



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/NIGERIA'S CASHIERING OPERATIONS

AUDIT REPORT NO. 7-620-06-003-P
July 31, 2006

DAKAR, SENEGAL



USAID
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Office of Inspector General

July 31, 2006

MEMORANDUM

TO: USAID/Nigeria Director, Patrick Fleuret
FROM: Regional Inspector General/Dakar, Nancy Toolan /s/
SUBJECT: Audit of USAID/Nigeria's Cashier Operations (Report No. 7-620-06-003-P)

This memorandum is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report and included them in Appendix II.

This report contains one recommendation with which you concurred in your response to the draft report. Based on appropriate action taken by the Mission, a management decision has been reached, and the recommendation is considered closed upon issuance of this report. No further action is required of the Mission.

I appreciate the cooperation and courtesies extended to the members of our audit team during this audit.

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SUMMARY OF RESULTS

The Regional Inspector General/Dakar conducted this audit to determine if USAID/Nigeria managed its cashiering operations efficiently, economically and in accordance with Agency policies and procedures. (See page 2). USAID/Nigeria generally managed its cashier operations in accordance with applicable requirements. However, the Mission did not manage the operations as economically or as efficiently as it could. (See page 3).

Despite generally adhering to applicable requirements, we noted that USAID/Nigeria did not manage its cashier operations as economically as it could. At the time of our audit, USAID/Nigeria had not reviewed the imprest fund level for at least three years, contrary to Cash Management Policy Guidelines. The Acting Controller explained that the delay in reviewing the imprest fund level was due to many competing demands, but that a review of the fund was underway at the time of our audit. Therefore, we are not making a recommendation regarding this issue. (See page 3).

We also found that USAID/Nigeria was not managing its cashiering operations as efficiently as it could. Our audit disclosed two management duties required by the Department of State's Foreign Affairs Handbook that the cashier was not performing regularly. The first was a failure to perform daily cash reconciliations and the second was a failure to follow-up on outstanding advances. The cashier told us that she does not have the time to perform these management duties due to many other demands and pressure to perform routine transactions outside of normal operating hours. (See pages 4 to 5).

The cashier's failure to perform and catch up with daily management responsibilities exposes USAID/Nigeria's cashiering operations to the risks associated with poor financial management. To address this weakness, we are recommending that USAID/Nigeria develop policies to restrict transactions occurring outside of normal cashier operating hours. (See page 5).

BACKGROUND

Mission cashiering operations are governed by policies and procedures issued by the U.S. Department of the Treasury, the U.S. Department of State, and the U.S. Agency for International Development¹.

A mission cashier typically (1) maintains an imprest fund in amounts prescribed by the State Department's U.S. Disbursement Office in Charleston, South Carolina; (2) makes cash disbursements from the imprest fund against properly authorized documents; (3) accepts payments on behalf of the U.S. government, such as bills of collection; (4) deposits funds collected into the U.S. Disbursement Office's dollar account; and (5) maintains records of cash payments made by the alternate cashier and replenishes the imprest fund of the alternate cashier.

Generally, the purpose of an imprest fund is to make small payments when the ordering of checks is not practical and where the best interests of the U.S. government are served by making payments in cash. At the same time, cash in hand must be kept to the minimum needed to meet mission requirements.

USAID/Nigeria is currently authorized to maintain a revolving imprest fund of \$100,000. The Mission has a primary cashier, who is responsible for managing the imprest fund, and an alternate cashier who replaces the primary cashier during absences. Cash disbursements are made for such purposes as payroll, utilities payments and accommodation exchange transactions. The Mission relies heavily on its imprest fund because Nigeria lacks a reliable banking system.

AUDIT OBJECTIVE

The Regional Inspector General/Dakar conducted this audit to answer the following audit objective:

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

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

¹Guidance for cashier operations includes: The Department of Treasury's Financial Management Service Cashier's Manual and the Department of State's Foreign Affairs Handbook Financial Management Procedures for Cashier Operations, and USAID's Bulletin 10-- "Mission Cashier Operations".

AUDIT FINDINGS

USAID/Nigeria generally managed its cashier operations in accordance with applicable requirements. However, the Mission did not manage the operations as economically or as efficiently as it could.

In accordance with requirements, cash transactions at USAID/Nigeria were performed by the designated Class B Cashier who was approved by the U.S. Disbursement Office. The cashier's duties were appropriately segregated from the accounting and vouchering functions in the Controller's office. In addition, we found that cash, checks, and paid vouchers were kept in a separate, protected area in a locked safe. Suitable precautions are taken when transporting money between the bank and office. For example, the bank is provided with a list of check numbers and amounts by letter and a photo of the cashier and a bank employee delivers the cash to the cashier the next day. When it is absolutely necessary for the cashier to go to the bank, she rides in an armored vehicle. Furthermore, our spot check on the cashier's internal controls revealed that required policies and procedures were being adhered to in practice. For example, we found that disbursements were made only for the types of purchases allowed under USAID guidance, disbursements in excess of \$500 were authorized by the Controller and signed receipts were obtained for payments.

