



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED
WASHINGTON, DC 20401

Memorandum

OFFICE OF THE INSPECTOR GENERAL

DATE: March 31, 2005

REPLY TO
ATTN OF: Joseph Verch, Supervisory Auditor

SUBJECT: Report on the Follow-up Audit of the Cash Management Services
Concerning the Receipt and Deposit of Cash Transactions

To: Chief Financial Officer
Comptroller

Attached are the results of an Office of Inspector General (OIG) follow-up audit of the Comptroller's Cash Management Services concerning the receipt and deposit of cash transactions from October 2004 through February 2005. We found that the Chief, Cash Management Services, had taken corrective action to improve the policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning the receipt and deposit of cash transactions as recommended in Audit Report 98-11 *Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions by the Office of the Comptroller*, dated September 8, 1998.

However, the corrective action taken by the Chief, Cash Management Services, did not achieve the implementation of six of the seven OIG recommendations made in Audit Report 98-11 concerning the receipt and deposit of cash transactions. As a result, the OIG identified the following two internal control weaknesses:

1. Policies and procedures have not been written to improve the internal controls concerning the receipt and deposit of cash transactions as required by Standard 8 of GPO Instruction 825.18A *Internal Control Program*; and
2. Annual internal control reviews have not been prepared after the October 31, 2002, vulnerability assessment on the Schedule of Collections to ensure internal controls were still in effect annually as required by paragraphs 9.a. and 9.b. of GPO Instruction 825.18A.

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This report reiterates six major recommendations from OIG's Audit Report 98-11 and contains another related recommendation to improve the internal controls concerning the receipt and deposit of cash transactions.

The Chief Financial Officer (CFO) concurred and implemented the six major recommendations that were reiterated from the prior OIG audit report. However, the CFO disagreed with the seventh recommendation on performing internal control reviews annually (See Appendix IV).

Mr. Joseph Verch, Supervisory Auditor, and Ms. Patricia Mitchell, Auditor-in-Charge, conducted this audit. We appreciate the cooperation and courtesies extended during the audit by the officials and staff of the Office of the Comptroller's Cash Management Services.

JOSEPH J. VERCH, JR.
SUPERVISORY AUDITOR

**REPORT ON THE FOLLOW-UP AUDIT OF THE CASH MANAGEMENT SERVICES
CONCERNING THE RECEIPT AND DEPOSIT OF CASH TRANSACTIONS**

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**U.S. Government Printing Office
Office of the Inspector General
Office of Audits**

**REPORT ON FOLLOW-UP AUDIT OF THE CASH MANAGEMENT SERVICES
CONCERNING THE RECEIPT AND DEPOSIT OF CASH TRANSACTIONS**

RESULTS IN BRIEF

The Government Printing Office (GPO) Office of Inspector General (OIG) has completed a follow-up audit to determine whether the GPO's Cash Management Services (formerly known as the Cash Management Branch) implemented the seven recommendations that were made concerning the receipt and deposit of cash transactions in Audit Report No. 98-11 *Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions By the Office of the Comptroller*, dated September 8, 1998.

The OIG conducted the follow-up audit from October 2004 through February 2005 and found that the Chief, Cash Management Services, had indeed taken corrective action to improve the policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning the receipt and deposit of cash transactions. The OIG concluded that the Disbursing Officer and the Chief, Accounts Receivable, effectively provided services and support to both GPO and non-GPO employees.

However, the corrective action taken by the Chief, Cash Management Services, did not achieve the implementation of six of the seven OIG recommendations made in Audit Report 98-11 concerning the receipt and deposit of cash transactions. As a result, the OIG identified the following two internal control weaknesses:

1. Policies and procedures have not been written to improve the internal controls concerning the receipt and deposit of cash transactions as required by Standard 8 of GPO Instruction 825.18A *Internal Control Program*; and
2. Annual internal control reviews have not been prepared since the October 31, 2002, vulnerability assessment on the Schedule of Collections to ensure internal controls were still in effect annually as required by paragraphs 9.a. and 9.b. of GPO Instruction 825.18A.

