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USAID/KENYA CASHIER OPERATIONS

Memorandum Audit Report No. 3-615-82-02

November 30, 1981

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Inspector General for Audit
Nairobi, Kenya

November 30, 1981

TO : Mrs. Allison Herrick
Director, USAID/Kenya

FROM : Ray D. Cramer *Ray D. Cramer*
Regional Inspector General for Audit/Nairobi

SUBJECT: USAID/Kenya Cashier Operations
Memorandum Audit Report No. 3-615-82-02

INTRODUCTION

Background

The President's Council on Integrity and Efficiency is conducting a review of Imprest Fund/Agent Cashier Accounts to determine whether federal agencies have implemented adequate management control systems over imprest funds. The AID Inspector General was requested to provide assistance by reviewing various AID Imprest Funds and Cashier Operations. An interim report of the results is scheduled to be made to the Chairman of the President's Council on Integrity and Efficiency by February 28, 1982.

Scope

Our review was conducted in Nairobi, Kenya during September and October 1981. Also, we had performed a surprise cash count in August 1981 as part of an operating expense audit of USAID/Kenya. We have included the results of both reviews in this report.

As part of our examination we reviewed documentation supporting disbursements, reviewed operating procedures and internal controls relating to the cashier operations, and interviewed USAID/Kenya officials. The purpose of our audit was to determine the adequacy of the amount of funds advanced to the cashier, operating procedures, storage facilities to properly safeguard cash, and internal controls.

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AUDIT FINDINGS AND RECOMMENDATIONS

Cash Verifications

We made surprise cash counts and audits of the USAID/Kenya cashier fund on August 7 (Exhibit B) and September 29, 1981 (Exhibit A). The last audit by the RIG/A of the USAID/Kenya cashier operations occurred in October 1979. The August 7, 1981 cash count revealed an overage of Kenya shillings 0/90, which has existed since the October 1979 audit. Although the overage was very minor in value, we believe the USAID/Kenya Controller's Office was remiss in not promptly clearing up the overage.

The September 29, 1981 cash count revealed a cash shortage of Kenya shillings 99/10. This net shortage is a combination of a recent shortage of Kenya shillings 100/-, and the two year old overage of Kenya shillings 0/90.

Discussions with the cashier and the administrative official in charge of the cashier operation led us to believe that the loss occurred while the cashier was performing his official duties. The administrative official felt the loss occurred, in part, because of the high volume of business activity during the week of September 21, 1981.

The Cashier had only one cash box, which was used for the imprest fund. Collections should be maintained in a cash box separate from the imprest fund. A separate cash box was therefore needed for collections.

In response to our findings, the USAID/Kenya Controller took appropriate action to restore the net loss. He also advised the AID Controller, FM/CAD of:

- (a) action taken to restore the loss,
- (b) the underlying causes of the loss,
- (c) remedial action needed or taken to ensure adequate safeguards and control, and
- (d) made a specific recommendation of the disposition to be made of the case.

In addition, he has requested the Executive Office to provide an additional cash box; and given explicit instructions to the Certifying Officer and Class B Cashier that under no circumstances are cash receipts to be commingled with imprest monies.

Adequacy of the Amount of the Fund

USAID/Kenya has approval to maintain an imprest fund of \$20,000, with a \$1,000 limitation for any one transaction. We found that the cashier's transactions were in compliance with this limitation.

The cashier's volume of business required submission of replenishment vouchers at least every week--averaging about \$3,700 per week. Thus, the Imprest Fund turns over about every five weeks.

We believe the amount of the Imprest Fund is the proper size to handle the USAID's volume of business.

Alternate Cashier

The person operating as the Alternate Cashier had not been designated as such by USAID/Kenya.

On November 28, 1980, USAID/Kenya designated a certain person as an Alternate Cashier; however, that person was not yet operational because he had not been trained. Instead, the person who had been the Principal Class B Cashier in the early 1970's acted as the Alternate Cashier whenever required by the absence of the present Class B Cashier.

This situation is a violation of AID Handbook 19, Chapter 13, Section 13 D.2.d. which states:

"When needed to provide continuity of operations a request for designation of a Alternate Cashier is to be made simultaneously with the request for designation of the Principal Cashier."

In response to our finding, the USAID/Kenya Controller advised us that the designated Alternate Cashier will be promptly trained, and will always be the person used as Alternate Cashier when a substitute is required.

Subcashier

On March 19, 1981 the USAID/Kenya Controller designated a subcashier. This subcashier is allowed to receive a maximum cash advance of Kenya shillings 5,000/- with weekly replenishments as required. No discrepancies were found in this fund.

Operating Procedures and Internal Controls

We selected several payments made to vendors, and traced these payments to the individual vendor's records and duplicate invoices or cash payment receipts to verify the validity of petty cash disbursements. We found no discrepancies.

Bills for Collection per the Cashier's records were reconciled with the Bills for Collection Register maintained by the Controller's Office. Outstanding Bills for Collection on August 31, 1981 were also traced to

the Bills for Collection Register. We found that in one instance a 21 month old Bill for Collection was still outstanding, even though AID/Washington's Financial Management's Employee Services Division (FM/ESD) had been requested to withhold the collection from the employee's pay eight months prior. At the time of our review, USAID/Kenya had not followed up on this request, but has subsequently sent a follow-up memorandum to FM/ESD on their February 1981 request.

