

**Office of  
INSPECTOR GENERAL**

*Audit Report*

*Audit of USITC Imprest Funds*

*Report No. IG-01-90*



UNITED STATES  
INTERNATIONAL  
TRADE COMMISSION

*October 1989*

Date Issued





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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, D.C. 20436

October 19, 1989

AUDIT OF USITC IMPREST FUNDS  
Report No. IG-01-~~89~~90

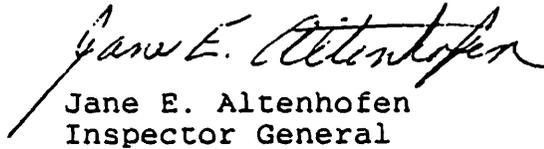
This audit was scheduled in order for the USITC to comply with Treasury Department guidelines that agencies are responsible for making unannounced audits of each imprest fund. The objective of the audit was to determine if the funds were properly accounted for and administered in accordance with Treasury guidelines and USITC policy.

The audit was conducted by Arthur Andersen and Company in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The results of their audit are presented as Appendix A to this report.

In summary, the auditors found that the funds were properly accounted for. However, in some respects, the funds were not being administered in accordance with Treasury guidelines or USITC policies. Based upon the audit results set forth in the draft audit report, we recommended that the Director of Administration:

1. Prepare Signature/Designation Cards for Certifying Officers or memoranda documenting personnel authorized to request disbursements;
2. Evaluate the subcashier's fund after it has been in operation for six months, and, if warranted, reduce the fund level in accordance with Treasury guidelines;
3. Prepare receipts (SF 1165) to account for advances in accordance with Treasury regulations; and
4. Issue an agency-wide directive and cashier desk procedures on imprest fund operations. These documents would formally adopt the Treasury guidelines and set forth policy and procedures unique to the USITC.

The Director of Administration generally concurred with these recommendations. Arthur Andersen incorporated the comments into their report as appropriate. The Director's response, in entirety, is presented as Appendix B to this report.

  
Jane E. Altenhofen  
Inspector General

ARTHUR ANDERSEN & CO.

1666 K STREET, N.W.  
WASHINGTON, D.C. 20006  
(202) 862-3100  
October 6, 1989

To the Commissioners of the  
U.S. International Trade Commission:

INTRODUCTION

At your request, and in accordance with our proposal dated May 26, 1989, we have completed a review of the imprest funds at the Office of Management Services and the Office of Finance and Budget. Currently, the imprest fund has an authorized level of \$1,500 at the Office of Management Services and \$6,000 at the Office of Finance and Budget.

PURPOSE AND SCOPE

The purpose of the review was to determine whether: (1) the fund was properly accounted for; (2) advances/disbursements were properly authorized and supported; (3) the internal controls, procedures and practices for management and operation of the fund were adequate; (4) the safekeeping facilities were adequate to protect the fund from loss or theft; (5) the fund was operated in compliance with Treasury regulations and guidelines; and (6) there was a genuine need for the fund and the authorized level of the fund was reasonable.

We conducted our audit field work in July 1989, at the U.S. International Trade Commission. The review was made in accordance with generally accepted Government auditing standards, and included an unannounced cash count and reconciliation of the funds as well as other tests of the accounting records and other auditing procedures that we considered necessary in the circumstances.

Specifically, from the period of April to June 1989, we judgmentally selected 18 reimbursements from the Office of Management Services fund totaling \$221.49 and 17 advances from the Office of Finance and Budget Fund totaling \$1,466.20.

RESULTS OF REVIEW

We determined that: (1) the imprest fund was properly accounted for; (2) advances/disbursements were properly authorized and supported; (3) the internal controls, procedures and practices for management and operation of the fund were generally adequate, although required documentation and formalized operating procedures should be adopted; (4) the safekeeping facilities were adequate to protect the fund from loss or theft; (5) the fund was generally operated in accordance with Treasury regulations and guidelines; and (6) there was a genuine need for the fund and the authorized level of the fund was reasonable. However, we did identify the following items for your consideration:

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- o The custodians do not have Form SF 210, Signature/Designation Card for Certifying Officer, or memorandum which documents personnel authorized to request disbursements. According to the Treasury Financial Manual, Chapter 4-3000, Item 3040.10, "Agencies must provide documents to cashiers indicating which officials may authorize payments from the imprest fund." This schedule should be completed specifying which officials can authorize disbursements.

