

Office of INSPECTOR GENERAL

Audit Report

*Audit of USITC's Imprest and
Official Representation Funds*

Report No. IG-05-91



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UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1991

Audit of USITC's Imprest and Official Representation Funds

The Office of Inspector General has completed an audit of the USITC imprest funds. According to the Treasury Financial Manual (I TFM 4-3040.90), agencies are responsible for making quarterly cash counts and periodic unannounced audits of each imprest fund. The purpose of the audit was to determine if funds were properly accounted for and administered in accordance with USITC policy and Treasury guidelines. As part of this review, we also evaluated the management of the official representation fund.

Two imprest funds have been established in the USITC. One fund, amounting to \$1,500, is located in the Office of Management Services (OMS), Procurement Division, and handles local travel and small purchases. An alternate has been advanced \$200 of this fund. A second fund, amounting to \$6,000, is located in the Office of Finance and Budget (OFB) and handles travel advances, and payment of travel vouchers and official reception and representation claims. A subfund of \$2,000 was established from this fund.

We found that, in general, the OMS and OFB imprest funds were in balance and had adequate internal controls over authorization and documentation of expenditures and physical security. Our evaluation of the official representation fund found there were adequate policies and procedures for authorizing and controlling disbursements.

We found several areas of noncompliance with Treasury guidelines that are nonmaterial in nature. These were a lapse in security over the OFB fund, the absence of approvals for claims made by certain Commission officials, and inadequate accounting for replenishments in the OFB subfund. Our followup on prior recommendations found that corrective actions had been implemented as agreed, but the action taken on the recommendation to evaluate the level of the OFB subfund needs to be readdressed.

We recommend that the Director, Office of Administration:

- Clarify policy on authorization of imprest fund claims for Office Directors and obtain delegation of authority from the Chairman if appropriate (page 5); and
- Reduce the level of the OFB subcashier's fund to no more than \$1,500 or obtain the Chairman's approval that the \$2,000 is needed based on considerations such as the purpose of the fund (page 7).

The Director of Administration agreed with the first recommendation and, based on the Acting Chairman's decision, plans to reduce the level of the OFB subcashier's fund to \$1,500 by May 1, 1991. The Director's comments are presented in their entirety as an appendix to the report.

A handwritten signature in cursive script, reading "Jane E. Altenhofen".

Jane E. Altenhofen
Inspector General

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INTRODUCTION AND SCOPE

The Office of Inspector General has completed an audit of the USITC imprest funds. According to the Treasury Financial Manual (I TFM 4-3040.90), 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 USITC policy and Treasury guidelines.

Our review was conducted in January 1991. The field work was performed at Commission Headquarters in Washington, D.C. in the Office of Finance and Budget (OFB) and the Office of Management Services (OMS), Procurement Division. 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.

The audit covered imprest fund activity during Fiscal Year (FY) 1990 and FY 1991 through January 10, 1991. In addition to a routine cash count of the funds on January 10, we examined 25 expense vouchers totaling \$555.39 on hand in the OMS fund, and 12 travel advances totaling \$2070.00 in the OFB fund. We also examined vouchers to replenish the funds that were paid during the period November 1989 through July 1990 in order to evaluate the appropriateness of the fund levels.

As part of this review, we evaluated the management of the official representation fund. We evaluated the policies and procedures for authorizing and controlling disbursements. We reviewed all expenditures made from the fund in FY 1990.

A prior audit report on the Commission imprest funds was issued on October 19, 1989, (IG-01-90). The Director, Office of Administration reported that corrective action had been completed on the recommendations in this report in a memorandum to the Audit Followup Official dated May 4, 1990. We determined whether the action taken had adequately addressed the recommendations.

This review was performed in accordance with applicable generally accepted government auditing standards. Accordingly, the review 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 USITC. One fund of \$1,500 located in the OMS, Procurement Division, is for local travel, small purchases, and certain training related expenses. An alternate has been advanced \$200 of this fund. A second fund of \$6,000 located in OFB is for travel advances, travel vouchers and official reception and representation claims. A subfund of \$2,000 was established from this fund.

