Audit Report

OFFICE OF THE INSPECTOR GENERAL

CASH ACCOUNTABILITY IN DOD IMPREST FUNDS MAINTAINED BY THE OFFICE OF THE INSPECTOR GENERAL, DOD

Report No. 95-155 March 22, 1995

Department of Defense

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Report No. 95-155 March 22, 1995

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR ADMINISTRATION AND INFORMATION MANAGEMENT

SUBJECT: Audit Report on Cash Accountability in DoD Imprest Funds Maintained by the Office of the Inspector General, DoD (Project No. 3FG-2019.13)

Introduction

We are providing this report for your information and use. The audit was made at your request to examine the imprest funds maintained within the Office of the Inspector General, DoD, Arlington, Virginia.

Imprest fund cashiers are entrusted with and held accountable for public funds used to make immediate cash payments of relatively small amounts for authorized purchases. The cashiers are responsible for safeguarding cash and maintaining accountable records to be presented to authorized personnel for verification at any time.

Imprest fund cashiers at the Office of the Inspector General, DoD, were responsible for imprest funds totaling $3,000. Within the Financial Management Directorate, Office of the Assistant Inspector General for Administration and Information Management, DoD (the Financial Management Directorate), two cashiers maintained an imprest fund totaling $2,500. The primary imprest fund cashier was responsible for $2,200, and the alternate cashier was responsible for $300. Within the Washington Field Office, Defense Criminal Investigative Service (the Washington Field Office), a cashier maintained an imprest fund totaling $500.

Audit Results

Our surprise audit of the imprest funds disclosed that cash on hand and related documents such as unpaid reimbursement vouchers and interim receipts* agreed with accountability records. Also, procedures were adequate for reporting imprest fund overages or shortages, determining imprest fund cash requirements, reviewing the propriety of imprest fund payments, and storing and safeguarding imprest funds.

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*Interim receipts are used to advance funds to pay for goods or services at the time of purchase or delivery.

However, the imprest fund maintained at the Washington Field Office was not replenished monthly as required by DoD Manual 7220.9-M, "DoD Accounting Manual," (DoD Accounting Manual) chapter 32, October 6, 1987. Furthermore, the Washington Field Office claimed safe combinations were changed as required; however, the office did not maintain records to support that assertion as required by DoD Regulation 7000.14-R, volume 5, "Disbursing Policy and Procedures," December 1993. Also, the Financial Management Directorate did not change safe combinations in accordance with that same guidance.

Objectives

The primary audit objectives were to:

o verify accountability for cash and related assets,

o evaluate the adequacy of procedures used to determine the accuracy of records used to support cash accountability over imprest funds,

o assess compliance with applicable laws and regulations, and

o evaluate the adequacy of management's internal management control program as it pertains to the audit objectives.

In this report, we reviewed the Office of the Inspector General, DoD, imprest funds. The results of this audit will be included in the final consolidated report of all DoD imprest funds reviewed.

Scope and Methodology

This financial related audit was conducted at the Office of the Inspector General, DoD. We made unannounced cash counts on September 7, 1994, of two imprest funds totaling $3,000. During our unannounced cash counts, we counted all cash and examined related documents such as unpaid reimbursement vouchers and interim receipts comprising each imprest fund cashier's total accountability. In addition, we observed physical controls over cashiers' areas and reviewed procedural controls over security including opening and closing of safes.

This audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls

considered necessary. No computer-processed information or statistical sampling was involved. We visited only the organizations where the funds were located.

Internal Controls

Cash on hand and related documents such as unpaid reimbursement vouchers and interim receipts agreed with accountability records. Furthermore, physical controls over the cashiers' areas and procedural controls over security were generally adequate.

- Separate safes were provided to each cashier.

- Access to those safes was limited to essential personnel.

- Imprest funds were not intermingled with other funds or stored with classified information or items of value.

However, safe combinations were not changed as required by DoD Regulation 7000.14-R, volume 5.

Otherwise, actions taken to comply with DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, were adequate.

Prior Audits and Other Reviews

The Office of the Comptroller, 11th Support Wing, National Capital Region, conducts quarterly unannounced cash counts of the two imprest funds maintained by the Office of the Inspector General, DoD. We examined a total of eight reports, prepared during FY 1993, to document deficiencies noted during those reviews and identify management actions taken. No deficiencies were detected during those reviews. With the exception of those unannounced cash counts, no external audits or reviews of the imprest funds had been performed during the past 5 years.

Background

Replenishing Imprest Funds. The DoD Accounting Manual requires imprest fund cashiers to replenish the fund ". . . as often as required, but at least monthly."

Changing Safe Combinations. DoD Regulation 7000.14-R, volume 5, requires custodians of funds to ensure that:

> the combination of all vaults, safes, and fund containers is changed at least once every 6 months and upon the relief, transfer, separation, or discharge of the accountable individual.

