
**Regional Inspector General for Audit
Dakar, Senegal**

**Audit of USAID/Guinea
Imprest Fund Balance and Controls
Associated with the Cashier Operations**

**Audit Report No. 7-675-99-007-F
September 24, 1999**

UNITED STATES OF AMERICA
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September 24, 1999

MEMORANDUM

TO: Harry Birnholz, USAID/Guinea Director

FROM:  Henry L. Barrett, RIG/Dakar

SUBJECT: Audit of USAID/Guinea Imprest Fund Balance and Controls Associated with the Cashier Operations, Report No. 7-675-99-007-F

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

This report contains four recommendations. With respect to these recommendations, management decisions have been made for all of the recommendations. Furthermore Mission management has taken final action on recommendation numbers 2, 3.1, 3.2 and 4. Consequently, these recommendations are closed upon issuance of this report, and no further action on the part of the Mission is required. However, the USAID Management Bureau's Office of Management Planning and Innovation will be responsible for deciding when final action related to recommendation number 1 has occurred.

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

Background

Cashier operations at USAID/Guinea are handled by a cashier and, in the cashier's absence, an alternate cashier. The Controller at USAID/Guinea has overall responsibility for these functions and is guided by U.S. Department of State policy, as well as Mission requirements. Mission cashiers are authorized to perform disbursements from their imprest funds and are held personally accountable and responsible for the amount of the funds. At the time of our audit, the Mission's authorized imprest level was \$40,000.

The cashier's duties principally consist of: (1) maintaining an imprest fund in local currency (Guinea Francs) and U.S. dollars; (2) disbursing funds for local procurement, travel advances, local currency expense claims and emergency situations; (3) providing reverse accommodation exchange; (4) accepting payments on behalf of the U.S. Government (such as for bills for

collection) and; (5) depositing the funds collected.

Audit Objective

This audit was designed to answer the following question:

Did USAID/Guinea manage its cashiering operations efficiently, economically and in accordance with USAID policies and procedures and was the imprest fund balance fairly stated?

To test the effectiveness of USAID's internal control systems related to this objective, we:

(1) reviewed the procedures and guidelines associated with the cashiering operations, (2) reviewed selected imprest fund reconciliations that had been prepared by the cashier during the prior 13 months, (3) conducted a surprise count of the cashier's fund as of March 17, 1999, and (4) observed the physical security associated with the cashiering operations.

Appendix I contains a discussion of the scope and methodology for audit work conducted at USAID/Guinea.

Audit Findings

Did USAID/Guinea manage its cashiering operations efficiently, economically and in accordance with USAID policies and procedures and was the imprest fund balance fairly stated?

USAID/Guinea generally managed its cashiering operations efficiently, economically and in accordance with USAID policies and procedures. Furthermore, our surprise count of the imprest fund as of March 17, 1999 showed that the U.S. Dollars and local currency were satisfactorily reconciled to the Mission's fund balance of \$40,000. Thus, in our opinion, the imprest fund balance was fairly stated. However, this report notes the following three areas which, if addressed, should improve the operation, security and accountability of the cashier's imprest fund.

1. The door to the cashier's office does not provide adequate physical protection.
2. USAID/Guinea was not conducting imprest fund reconciliations within the time-frames prescribed by applicable regulations and guidelines.
3. The Mission had not revoked the alternate cashier designation of a former employee and had not designated a new alternate cashier to replace the former employee.

Inadequate Physical Security

USAID guidance says that every effort should be made to provide adequate protection and safety of the imprest fund and deny access to unauthorized personnel. However, during our observation of the physical security features related to the cashier's operations, we noted that the door to the cashier's office did not provide adequate protection. Mission management was aware of the limited security provided by this door, but could not explain why the situation continued to exist. As a result of this weakness, access to the imprest fund is easier and the risk of loss to the imprest fund is increased.

Recommendation No. 1: We recommend that USAID/Guinea ask the Regional Security Officer to evaluate the adequacy of the security provided by the door to the cashier's office and implement the Regional Security Officer's suggested improvements.

USAID Handbook 19, Chapter 13, "Imprest Fund Cashiers" says that every effort should be made to provide adequate protection for cashiers in the way of a cage, den, bulkhead or other suitable arrangement to ensure the safety of the imprest fund and deny access to unauthorized personnel.