MAJOR RECOMMENDATIONS

To improve the internal controls over the receipt and deposit of cash transactions, the Comptroller should ensure that the Chief, Cash Management Services:

1. Develops written policies and procedures to improve the internal controls concerning the receipt and deposit of cash transactions as required by GPO Instruction 825.18A; and
2. Prepares annual internal control reviews on programs, functions, and activities concerning the receipt and deposit of cash transactions as required by GPO Instruction 825.18A.

OTHER MATTERS

In addition, the OIG identified five “Other Matters” (See Appendix I) during the audit and discussed with management officials without any formal recommendations being made:

1. The Disbursing Officer did not always verify the actual amounts of cash and checks received from the Accountant after the lock box contents were processed. The Disbursing Officer did match amounts from the register tape to what was written in the Windows Collection Log, but a physical count of the cash and checks was not always performed;
2. The Disbursing Office employees did not always complete all boxes on the payment receipt given to its customers;
3. Cash Management Services’ employees complete the GPO Form 406 *Statement of Collections* manually on a typewriter when preparing the deposit slip for the bank. It would save time and be more efficient for the form to be scanned and made available in an electronic format;
4. The Chief, Accounts Receivable Section, has not developed written policies and procedures for determining how long collection actions need to be taken before an uncollectible account should be written off. As a result, the Chief arbitrarily decides what accounts to collect and not to collect. Some accounts go as far back as 1992 and are for only \$1 resulting in the customer agency using funds from their current fiscal year budget; and
5. Blank and printed treasury checks were sometimes left unattended in an open area in front of the Data Systems Office.

BACKGROUND

The Cash Management Services is comprised of six sections: (1) Payroll Section; (2) Disbursing Section; (3) Accounts Receivable; (4) Parking Program; (5) Travel and Transportation Section and (6) Metrochek Program. The Payroll Section controls and maintains records for the daily, weekly, and biweekly processing of data for the biweekly payroll. On September 7, 2003, GPO began using the U.S. Department of Agriculture's National Finance Center (NFC) to handle the human resource and payroll services.

The Disbursing Section is responsible for the proper disbursement of all GPO funds for commercial printing and miscellaneous payments. In addition, the Section collects and prepares for deposit monies received for Printing and Binding invoices, spot sales, bid services, miscellaneous invoices, military redeposit, lost badges, pay parking, etc., and makes deposits to GPO's Treasury account. Other responsibilities include consolidating and issuing the monthly statement of accountability and transactions for GPO and performing periodic cash management analyses as required by the Comptroller. Monthly journal vouchers are also prepared for all cash receipts and disbursements.

The Accounts Receivable Section is responsible for maintaining subsidiary records for Accounts Receivable and reconciles them to the General Ledger. The receivable accounts are analyzed and collection actions are determined. Other responsibilities include preparing journal vouchers for collections and analyzing accounts receivable, cash, and collections.

The Pay Parking Program was initiated at the direction of the Joint Committee on Printing to recover costs incurred in providing employee parking facilities and to encourage employees to carpool. The office is responsible for policy, procedures, and control for the receipt, accountability, and recording of money received by the GPO in payment for use of parking facilities maintained by GPO.

The Travel and Transportation Program is responsible for GPO employees authorized to travel at the Government expense. As administrator of the program they interpret statutory and other policy requirements in a manner that balances the need to assure that official travel is conducted in a responsible manner with the need to minimize administrative costs, and communicate the resulting policies in a clear manner to its employees. They are responsible for issuing repayment for all travel expenses incurred.

The Metro Transit Benefit (Subsidy) Program (Metrochek) was implemented in January 2001 to encourage employees to use mass transportation for commuting

to and from the workplace. The Program currently provides each eligible participant with up to a \$105 transit benefit monthly at no cost to the employee.

The Chief, Cash Management Services, reports directly to the Comptroller.

Cash Management Services:

Manager
Accountant

Payroll Branch

Chief
Cash Management Specialist (2)
Supervisory Civilian Payroll Clerk
Civilian Payroll Clerk (6)

Disbursing Section:

Disbursing Officer (Chief, Disbursing Section)
Deputy Disbursing Officer
Cashier
Imprest Fund Cashier

Accounts Receivable Section:

Chief
Accounting Technician
Cash Management Specialist (4)

Parking Program Office:

Parking Manager

Travel and Transportation:

Chief
Travel and Transportation Assistants (2)

Metro Transit (Benefit) Subsidy Program:

Metrochek Coordinator

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of the audit was to determine whether the seven recommendations concerning the receipt and deposit of cash transactions that were made to the Comptroller's Cash Management Services in OIG's Audit Report No. 98-11 *Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions By the Office of the Comptroller* were implemented. Also, the OIG wanted to determine if the recommendations actually improved policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access.