That guidance further requires those custodians to ensure that:

> a record of combination changes is kept inside each vault, safe, or container. The record shall be dated and signed by the accountable individual.

Discussion

Our unannounced cash counts of the imprest funds revealed that physical and procedural controls over the imprest fund were generally adequate. Cash on hand and related documents agreed with accountability records. Enclosure 1 summarizes the results of those cash counts. Also, procedures over reporting imprest fund overages or shortages, determining imprest fund requirements, reviewing the propriety of imprest fund payments, and storing and safeguarding imprest funds were adequate.

In addition, actions taken to comply with the DoD Internal Management Control Program were sufficient as prescribed by DoD Directive 5010.38. Our evaluation of those actions disclosed that a 5-year management control plan had been developed and vulnerability and risk assessments and internal control reviews had been adequately conducted. However, our evaluation disclosed two minor instances for which management did not always comply with applicable directives.

Replenishing Imprest Funds. The imprest fund maintained by the Washington Field Office had not been replenished monthly as required by the DoD Accounting Manual. According to the reimbursement vouchers prepared from May through August 1994, the fund had not been replenished during the month of July 1994. The fund had not been replenished because the imprest fund cashier was not aware of the requirement to replenish the fund on a monthly basis. Rather, the cashier replenished the fund as needed. Reimbursing the fund on a monthly basis is necessary to ensure that obligations and outlays are recorded against the proper appropriations on a current basis.

Changing Safe Combinations. Financial Management Directorate personnel did not change safe combinations or record the changed combinations as required by DoD Regulation 7000.14-R, volume 5. That guidance requires safe

combinations to be changed at least every 6 months and upon relief, transfer, separation, or discharge of the accountable individual. That guidance also requires formal records of those changes to be maintained. Records disclosed that the combinations of the two safes at the Financial Management Directorate had not been changed since August 1987 and July 1989, respectively. Also, the Washington Field Office did not maintain records indicating dates on which combinations were changed. Consequently, we could not verify that the combinations had been changed.

Those conditions occurred for two reasons. First, Financial Management Directorate personnel were not aware that the directives required the combinations to be changed even when no turnover of accountable personnel had occurred. Second, the Washington Field Office imprest fund cashier assumed that the security officer, who was responsible for changing the combination, had formally documented the changes and placed a record of those changes within the safe.

We did note, however, that access to each combination was properly limited to the responsible imprest fund cashier and, consequently, compromise of the combinations was unlikely.

Except as noted, physical and procedural controls over the imprest funds were adequate. However, as a result of those exceptions, we are making suggestions for improvement.

Corrective Management Actions Taken

During our review, the Financial Management Directorate and the Washington Field Office personnel took immediate action to comply with DoD Regulation 7000.14-R, volume 5. Specifically, safe combinations were changed and records of those changes were documented and placed in the appropriate safes.

Suggestion for Improvement

We suggest that the Assistant Inspector General for Administration and Information Management, DoD, in coordination with the Washington Field Office of the Defense Criminal Investigative Service, ensure that imprest funds are replenished at least monthly in accordance with DoD Manual 7220.9-M, "DoD Accounting Manual," chapter 32, October 6, 1987, so that obligations and outlays are recorded against the proper appropriations on a current basis.

Management Comments

We provided a draft of this report to your Financial Management Directorate on December 8, 1994. Although this report contains no recommendations, and management comments were not required, personnel in your office agreed with the conclusions and suggestions for improvement made in the draft report. Therefore, we are publishing this memorandum report in final form. Any comments on this report should be provided by April 21, 1995.

The courtesies extended to the audit staff are appreciated. If you have any questions about this audit, please contact Mr. Christian Hendricks, Audit Program Director, at (703) 604-9140 (DSN 664-9140), or Mr. Dennis L. Conway, Audit Project Manager, at (703) 604-9158 (DSN 664-9158). Enclosure 2 lists the planned distribution of this report. The audit team members are listed inside the back cover.

Robert J. Lieberman

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Summary of Unannounced Cash Counts at the Financial Management Directorate and Washington Field Office

Cash on Hand and Related Documents Agreed With Accountability Records

Imprest Fund Location	Imprest Fund Cashier	Cash on Hand	Documents on Hand*	Total on Hand	Total Accountability
FMD	Primary	$1,067.63	$1,132.37	$2,200.00	$2,200.00
	Alternate	80.85	219.15	300.00	300.00
WFO	Primary	322.50	177.50	500.00	500.00
		$1,470.98	**$1,529.02**	**$3,000.00**	**$3,000.00**

FMD Financial Management Directorate

WFO Washington Field Office

* Unpaid reimbursement vouchers and interim receipts.

Report Distribution

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