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, July 1985; 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, and OFB on January 18, 1990.

The establishment and use of an official reception and representation fund not to exceed \$2,500 is authorized in the Commission's FYs 1990 and 1991 appropriation laws. Applicable policies and procedures are set forth in USITC Administrative Order 87-8, Official Reception and Representation Expenses, and Acceptance of Gifts, Devices, and Bequests of Property, issued June 26, 1987.

Agencies are responsible for making quarterly cash counts of the imprest funds. At the request of the Director, Office of Administration, the Inspector General has agreed to conduct these cash counts. During FY 1990 and the first quarter of FY 1991, five cash counts of the imprest funds were conducted by the Inspector General. The funds were generally in balance with minor differences.

FINDINGS AND RECOMMENDATIONS

We found that, in general, the OMS and OFB imprest funds were in balance and had adequate internal controls over authorization and documentation of expenditures and physical security. Our evaluation of the official representation fund found there were adequate policies and procedures for authorizing and controlling disbursements.

We found several areas of noncompliance with Treasury guidelines that are nonmaterial in nature. These were a lapse in security over the OFB fund, the absence of approvals for claims made by certain Commission officials, and inadequate accounting for replenishments in the OFB subfund. Our followup on prior recommendations found that corrective actions had been implemented as agreed, but the action taken on the recommendation to evaluate the level of the OFB subfund needs to be readdressed.

IMPREST FUND

Our routine count of the cash and documentation on hand on January 10, 1991, revealed that the imprest funds were in balance with the exception of the OFB main fund. The balance of that fund exceeded the established level of \$4,000 by \$1.00. Several areas of noncompliance with Treasury guidelines, that are nonmaterial in nature, were a lapse in security over the OFB fund, the absence of approvals for claims made by certain Commission officials; and inadequate accounting for replenishments in the OFB subfund.

Physical Security

Upon commencement of our cash count of the main OFB fund, we observed that the cabinet in which the cash box was stored was unlocked. The Treasury Manual states that security should be constantly maintained over the imprest fund and that the cash be adequately protected at all times. The OFB policy is to physically secure the fund in a locked cash box, stored inside a cabinet equipped with a combination lock that is located inside a locked closet with an audible alarm system. It is important to lock the cabinet even when the box and door are locked. For instance, if someone obtained the keys to the closet (the cashier and the Director, OFB have sets) they could take the cash box. The Director, OFB has discussed the importance of adhering to security procedures with the cashier.

Certification of Claims for Reimbursement

We found that three of the claims for reimbursement of local travel expenses were paid without a signature of an approving official as correct and proper for payment. Paragraph 4.a.1 of Directive 3602.1 requires that the claimant's supervisor, as authorizing official, must ensure that all claims for reimbursements of local transportation, small purchases, and travel vouchers are expenditures connected with official business and have proper documentation. The employee is to obtain the signature of the authorizing official.

Two of the unauthorized claims, in the amounts of \$32.25 and \$32.85 respectively, were made by the Director, Office of Executive and International Liaison, and paid by the principle OMS cashier. According to the cashier and the Chief of the Procurement Division, claims for some USITC officials, such as Office Directors and Commissioners, have customarily been paid without an approving official signature.

In general, the Commission's enabling legislation provides that the Chairman of the Commission is to approve all appropriate expenses upon the presentation of itemized vouchers therefor with the exception that individual Commissioners may approve their own expense vouchers and those of their personal staff. The Chairman has delegated the authority to approve certain travel and other expenses to various Commission employees. The Chairman has not delegated authority for any Commission employees to approve their own expense claims.

We believe the supervisor's approval is a good control and not one that is oppressive to the supervisors or employees involved. Our preference would be for all Office Directors to have their imprest fund claims authorized by a supervisor. If this is determined to be administratively burdensome, the Chairman could delegate authority to the Office Directors to authorize their own claims. For control purposes, we would prefer this delegation be made only to the Office Directors that report to the Chairman but could be extended to all Office Directors.

