

PD AAS-382  
42715

REVIEW OF IMPREST FUNDS AND  
AGENT CASHIER ACCOUNTS IN  
KARACHI; USAID/PAKISTAN

AUDIT REPORT NO. 5-391-82-3

November 19, 1981

## TABLE OF CONTENTS

	<u>Page No.</u>
EXECUTIVE SUMMARY	i
BACKGROUND	1
AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	2
A. OPERATING POLICIES AND GUIDELINES	2
1. Cashier's Unawareness of Procedures and Multiplicity of His Responsibilities	2
2. Deviations From Established Procedures	3
B. REVIEWS OF CASHIER OPERATIONS AND IMPREST FUND	8
1. Assessment of Funding Needs	8
2. Verification of Imprest Fund	8
3. Safety of Cashier's Office	8
<u>EXHIBITS</u>	
A - SUMMARY OF IMPREST FUND DEFICIENCIES	10
B - ANTI-FRAUD AND WASTE PROJECT IMPREST FUND INTERNAL CONTROL QUESTIONNAIRE, LOCATION, USAID/KARACHI	11
C - LIST OF RECOMMENDATIONS	14
LIST OF REPORT RECIPIENTS	16

**REVIEW OF IMPREST FUNDS**

**AND**

**AGENT CASHIER ACCOUNTS**

**IN KARACHI;**

**USAID/PAKISTAN**

**EXECUTIVE SUMMARY**

**Introduction**

The Agency for International Development (AID) is participating with other USG Agencies in a worldwide review of Imprest Funds and Agent Cashiers requested by the President's Council on Integrity and Efficiency. This report covers a review made in Karachi, Pakistan where a Principal Cashier having an imprest fund of \$15,000 is located. The purpose of our audit was to evaluate cash management controls, and to determine if the imprest fund was being maintained in accordance with Agency regulations and guidelines.

**Audit Conclusions**

Although the imprest fund was properly accounted for, there were several procedural deviations and loose controls that resulted from the Cashier's failure to acquaint himself with prescribed procedures, his involvement with other unrelated duties which consume a major portion of his time, and a lack of management attention to fund control requirements. We found that the Cashier was unaware of the required procedures and that deviations had occurred as a result thereof. Issuance of receipts and deposits of cash collections were unduly delayed, prenumbered receipts were not adequately controlled, accounts receivables were not followed-up and were not reconciled with central records, the fund size was not currently assessed and it appeared to be more than needed, there was not a separate Cashier's office, and cash counts performed by USAID personnel were not

always unannounced and did not review other areas of fund management. A summary of our findings and comments on internal controls are presented in Exhibit A and B.

The above deficiencies are potentially serious in terms of effective cash management and control and should be promptly corrected. Corrective action was taken on some of the deficiencies during the course of our audit, and for the remaining, we have included six recommendations in the report. USAID management personnel have reviewed this report and have indicated they will take all necessary action at the earliest possible time.

## BACKGROUND

The President's Council on Integrity and Efficiency requested USG agencies to conduct surveys of their respective Imprest Funds and Agent Cashiers. As a member of the Council, the AID Inspector General was requested to review the Agency's Imprest Funds and Agent Cashiers worldwide. Accordingly, the Regional Inspector General for Audit, Karachi performed this review in Karachi where a Principal Class 'B' Cashier\* and a Sub-Cashier are located.

The Cashier has been authorized a maximum cash advance of \$15,000 (Rs. 148,500 @ \$1 = Rs. 9.90). Accordingly, he maintains an imprest fund of this amount and, in turn, has advanced Rs. 10,000 to a Sub-Cashier; Rs. 5,000 each for small purchases and for the local Staff House operations. The Cashier does not maintain a checking account. He works under the direct supervision of the local Administrative Officer and submits his reports and vouchers to USAID/Islamabad which has the overall responsibility for monitoring and reporting on all fiscal operations.

The purpose of our review was to determine if: (a) the imprest fund and individuals serving as Cashiers were duly authorized, (b) the fund was properly accounted for, (c) operational procedures were consistent with Agency regulations and guidelines, (d) the cash transactions were adequately documented and recorded, (e) disbursements were properly authorized and were within prescribed limitations, and (f) there was a genuine need for the fund and the size of the fund was commensurate with actual needs. Our audit was made during October 1981, and included an examination of Cashier operations for FY 1981 during which time fund replenishment requests totalled Rs. 1,127,324 (\$113,871). Our audit was made in accordance with generally accepted auditing standards and included two unannounced cash counts and such other test of records and discussions as were considered necessary.

A draft of this report was furnished to USAID/Islamabad (USAID/I) for review, and their comments were considered in preparing the final report.

-----

\*A Class 'B' Cashier is one who receives an advance from a U.S. Disbursing Office (USDO) for an imprest fund and is authorized to advance an imprest fund to his own alternate and to a Sub-Cashier. The Class 'B' Cashier is accountable in his own name to the USDO for the entire amount of the advance received.

## AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### A. OPERATING POLICIES AND GUIDELINES

#### 1. Cashier's Unawareness of Procedures and Multiplicity of His Responsibilities

The U.S. Treasury Department has issued a Treasury Cashier Manual which is to be provided to each Mission having a designated Cashier. Section 13F of AID Handbook 19 requires the Mission Controller or his designee to assure that these Treasury requirements are maintained currently and that a copy is readily available to Cashiers. However, the Cashier at Karachi has not been provided with a copy of the Manual. We do not know if USAID/I has a copy of the Manual or if it is being maintained currently.