Audit fieldwork was conducted during the period of October 2004 through February 2005 in accordance with Generally Accepted Government Auditing Standards.

To meet the objectives of the audit, the OIG auditor:

- Interviewed management officials in Cash Management Services;
- Obtained Fiscal Year 2004 and 2005 financial reports prepared by Cash Management Services that detailed deposits made and a schedule of payments prepared;
- Obtained and reviewed prior audit workpapers, audit recommendations, and management's actions on implementing the recommendations;
- Interviewed Disbursing Section officials and determined if and how recommendations have been implemented;
- Followed up on Audit Report No. 98-11's seven recommendations concerning the receipt and deposit of cash transactions to ensure implementation (See Appendix II);
- Developed a flow chart of the cash flow process including the identity of all Cash Management Services' employees involved (See Appendix III);
- Determined Cash Management Services' employees' responsibilities and observed employees performing their job functions;

- Tested job functions by selecting a current period (December 2004 to January 2005) to ensure that internal controls were practiced and the cash received reconciled with the cash deposited; and
- Developed a flow chart of the work flow for the Disbursing Section (See Appendix III).

In the course of our work, we also assessed the susceptibility of various aspects of the Comptroller's Cash Management Services to fraud, waste, and abuse. In addition, we reviewed the following publications and instructions that contained procedures and policies that Comptroller personnel followed:

- GPO Instruction 105.1B, CH-16 *Organization and Functions of the Government Printing Office – Office of Comptroller* to identify the current responsibilities and functions of the departments within the Office of Comptroller;
- GPO Instruction 710.4 *Audit Follow-Up, Resolution, and Management Decisions* to identify policy, definitions, responsibilities, and procedures for audit follow-up and resolution in the GPO;
- GPO instruction 825.18A *Internal Control Program* to identify policies, standards, responsibilities for conducting internal control reviews of GPO programs; and
- Part 6 of the Treasury Financial Manual to identify the Department of Treasury's policies and procedures regarding deposits of cash and checks to a government account.

FINDINGS AND RECOMMENDATIONS

1. WRITTEN POLICIES AND PROCEDURES

BACKGROUND

In September 1998, the OIG reported weaknesses in the internal controls concerning the receipt and deposit of cash transactions in the Comptroller's Cash Management Services in Audit Report No. 98-11 *Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions By the Office of the Comptroller*. In particular, the OIG found:

- Cash Management Services did not make timely cash deposits;
- Disbursing Section did not provide adequate separation of duties over the handling of cash and checks; and
- Cash Management Services did not provide the Financial Accounting and Reporting Branch with Schedules of Collections during May 1997.

These weaknesses impeded the Office of the Comptroller's ability to provide reasonable assurances and safeguards to protect GPO's assets against waste, loss, and unauthorized use as directed by GPO Instruction 825.18A *Internal Control Program*. As a result, 28 receipts totaling over \$35,000 were not deposited and were missing from the Disbursing Section's lock box.

The OIG made seven recommendations to improve the internal controls in the Comptroller's Cash Management Services concerning the receipt and deposit of cash transactions in Audit Report No. 98-11. (See Appendix II.) Six of the seven recommendations required policies and procedures to be developed and written for Cash Management Services' employees to follow. The Comptroller replied in his September 1, 1998, memorandum to the audit report that "...policies and procedures are in the process of being written."

FINDING

An OIG review of the corrective actions taken by the Comptroller, as a result of Audit Report No. 98-11, showed that no policies or procedures have been written to improve the internal controls in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning the receipt and deposit of cash transactions in the Cash Management Services, contrary to Standard 8 of GPO Instruction 825.18A:

“Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers should complete, within established time frames, all actions that correct or otherwise resolve the appropriate matters brought to management’s attention.”

