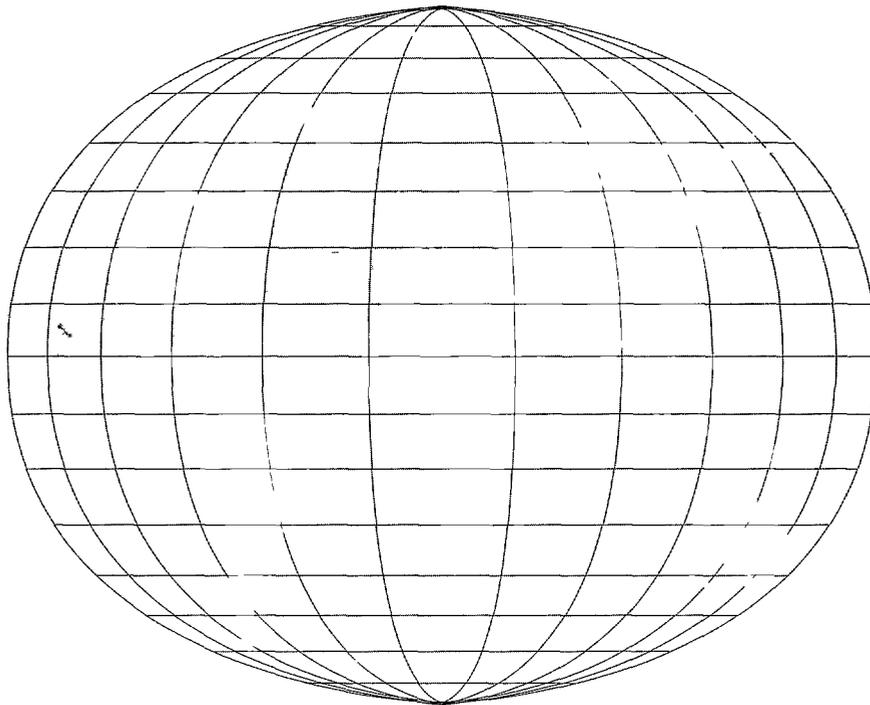


Report of Audit

Audit of USAID/Morocco's Cashier Operations

Report No. 7-608-99-001-F
February 5, 1999



Regional Inspector General
Dakar

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

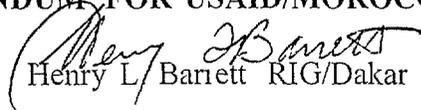
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February 5, 1999

MEMORANDUM FOR USAID/MOROCCO DIRECTOR, JAMES BEDNAR

FROM


Henry L. Bariett RIG/Dakar

SUBJECT Audit of USAID/Morocco's Cashier Operations,
Audit Report No 7-608-99-001-F

This memorandum is our final report on the subject audit. We have considered your comments on our draft report and have made changes as appropriate. Your comments are included in their entirety in Appendix II.

This report contains three recommendations. Based on the actions taken by Mission management as described in Appendix II and other documentation submitted to us by USAID/Morocco, we consider the Mission to have taken final management action on all three recommendations.

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

Background

USAID/Morocco has approximately 63 U S and Foreign Service National employees. Cash operations at the Mission are handled by a cashier and, in her absence, an alternate cashier. The Controller at USAID/Morocco 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 \$75,000.

The cashier's duties principally consist of (1) maintaining an imprest fund in local currency (Moroccan dirhams) and U S dollars, (2) disbursing funds for local procurement, travel advances, local currency expense claims and emergency situations, (3) providing reverse 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/Morocco's cashiering operations to answer the following question:

Did USAID/Morocco manage its cashiering operations efficiently, economically and in accordance with USAID policies and procedures?

Appendix I describes the audit's scope and methodology.

Audit Findings

USAID/Morocco generally managed its cashiering operation efficiently, economically, and in accordance with USAID policies and procedures. However, this report notes some areas which if addressed should improve the operation.

Mission management provided comprehensive guidance to its cashiers by issuing Mission Order No. 1210 dated December 6, 1991. In accordance with this guidance, the Mission designated a principal cashier and alternate cashier who received appropriate training at the Regional Accounting and Management Center (RAMC) in Paris. The principal cashier also received training on the Automated Cashier System which RAMC is encouraging all Missions to implement.

The cashier's office is situated in a secured area on the first floor of the Mission building and access is restricted to authorized personnel. The key for the cashier's office is maintained by the cashier and a duplicate key maintained by the Regional Security Officer. All cash checks and other valuables are kept in a safe for which the combination is changed whenever a new cashier is designated and the Regional Security Officer also has the combination.

