

**Audit of USAID/Madagascar's  
Cashiering Operations**

**Report No. 4-687-99-001-F  
October 5, 1998**

**REGIONAL INSPECTOR GENERAL/PRETORIA**



# memorandum

*Regional Inspector General  
Pretoria*

**DATE:** October 5, 1998

**TO:** USAID/Madagascar Director, Karen Poe

**FROM:** Regional Inspector General/Pretoria, Joseph Farinella

**SUBJECT:** Audit of USAID/Madagascar's Cashiering Operations,  
Report No. 4-687-99-001-F

This memorandum is our report on the subject audit. We have considered your comments on the draft report and made changes as appropriate. Your comments are included in their entirety in Appendix II.

Based on the results of the audit, this report has no recommendations. I appreciate the cooperation and courtesy extended to my staff during the audit.

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## Background

USAID/Madagascar, with approximately 104 U.S. and Foreign Service National employees, began its cashiering operations in April 1998 from a secured area in the Mission's main building lobby. Prior to this date, the Mission had relied on the services of the American Embassy cashier in Madagascar. Cash operations at the Mission are handled by a cashier and, in his absence, an alternate cashier.

The Controller at USAID/Madagascar has overall responsibility for these functions and is guided by U.S. Department of State policy as well as Mission requirements. At the time of our audit, the Mission's authorized imprest level was \$45,000.

The cashier's duties principally comprise of: (1) maintaining an imprest fund in local currency (Malagasy Francs) and U.S. dollars in amounts prescribed by USAID/Washington; (2) disbursing funds for local procurement, in-country travel advances, local currency expense claims and emergency situations; (3) providing accommodation exchange; (4) accepting payments on behalf of the U. S. Government (such as for bills for collection); and

(5) depositing the funds collected.

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## **Audit Objective**

The Office of Regional Inspector General/Pretoria audited USAID/Madagascar's cashiering operations to answer the following question:

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

Appendix I describes the audit's scope and methodology.

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## **Audit Findings**

USAID/Madagascar generally managed its cashiering operation with economy, efficiency, and in accordance with Agency policies and procedures.

Mission management provided comprehensive guidance to its cashiers by issuing a Mission Order on cashiering and imprest funds which incorporated the policies and procedures established by the U. S. Department of State. In accordance with this guidance, the Mission designated a principal cashier and alternate cashier who received appropriate training at the Foreign Service Institute.

The cashier's office is situated in a secured area in the Mission's lobby and access is restricted to authorized personnel. All cash, checks and other valuables are kept in a safe the combination to which is changed whenever a new cashier is designated.

Cash deposits and replenishments from the United States Disbursing Officer account are transported by a USAID vehicle. If amounts to be transported exceed the equivalent of \$5,000 in cash, the Controller provides additional guards to strengthen security.

A surprise count of the cash in hand on May 13, 1998, showed that all transactions were satisfactorily accounted for and the U.S. dollars and local currency were satisfactorily reconciled to the Mission's imprest level of \$45,000.

We noted however, that cashiering operations could be more efficient by establishing a formal filing system and more expeditiously reviewing Cashier Activity Reports received from RAMC/Paris. These findings are discussed below.

**More Efficient Filing System Needed  
To Readily Access Documents**

The General Accounting Office's (GAO) "Standards for Internal Controls In The Federal Government" defines a "specific" standard for documentation. It requires that all transactions and other significant events be clearly documented, and that the documentation be readily available for examination. Further, documentation of transactions or other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information after it is completed.

USAID/Madagascar's cashier maintained documents for all cash transactions. However, the Mission needed a more efficient filing system to store these documents.

Daily, the cashier filed all documents (vouchers, cash receipts, accommodation exchange documents, travel advances, etc.) in a cabinet in his office. At month-end, these documents were transferred to cardboard boxes in a locked room. During the audit, it was necessary to search the records stored in the cardboard boxes to locate documents in order to reconcile the cashier's statement.

The Mission had not established a formal filing system because the cashier's training did not address the need for such a system. The training placed more emphasis on the procedures, forms and documents for performing the cashiering duties.

In addition to the ease of access, properly filed documents would facilitate reconciliation of the cashier statement in a timely manner. In response to our findings, USAID/Madagascar agreed to establish a more efficient filing system to store cashiering documents. Therefore, we are not making a recommendation.

