

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA


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March 25, 1999

Memorandum

To: Thomas Park, Director, USAID/Benin

From: Lee Jewell III, Acting RIG/Dakar 

Subject: Audit of USAID/Benin's Cashier Operations,
Audit Report No. 7-680-99-003-F

This memorandum is our report on the subject audit. Your comments to our draft report were considered in the preparation of this final report and have been included in Appendix II

This report has one recommendation. As of the date of this report, final action has been taken on the recommendation included herein.

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

Background

USAID/Benin has approximately 60 U.S. and Foreign Service National employees. Cash operations at the Mission are handled by a cashier. The Controller at USAID/Benin 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 \$30,000.

The cashier's duties principally consist of: (1) maintaining an imprest fund in local currency (CFA) and U.S. dollars; (2) disbursing funds for local procurement, 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.

Audit Objective

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

Has USAID/Benin implemented adequate controls over its cashier operations?

Appendix I describes the audit's scope and methodology.

Audit Findings

In our opinion, except for the effects, if any, of the loss of the elements of surprise and control over the cash count as described below, USAID/Benin generally implemented adequate controls over its cashier operations. However, this report notes one area which should be addressed to reduce the risk of a loss of funds.

According to the Mission Controller and evidence that we observed, Mission management provided comprehensive training, and oversight of its cashiering operations. In 1995, the cashier successfully completed a training course for cashiers which was offered by the Foreign Service Institute, a U.S. Government training facility based in the United States. In addition, the Controller conducts routine surprise cash counts and reconciliations of the cashier's imprest fund.

We also observed the physical security associated with the cashier operations and concluded that the security features appeared to be adequate. The cashier's office is situated in a secured area on the first floor of the Mission building and access is restricted by a locked door to unauthorized personnel. The key for the cashier's office is maintained by the cashier and a duplicate key is maintained at the U. S. Embassy, which is located nearby. All cash, checks and other documents associated with the cashier and the imprest fund reconciliation process are maintained in a safe. However, we noted that although the physical barriers seemed to provide adequate security from unauthorized entry, the office of the cashier itself was cluttered with many boxes of accounting records, including vouchers and receipts. The co-location of these records with the cashier's function is a weakness in internal controls as discussed in the Comptroller General's "Specific Internal Control Standards." This weakness and our related suggestion are discussed in more detail below under the caption "Unrelated Accounting Records Should Be Removed From Cashier's Office."

We began a surprise count of the cash and verification of other reconciling items on October 6, 1998. However, during the course of our review, we noted--and the cashier also informed us-- that she had not completed and prepared a reconciliation of the fund since September 29, 1998. This several day lag in preparing the reconciliation was due to procedures associated with the Mission's financial year-end closing process, and did not appear to be a recurring problem. Thus, we are not making a recommendation regarding this delay in preparing the

imprest fund reconciliation.

Although no reconciliation analysis was available on October 6, 1998, we were able to count the cash and other reconciling items that the cashier provided to us. However, on October 6, 1998 we were not able to reconcile the cash and other reconciling items to the amount for which the cashier was accountable, because of the lack of a current reconciliation schedule. The cashier required a day to input the various imprest fund transactions into the reconciliation system. Thus, the reconciliation analysis was not available for our review until the afternoon of the following day. Because of the lack of a current reconciliation analysis before the close of business on October 6, 1998, we were unable to maintain the intended elements of surprise and control over cash and records.

Unrelated Accounting Records Should Be Removed From Cashier's Office

During our review of the cashier's operations, we noted that the cashier's office, although physically secure from the entry of unauthorized people, contained many boxes of old and previously processed accounting records. These boxes were stacked along the walls, in some instances four boxes high and two boxes deep--creating physical clutter and confusion. Furthermore, the boxes contained vouchers and receipts, which weakened internal controls by providing the cashier with access to unneeded accounting records which could be used in the reconciliation process to mask cash shortages. USAID/Benin stated that these records were maintained in the cashier's office to enable the cashier to respond to requests from the accounting and payment staff for information on outstanding advances and cashier paid 122 1 reconciliation items which the Mission is working to close.

This easy access to unneeded records breaches one of the Comptroller General's "Specific Internal Control Standards": "Access to and Accountability for Resources." According to this standard, access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Furthermore, the detailed description of this standard explains that the basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss to the Government.

As a result of the cashier's easy access to vouchers and receipts, there is a risk that these vouchers could be inappropriately substituted for cash in the reconciliation process and not detected in periodic surprise counts by the controller or auditors. The removal of these files from the cashier's office would reduce the risk of invalid receipts being substituted for misappropriated cash. This removal would also have a secondary benefit of improving the working conditions of the cashier by removing the physical confusion and clutter from the cashier's office.

Recommendation No. 1: We recommend that USAID/Benin maintain only those records associated with the cashier's current activities in the cashier's office. All

other accounting records should be removed from the cashier's office and stored in another location.

Management Comments and Our Evaluation

USAID/Benin concurred with Recommendation No. 1. As a result, the Mission stated that it has removed all prior year files from the cashier's office.

We believe that USAID/Benin's reported actions meet the intent of Recommendation No. 1. We, therefore, consider this final management action upon issuance of the audit report and no further action is required on the part of USAID/Benin.

SCOPE AND METHODOLOGY

Scope

The Office of the Regional Inspector General for Audit/Dakar conducted an audit, in accordance with generally accepted government auditing standards, of the cashier's operations at USAID/Benin. The audit was conducted at the Mission's office in Cotonou, Benin from October 6 through October 9, 1998 and focussed on the controls and accountability of the \$30,000 imprest fund.

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 relative risk of loss, our materiality threshold was set at a relatively low level.

To accomplish our audit objective, we (1) reviewed the physical security of the cashier's office, (2) tested selected transactions and evaluated controls relating to the safeguarding of cash and (3) obtained a management representation letter containing essential assertions from appropriate Mission officials.

We also attempted to (1) perform a surprise cash count of the imprest fund and (2) verify the reconciliation of cash and reconciling items to the \$30,000 imprest fund balance of accountability. However, we were unable to maintain the elements of surprise and control over the cash and records of the cashier's imprest fund. We began our surprise count of the cashier's imprest fund on October 6, 1998. However, a current reconciliation analysis was not available for us to verify until the afternoon of the following day. During this delay the cashier needed access to the records to prepare the reconciliation and we were not able to maintain a constant vigil over the cash and documents constituting this fund.


MAR 15 1999

U.S. Agency For International Development

memorandum

DATE: March 08, 1999

TO: Mr. Henry Barrett
RIG/A/Dakar

FROM: Mr. Tom Park
Mission Director, USAID/Benin 

SUBJECT: Draft Audit Report Number 7-680-99-00X-F on
USAID/Benin's Cashier Operations

As requested, the Mission has reviewed the RIG's draft audit report on USAID/Benin's cashier operations. Please find below our response to the report's following recommendation.

Audit Recommendation:

We recommend that USAID/Benin maintain only those records associated with the cashier's current activities in the cashier's office. All other accounting records should be removed from the cashier's office and stored in another location.

Based on feedback received from the cashier, the above records were maintained in the cashier's office to enable the cashier to respond to requests from the accounting and payment staff for information on outstanding advances and cashier paid 1221 reconciliation items which the Mission is working to close.

However, as pointed out by the auditors, the storage of this documentation in the cashier's office presented a potential vulnerability. Therefore, as noted in the draft audit report, the Mission has taken action to resolve this finding, and all prior year files have now been removed from the cashier's office.

The Mission appreciates the RIG's feedback and assistance in improving USAID/Benin's cashier operations.