

USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Russia's Cashiering Operations

Audit Report No. B-110-01-002-F

January 9, 2001

Budapest, Hungary



**U.S. Agency for
International Development**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/BUDAPEST

January 9, 2001

MEMORANDUM

FOR: USAID/Russia Mission Director, Carol Peasley

FROM: Director of Audit Operations, RIG/Budapest, Nathan S. Lokos

SUBJECT: Audit of USAID/Russia's Cashiering Operations (Report No. B-110-01-002-F)

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

This report contains one recommendation for your action. Based on information provided by the Mission, the controller for USAID/Russia took corrective action for the audit recommendation and, therefore, the recommendation is closed upon issuance of this report.

I appreciate the cooperation and courtesy extended to my staff during the audit.

Background

The Department of State, Financial Service Center in Paris, and USAID policies and procedures guide the Mission's cashiering operations. The controller supervises the cashier, issues instructions for day-to-day operations, and approves exceptional transactions arising from unusual situations.

The cashier's duties are principally comprised of: (1) maintaining an imprest fund in amounts prescribed by USAID/Washington; (2) making cash disbursements against properly authorized documents; (3) accepting payments on behalf of the U.S. Government, such as bills for collection; (4) depositing funds collected into U.S.

Disbursing Office's dollar account; and (5) maintaining records of cash payments made by the sub-cashier and replenish the sub-cashier funds. The cashier at USAID/Russia is authorized to make cash payments for individual transactions up to \$1,000 and under emergency circumstances, cash payments are authorized up to \$40,000. Cash payments can be made for: (1) payroll and small purchases; (2) repair of equipment; (3) postal charges; (4) local drayage; (5) taxi fares; (6) utility bills; (7) travel advances; and (8) reimbursement for travel expenses.

Mission cashiers are authorized to perform disbursements from their imprest funds and are held personally accountable and responsible for the amount of the funds. Accordingly, cashiers are required to make every effort to ensure and maintain the integrity of their position and to safeguard the imprest funds. As an internal control on the cashier's operations, Mission controllers are required to perform unannounced cash verifications of the imprest fund on a periodic basis. At the time of our audit, the Mission's authorized imprest level was \$250,000.

Audit Objectives

This audit was performed at the request of the controller for USAID/Russia and was performed in conjunction with our audit of the controls over the Mission Accounting and Control System. The Office of the Regional Inspector General/Budapest performed this audit to review the imprest fund at USAID/Russia and to specifically answer the following audit objective:

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

Appendix I describes the audit's scope and methodology.

Audit Findings

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

In our opinion, except for the effects, if any, of the loss of the elements of surprise over our cash count of the imprest fund and the condition described below, USAID/Russia generally managed its cashiering operations efficiently, economically and in accordance with USAID policies and procedures.

As part of this management, USAID/Russia provided guidance to its cashiering operations by issuing a Mission Order on cashiers and cash payments. This document incorporated the policies and procedures established by: (1) the Department of State Serviced Post User Manual, (2) USAID Financial Management Bulletin No. 10, and (3) USAID Handbook 19, Chapter 13. In addition, the Mission has implemented controls to safeguard both the cashier's office and the assets held by the cashier. For example, the cashier is located in a well-protected, controlled-access area within the Mission and the door is kept locked at all times. Moreover, the cashier's safe is

closed when it is not being used. All cash and checks are kept in the cashier's safe and all checks are restrictively endorsed. The combination to the safe is in the custody of the Regional Security Officer at the U.S. Embassy in Moscow, Russia.

To supplement the above mentioned controls, USAID/Russia conducts periodic surprise cash counts, at least monthly, and checks the cashier's records for accuracy and compliance with USAID requirements. Signed copies of these reconciliations are sent to the Financial Service Center in Paris. In the six years the cashier has worked at USAID/Russia, the cashier's office has never experienced an instance of theft.

Although the Mission has taken these positive steps to implement and manage their cashier operations, a weakness in holding old salary payments is mentioned below.

Old Unclaimed FSN Salary Payments Are Left With The Cashier

During our review, we identified over \$12,000 that was being kept in the USAID/Russia cashier safe without adequate accounting or control. This money represented FSN payroll payments—up to five months old—that had never been claimed by the proper recipients. Despite the fact that this money was being maintained in the USAID cashier's safe, the funds were not counted in the cashier's available limit nor were they being reflected on the cashier's reconciliation worksheets.