The OIG auditor performed the following tests and found that while no formal written policies or procedures were prepared, corrective action had indeed been taken to institute the policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning the receipt and deposit of cash transactions in the Cash Management Services:

1. A review of the Window Collections Log for the period of August 27, 2004, through November 24, 2004, found that deposits were made timely, averaging every 2 weeks. This is an improvement from the 1998 audit that found deposits were made from 2 weeks to more than 3 months. As a result, corrective action has been taken on making timely deposits of cash in implementing OIG’s Recommendation No. 9811-01.
2. A “surprise” cash count was performed on January 12, 2005, and the results showed that the 22 receipts reconciled with the \$12,243.63 in the lock box. As a result, corrective action has been taken on protecting cash kept in the lock box in implementing OIG’s Recommendation No. 9811-02.
3. A review of the Schedule of Collections for the period of June 28, 2004, through December 15, 2004, showed that the Schedule contained the Accountant’s initials as the preparer and the Deputy’s initials as the verifier of the collections. As a result, corrective action has been taken in the separation of duties in the deposits of cash in implementing OIG’s Recommendation No. 9811-03.
4. A review of the Window Collections Log for the period of August 27, 2004, through November 24, 2004, found that the receipt of cash and checks usually ranged under \$25, as posted at the Disbursing Window. The OIG auditor did find 10 of 150 instances or 7 percent from the Log where more than \$25 was received, ranging from \$26 to \$60. As a result, corrective action has been taken to restrict the amount of cash received at any one time in implementing OIG’s Recommendation No. 9811-04.
5. A review of the Disbursing Officer Cash Flow showed for the period of June 28, 2004, through December 15, 2004, there was a separation of duties in preparing the deposit tickets by the Impress Fund Cashier and having custody of the cash received at the Disbursing Window by the Cashier. As a

result, corrective action has been taken to separate duties in implementing OIG's Recommendation No. 9811-05.

6. A review was performed on the amount reported on the pink receipts kept in the Disbursing Window's Receipt Books and the deposits made for the period of August 26, 2004, through November 24, 2004. A total of \$41,115.21 was collected and reconciled with the cash deposits. As a result, corrective action has been taken to reconcile cash deposits with pink receipts in implementing OIG's Recommendation No. 9811-06.
7. A review of the Schedule of Collections for the period of August 26, 2004, through November 18, 2004, showed that the Schedules were issued on a timely basis to the Financial Accounting and Reporting Branch to ensure that all financial reports were current, accurate, and reliable. As a result, corrective action has been taken to accurately issue financial reports in implementing OIG's Recommendation No. 9811-10.

Cash Management Services' officials in the Disbursing Section have begun writing policies and procedures in three areas: (1) Collections; (2) Disbursements; and (3) Electronic Funds Transfer.

RECOMMENDATIONS

The Comptroller should ensure that the Chief, Cash Management Services:

- Develops written policies and procedures to ensure the timely deposit of cash as required by CH-2 of GPO Publication 435.1 and Section 8030.20 of The Treasury Financial Manual (0502-01);
- Develops written policies and procedures to protect the cash kept in the lock box (0502-02);
- Develops written policies and procedures to prepare a report after each cash deposit is made to document who prepared and verified each deposit (0502-03);
- Develops written policies and procedures to restrict the amount of cash that the Disbursing Window can accept at any one time (0502-04);
- Develops written policies and procedures to separate the duties of preparing the deposit tickets and having custody of the cash received at the Disbursing Window (0502-05); and

- Develops written policies and procedures to reconcile the cash deposits to the pink receipts kept in the Disbursing Window's Receipt Books and reconcile any differences immediately (0502-06).

MANAGEMENT COMMENTS

The CFO agreed with the finding and has implemented the six recommendations (See Appendix IV).

2. ANNUAL INTERNAL CONTROL REVIEWS

BACKGROUND

In May 1997 GPO Instruction 825.18A *Internal Control Program* identified the Public Printer as responsible for ensuring that an effective internal control structure be established and maintained by GPO's managers for all programs, functions, and activities. The Deputy Public Printer was made responsible for ensuring that all vulnerability assessments and annual internal control reviews were performed as prescribed by paragraph 7.b. of GPO Instruction 825.18A.