In observing the cashier's office and reviewing cashier procedures, we noted that the door to the cashier's room was not suitable to (1) provide adequate protection to the cashier, (2) ensure the safety of the imprest fund and (3) deny access to unauthorized personnel. For example, the top door lock is only a lightweight sliding bolt-action lock attached to the door and frame with small screws. Moreover, the door itself has been cut in half, allowing the top half of the door to be opened to conduct cashier operations. However, when the cashier office is closed and the top half of the door is shut, the lightweight bolt is inadequate to prevent the top half of the door from being forced open with a minimum of effort.

Mission management is aware of the weakness of this door and has been discussing this weakness with the Embassy's Regional Security Officer. However, at the time of our audit the Mission had not taken any action to strengthen the door. Mission management could not explain why no action had been taken to improve this security weakness of the cashier's office.

As a result of the inadequate protection provided by this door, access by unauthorized people to the cashier's office is easier, and consequently, the risk of loss to the imprest fund is increased.

Imprest Fund Reconciliations Are Not Being Conducted Within Prescribed Time-Frames

The Foreign Affairs Manual (FAM) says that cashiers should prepare their reconciliations on a daily basis, if possible, but not less frequently than once a week. During the 54 week period from March 1, 1998 to March 16, 1999, we noted that the cashier had prepared only 39 such reconciliations. According to the cashier, she did not prepare the reconciliations as required because she had other duties that she considered more important. Furthermore, the Mission did not have an established system of supervisory follow-up to ensure that the reconciliations were

prepared. As a result of these lapses in the preparation of reconciliations, accountability and control over the imprest fund were weakened.

Recommendation No. 2: We recommend that USAID/Guinea establish a management and supervisory system that ensures the preparation, at a minimum, of weekly imprest fund reconciliations.

According to 4 FAM Section 397, cashiers should prepare their imprest fund reconciliations on a daily basis, if possible, but not less frequently than once a week.

As part of our audit of the imprest fund, we reviewed the timing and frequency of its reconciliations to determine compliance with the above criteria. We noted that during the 54-week period from March 1, 1998 to March 16, 1999, the USAID/Guinea cashier prepared only 39 reconciliations. Furthermore, in some instances more than one reconciliation was prepared in a week. As a result, there were 25 weeks in which reconciliations were not prepared. Generally, no more than two weeks transpired without a reconciliation. However, in one instance the cashier did not prepare a reconciliation for six weeks.

The cashier did not prepare the required reconciliations because, according to the cashier, she had other duties that she considered to be more important. She thus chose during these particularly busy weeks to perform these other duties instead of preparing the reconciliations. Furthermore, USAID/Guinea did not have a management system or established method of supervisory follow-up to insure that the reconciliations were prepared as required.

For the one instance in which a reconciliation was not prepared for six weeks (see above), the principal cashier was out of the office on leave and temporary duty travel for five of these six weeks. The principal cashier's absence was the primary cause of this six-week gap in the preparation of the required reconciliations.

As a result of these intervals in the preparation of reconciliations, accountability and control over the imprest fund were weakened. Furthermore, such intervals make it more difficult to identify and resolve discrepancies that occur in the processing of imprest fund transactions.

An Alternate Cashier Needs To Be Designated

USAID guidelines say that USAID controllers should anticipate a change in cashiers and should designate a new cashier prior to the date of change. Furthermore, these guidelines say that when an employee ceases to perform the duties of a cashier, the Mission Controller should instruct USAID/Washington to revoke the cashier designation. At the beginning of this audit, we noted that USAID/Guinea had not taken action to revoke the designation of the alternate cashier, who had recently stopped working at the Mission, and the Mission had not designated a replacement. This occurred because the Controller's Office had been plagued with numerous and prolonged position vacancies and had been unable to find a suitable employee to fill this position. As a

result, if the principal cashier had been unavailable during this period, when there was no alternate cashier, critical imprest fund operations would have been disrupted.

Recommendation No. 3: We recommend that USAID/Guinea:

- 3.1 notify USAID's Office of Financial Management in Washington to have the previous alternate cashier's designation revoked and**
- 3.2 designate a new alternate cashier.**

Recommendation No. 4: We recommend that USAID/Guinea provide adequate training in cashier operations to the newly designated alternate cashier.

USAID Handbook 19, Chapter 13, "Imprest Fund Cashiers" defines "alternate cashiers" as cashiers that function during the absence of a "principal cashier." The Handbook says that, when an employee ceases to perform the duties of a cashier, the Mission controller should notify USAID/Washington to have the cashier designation revoked. Furthermore, the Handbook says that the controller should anticipate a change in or the departure of a cashier and should designate a new cashier prior to the date of change.