One claim, in the amount of \$6.00 was made by an employee of the General Counsel. According to the OMS cashier, the absence of the General Counsel's signature as an approving official was inadvertently overlooked when the claim was paid. The cashier had the General Counsel sign the voucher immediately.

Replenishments

We found that the principle OFB cashier does not account for cash advances to the subcashier in accordance with suggested Treasury procedures. According to the Treasury Manual, replenishments

should be submitted on an SF 1129 or agency equivalent voucher. In OFB, the subcashier exchanged vouchers for cash to replenish the fund. The subcashier initialed a log to indicate the amount of cash received but did not prepare a SF 1129 or equivalent agency voucher. The Director of OFB directed his staff to immediately develop a form to use as an equivalent agency voucher and to then amend the desk procedures.

Recommendation

We recommend that the Director, Office of Administration clarify policy on authorization of imprest fund claims for Office Directors and obtain delegation of authority from the Chairman if appropriate.

REPRESENTATION FUND

We found there were adequate policies and procedures for authorizing and controlling disbursements from the official representation fund. The Commission's FYs 1990 and 1991 appropriation provides funds for official reception and representation expenses not to exceed \$2,500. These funds may be used for meals for both government and non-government personnel and light refreshments at career service award ceremonies. As stipulated in Administrative Order 87-8, all expenditures for such purposes must be justified in writing and approved only by the Chairman. The Chairman's approval should be documented on a special Commission form which discloses the purpose and cost of the event.

We found that in FY 1990, the official reception and representation fund was utilized three times for an official reception for Commission employees, and an official dinner and breakfast for visiting foreign dignitaries. The cost of those events amounted to \$440.67. According to OFB records, these expenditures were duly authorized by the Chairman and supported by written justifications, receipts for goods purchased, and other documentation.

PRIOR YEAR RECOMMENDATIONS

We performed a followup verification of corrective actions taken in response to the recommendations in the prior audit report. The audit report included recommendations concerning authorizing signatures, revising directives and procedures, accounting for the transfer of cash, and reducing the amount of one of the funds. The Director, Office of Administration notified the Audit Followup Official on May 4, 1990, that corrective action had been completed

on all of the recommendations. Our review found that the actions taken on three recommendations were sufficient, but that the recommendation on the OFB subcashier's fund level needs to be readdressed.

Authorizing Signatures

We recommended that official Signature/Designation Cards for Certifying Officers or memoranda documenting personnel authorized to request disbursements be prepared. On March 27, 1990, the Director, Office of Administration notified the Chairman that the designations had been made using a memorandum format. In reviewing the imprest funds, we found that the cashiers were using the signatures for reference as required.

Revised Directives and Procedures

We recommended that an agency-wide directive and cashier desk procedures on imprest fund operations be issued that incorporate Treasury guidelines and set forth policy and procedures unique to the Commission. USITC Directive 3602.1, Imprest Fund Claims and Advances, was issued on February 1, 1990. Desk top procedures were issued by OFB on January 18, 1990, and by OMS on December 29, 1989.

Accountability for Transfer of Cash

We recommended that receipts (SF 1165s) be prepared to account for advances in accordance with Treasury guidelines. A SF 1165 was prepared to advance funds to the OFB subcashier on September 5, 1989. OMS began using the SF 1165 to support fund replenishments in late 1988, but had not prepared a SF 1165 for the original advance of funds to the alternate cashier. OMS prepared a SF 1165 for the original advance after this was brought to their attention.

Fund Level

We recommended that the OFB subcashier's fund be reevaluated after six months of operation and, if warranted, be reduced. In a memorandum dated November 30, 1989, the Director of OFB presented the six month experience of the fund. The bi-monthly turnover rate from June through November 1989 averaged \$1,700 and the usage was increasing in the later months indicating that the \$2,000 level was justified.

Treasury guidelines state that cash on hand must be kept to the minimum needed to meet normal requirements and recommends that every effort be made to minimize outstanding balances. They recommend that the cashier turn over the advance at least once

every two months, although consideration should be given to the processing time for preparation of the reimbursement voucher, the time required to process the payment request and return the replenishment checks to the cashier and the purpose of the fund. We did not find that the latter considerations justified an increased level for the OFB subfund.