The Inspector General annually forwards a letter of compliance to the Public Printer which identifies the results of the annual review for completeness of all vulnerability assessments and internal control reviews that were received from all GPO offices as required by paragraph 7.c. of GPO Instruction 825.18A.

On October 31, 2002, the Chief, Cash Management Services, performed a vulnerability assessment on the functions of collecting and depositing cash and checks under the title of Schedule of Collections as required by paragraph 9.a. of GPO Instruction 825.18A:

“Vulnerability Assessment. This assessment refers to the review of GPO's overall general control environment, established in a framework in which the internal controls are implemented. The assessment of risks must begin at the broadest level possible, wherein the reviewers gain an understanding of management's total control environment and are then able to gauge the appropriate level of required detailed testing during the actual internal control reviews. The vulnerability assessment, or general risk analysis, should be able to identify those operating programs, functions, and activities that are more susceptible to material internal control weaknesses. The result of this assessment should be the basis for formulating a detailed control review plan.”

The Schedule of Collections is a listing of cash or checks received directly or by mail in Cash Management Services' Disbursing Section. The listing includes payments for items such as lost badges, GPO Pay Parking Program fees, debt collections, and other miscellaneous collections. The Chief concluded from the vulnerability assessment that the internal controls in effect for the Schedule of Collections provided reasonable assurance that the process was accurate and a separation of duties existed.

FINDING

The Chief, Cash Management Services, has not prepared any annual internal control reviews since the October 31, 2002, vulnerability assessment on the Schedule of Collections to ensure internal controls were still in effect annually as required by paragraphs 9.a. and 9.b. of GPO Instruction 825.18A:

“Internal Control Review. The review entails various steps which include studying the normal flow of a particular category of events, analyzing specific risk factors associated with the events, performing actual control tests to ensure events are handled properly, recommending corrective action for known internal control deficiency, and modifying the existing controls if necessary.” (Paragraph 9.b.)

The seven control tests that the OIG auditor performed in Finding I of this report are examples of the control tests that can be performed annually by the Chief to ensure internal controls concerning the receipt and deposit of cash transactions were still in effect. Performing these tests would be a good beginning for establishing an Internal Control Program for the Cash Management Services as directed by Paragraph 7.d. of GPO Instruction 825.18A:

“Department, Service, Staff, and Office heads are responsible for the development and maintenance of internal controls within their respective programs, functions, and activities, to prevent or deter the loss or abuse of public assets. The compliance with and effectiveness of internal controls must be regularly monitored. Supervisors must be knowledgeable of the internal controls of their units, and as part of their routine duties, must insure that the controls are operating as designed and are achieving their intended purpose.”

RECOMMENDATION

The Comptroller should ensure that the Chief, Cash Management Services, prepares annual internal control reviews on programs, functions, and activities concerning the receipt and deposit of cash transactions as required by GPO Instruction 825.18A (0502-07).

MANAGEMENT COMMENTS

The Chief Financial Officer (CFO) agreed with the finding but disagreed with the recommendation. The CFO believes the external auditors, KPMG LLP (KPMG), who audit GPO’s financial statements annually are performing internal control reviews. As a result, the external auditors satisfy the Cash Management

Services' requirements of GPO Instruction 825.18a in performing internal control reviews (See Appendix IV).

OIG COMMENTS

The OIG does not agree with the CFO's assessment that external auditors can satisfy the Cash Management Services' requirements of GPO Instruction 825.18A in performing internal control reviews during the annual audit of GPO's financial statements. The OIG's position is based on our interpretation of the following:

1. On Page 20 of Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* under the title "Monitoring" it states:

"Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations...It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Separate evaluations of control can also be useful by focusing directly on the controls' effectiveness at a specific time...Separate evaluations may take the form of self-assessments as well as review of control design and direct testing of internal control. Separate evaluations also may be performed by the agency Inspector General or an external auditor...."

2. On Page 1 of KPMG's November 10, 2005, Management Letter to GPO it states:

"We have audited the consolidated financial statements of the United States Government Printing Office (GPO) as of September 30, 2004, and have issued our report thereon dated November 10, 2004...An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

...Our audit procedures were designed primarily to enable us to form an opinion on GPO's consolidated financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist."