**Reconciliation of Cashier's  
Transactions With United States  
Disbursing Office Records**

GAO's Internal Control Standards for recording of transactions and events requires that all transactions and other significant events be promptly recorded from inception through the entire process or life cycle of a transaction or event. In addition, the Regional Accounting Management Center/Paris's (RAMC/P) Automated Cashier System User Manual provides guidance for processing the Cashier Activity Report which is designed to ensure that the cashier's records are reconciled with the disbursing office records.

In compliance with RAMC/P's guidance the Cashier Activity Report from RAMC/P is electronically transmitted to the Mission for verifying and closing completed transactions to ensure that transactions recorded by the Mission and RAMC/P agree. Discrepancies are required to be resolved before a transaction can be closed.

However, the Cashier Activity Report was not always verified and closed expeditiously by the Mission. As of May 13, 1998, the Cashier's Reconciliation Statement listed 161 entries of which approximately 67 were completed transactions listed on a month's accumulation of Cashier Activity Reports which had not been verified or closed. One completed transaction remained on the Mission's cash reconciliation statement for almost 90 days.

The Controller stated that processing of the Cashier Activity Report had a low priority compared to other responsibilities and the cashiering operations could continue whether or not completed transactions were verified and closed. As a result, the activity reports often accumulated for up to 30 days before being processed.

We believe that a more timely processing would facilitate reconciliation of the outstanding cash transactions. Deposits and disbursements, if processed expeditiously, would facilitate more efficient cashier operations. Since USAID/Madagascar has agreed to implement our suggestions to improve cashiering operations we are not making a recommendation.

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### **Management Comments and Our Evaluation**

In response to the draft report (See Appendix II), USAID/Madagascar concurred with our suggestions to improve the Mission's cashiering operations and has incorporated these in its standard operating procedures. In addition, the requirement to timely reconcile the Cashier Activity Report from the Regional Accounting Management Center (RAMC) with Mission transactions has been implemented and the cashier now has his own file cabinets for all cashier documents.

Also, the Mission has designated an employee to supervise all cashiering functions. This employee is working with the cashier to establish an appropriate filing system. The Mission plans to send the cashier and his alternate to the RAMC Paris Automated Cashier Training.

We believe that the Mission's actions, when completed, would considerably improve its cashiering functions.

**SCOPE AND  
METHODOLOGY**

We conducted an audit of USAID/Madagascar's cashiering operations in accordance with generally accepted government auditing standards. The field work was conducted at the Mission's offices in Antananarivo, Madagascar from May 13 through 15, 1998.

To accomplish our audit objective, we (1) reviewed the physical security of the cashier's office, (2) evaluated controls relating to safeguarding cash and other valuables, (3) performed a surprise cash count, (4) audited reconciliations of the imprest fund, and (5) reviewed daily transactions for one week during the month of April 1998. The total value of the transactions reviewed was approximately \$8,400.

In addition, we obtained a management representation letter from cognizant Mission officials containing essential assertions relating to our audit objective.

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
USAID/MADAGASCAR  
Antananarivo, Madagascar

## MEMORANDUM

Date: September 09, 1998  
To: Joseph Farmella, Regional Inspector General/Pretoria  
From: Karen M. Poe, USAID/Madagascar Director *Karen M. Poe*  
Subject: Audit of USAID/Madagascar's Cashiering Operations

Thank you for the opportunity to review this draft report on USAID/Madagascar's cashiering operations. The Mission concurs in the audit suggestions to improve cashiering operation and has incorporated these in our standard operating procedures.

**Reconciliation of Cashier's  
Transactions with United States  
Disbursing Office Records**

Mission has reconciled the latest cashier activity report from the Regional Accounting Management Center/Paris (RAMC/P) with Missions transaction as of September 09, 1998 (Attached is the Cashier Reconciliation Statement FSC/P365, and the Statement of Cashier's Accountability RAMC/P-364). Subsequent cashier activity report will be verified and closed as soon as received by Mission.

**Formal Filing System and Cabinets  
for Cashier Transactions**

The cashier now has his own file cabinet for all class B cashier documents. In addition, we now have a Supervisor (FSN-9) of the Payment Division, who is responsible for all Cashier, Voucher, and the Payment Division matters. The Supervisor is working with the cashier and will consult with the AmEmbassy Cashier in order to establish an appropriate filing system. The supervisor will also have several days to consult with RAMC/Paris on this and other payment matters. When available, we plan to send both Cashier and Alternate to the RAMC Paris Automated Cashier Training.