Despite generally adhering to applicable requirements, we noted that USAID/Nigeria did not manage its cashier operations as economically as it could. According to the Cash Management Policy Guidelines, Mission Controllers are required to review the level of imprest funds held by their cashiers at least annually to ensure that such funds are commensurate with actual needs. At the time of our audit fieldwork, USAID/Nigeria's Controller had not reviewed the imprest fund level in at least 3 years, even though the Mission has grown substantially in that time. The Acting Controller explained that the delay in reviewing the imprest level was due to too many competing demands, but that she was reviewing the fund at the time of our audit. Therefore, because the imprest level was under review, we are not making a recommendation regarding this issue.

We also found that USAID/Nigeria was not managing its cashiering operations as efficiently as it could. The following describes two weaknesses in the Mission's management of its cashiering operations.

Competing Priorities and Pressures Affect Efficiency Of Cashier Operations

Summary: According to the Department of State's Foreign Affairs Handbook, which is a key source of guidance for USAID's cashiering operations, the cashier should perform a full reconciliation of the operating cash advance and cash collections on a daily basis. We performed a spot check on cashiering operations and asked the cashier to reconcile the operating cash advance and cash collections. After two weeks, the reconciliation was still not complete, but the difference between the cash on hand and the documentation was an insignificant amount. When we asked if the cashier normally reconciles the funds daily, the cashier told us that she does not have the time to perform this management duty on a daily basis due to too many other demands. Additionally, the cashier had not performed any regular follow-up on the over \$7,000 in outstanding advances at the time of the audit. This too was due to competing priorities and pressures on the cashier to perform many routine transactions outside normal operating hours, thus impacting the amount of time available to perform needed management and administrative duties.

Our audit disclosed two management duties that the cashier was not performing efficiently. The first was a failure to perform daily cash reconciliations and the second was a failure to follow-up on outstanding advances.

According to the Department of State's Foreign Affairs Handbook, which is a key source of guidance for USAID's cashiering operations, the cashier should perform a reconciliation of the operating cash advance and cash collections on a daily basis. In order to verify that the cashier properly accounts for the funds, we performed a spot check on cashiering operations and asked the cashier to reconcile the operating cash advance and cash collections without any prior warning. We found that the cashier was unable to reconcile the funds, so we documented the interim results and allowed the cashier to complete the reconciliation on her own. However, after two weeks, the reconciliation was still not complete, but the discrepancy was an insignificant amount that may have been due to the cumulative effect of customers waiving their right to change when the cashier did not have small bills. When we asked if the cashier normally reconciles the operating cash advance and cash collections daily, the cashier told us that she does not have the time to perform this management duty on a daily basis due to too many other demands.

The second area where we noted that management duties were not being performed efficiently related to outstanding advances paid to employees. A cashier advance is money loaned out of the imprest fund to facilitate transactions before the approved voucher is processed. An example of an advance is money provided to an employee to purchase airline tickets, which will be reimbursed by the Mission when the travel voucher is processed. The Foreign Affairs Handbook requires cashier advances to be repaid within 72 hours or less. While we acknowledge that repayment within 72 hours is not always reasonable due to the multiple approvals that are necessary to process

vouchers, we interpret the guidance to mean that advances should be repaid as soon as reasonably possible.

On the day that we performed a spot check of USAID/Nigeria's cashiering operations, there were 35 outstanding advances totaling \$7,467. Of these, 12 advances (34 percent) were less than 30 days old, 6 advances (17 percent) were between 30 and 60 days old, 8 advances (23 percent) were between 60 and 90 days old, with the remaining 9 advances (26 percent) more than 90 days old. One advance was more than one year old. The cashier acknowledged that she had not conducted sufficient follow-up on these advances to ensure repayment within a reasonable time period due to other duties which reduced the time available to perform this management duty on a regular basis.

We discussed the cashier's duties, work schedule and competing priorities with the Acting Controller and other members of the Controller's staff. The Acting Controller observed that at most missions, the cashier offices are closed one day a week so the cashier has sufficient time to perform management activities without the interruption of normal cashier transactions. While USAID/Nigeria's cashier is open every day, the 'official' cashier hours of 9:00 am to 12:00 pm are intended to provide such uninterrupted time each afternoon. However, the Mission management acknowledged that there is no effective policy limiting the number of transactions performed outside of normal operating hours. As such, the cashier never actually closes because customers request service throughout the day and—in an effort to provide good customer service—the cashier does not turn them away. These competing priorities and pressures hinder the ability of the cashier to manage her time and workload efficiently and result in poor financial management over cashiering operations.