OTHER MATTERS DISCUSSED WITH MANAGEMENT

1. The Disbursing Officer did not always verify the amounts received from the Accountant after the lock box contents were processed. During our observation on December 2, 2004, the Disbursing Officer was given cash payments in the amount of \$12 and checks totaling \$3,026.62 (total payment of \$3,038.62) that was processed by the Accountant from the lock box for verification. It is the responsibility of the Disbursing Officer to verify the amounts that are recorded into the Window Collections Log. The Disbursing Officer did match amounts from the register tape to what was written in the Log, but a physical count of the cash and checks was not always performed, contrary to Standard 2 of GPO Instruction 825.18A:

“Management controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation.”

2. Disbursing Office’s employees did not always complete the box identifying the form of payment on GPO Form 304 *Receipt Government Printing Office and Office of the Comptroller*. This payment Receipt is given to its customers. During our “surprise” cash box count on January 12, 2005, the OIG auditor found that one payment was labeled as cash on the Receipt; however, it was actually a check. A further review of the Receipt book for the period of August 26, 2004, through November 24, 2004, found 19 of the 162 receipts or 12 percent did not have the proper box checked to identify the method of payment for the receipt numbers 34101–34262. The Disbursing Officer was made aware of the errors and stated that this was not a problem since the monies would be reconciled. Better controls are needed to prevent the manipulation of funds in the lock box in compliance with Standard 7 of GPO Instruction 825.18A:

“Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports.”

3. GPO Form 406 *Statement of Collections* is used to prepare the deposit slip that goes to the bank. The OIG auditor observed the clerk had to leave her desk and go to a manual typewriter to complete this form. It would save time

and be more efficient if the form was scanned and made available electronically in compliance with Standard 1 of GPO Instruction 825.18A:

“...Resources should be efficiently and effectively allocated for duly authorized purposes.”

4. The Accounts Receivable Section is responsible for analyzing receivable accounts, determining collection actions, and writing uncollectible accounts off. However, the Chief, Accounts Receivable Section, has not developed written policies and procedures for determining how long collection actions need to be taken before an uncollectible account should be written off. As a result, the Chief arbitrarily decides what accounts to collect and not to collect. Some accounts go as far back as 1992 and are for only \$1 resulting in the customer agency using funds from their current fiscal year budget. The accounts need to be purged and policies and procedures need to be written and followed to ensure that all customer agencies are treated fairly and to prevent the possibility of preferential treatment in the collection of receivable accounts in accordance with Standard 2 of GPO Instruction 825.18A:

“...Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.”

5. Proper handling of blank and printed treasury checks was not always done by Data Systems. On December 14, 2004, the OIG auditor observed the daily duties of the Deputy Disbursing Officer which included the printing of Treasury checks. The blank checks are kept in the custody of the Disbursing Office and are carried to the Data Systems Office to be printed, usually in the morning. The Deputy picks up the checks after the printing has been completed. The OIG auditor noticed that the checks were left unattended in an open area in the front of the Data Systems Office where anyone could have picked them up, contrary to Standard 6 of GPO Instruction 825.18A:

“Access to resources and records should be limited to authorized individuals and accountability for the custody and use of resources should be assigned and maintained.”

**AUDIT REPORT NO. 98-11'S SEVEN RECOMMENDATIONS TO THE
COMPTROLLER'S CASH MANAGEMENT SERVICES CONCERNING THE
RECEIPT AND DEPOSIT OF CASH TRANSACTIONS**

Recommendations	
No.	The Chief, Cash Management Services, should:
01	Develop and implement written policies and procedures to ensure the timely deposits of cash as required by CH-2 of GPO Publication 435.1 and Section 8030.20 of The Treasury Financial Manual (9811-01).
02	Develop written policies and procedures to protect the cash kept in the lock box (9811-02).
03	Develop written policies and procedures to prepare a report after each cash deposit is made to document who prepared and verified each deposit (9811-03).
04	Develop written policies and procedures to restrict the amount of cash that the Disbursing Window can accept at any one time (9811-04).
05	Develop written policies and procedures to separate the duties of preparing the deposit tickets and having custody of the cash received at the Disbursing Window (9811-05).
06	Develop written policies and procedures to reconcile the cash deposits to the pink receipts kept in the Disbursing Window's Receipt Books and reconcile any differences immediately (9811-06).
07	Ensure Financial Accounting and Reporting Branch receives Schedules of Collections timely so that the General Ledger and all financial reports can be current, accurate, and reliable (9811-10).