A surprise count of the cash on hand as of November 3, 1998, showed that all transactions were satisfactorily accounted for and the U.S. dollars and local currency were satisfactorily reconciled to the Mission's imprest level of \$75,000.

We noted however, that cashiering operations could be more efficient by (1) reducing the amount of the imprest fund, (2) utilizing the automated cashier system, and (3) revising the Mission Order on cashiering operations. At the time of our audit, USAID/Morocco was already aware of the need to reduce the size of their imprest fund and the need to adapt the automated cashier system and was planning to address these issues. The three issues which came to our attention are discussed below.

Size of Imprest Fund Should Be Reduced

The current amount of the USAID/Morocco imprest fund is \$75,000 of which \$6,500 is in U S dollars and the balance is in the local currency of Morocco (dirhams=DH). Based upon our analysis of activity in the first ten months of 1998, we believe this imprest balance exceeds the requirements for USAID/Morocco's operations. In recent years, both the volume and size of cashier transactions have declined because of reduced Mission activities and personnel. Furthermore in May 1998 the Mission acquired the services of ABN-AMRO Bank to provide accommodation exchange services at the Mission. When USAID/Morocco first established its imprest fund in 1988, the Mission cashier provided accommodation exchange services. However, this is no longer the case and as a result the principal Mission cashier is doing significantly fewer transactions.

The USAID Handbook 19 Chapter 13E Section 1 c states that the amount of cash held by USAID cashiers should only be such as to permit them to operate with the greatest benefit to the agency consistent with the purpose for which the fund was established. Since there has been a reduction in the volume of activities of the Mission, the balance of the imprest fund can be reduced as directed by the Federal Acquisition Regulations (FAR), Subchapter C Part 13.403 (a) and (b) which states that

"Each agency using imprest funds shall (a) periodically review and determine whether there is a continuing need for each fund established and that amounts of those funds are not in excess of actual needs (b) take prompt action to have imprest funds adjusted to a level commensurate with demonstrated needs whenever circumstances warrant such action and (c) develop and issue appropriate regulations "

A reduction in the balance of the imprest fund would reduce the exposure of loss in the event of theft or accident and would provide a more efficient utilization of USAID resources since less funds are advanced from the U S Department of Treasury.

We believe that the Mission is in the best position to determine the most appropriate balance of its imprest fund to meet their operational needs.

Recommendation No 1. We recommend USAID/Morocco conduct an analysis of their petty cash imprest fund activity to determine the appropriate imprest amount and initiate actions to reduce the size of the fund to the appropriate level.

Automated Cashier System Should Be Adapted

USAID/Morocco is not using the Automated Cashier System (ACS) although they have the software package and the cashier has been trained in its usage and application. The

Automated Cashier System (ACS) is provided by RAMC/Paris to assist and improve cashier operations at overseas posts. The ACS automates overseas posts cashiering activities. It handles all cashier window operations such as official collections, accommodation exchanges, payments (certified vouchers, petty cash, and temporary advances), prepares transmittals when requested by the cashier and generates cables for submission to RAMC/Paris.

The ACS is advocated for usage by RAMC/Paris who provides (1) training in its usage and follows up with participating cashiers to ensure successful installation of the ACS at each post, and (2) manuals and updated diskettes for the software system to manage cashier operations. The U.S. Embassy in Rabat is currently using the ACS while USAID/Morocco is not.

Although the volume of cashier transactions has declined in the past year, USAID/Morocco should install and use the ACS. There are several benefits: (1) it would provide for consistency with the systems used by other missions, (2) it would enable the Mission to determine the immediate status of the cashier operations, and (3) the automated system would help identify input errors and reduce errors due to miscalculations. The unique ACS feature which enables verification and accountability at anytime during the business day is important for the cashier and the supervisor. Finally, USAID/Morocco should be using the ACS in the event that they return to providing their own accommodation exchange services.

Recommendation No. 2 We recommend USAID/Morocco install and use the Automated Cashier System for its cashier operations.

Mission Order Should Be Revised

USAID/Morocco issued Mission Order No. 1210 on cashiering operations on December 6, 1991 which incorporated the policies and procedures established in USAID Handbook 19. As directed by the FAR, Subchapter C, Part 13.403 (c) and referred to earlier in this report, USAID/Morocco has developed and issued appropriate implementing regulations. However, some of the instructions in the Mission Order are no longer relevant.