This practice is not consistent with applicable regulations. Volume 4 of the Foreign Affairs Handbooks addresses cashier operations and states that “[c]ashiers are also prohibited from holding any accountable forms...or any other money, checks, or documents that are not a part of the fund accountability.”¹ However, in contrast, the USAID cashier was holding a material amount of money that was not a part of the fund accountability. As a result, the Mission faced a significant risk that up to \$12,031 could be diverted without any indication of such diversion being raised by its system of internal controls.

When asked why these funds were being held, but not accounted for, Mission staff explained that some FSN employees leave their pay with the cashier because of the instability of the Russian banking system. Another reason offered by Mission staff was that the employees simply did not want to carry any sizable amount of funds on their person. Regardless of the reasons, the fact remains that material amounts of money held by the cashier are not appearing in the accounting controls designed to safeguard the cashier operation. As a result, we are making the following recommendation.

¹ Volume 4, Section 3 H-393.4-3, of the Foreign Affairs Handbook (4 FAH-3 H-393.4-3)

Recommendation No. 1: We recommend that the Mission Director at USAID/Russia formulate and institute a policy requiring employees to sign for and pick up their salary payments from the cashier within one week.

**Management
Comments and
Our Evaluation**

USAID/Russia concurred with the audit finding and the recommendation. In response to Recommendation No. 1, the two employees in question picked up the old salary payments that the cashier had held for them. Additionally, USAID/Russia issued instructions to employees at the Mission that the cashier will not hold salary payments for employees for more than two days beyond payday unless an employee is on sick leave, annual leave or temporary duty travel. Finally, USAID/Russia instructed the cashier to inform the American supervisor if an employee has not picked up a salary payment within the two days following payday. Based on the action taken, a management decision and final action has been reached on Recommendation No. 1.

The complete text of management comments is included as Appendix II.

**Scope and
Methodology****Scope**

The Office of the Regional Inspector General/Budapest conducted an audit, in accordance with generally accepted government auditing standards, to determine if USAID/Russia managed its cashiering operations efficiently, economically and in accordance with USAID policies and procedures. The audit of the \$250,000 imprest fund was conducted at the Mission's office in Moscow, Russia in conjunction with the audit of the Mission Accounting and Control System from October 4, 2000, through October 27, 2000.

Methodology

The audit objective was to determine if USAID/Russia managed its cashiering operations efficiently, economically and in accordance with USAID policies and procedures. To accomplish our audit objective we (1) reviewed the physical security of the cashier's office, (2) interviewed appropriate Mission employees, (3) performed a cash count of the imprest fund, and (4) evaluated the controls relating to safeguarding cash and other valuables in the cashier's vault. Because of the liquidity of cash and its relatively high risk of loss, our materiality threshold was set at a relatively low level. Based on our judgement, we considered a discrepancy of \$50 a reportable condition. Because the cashier was aware that a cash count would take place, our count of the imprest fund was not a surprise.

Management Comments



United States Agency for International Development

Local: USAID/Moscow
Address: 19123 Novinsky Bulvar
Moscow 121099, Russia
Telephone: 7-095-928 5000 x5948

U.S. American Embassy/Moscow
Mailing PSC 77 USAID
Address: APO AE 09721
Fax. 7-095-960 2141 / 42

Memorandum

To: Nathan S. Lokos, Director of Audit Operations, RIG/Budapest

From: George Deikun, Acting Mission Director

Subject: Response to Audit of USAID/Russia Cashier Operations Audit Report No. B-011-01-00X-P

Date: 22 December 2000

This memorandum is in response to your office's single recommendation in the subject audit report. The audit report contained the recommendation that the Mission Director at USAID/Russia formulate and institute a policy requiring employees to sign for and pick-up their salary from the cashier within one week.

The following policy and steps were implemented immediately following the visit by your staff. First, all old salary payments that the cashier had held were picked up by the two employees in question. Second, the cashier has been instructed not to hold salary payments for employees for more than two days beyond payday unless an employee is on sick leave, annual leave, or on temporary duty travel. Additionally, an e-mail message was sent to all employees in the Mission stating that the policy that the cashier is not authorized to hold an employee's salary at the cashier office for more than two days unless an employee is on sick leave, annual leave, or on temporary duty travel. Third, the cashier has been given explicit instructions to report to her American supervisor if an employee has not picked up his/her salary in the two days following payday and is not on sick leave, annual leave, or on temporary duty travel.