Office of Administration Response:

AGREE. Form SF 210, Signature/Designation Card for Certifying Officer, for selected personnel in the Office of Finance and Budget have been executed. We plan to use the memorandum format to provide a list of personnel (with signature samples) to imprest fund cashiers specifying Commission employees who can authorize disbursements. We plan to have this completed by November 30, 1989. This deadline has been chosen since we are also developing policies and procedures regarding officials who can certify requisitions for various goods and services. We can expect that many of the persons on this list will be the same ones who will be designated to authorize disbursements from the imprest funds.

- o From the thirty-five imprest payments we reviewed, two reimbursements (Vouchers #123 and #130) were paid from the Office of Finance and Budget fund for local transportation expenses. These reimbursements were proper, but should have been paid from the Office of Management Services fund.

Office of Administration Response: No response necessary.

- o Although the turnover rates of both funds are in accordance with the Treasury Regulations (two month turnover is recommended), the subcashier fund in the Office of Finance and Budget (currently \$2,000) is underutilized. Although only in existence for two months at the date of our review, based on the current usage, the balance is more than three times the recommended turnover level. The subcashier's balance should be reevaluated after analysis of further experience, with consideration given to reducing the balance to no more than \$1,500.

Office of Administration Response:

AGREE (conditionally). We agree to evaluate the level of usage of the subcashier's fund in the Office of Finance and Budget after the first six months of its operation, but reserve the option of retaining a fund balance which is consistent with operational requirements. The subcashier's fund was established in May 1989; the recommended evaluation will occur by November 30, 1989.

- o Currently, neither fund accounts for advances to their subcashier/alternate in accordance with the suggested Treasury Procedures (we refer specifically to pg. 19 of the Manual of Procedures and Instructions for Cashiers). The Treasury Regulation requires that the subcashier or alternate sign a receipt (SF 1165) when the money is advanced to them. From that point forward, the amount of cash plus unreimbursed receipts should equal the amount of the advance shown on the SF 1165. Based upon our test counts, the subcashier/alternate funds appear to be operating correctly, but adequate documentation is not maintained in accordance with the Treasury Regulations.

Office of Administrative Response:

AGREE. As discussed with the Inspector General at the August 10, 1989, exit conference on the working draft of the audit report form SF-1165 receipts will be prepared, and in the Contracting and Procurement Division a more detailed explanation of each transaction will be attached. The SF-1165 receipts are currently being used in the Office of Finance and Budget.

- o Currently, both an agency wide directive and cashier desk procedures regarding the imprest funds are in existence. To improve the control environment, we recommend that an updated directive be issued and that more detailed cashier procedures be prepared in accordance with the Treasury Regulations. The directive should include at least the following:

- types of reimbursements/advances
- authorization necessary for reimbursements/advances
- documentation necessary for reimbursements/advances.

The imprest fund cashier procedures should include at least the following:

- authorization requirements
- transaction processing procedures
- substantiation and evaluation and
- physical safeguards

Office of Administration Response:

AGREE. A directive covering both imprest funds and desk procedures for cashiers will be issued by December 29, 1989. This directive will replace USITC Directive 3602 (5/23/84), Imprest Fund Claims for Local Travel, Local Small Purchases and Training Expenditures. The

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Contracting and Procurement Division has desk procedures in place now which may have to be revised for consistency with the directive. Desk procedures for cashiers in the Office of Finance and Budget will be issued by December 29, 1989, as well.

In addition, we have the following suggestion:

- o Although the physical safeguards of the funds are in accordance with the Treasury Regulations, the subcashier fund for the Office of Finance and Budget should be moved. It is currently in a combination file drawer and could instead be placed in the same locked room and file as the main cashier fund. Adequate segregation of the funds would still be achieved as each cashier keeps separate locked boxes for their funds.

Office of Administration Response:

DISAGREE. We do not concur with the suggestions by Arthur Andersen that the subcashier's fund should be moved to the main cashier's safe.

- The subcashier's fund resides in a GSA approved safe, which is located in a separate room accessed only by Office of Finance and Budget employees. The subcashier is the only person who has access to the entire file cabinet which is secured by a built-in combination lock. The money is in a locked box. (Arthur Andersen stated that physical safeguards are in accordance with Treasury Regulations).
- The main cashier and the subcashier are personally responsible for the cash in their possession. If we were to place the lock boxes of both cashiers into the same safe we would actually be increasing the risk of theft since these types of boxes could be carried away. We feel that segregation of funds and cashier responsibility can only be achieved if each cashier has their own safe with their own cash box rather than sharing a safe.