When a payment is received at the Disbursing window for parking, badges, spot sales, bid services, military redeposit and miscellaneous invoices, the cashier takes the payment and records the payment in a receipt book. The carbon copy receipt contains three copies: (1) white – customer copy; (2) yellow – GPO retention; and (3) pink – disbursing files. The yellow copy stays with the cash or check and the pink remains in the book for reference if needed. All receipts are numbered and written in sequence. If a mistake is made the receipt is voided and left inside the book.

From the above transactions along with the Treasury and Commercial deposits, a Statement of Collections and a Schedule of Collections are prepared and forwarded to the Accounts Receivable Office. When the documents are received they are verified for the correct purpose fund and credit code. Codes are pulled from the Collections Classifications sheet that gives the purpose, object class, and cost code. This is done to ensure that monies have been credited to the correct account.

The Statement of Collections should match the tape received. Checks and invoices should match with payments made. Monthly batching of work is performed to verify amounts. After verification is done, a copy is forwarded to the Comptroller's Office and a copy retained in the Accounts Receivable Section. Records are held for 3 years.

MANAGEMENT'S COMMENTS



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED
WASHINGTON, DC 20401

Memorandum
OFFICE OF THE CHIEF FINANCIAL OFFICER

2005 MAR 21 PM 4:21

INSPECTOR GENERAL'S OFFICE

DATE: March 21, 2005

REPLY TO
ATTN OF: Chief Financial Officer (CFO)

SUBJECT: Audit Recommendations Closeout

TO: Inspector General
THRU: Deputy Chief Of Staff
ATTN: Joseph Verch

We have reviewed the draft audit report "*Report on Follow-up Audit of the Cash Management Services Concerning the Receipt and Deposit of Cash Transactions.*" We have comments on the draft report's major recommendations (p. 2) as follows:

1. **Statement:** "Policies and procedures have not been written to improve the internal controls concerning the receipt and deposit of cash transaction as required by Standard 8 of GPO Instruction 825.18A, *Internal Control Program.*"

Comment: When the audit started, procedures were not available. Before the draft was prepared, these procedures were furnished to the Auditor. Another set of these procedures are attached to this memo (Attachment I).

2. **Statement:** "Annual internal control reviews [in depth reviews] have not been prepared after the October 31, 2002 vulnerability assessment less in-depth review] on the *Schedule of Collections* to ensure internal controls were still in effect annually as required by paragraphs 9.a. and 9.b. of GPO Instruction 825.18A."

Comment: We have reviewed paragraphs 5.a. and 5.b. of *GPO Instruction 825.18A* to ascertain the difference between a vulnerability assessment and an internal control review. Additionally, we have reviewed paragraphs 9. a. and 9. b. In response to the draft recommendation, we assert that internal control reviews are, in fact, performed every year during the annual financial statement audit. The process performed includes an annual review by Finance management of the process/internal control cycles of the Treasury,

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Cash Receipts, and Disbursement functions. Management assesses the impact changes may have on controls at that time. After management's review, KPMG audits/tests the processes, and opines on the adequacy of the internal controls (Attachment II). The financial systems at GPO are the only systems we are aware of that are annually scrutinized by external experts. Additional information regarding this process should be available from the KPMG COTR in the Office of Audits.

Additionally, there are five observations without recommendations (although they appear in the report under the category "Major Recommendations") provided in "Other Matters." Our comments on each are provided.

1. Statement: "The Disbursing Officer did not always verify the actual amounts of cash and checks received from the Accountant after the lock box contents were processed. The Disbursing Officer did match amounts from the register tape to what was written in the Windows Collection Log, but a physical count of the cash and checks were not always performed."

Comment: The Disbursing Officer did not count behind the Accountant because the Disbursing Officer checks to see if the register tape and the receipts match. We have updated our procedures and the Disbursing Officer is now also counting the cash.

2. Statement: "The Disbursing Office employees did not always complete all boxes on the payment receipt given to its customers."

Comment: We have updated our procedures and all of the Disbursing Office employees have been given instructions to completely fill out receipts.