Some examples of actual practices which deviate from the Mission Order are: (1) temporary advances are made for petty cash purchases which do exceed \$250 although this is the limit prescribed by the Mission Order; (2) travel advances are made which exceed \$300 although this is the limit prescribed by the Mission Order; and, (3) office hours have changed. Based on the current Mission situation, more current clarifying guidance should be developed for the cashier.

Recommendation No 3 We recommend USAID/Morocco update or revise Mission Order No 1210 on cashiering operations to reflect current Mission practices

Management Comments and Our Evaluation

USAID/Morocco concurred with all three recommendations and subsequent to issuance of our draft report provided RIG/Dakar with evidence that all three recommendations were satisfactorily implemented. We consider final management action to have been taken on each recommendation.

Recommendation No 1 required the Mission to analyze their petty cash imprest fund and initiate actions to reduce the size of the fund.

USAID/Morocco conducted an analysis and reduced the size of their petty cash imprest fund from \$75,000 to \$40,000. Refer to Appendix II.

Recommendation No 2 required the Mission to install and implement the Automated Cashier System for its cashier operations.

USAID/Morocco installed the ACS on January 11, 1999 and ran an automated reconciliation matching it with the manual reconciliation conducted prior to the installation. The Mission made its first postings to the ACS on January 13, 1999. Refer to Appendix II.

Recommendation No 3 required the Mission to revise its Mission Order on cashier operations to reflect current Mission practices.

USAID/Morocco issued a new Mission Order (and submitted a copy to RIG/Dakar) which reflected the current operating environment.

<p>SCOPE AND METHODOLOGY</p>

Scope

We conducted an audit of USAID/Morocco's cashier operations in accordance with generally accepted government auditing standards. The field work was conducted at the Mission's offices in Rabat, Morocco from November 3 through 18, 1998.

Methodology

To accomplish our audit objective, we (1) reviewed the physical security of the cashier's office, (2) evaluated controls relating to safeguarding cash and other valuables, (3) performed a surprise cash count, (4) audited reconciliations of the imprest fund, and (5) reviewed several petty cash replenishments during October 1998 which consisted of petty cash transactions totalling \$4,451.

In addition, we obtained a management representation letter from cognizant Mission officials containing essential assertions relating to our audit objective.

January 14, 1999

APPENDIX II

Memorandum

To: Henry L. Barrett, RIG/Dakar
From: James Bednar, Director, USAID/Morocco
Subject: Audit of USAID/Morocco's Cashier Operations, Audit Report No 7-608-99-00X I

This memorandum reflects our comments on the draft report of subject audit.

The audit of our Cashier Operations was timely in that the Mission had already planned to address most of the issues reflected in the audit recommendations. As a result of the audit the Mission has accelerated its plans and has addressed each of the recommendations. Based on the actions described below the Mission requests that these recommendations be closed upon issuance of the final report.

Recommendation No. 1: We recommend USAID/Morocco conduct an analysis of their petty cash imprest fund activity to determine the appropriate imprest amount and initiate actions to reduce the size of the fund to the appropriate level.

Mission Response The Mission was already planning to reduce the imprest fund due to the fact that the accommodation exchange function was assumed by ABN-AMRO Bank in May of 1998. The Office of Financial Management conducted an analysis in December 1998 and reached a decision to reduce the Cashier's authorized imprest fund level from \$75,000 to \$40,000. The Mission Controller then sent a request to FM/CAR, AID/W, December 22, 1998, via E-Mail to affect this change. FM/CAR approved the reduction and notified RAMC/Paris via cable (secstate 01359 dtd 01/05/99). The Mission will deposit the excess funds with the USDO bank January 15, 1999 to reduce the cashier accountability to the new authorized level.

Recommendation No. 2: We recommend USAID/Morocco install and use the Automated Cashier System for its cashier operations.

Mission Response Installation and implementation of the Automated Cashier System (ACS) is one of the Mission Controller's work objectives for the rating period ending March 31, 1999. The Controller, working with the Cashier and Chief Accountant, installed ACS January 11, 1999 and ran an automated reconciliation, matching it with the manual reconciliation conducted prior to the installation. The first new postings to ACS occurred January 13, 1999.

Recommendation No. 3: We recommend USAID/Morocco update or revise Mission Order No 1210 on cashiering operations to reflect current Mission practices.

Mission Response The Mission agrees with the recommendation and has issued Mission Order No 802 in response. The new Mission Order reflects current Mission practices (see attached).

Drafted by Eric Schaeffer, Controller

