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FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/EL SALVADOR'S CASHIERING OPERATIONS

AUDIT REPORT NO. 1-519-05-011-P
AUGUST 17, 2005

SAN SALVADOR, EL SALVADOR



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MEMORANDUM

TO: USAID/EI Salvador Director, Mark Silverman
FROM: Acting RIG/San Salvador, Darren Roman “/s/“
SUBJECT: Report on Audit of USAID/EI Salvador’s Cashiering Operations
(Report No. 1-519-05-011-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered your comments on our draft report and have included your response in Appendix II.

This report does not contain any recommendations for your action.

Once again, I want to express my appreciation for the cooperation and courtesy extended to my staff during the audit.

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SUMMARY OF RESULTS

The Regional Inspector General/San Salvador conducted this audit to determine whether USAID/EI Salvador managed its cashiering operations efficiently, economically, and in accordance with USAID policies and procedures.

USAID/EI Salvador managed its cashiering operations efficiently, economically, and in accordance with USAID policies and procedures. However, we noted that the Mission did not properly designate the alternate cashier and the sub-cashier (page 3). No recommendation is being made since the Mission rectified this issue.

Management comments are included in the report at Appendix II. USAID/EI Salvador expressed their agreement with the contents of the report.

BACKGROUND

USAID/EI Salvador is authorized to maintain a revolving imprest fund of \$8,000. The imprest fund is used to make emergency payments and to replenish the petty cash fund about two times per month. Petty cash is used to pay for miscellaneous goods and services such as supplies for USAID-leased homes, maid services, and utility bills. The limit for petty cash payments is \$500, unless written approval is received from the controller's office.

The primary cashier is responsible for managing the imprest fund while an alternate cashier has been appointed to replace the primary cashier during absences. The Mission has also appointed two sub-cashiers, as well as an alternate sub-cashier. Part of the imprest fund is stored in a savings account at Banco Cuscatlan and part of it is in the form of a petty cash account. The primary sub-cashier reports to the primary cashier and manages the petty cash fund of \$2,286. The alternate sub-cashier replaces the primary sub-cashier during absences. From January 1, 2005 to July 20, 2005, not including interest-related transactions, imprest fund transactions consisted of 21 withdrawals totaling \$20,342 and 13 deposits totaling \$16,350.

AUDIT OBJECTIVE

As part of its fiscal year 2005 audit plan, the Regional Inspector General/San Salvador performed this audit to answer the following question:

- Did USAID/EI Salvador manage its cashiering operations efficiently, economically, and in accordance with USAID policies and procedures?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDING

USAID/EI Salvador managed its cashiering operations efficiently, economically, and in accordance with USAID policies and procedures. Through interviews and various audit tests as discussed in the scope and methodology section, the following cashiering procedures were verified:

The imprest fund of \$8,000 is used to make emergency payments and to replenish the petty cash fund about two times per month. Petty cash is used to pay for miscellaneous purchases or to advance funds for these purchases. The sub-cashier periodically submits replenishment vouchers to the primary cashier, attaching a list of petty cash payments along with the original receipts and purchase requisitions. Analysis of imprest fund and petty cash transactions in addition to interviews with the primary cashier and the sub-cashier confirmed that the process is functioning efficiently as intended by USAID.

The primary cashier then performs a pre-audit to verify the amounts, names, and authorizations prior to sending the replenishment voucher to the voucher examiner. Detailed analysis of five vouchers showed that they were properly prepared and reviewed. Disbursements are made from the imprest fund by making cash withdrawals from the savings account at Banco Cuscatlan. While Banco Cuscatlan provides security for money in the imprest fund, the Mission provides security for the savings account passbook, undeposited checks, and the petty cash fund.

Approximately 15-30 days after the voucher examiner submits the request for replenishment, the primary cashier receives a check for the imprest fund. The primary cashier generally deposits the check into the imprest fund savings account at Banco Cuscatlan the next business day. The primary cashier records the deposit transaction into the Windows Automated Cashiering System (WinACS) and gives a copy of the receipt to accounting. WinACS is used by USAID missions to record cashier operations such as collections and payments.

The primary cashier is responsible for conducting a surprise count of the petty cash fund once a month. An unannounced reconciliation of the imprest fund balance is performed monthly by various accounting staff chosen by the controller. This process includes reconciling the savings account passbook, reviewing the transactions recorded in WinACS, and completing a cashiering checklist. Signatures are required to provide assurance that both the cash count and the reconciliation are taking place monthly. In addition, we conducted a surprise cash count of the petty cash fund and reconciled the imprest fund. We found no discrepancies.