3. Statement: "Cash Management Services employees complete the GPO Form 406 Statement of Collections manually on a typewriter when preparing the deposit slip for the bank. It would save time and be more efficient for the form to be scanned and made available in an electronic format."

Comment: The GPO Form 406 has been placed on the desktop and is fully automated.

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4. Statement: "The Accounts Receivable Section, has not developed written policies and procedures for determining how long collection actions need to be taken before an uncollectible account should be written off. As a result the Chief arbitrarily decides what accounts to collect and not to collect. Some accounts go back as far as 1992 and are only \$1 resulting in the customer agency using funds from their current fiscal year budget."

Comment: We agree that a policy and procedures need to be written with the intention of standardizing the process. However, due to the nature of collections, judgment is critical in managing collection performance and as such, these accounts must be managed individually and not via a set rule.

5. Statement: "Blank and printed U.S. Treasury Checks were sometimes left unattended in an open area in front of the Data Systems Office."

Comment: The checks are hand delivered by the Disbursing Office employee to the Data Center for embossing. When informed that the checks are finished, the Disbursing Office employee returns to the Data Center to retrieve the embossed checks. The checks are always left in the Data Center *behind the counter*, not in an open space. It should be noted that a manifest of check numbers is used to control the checks supplied to, and returned by, the Data Center after embossing. The Data Center is under the jurisdiction of the Chief Information Officer (CIO) and we suggest that if the Auditor has an issue with check custody in this area that he address it to the CIO.

Under *other matters discussed with Management*, the Auditor included seven recommendations concerning the receipt and deposit of cash transactions.

Recommendation No.1 "Develop written policies and procedures to ensure the timely deposits of cash as required by CH-2 of GPO Publication 435.1 and Section 8030.20 of the Treasury Financial Manual (05xx-01)."

Response. The Standard Operating Procedures cover the timely deposit of cash.

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Recommendation No. 2 "Develop written policies and procedures to protect the cash kept in the lock box (05xx-02)."

Response: The Standard Operating Procedures cover the process for handling cash kept in the lock box.

Recommendation No. 3 "Develop written policies and procedures to prepare a report after each cash deposit is made to document who prepared and verified each deposit (05xx-03)."

Response: The Standard Operating Procedures cover the cash report and necessary documentation regarding the verification of each deposit.

Recommendation No. 4 "Develop written policies and procedures to restrict the amount of cash that the Disbursing Window can accept at any one time (05xx-04)."

Response: A sign has been placed at the window that states "The Disbursing Clerk" can only accept up to \$25 in cash. This sign has been in place for several years. Our procedure now includes this policy.

Recommendation No. 5 "Develop written policies and procedures to separate the duties of preparing the deposit tickets and having custody of the cash received at the Disbursing Window (05xx05)."

Response: The Standard Operating Procedures cover the separation of responsibilities for custody of cash.

Recommendation No. 6 "Develop written policies and procedures to reconcile the cash deposits to the pink receipts kept in the Disbursing Window's Receipt Books and reconcile any differences immediately (05xx-06)"

Response: The Standard Operating Procedures cover the reconciliation of cash to the receipts before deposit.

Recommendation No 7 "Ensure Financial Accounting and Reporting Branch receives Schedules of Collections timely so that the General Ledger and all financial reports can be current, accurate, and reliable (9811-10)"

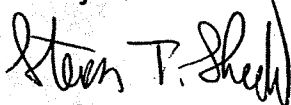
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Response: This recommendation is outside the scope of the audit and was not at issue. The Disbursing Office Accountant timely prepares all financial reports for inclusion in the General Ledger as outlined in the Standard Operating Procedures.

To summarize, I would appreciate it if your draft audit report were updated to:

- Remove "Major Recommendation 2" as it is not appropriate;
- Close-out four observations without recommendations: they have been implemented;
- Refer the remaining observation without recommendation on check custody in the Data Center to the CIO, if necessary;
- Include in your final report our agreement with the six recommendations (05xx-01 through 05xx-06);
- Include the close-out of recommendations 05xx-01 through 05xx-06 in your files, as they have been implemented; and,
- Close recommendation 7 (9811-10) as it appears to be a remnant of the prior audit report.

Thank you in advance.



STEVEN T. SHEDD
Attachments