The previous alternate cashier stopped working with USAID/Guinea on February 8, 1999. However, at the beginning of our audit on March 16, 1999 we noted that USAID/Guinea had not taken action to notify USAID's financial management office in Washington that this alternate cashier's designation should be revoked; nor had the Mission designated a new alternate cashier.

This oversight occurred because the Controller's Office of USAID/Guinea had been plagued with numerous and prolonged vacancies in its staffing (see further discussion below). As a result, the Controller's Office temporarily overlooked the required revocation and designation. However, after we informed the Mission of the importance of this revocation and designation, the Mission, on March 23, 1999, designated a new alternate cashier and notified USAID/Washington of the need to revoke the previous alternate cashier's designation.

As mentioned above, the Controller's Office has been plagued with vacancies in its staffing. In April 1998, there were four vacancies in the Controller's Office out of a total authorized staff of nine. Since April 1998 only three of the four vacant positions have been filled, giving a staffing level of eight out of the authorized nine. However, of these eight people currently staffing the Controller's Office, five have no formal accounting training.

As a result of this oversight in the required revocation and designation, there was an increased risk that critical functions of the cashier operations would be disrupted. Furthermore, without an alternate cashier to handle imprest fund transactions in the absence of the principal cashier, critical functions of the Mission could be adversely impacted because it would be more difficult for the Mission to pay for certain goods and services, make emergency travel advances, provide accommodation exchange and to receive and make payments.

Management Comments and Our Evaluation

USAID/Guinea concurred with all of the recommendations in this report. Additionally, USAID/Guinea has taken final action on recommendation numbers 2, 3.1, 3.2 and 4 and has provided us with documentary proof that these actions have been implemented. Thus, no further action by the Mission is required for these recommendations.

Furthermore, the Mission is in the process of implementing recommendation number 1, but as of the date of this report the Mission had not completed the recommended changes. USAID Management Bureau's Office of Management Planning and Innovation will be responsible for deciding when final action related to recommendation number 1 has occurred.

Regarding recommendation number 1, the Mission has taken action to relocate the cashier's office to a more secure area, where enhanced security features can be installed. As of the date of this report, the Mission was in the process of installing these additional security measures. Thus, the Mission has made a management decision on this recommendation, but has not yet completed the desired final action.

Recommendation number 2 suggested the establishment of a system to ensure the preparation of weekly imprest fund reconciliations. In response to this recommendation, the Mission has prepared a calendar to document and track the frequency of the preparation of the reconciliations. Thus, we consider that final action has been taken on this recommendation.

For recommendations 3.1 and 3.2 the Mission has notified USAID's Office of Financial Management in Washington to revoke the previous alternate cashier's designation and has notified this Washington office of the designation of a new alternate cashier. As a result, the Mission has taken final action on these recommendations.

Recommendation number 4 suggested that USAID/Guinea provide training in cashier operations to the newly designated cashier. The Mission has provided us with documentation that this training occurred during the period May 12 through May 28, 1999. Furthermore, the Mission stated, in their response to our draft report, that they had provided on-the-job training during the month of June 1999. As a result, we consider that final action has occurred for this recommendation.

<p style="text-align: center;">SCOPE AND METHODOLOGY</p>

Scope

This audit was performed in accordance with generally accepted government auditing standards and was conducted at USAID/Guinea from March 16, 1999 until March 30, 1999.

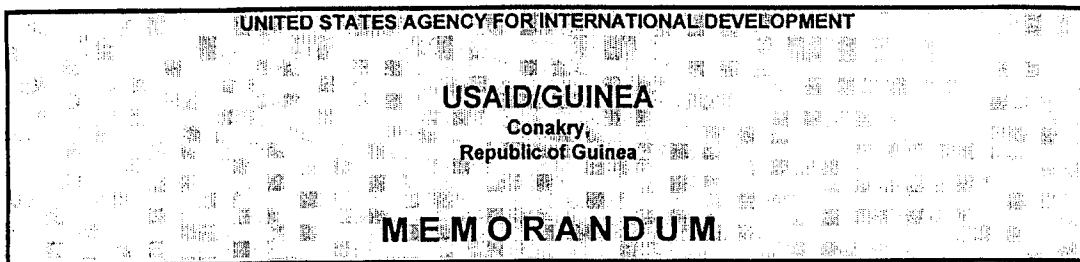
The audit was conducted at the Mission's office in Conakry, Guinea and focussed on the controls and accountability of the \$40,000 imprest fund.

