

APPENDIX O
PROGRAM INTEGRITY: HONOR VAULTS

O-1. Honor vaults are very susceptible to fraud and embezzlement. Consequently, honor system programs require diligent audit and quality assurance attention. Controls and methods can be used to better ensure the integrity of honor system collections. Failure to follow physical and operational control methods may cause an auditor to question program integrity and could even open the program to fraud.

O-2. The following controls are suggested to strengthen the integrity of the honor vault fee collection program:

a. Physical Controls: Physical controls can enhance the integrity and quality assurance of the honor vault method of fee collection. It is recommended that honor vaults feature a removable double locked container that would allow for only one designated fee collector to remove the full container and replace it with an empty one. Examples of physical controls include the following:

(1) Double Box System: The fee collector unlocks the honor vault and removes the double-locked fee collection box.

(2) Single Box System with Removable Vault: An alternative to the double box is a system where the entire safe is removable and essentially serves the same purpose as the inner double locked collecting box. The fee collector unlocks the safe from the mounting bracket and replaces it with an empty safe.

(3) Double Locking Honor Vaults: If a removable fee collection container is not provided, accountability can be strengthened by having two individually keyed locks so that two keys from two different persons are needed to open the vault.

(4) Dual Locking Containers: All of the above methods of physical control make use of dual locking containers.

b. Operational Controls.

(1) Dual Control: Having two persons present at all times when fee revenues are accessed is a basic quality assurance method.

(2) Rotating Duties: Dual control can be improved by ensuring that the same two employees are not routinely paired for fee collection activities.

(3) Separation of Duties: A single person should not have complete and individual control of funds and related paperwork from collection through deposit.

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(4) Fraud Reporting Requirements: Posted notices, written operating procedures, orientations, etc., should make it clear that it is the duty of employees to report matters of known, suspected, or alleged fraud to the appropriate authorities.

(5) Tracking Fee Payment Envelopes: Honor systems envelopes should be subsequently numbered so they can be used to verify payment of use fees.

(6) Supervisory Control: Supervisors should be knowledgeable of fee collection operations and should develop and provide written operating procedures.

c. Auditing Controls: ER 37-2-10 calls for "constant review and examination by internal audit staffs" and provisions for "policing the effectiveness of the prescribed procedures by those responsible for managing government resources," for verifying that envelopes and funds are turned in for deposit.