Our review of operating procedures and internal controls revealed that quarterly surprise cash counts were not being properly conducted. Several of these counts were remiss in not revealing a longstanding (but minor in value) overage. The independent verifications also failed to verify the validity of paper documentation on hand in lieu of cash. In response to our findings, the USAID/Kenya Controller prepared detailed written instruction on the procedures to be followed by his staff when making independent verifications of the cashier's funds. Our review of these instructions indicate they will, if followed, provide a thorough and complete verification.

We also noted two checks that had not been properly deposited in a timely manner. One check was not given to the cashier until six weeks after receipt within the Controller's Office. Both checks noted had been on hand for over a month. The USAID/Kenya Controller subsequently issued a written notification to his staff to immediately upon receipt turn all negotiable documents over to the Class B Cashier.

Another internal control lapse was the fact that the combination of the Cashier's safe had not changed since 1979. Executive Order 6166 requires the combination to be changed annually. The combination was subsequently changed by Embassy Security.

CC: Deputy Administrator
AA/M
AA/AFR
AA/LEG
IG
CC
FM (3)
FM/ASD
UDCA/LPA
PPC/E
DS/DIU

USAID/KENYA/CASHIER
SUMMARY OF CASH COUNT 9/29/81

Principal Cashier: John K. Njiraine (Class B)

Alternate Cashier: George K. Njoroge

Sub Cashier: Herin Otieno

Advance of Funds received from R.F.C., Paris: \$20,000.00

Kenya Shillings 20,000/- advance from US Embassy Cashier^{1/}

Rate of Exchange for Accountability: Kenya Shillings 7.8 to \$1.00^{2/}

	(1) Local Currency	(2) U.S. Dollar Equivalent	(3) U. S. Dollars	(4) Totals (2 and 3)
Imprest Fund to be accounted for: KSh.	<u>164,300/00</u>	<u>21,064.10</u>	<u>\$1,500.00</u>	<u>\$22,564.10</u>
Accounted for as follows:				
(A) Amount of Currency & Coins	36,051/15			
(B) Uncashed Checks on Hand			750.00	
(C) Reimbursement Vouchers on Hand	15,967/65			
(D) Reimbursement Vouchers in Transit	106,716/00		750.00	
(E) Advances to Authorized Personnel	<u>5,566/10</u>			
(F) Total Accounted for KSh.	<u>164,300/90</u>	<u>21,064.21</u>	<u>\$1,500.00</u>	<u>\$22,564.21</u>
(G) Difference - Overage	<u> /90</u>	<u> .11</u>		<u> .11</u>
Collection on Hand	<u>215,687/25</u>	<u>27,652.21</u>	<u>2,198.10</u>	<u>29,850.31</u>
Shortage in Collection Account	<u>100/00</u>	<u>12.82</u>		<u>12.82</u>
Net Difference - under	<u>99/10</u>	<u>12.71</u>		<u>12.71</u>

Counted in my presence and returned intact.

(Signed by)

 Cashier: John K. Njiraine

Date: 9/29/81

Counted by: _____ (Signed by)
 Auditor: Darryl P. Burris

Witnessed by: _____ (Signed by)
 Richard B. Howard

^{1/} Required because cash on hand on 9-24-81 was only K Shillings 267/75, and reimbursement check had not arrived from Paris. The loan from the U.S. Embassy of Kenya Shillings 20,000/- was repaid on 10-5-81.

^{2/} As of September 1981 the Kenya Shilling was devalued by 15% making the current exchange rate approximately Kenya Shillings 10.2 to \$1.00.

USAID/KENYA
SUMMARY OF CASH COUNT
8-7-81

PRINCIPAL CASHIER: John K. Njiraine (Class B)

ALTERNATE CASHIER: George K. Njoroge

SUB CASHIER: Herin Otieno

Advance of funds received from RFC, Paris: \$20,000

Rate of Exchange for Accountability 7.8 Kenya Shillings to \$1.00

	(1) Local <u>Currency</u>	(2) U.S.Dollar <u>Equivalent</u>	(3) U.S. <u>Dollars</u>	(4) Totals <u>(2 and 3)</u>
Imprest Fund				
Amount of cash to be accounted for:	KSh.144,300/00	\$18,500.00	\$1,500	\$20,000.00
Accounted for as follows:				
A. Amount of Currency & Coins	39,881/95			
B. Uncashed Checks on Hand	51,025/55		1,500	
C. Reimbursement Vouchers on Hand	4,808/20			
D. Reimbursement Vouchers in Transit	41,853/35			
E. Advances to Authorized Personnel	<u>6,731/85</u>			
F. Total Accounted for:	<u>KSh.144,300/90</u>	<u>\$18,500.11</u>	<u>\$1,500</u>	<u>\$20,000.11</u>
G. Difference - Overage	<u>/90</u>	<u>.11</u>		<u>.11</u>
Collections on Hand	KSh. <u>4,510/00</u>			

Counted in my presence and returned intact.

Cashier: (Signed by)
John K. Njiraine

Date: 8/7/81

Counted by: (Signed by)
Auditor: Darryl T. Burris