We found that the average bi-monthly turnover of the OFB subfund was only \$760 over the fifteen month period after the trial period. This level of activity indicates that the \$2,000 level of the subfund far exceeds a reasonable level consistent with the needs of the Commission and Treasury guidelines. The previous report suggested reducing the fund balance to no more than \$1,500. We believe that this level would be sufficient based on the historic utilization of the fund. If the subfund were reduced, the \$500 could be retained in the main fund which had a higher turnover rate rather than have an overall reduction in the fund.

Recommendation

We recommend that the Director, Office of Administration reduce the level of the OFB subcashier's fund to no more than \$1,500 or obtain the Chairman's approval that the \$2,000 is needed based on considerations such as the purpose of the fund.



AD-O-291

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 24, 1991

MEMORANDUM

TO: Inspector General

FROM: Director, Office of Administration *Loni S. Goodrich*

SUBJECT: Draft Report: Audit of USITC's Imprest and Official Representation Funds

As requested by your memorandum dated March 18, 1991 (IG-O-031), submitted as an attachment to this memorandum is the Office of Administration's response to the subject draft audit report issued in March 1991. In accordance with Section 11 of the USITC Directive 1701, the Commissioners have had an opportunity to comment on the response and the Acting Chairman has approved it with a modification. We plan to comply with the Acting Chairman's decision on the subcashier's fund in the Office of Finance and Budget by May 1, 1991.

Please call me at 252-1131 or Bill Stuchbery at 252-1135 if you have any questions.

Attachments

cc: Director, Office of Finance and Budget
Director, Office of Management Services



AD-O-253

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 5, 1991

TO: Acting Chairman Brunsdale

FROM: Director, Office of Administration *Sam J. Lodwick*

SUBJECT: Approval of Administration's Comments of the Inspector General's Draft Audit Report: "Audit of USITC's Imprest and Official Representation Funds"

On March 18, 1991, the Inspector General submitted copies of the subject audit to each Commissioner by memorandum (IG-O-031). The IG also requested Administration to review the draft audit report and make comments if necessary. In accordance with Section 11 of USITC Directive #1701, "Audit Policies and Procedures", the Office of Administration has sent its comments in draft to the Commissioners, other than you as Acting Chairman, for review. Commissioners Rohr, Lodwick and Newquist did not have any comments at this time. Confirmation was made with their staff assistants.

This audit contains a number of recommendations which are considered non-material, but where policies and procedures need to be refined or appropriate steps taken to correct the situation.

The Office of Administration agrees with the Inspector General's recommendation to clarify policy on authorization of imprest fund claims for Office Directors and obtain delegation of authority from the Chairman if appropriate. We intend to complete the action on this recommendation by June 14, 1991. However, we disagree with the recommendation to "reduce the level of the OFB subcashier's fund to no more than \$1,500 or obtain the Chairman's approval that the \$2,000 is needed based on considerations such as purpose of the fund."

When we established the subcashier fund it was to provide travel advances to Commission staff when for some reason the main cashier was not available (e.g. emergency leave, away at meetings, etc.). As far as our customers are concerned, the Office of Finance and Budget has one imprest fund in Room 316, which meets their requirements.

With the Commission staff taking between 700 and 800 trips per year it is not inconceivable that with the maximum allowable cash advance level at \$500.00 we could deplete the subcashier fund within a short period of time. Therefore it is our recommendation that the subcashier fund remain at \$2,000 and the main fund at \$4,000.

In accordance with Section 11 of USITC Directive #1701, submitted herewith are Administration's comments and corrective action plan for your approval before they are sent to the Inspector General and a copy of the draft audit report. Since the IG has set a deadline of April 18, 1991, for receiving a final response, it would be appreciated if you could indicate your approval, or modification, by the close of business Tuesday, April 16, 1991.

Approved: _____

Modify as follows: Subcashier fund to be established at \$1,500 level.

Anne Brundage

Acting Chairman

4/22/91
Date

Attachment

cc: Director, Office of Management Services
Director, Office of Finance and Budget
Inspector General w/o attachment