The audit scope included a review of the physical security of the cashier's office, a review of imprest fund procedures and a surprise count of the imprest fund cash and reconciling items.

Methodology

We considered the materiality of transactions, supporting documents and potential disclosure of noted exceptions in the planning, fieldwork and reporting phases of our audit. Because of the liquidity of cash and its relatively high risk of loss, our materiality threshold was set at a relatively low level of \$100.

To accomplish our audit objective, we (1) reviewed the physical security of the cashier's office, (2) interviewed appropriate Mission employees, (3) reviewed internal controls and procedures relating to the imprest fund and its operation, (4) reviewed reconciliations and imprest fund transactions that arose during the period March 1, 1998 to March 16, 1999, (5) conducted a surprise count of the imprest fund and its reconciling items, and (6) obtained a management representation letter from Mission officials which provided us with essential assertions relating to our audit.



DATE: September 15, 1999
FROM: Harry Birnholz, Director *[Signature]*
TO: Henry L. Barrett, RIG/DAKAR
SUBJECT: Draft Audit report 7-675-99-00X-F

Audit of USAID/Guinea Imprest Fund Balance and Controls associated with the Cashier Operations

As requested, the Mission has reviewed RIG's draft audit report indicated above. Please find below our responses to the report's recommendations.

Recommendation No. 1:

We recommend that USAID/GUINEA ask the Regional Security Officer (RSO) to evaluate the adequacy of the security provided by the door to the cashier's office and implement the RSO's suggested improvements.

Mission's Response: Actions are being taken to relocate the cashier's office to the ground floor where the security can be enhanced. The location on the ground floor will have a secure entrance door which has been donated to the Mission by U.S. Embassy/Conakry and approved by the RSO. A separate security window will be installed with locally purchased glass (approved by the RSO) for conducting cashier operations with employees, outside contractors and vendors. The new office location will provide adequate protection to the cashier and funds and deny access to unauthorized persons. The Mission plans to procure the glass, complete the renovation of the new office and relocate the cashier by September 30, 1999.

Recommendation No. 2:

We recommend that USAID/Guinea establish a management and supervisory system that ensures the preparation, at a minimum, of weekly imprest fund reconciliations.

Mission's Response: The Office of Financial Management has prepared a calendar to document and track the frequency of preparation of cash reconciliations. The new Chief Accountant, who assumed his position in mid-June 1999, has been delegated the responsibility to monitor the frequency of performance of the reconciliations. At least one reconciliation per week will be

reviewed by the Chief Accountant and approved by the Controller. These documents will also be on files for reference.

To facilitate more frequent cash counts, the Class B Cashier has exchanged excess Guinean Franc coins for bills and has been instructed not to break down bundles of bills until the bills are needed for payment of cash vouchers/petty cash transactions or reverse accommodation exchanges. This will greatly reduce the time needed to perform more frequent reconciliations.

Recommendation No.3

We recommend that USAID/Guinea:

- i) Notify USAID's Office of Financial Management in Washington to have the previous alternate Cashier's designation revoked and
- ii) Designate a new alternate cashier

Mission's Response: Actions have been completed and the recommendation was to be closed upon issuance of the draft audit report.

Recommendation No. 4

We recommend that USAID/Guinea provide adequate training in cashier operations to the newly designated alternate cashier

Mission's Response: The designated alternate Class B Cashier was provided on-the-job training during the weeks of June 14 and June 18, 1999. Subsequently, the alternate cashier filled in as the cashier for the week of June 28, 1999 during the absence of the class B cashier. Following the completion of the summer leave schedule the alternate Cashier will conduct the cashier operation at least twice a month under the supervision of the Class B cashier for three months. Thereafter, the alternate will perform the cashier operation at least once a quarter to keep abreast of any changes in cashier policy and regulations and to stay familiar with the cashier software program. The Chief Accountant has been tasked with ensuring that the training schedule and the subsequent familiarization schedule is followed.

Based on the actions taken to date, USAID/Guinea requests that recommendation Nos. 2 and 4 be closed upon issuance of the final audit report. USAID/Guinea will advise the USAID Management Bureau's Office of Management Planning and Innovation when the cashier's Office has been relocated and security upgraded as described in our comment to Recommendation No.1 above.