USAID/Nigeria is not managing its cashier operations as efficiently as it could by not enforcing established operating hours for routine transactions. This leniency reduces the amount of time available to perform management duties, resulting in poor management over cashier operations. To address this weakness, we make the following recommendation.

Recommendation No.1: We recommend that USAID/Nigeria develop policies to restrict transactions occurring outside of normal cashier operating hours.

EVALUATION OF MANAGEMENT COMMENTS

USAID/Nigeria agreed with the finding and recommendation in the draft audit report, and indicated that appropriate action had been taken to address the recommendation. Therefore, a management decision has been reached for the recommendation.

Recommendation No. 1 states that USAID/Nigeria should develop policies to restrict transactions occurring outside of normal cashier operating hours. In order to address this recommendation, the Mission issued a Mission Notice on July 7, 2006, followed by an Administrative Notice on July 19, 2006 specifying the daily cashier window hours and noting that only bona fide emergency transactions will occur after these posted hours. Furthermore, Mission management will receive notification of emergency transactions.

As a result of the Mission's corrective action, the recommendation is considered closed upon issuance of this report. USAID/Nigeria's comments are included in their entirety in Appendix II, except for the supporting attachments, which are not included in this audit report.

SCOPE AND METHODOLOGY

Scope

The Regional Inspector General/Dakar performed this audit as part of our FY 2006 audit plan. The audit was conducted in accordance with U.S. generally accepted government auditing standards. The objective of the audit was to determine if the Mission managed its cashing operations efficiently, economically, and in accordance with Agency policies and procedures.

In planning and performing the audit, we obtained an understanding of and assessed the Mission's controls related to its cashing operations. These internal controls included the establishment of the imprest fund; designation of cashiers; establishment of cashier authorities; safeguarding of imprest fund assets; separation of duties; and unannounced cash counts of the imprest fund. Additionally, we reviewed the Mission's FY 2005 Federal Manager's Financial Integrity Act annual certification for any management control weaknesses related to cashing operations and found that there were none. We also determined that the last audit of USAID/Nigeria's cashing operations was conducted in 2003, at which time there were no findings.

Our audit covered the \$100,000 imprest fund maintained by the primary cashier and alternate cashier. Audit fieldwork was performed at USAID/Nigeria in Abuja, Nigeria from April 10, 2006 through April 27, 2006.

Methodology

To answer the audit objective, we obtained an understanding of the cashing requirements as described in the Department of Treasury's Manual of Procedures and Instructions for Cashiers, the Department of State's Foreign Affairs Handbook, and USAID-published guidance.

We assessed the Mission's internal controls over cashing operations by interviewing appropriate Mission officials and staff. We reviewed the physical security of the cashier's office for compliance with requirements specified in the guidance. In order to test internal controls, we judgmentally selected transactions to verify that all payments in excess of \$500 were approved by the Controller, that disbursements were made for authorized purposes and that signed receipts are obtained for all payments. We then reviewed a detailed list of the outstanding advances to determine if they were repaid on a timely basis.

Finally, we performed a surprise cash count and asked the cashier to perform a reconciliation of the imprest fund to confirm that the cash on hand was correct.

MANAGEMENT COMMENTS



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July 20, 2006

Acting Regional Inspector General/Dakar
Nancy Toolan
Office of Inspector General
Dakar, Senegal

Subject: Audit of USAID/Nigeria's Cashiering Operation

Dear Nancy,

USAID/Nigeria appreciates the assistance of RIG/Dakar and concurs with the findings as noted on the draft audit report, 7- 620-06-XXX-P. The Mission has addressed Recommendation No. 1:

"We recommend that USAID/Nigeria develop policies to restrict transactions occurring outside of normal cashier operating hours."

A Mission Notice was issued on July 7, 2006 via e-mail. This was followed by Administrative Notice numbered No. 055, issued on July 19, 2006, that specified the daily cashier window hours and noted the following: "Please plan your cashier requirements accordingly. Adherence to these window hours will allow the cashier to complete the required transactions to maintain and manage the various cashier functions during after window hours. Only bona fide emergency transactions will occur after these posted hours. Mission management will receive notification of emergency transactions."

The issuance of the Administrative Notice and the enforcement of it will allow the required time for the cashier to perform and catch up with daily management responsibilities. This will reduce the potential risks as reported by the draft audit report. The Mission believes that this action closes the audit recommendation, however if additional action is required, please contact the Mission and immediate action will be taken.

USAID/Nigeria wishes to thank the auditors and appreciate their assistance.

Sincerely,
Patrick Fleuret, Mission Director /s/

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