transactions. If there are no transactions during the month, submission for replenishment is not necessary, but the cashier must note "No Replenishment Vouchers Submitted" on his/her monthly accountability report (SF 1129).

We found that neither the OMS nor the OFB cashier replenished monthly as required for the period January through June, 1996. The OMS cashier had transactions every month, and therefore should have submitted a replenishment voucher; she actually replenished the fund, on average, once every fifty days. The OFB cashier had transactions every month,

except one, but replenished the fund only once; the month without any transactions was not noted on an accountability report.

FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

We issued Audit Report No. IG-05-91, Audit of the Commission's Imprest Funds, on April 30, 1991. We recommended that the Director of Administration 1) clarify the policy on authorization of imprest fund claims for office directors, and 2) reduce the level of the OFB subcashier's fund from $2,000 to no more than $1,500. We found that the agreed upon actions were implemented.

For the first recommendation, the Director agreed to clarify the policy on authorization of imprest fund claims for staff who report to the Chairman, and subsequently presented several options to the Chairman. On July 1, 1991, the Director notified senior staff who report to the Chairman that claims for reimbursement from the OMS imprest fund required their signature as claimant and the Chairman's signature. We found no instances of noncompliance.

In accordance with the Chairman's decision, the Director of Administration agreed to reduce the level of the OFB subcashier's fund from $2,000 to no more than $1,500 by May 1, 1991. The subcashier fund was reduced to $1,500, which reduced the entire fund to $5,500. In March 1995, OFB eliminated the entire subfund, which reduced the imprest fund to the current level of $4,000.

CONSOLIDATION OF FUNDS

The Directors of OFB and OMS have discussed consolidating the functions of the imprest funds into one fund. The OMS fund will be eliminated and all claims will be paid from a single OFB fund of $2,000. The consolidation has been deferred pending adoption of new initiatives by the OFB Director that will significantly reduce the number of claims to be paid from the imprest fund. These are:

-- Provide Metro farecards to Commission offices for employees to use for local travel;

-- Enter into a contract for taxi service that would provide vouchers for employees to use for local travel; and

-- Pay local travel claims and vendors, whenever possible, by electronic fund transfers.

We advised the OFB Director that these initiatives could be implemented as soon as procedures were developed, and there was no need to wait for the results of this audit. The OFB Director was developing procedures to ensure proper use of the farecards and taxis, but anticipated implementing the initiatives in the near future.

Consolidation of the imprest funds will necessitate revising USITC Directive 3602.1 and the office procedures, if OFB wants to retain the latter guidance.

RECOMMENDATIONS

We recommend that the Acting Director of Administration:

1. Promptly close the OMS imprest fund and reduce the OFB imprest fund to $2,000, or reduce the OFB and the OMS imprest funds to $1,000 each;

2. Review the cash turnover in six months to determine if the fund(s) should be further reduced;

3. Properly designate cashier(s) for the imprest fund(s) and ensure that each cashier has copies of applicable guidance;

4. Store the duplicate key for the OFB cash box in a signed, dated, and sealed envelope with the Office of the Secretary;

5. Change the safe combination if a fund is located in OMS;

6. Instruct the cashier(s) to submit a monthly accountability report (SF 1129); and

7. Revise USITC Directive 3602.1 and the office procedures, if desirable.

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

August 20, 1996 **AD-T-151**

MEMORANDUM

TO: **The Commission**

FROM: **Stephen A. McLaughlin, Acting Director**
Office of Administration

SUBJECT: **Administration's Response to the Draft Audit Report of the USITC Imprest Funds**

On August 12, 1996, the Inspector General submitted copies of the above-referenced audit to each Commissioner by memorandum (IG-T-052). The IG also submitted a copy to Administration for review and comment, if necessary. The Office of Administration generally concurs with the Inspector General's findings and suggestions, with a couple of minor exceptions. Our comments on each of the seven recommendations are set forth below.

Recommendation #1: Promptly close the OMS imprest fund and reduce the OFB imprest fund to $2,000, or reduce the OFB and OMS imprest funds to $1,000 each.

Response: We partially agree. The Office of Administration was in the process of closing the OMS imprest fund in order to consolidate it with the imprest fund in the Office of Finance & Budget. This process should be complete by the end of fiscal year 1996. The use of Metro fare cards and implementation of a taxi agreement will reduce the demand for funds from the imprest fund. The precise level of reduced funding should not be determined until a sufficient review period has expired, although we believe we can reduce the amount of funds to $3,000 once the consolidation of the imprest funds is complete.

Recommendation #2: Review the cash turnover in six months to determine if the fund(s) should be further reduced.

Response: We agree. The funds should be reduced following a review of activity over a six month period.

Recommendation #3: Properly designate cashier(s) for the imprest fund(s) and ensure that each cashier has copies of applicable guidance.

Response: We agree. The designations will be updated and the necessary instructions will be distributed by September 30, 1996.

Recommendation #4: Store the duplicate key for the OFB cash box in a signed, dated, and sealed envelope with the Office of the Secretary.

Response: We agree. With the consolidation of the imprest funds, the only thing in the safe will be a single cash box. However, since we are required by the Treasury Manual to have double security, we will keep the cash box locked and store the duplicate key with the Secretary.

Recommendation #5: Change the safe combination if a fund is located in OMS after September 30, 1996.

Response: We agree. However, no fund will be located in OMS.

Recommendation #6: Instruct the cashier(s) to submit a monthly accountability report (SF 1129).

Response: We generally agree, with the clarification that, when there has been no activity during the month, a monthly accountability report annotated "No Replenishment Vouchers Submitted" will be retained in the files.

Recommendation #7: Revise USITC Directive 3602.1 and office procedures, if desirable.

Response: We agree. The directive and office procedures will be reviewed in light of the transfer and consolidation of the imprest funds.

cc: The Inspector General
Director, Office of Finance & Budget
Director, Office of Management Services

Approval of Administration's Response to the Draft Audit Report of the USITC Imprest Funds (AD-T-151, dated August 20, 1996)) with the following clarification of responses to recommendations #1 and #2:

> The OFB imprest fund can be maintained at the $4,000 level no longer than December 31, 1996, at which time it will be reduced to no more than $3,000. The cash turnover will be reviewed after the six month period ending March 31, 1997.

M. Miller 5/23/96

Marcia E. Miller, Chairman Date