We wish to extend our appreciation to the staff of the Office of Finance and Budget and Office of Management Services for their cooperation and courtesies extended during the review. We would be pleased to discuss further our findings and recommendations or assist in their implementation.

Very truly yours,

CTB

Arthur Andersen & Co.



AD-M-462

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

September 25, 1989

MEMORANDUM

TO: Inspector General

FROM: Director, Office of Administration *Sam S. Godrich*

SUBJECT: Review of Draft Audit Report: "Audit of USITC Imprest Funds"

As requested by your memoranda dated August 22 and 23, 1989 (IG-M-042 and IG-M-043), submitted as an attachment to this memorandum is the Office of Administration's response to the subject draft audit report issued on August 22, 1989. In accordance with Section 11 of the USITC Directive 1701, the Commissioners have had an opportunity to comment on the response and the Chairman has approved it.

We are pleased Arthur Andersen & Company "found that the funds were properly accounted for." Of the 35 imprest payments the auditors reviewed only two reimbursements were paid from the wrong fund, although the amounts of reimbursements were proper in both bases. The cashier and subcashier in the Office of Finance have been reminded that all reimbursements for local transportation should be paid from the imprest fund in the Office of Management Services.

Please call me at 252-1131 if you have any questions.

**Attachment**

cc: The Commission  
 Acting Director of Finance and Budget  
 Director, Office of Management Services  
 Special Assistant to the Director, Office of Administration

U.S. International Trade Commission

Office of Administration's response to the  
August 22, 1989, Draft Audit Report  
"Audit of USITC Imprest Funds"

Recommendation 1--

Prepare Signature/Designation Cards for Certifying Officers or memoranda documenting personnel authorized to request disbursements.

AGREE. Form SF 210, Signature/Designation Card for Certifying Officer, for selected personnel in the Office of Finance and Budget have been executed. We plan to use the memorandum format to provide a list of personnel (with signature samples) to imprest fund cashiers specifying Commission employees who can authorize disbursements. We plan to have this completed by November 30, 1989. This deadline has been chosen since we are also developing policies and procedures regarding officials who can certify requisitions for various goods and services. We can expect that many of the persons on this list will be the same ones who will be designated to authorize disbursements from the imprest funds.

Recommendation 2--

Evaluate the subcashier's fund after it has been in operation for six months, and, if warranted, reduce the fund level in accordance with Treasury guidelines.

AGREE (conditionally). We agree to evaluate the level of usage of the subcashier's fund in the Office of Finance and Budget after the first six months of its operation, but reserve the option of retaining a fund balance which is consistent with operational requirements. The subcashier's fund was established in May 1989; the recommended evaluation will occur by November 30, 1989.

Recommendation 3--

Prepare receipts (SF 1165) to account for advances in accordance with Treasury regulations.

AGREE. As discussed with the Inspector General at the August 10, 1989, exit conference on the working draft of the audit report form SF-1165 receipts will be prepared, and in the Contracting and Procurement Division a more detailed explanation of each transaction will be attached. The SF-1165 receipts are currently being used in the Office of Finance and Budget.

Recommendation 4--

Issue an agency-wide directive and cashier desk procedures on imprest fund operations. These documents would formally adopt the Treasury guidelines and set forth policy and procedures unique to the USITC.

AGREE. A directive covering both imprest funds and desk procedures for cashiers will be issued by December 29, 1989. This directive will replace USITC Directive 3602 (5/23/84), Imprest Fund Claims for Local Travel, Local Small Purchases and Training Expenditures. The Contracting and Procurement Division has desk procedures in place now which may have to be revised for consistency with the directive. Desk procedures for cashiers in the Office of Finance and Budget will be issued by December 29, 1989, as well.

Suggestion -

Although the physical safeguards of the funds are in accordance with the Treasury Regulations, the subcashier fund for the Office of Finance and Budget should be moved. It is currently in a combination file drawer and could instead be placed in the same locked room and file as the main cashier fund. Adequate segregation of the funds would still be achieved as each cashier keeps separate locked boxes for their funds.

DISAGREE. We do not concur with the suggestion by Arthur Andersen that the subcashier's fund should be moved to the main cashier's safe.

- The subcashier's fund resides in a GSA approved safe, which is located in a separate room accessed only by Office of Finance and Budget employees. The subcashier is the only person who has access to the entire file cabinet which is secured by a built-in combination lock. The money is in a locked box. (Arthur Andersen stated that physical safeguards are in accordance with Treasury Regulations.)
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