Alternate Cashier and Sub-Cashier Were Not Properly Designated

Summary: USAID/EI Salvador did not properly designate the alternate cashier and the sub-cashier. Although the Foreign Affairs Handbook (4 FAH-3 H-393.2-5) requires maintaining files that include cashier designations, the Mission did not have documentation regarding the alternate cashier's official designation between October 31, 2003 and July 21, 2005. Also, contrary to the Treasury's Cashiering Manual, the Mission appointed a sub-cashier that was given authority to both approve and disburse transactions related to petty cash. The Mission did not follow-up on the status of the designation of the alternate cashier, and it did not recognize that there was inadequate separation of duties regarding the sub-cashier. Both roles are important to cashiering operations at the Mission. The alternate cashier assumes the primary cashier's responsibilities during absences and the sub-cashier is responsible for disbursing petty cash. A proper designation from the disbursing office provides evidence that the alternate cashier has passed the cashiering exam and has the necessary abilities to assume the position.

Alternate Cashier Designation - 4 FAH-3 H-393.2-5 states that cashiers must establish and maintain files that include "copies of all alternate and sub-cashier designations." The Mission did not have a copy of the alternate cashier's official designation between October 31, 2003 and July 21, 2005. In order to become a primary cashier or alternate cashier, requests for designation must be made by the Mission's financial management officer to the servicing disbursing office. While the Mission made the request, it did not receive any notice regarding the permanent designation of the alternate cashier because it did not make follow-up inquiries. The role of alternate cashier is important because this individual assumes responsibility for disbursements and advances during absences of the primary cashier. A proper designation from the disbursing office provides evidence that the alternate cashier has passed the required cashiering exam and has the necessary skills to assume the position. Confirmation of acceptance of the alternate cashier was faxed from the disbursing office to the Mission on July 21, 2005. Because a copy of this designation is currently kept in the primary cashier's files, we are not making a recommendation.

Sub-Cashier Appointment - With respect to the appointment of the sub-cashier, the Mission approved the Deputy Executive Officer as a sub-cashier on April 16, 2002, which allowed her to disburse petty cash. There was inadequate separation of duties because she was also authorized to approve such disbursements. According to Chapter 6 of the Treasury's Cashiering Manual, an approving official generally should not be responsible for any activity which may result in an inappropriate influence on another activity. The Mission intended this appointment to be temporary during a time when the primary sub-cashier and the alternate sub-cashier were unavailable. In addition, the Mission did not recognize the inadequate separation of duties. On July 21, 2005, the Deputy Controller issued a memo to revoke the Deputy Executive Officer's appointment as sub-cashier. The Mission already has another sub-cashier and an alternate sub-cashier; therefore, it is not necessary to appoint a second sub-cashier. Because the Mission has resolved the inadequate separation of duties issue, we are not making a recommendation.

EVALUATION OF MANAGEMENT COMMENTS

Management comments are included in Appendix II.

USAID/EI Salvador agreed with the contents of this audit report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/San Salvador conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine whether the cashiering operations were operating efficiently and economically. The audit covered the period from January 1, 2005 through July 20, 2005.

In planning and performing the audit, we obtained an understanding of and assessed the Mission's controls related to its cashiering operations. The management controls identified were separation of duties, surprise cash counts, monthly imprest fund reconciliations, and safeguarding of cash and checks.

The imprest fund account consisted of \$8,000, which included a petty cash fund of \$2,286. The audit was conducted at the Mission in El Salvador from July 12 through July 26, 2005.

Methodology

To answer the audit objective regarding whether the cashiering operations were being managed properly, we obtained an understanding of the cashiering requirements as described in the Department of Treasury's Manual of Procedures and Instructions for Cashiers, the Foreign Affairs Handbook, and USAID-published guidance.

We interviewed the cashier and sub-cashier regarding internal controls and current cashiering procedures. We performed a count of the petty cash and reconciled the imprest fund balance. Finally, we judgmentally selected five vouchers totaling about \$5,000 worth of transactions to review. These vouchers represented about 25 percent of withdrawal transactions in terms of number of transactions and dollar amount of transactions that were made between January 1, 2005 and July 20, 2005. We ensured that these vouchers were for valid purposes and that they were properly documented.

MANAGEMENT COMMENTS

August 9, 2005

MEMORANDUM

FOR: RIG/San Salvador, Timothy E. Cox

FROM: Mission Director, Mark I. Silverman /s/

SUBJECT: Report on Audit of USAID/EI Salvador Cashiering Operations (Report No. 1-519-05-0XX-P)

Thank you for subject report. The Controller's office is in agreement with the audit finding that USAID/EI Salvador is managing its cashier operations efficiently, economically and in accordance with USAID policies and procedures.

The audit report stated that the Mission had two administrative matters to attend to with regard to the designation of the alternate cashier and sub-cashier. We appreciate the thoroughness of your review and your identification of these items for action. As the report notes, the Mission has corrected both items.

We appreciate and commend the professionalism of your staff during the conduct of this audit.

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