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To: Carrie Hessler-Radelet, Acting Director

From: Kathy A. Buller, Inspector General 

Subject: Management Advisory Report: \$10,000 Theft at Peace Corps/Sierra Leone

Date: March 14, 2013

The purpose of this report is to bring to your attention a theft of over \$10,000 in cash at Peace Corps/Sierra Leone due to poor oversight by post management, which allowed the post's imprest funds to be misused for at least two years. Our office will also be issuing a report of investigation regarding this incident.

In late January 2013 the PC/Sierra Leone country director (CD) reported the Imprest fund theft to the Africa region acting regional director. The CD discovered the theft when requesting a travel advance. The cashier could not fund the advance because there was not have enough cash available in the imprest fund. The CD and director of management and operations (DMO) promptly conducted an imprest fund verification revealing that the cashier was short approximately \$10,884 (\$1,129 + 9,755 U.S. Dollar Equivalent [USDE]). Upon further questioning the cashier stated that over the past year she had been withdrawing funds for personal use, essentially providing herself with small loans using agency funds, and returning the funds when needed. This misuse of agency funds may have occurred as early as the cashier's date of hire in 2010.

Background

Posts use imprest funds to pay for small dollar miscellaneous supplies, trainee allowances, host family payments, and in-country travel advances. The imprest fund is inherently vulnerable to theft and misuse and must be monitored closely by the CD and DMO. The DMO is responsible for approving all imprest fund transactions made by the cashier. In addition, the DMO is required to conduct *unannounced* imprest fund verifications each month to ensure that all funds are accounted for. The imprest fund verification is one of the most important controls to prevent theft and abuse of the post's cash.

In July 2011, independent auditors visited PC/Sierra Leone as part of the agency's annual financial statement audit. The auditors noted several weaknesses in the imprest fund including the DMO and cashier inappropriately storing excess cash identified during imprest fund verifications and using it to cover up fund shortages in later months. By storing excess cash any irregularity in the imprest fund verifications would be difficult to detect. In addition, auditors reported that the DMO and cashier were not counting individual bills during the monthly verifications. These findings were reported to the DMO, CD, and management at headquarters.

Daily Reconciliations

Peace Corps Manual section (MS) 760 requires cashiers to perform daily reconciliations of imprest funds. The cashier's daily reconciliations over the last year demonstrated a pattern of out-of-balance imprest funds, without regard for reconciling and reporting the discrepancies. The *Department of State Cashier User Guide* states that, "If an "unexplained" out-of-balance condition is discovered by the cashier during a normal daily reconciliation of funds and records; the cashier notifies his/her supervisor and acknowledges the difference in writing." We did not find evidence that the cashier reported or explained the out-of-balance daily cashier reconciliations nor that the DMO was spot checking the daily reconciliations. As such, the daily reconciliations were not an effective self-monitoring mechanism and the DMO was not verifying that they were complete. Had the DMO checked the daily reconciliations and followed-up on discrepancies, he may have been able to identify the issue with the cashier withdrawing funds for personal use.

Monthly Verifications

The monthly verifications conducted by the CD and DMO were predictable and routinely scheduled for the end of the month, which did not allow the fraud to be detected (see Table 1). The *Overseas Financial Management Handbook* (OFMH) states, "The monthly and quarterly verifications must be unannounced and performed at different times each month, e.g., they should not be done on the last day of every month." The routine verifications allowed the cashier to misuse the funds for most of the month before returning the cash to anticipated levels in anticipation of the monthly verification.

Table 1. Imprest Fund Verification Dates

Date of Verification	Verifier	Date of Verification	Verifier
January 25, 2012	CD	July 26, 2012	DMO
February 23, 2012	DMO	August 30, 2012	DMO
March 28, 2012	DMO	September 26, 2012	CD
April 30, 2012	CD	October 23, 2012	DMO
May 30, 2012	DMO	November 28, 2012	DMO
June 25, 2012	FA	December 28, 2012	CD

In addition, the CD said that on two occasions (September and December 2012) when she tried to conduct a monthly verification the cashier could not be found. The CD conducted the verification within the next few days; however, the cashier may have used the additional time to correct irregularities in the imprest fund.

In addition, the monthly verifications were incomplete. In 2011, the independent auditors reported that the DMO did not count all of the cash during the monthly verification. Instead, the DMO visually checked the stacks of bills. The post used the most trusted bank in Sierra Leone and the CD and DMO believed that the bank's totals on the plastic sleeves around the bills were accurate. During our site visit in 2013, we found that the cashier had a stack of new plastic sleeves in her drawer and a bag full of old bank labels listing different amounts. This allowed her to easily place lower denominations or fake bills into the stack, reseal it in a new bag, and pass it off as containing more money than it did.

Figure 1. Unused Bank Sleeves and Tags in the Cashier's Drawer



Oversight and Leadership

The DMO's failure to provide adequate oversight of the cashiering operations allowed the cashier to use imprest funds for personal gain without being caught. The DMO failed to correct the deficiencies identified during the 2011 financial statement audit. These routine and incomplete imprest fund verifications enabled the cashier to commit fraud with little risk of detection or punishment.

The DMO said that the cashier had taken approximately \$1,000 USDE from the imprest fund in September 2012 and that he gave her one week to repay it. The amount was returned by the time of the imprest fund verification and was never properly reported to headquarters and not adequately documented. MS 760 requires posts to report losses to the Office of the Inspector General, personnel in the Office of Global Accounts Payable, and the U.S. disbursing officer. The DMO should have reported the incident to ensure the issue was properly resolved. In addition, fully documenting deficiencies and irregularities is essential for employee management and to provide historical information. Furthermore, there is no documentary evidence that the cashier was disciplined for her actions. Instead, the DMO provided a positive recommendation of the cashier to the U.S. Embassy after having found that the cashier had taken approximately \$1,000 USDE.

While the CD is ultimately responsible for the overall management of the imprest fund; through delegation of authority the DMO is the cashier's supervisor and must carry out the responsibilities of overseeing imprest fund management. MS 760 states that, ". . . supervisor may be disciplined for mismanagement of the cashier advance." According to the *Department of State's Cashier User Guide*:

The verification is to ensure that the cashier is in compliance with Treasury and State Department regulations and that effective internal controls have been established by the post to prevent U.S. Government (USG) funds from being stolen or misused. Supervisory personnel failing to carry out the basic responsibility to assure protection of U.S. funds from waste, fraud or misuse may be held personally liable for the repayment of the loss and/or disciplinary action by the Department as prescribed in 3 FAM 4110.

We recommend:

1. That the Africa region take appropriate administrative action of the management personnel at Peace Corps/Sierra Leone responsible for the oversight and management of imprest fund operations.
2. That the Office of the Global Accounts Payable instruct the overseas cashier liaison to monitor the date that posts' submit monthly imprest fund verifications to identify and report to the regions the posts that have repeated issues and irregularities, to include posts that routinely conduct the verification around the same date each month.
3. That the post conduct complete monthly imprest fund reconciliations, including counting every bill, on varying days of the month.

cc: Carlos Torres, Acting Associate Director for Global Operations
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