Section 13E4 of Handbook 19 further requires the Mission Controller to provide adequate instructions to Cashiers for controlling the receipt and deposit of monies collected. The Cashier informed us that he has received no such instructions or guidelines. However, an April 25, 1977 memorandum on the Duties and Responsibilities of Class 'B' Cashiers was issued by the USDO to the previous Cashier and was available in the Cashiers files. We do not know if this memo is still valid or current. The Cashier had evidently not familiarized himself with the requirements as we noted many procedural deviations as discussed in the following section.

The Cashier informed us that he was continuing the procedures followed by his predecessor and that he had not been given any formal training since he was designated as Cashier on October 5, 1980. He further informed us that his job title is 'Administrative Assistant II' and he performs several other duties in addition to that of the Cashier. He stated that his collective duties, in the order of their importance, are to perform as: (1) secretary to the Administrative Officer; (2) personnel assistant; (3) property record keeper; and (4) Class 'B' Cashier. According to him, most of his time is consumed in performing the secretarial and other work, and there is no distribution of working hours between cash and non-cash duties. He attributed this multiplicity of responsibility as the cause for some of the procedural deviations that have occurred.

We do not believe the present size of the fund, or activity level, requires the appointment of a separate person to handle the cashier's duties in Karachi. Nevertheless, we do agree that the current incumbent's overall workload should be reviewed and appropriate action should be taken to reassign some of his duties to other employees in order to enable him to discharge his Cashier responsibilities more effectively.

Recommendation No. 1

The Controller, USAID/I should: (a) provide the Cashier at Karachi with a copy of the 'Treasury Cashier Manual' and any existing or future changes thereto as they are received; (b) formally advise the Cashier of his duties and responsibilities; and (c) evaluate his understanding of his work, and if needed, provide him with adequate training.

Recommendation No. 2

The Director, USAID/I should review the Cashier's overall workload and reassign some of his work to other local employees so that he has time to perform the Cashier's duties more effectively.

2. Deviations From Established Procedures

The Cashier's imprest fund was properly accounted for but the following deviations from established procedures were noted:

(a) Delays in Issuance of Receipts and Deposit of Collections:

The Cashier was not using the prescribed FS-459 forms for issuing receipts for collections as these forms had not been provided to him. Instead, he was issuing receipts on State Department Optional Form 158, 'General Receipt'. Moreover, we found that the receipts were not issued promptly but normally five to ten days after receipt of the cash. We also found that the Cashier was not giving the signed original receipt to the depositor as required. Almost all original receipts had been retained by the billing section. The Cashier stated that he was following the oral instructions given by his predecessor and that delays in issuance of receipts occurred because of his other duties.

The Cashier was encashing U.S. dollar collections of the Staff House at the American Consulate but was not depositing the converted rupees or other cash collections promptly in the USDO bank account. Section 7D of Handbook 19 requires a deposit ticket to be prepared for all receipts processed during the day and delivered by the Cashier, together with remittances, to the USDO. This was not being done and we found delays of five to six days had occurred between the receipt and deposit of funds into the USDO bank account. Besides being contrary to established policy, this delayed issuance of receipts and deposit of collections results in unnecessary storage of cash in the office and possible accumulation of funds greater than the \$15,000 equivalent authorized for the imprest fund. The matter regarding delayed deposit of funds was discussed with the Administrative Officers of the American Consulate and USAID/I and with the USAID/I Controller. Corrective action was taken during the course of the audit by changing the system and the Cashier will now be required to deposit the dollar checks immediately with the AmConGen for daily depositing to the USDO bank account.

(b) Unsupported or Unauthorized Advances:

During our unannounced cash verification we noted that the Cashier took Rs.850.00 (\$85.00) out of his pocket and intermingled it with the imprest fund cash. When asked to explain this, he said that the amount was taken out early that morning at the request of the Sub-Cashier for certain purchases. We confirmed this with the Sub-Cashier and while doing a cash verification observed that the Sub-Cashier did not have enough cash on hand to cover the purchases planned. Section 13E 2e mandates that "Standard Form 1165 ... is used as ... an interim receipt when cash is advanced to an employee for the purpose of making purchases or payments in cash". The Cashier had not prepared the interim receipt. The Administrative Officer was informed of this violation of regulations and promptly gave the Cashier a written warning for this omission. Because of this problem, we performed a second surprise cash count about three weeks later and found the fund to be totally intact and properly accounted for.

Another violation was reported in an unannounced cash count made by USAID/I on November 13, 1980. USAID/I found that temporary advances of Rs. 15,000 were made to the Sub-Cashier (Rs. 13,000) and another employee (Rs. 2,000). These advances had remained outstanding for more than the 48 hours allowed by established procedures and the cashiers receipts for the advances had not been approved by the Administrative Officer as required. According to a USDO memo of April 25, 1977, advances to a Sub-Cashier cannot exceed the rupee equivalent of \$1,000 (Rs. 9,900). The amounts advanced to the Sub-Cashier exceeded this limitation and were in addition to his authorized imprest fund of Rs. 5,000 for small purchases. Subsequently, the Administrative Officer took action to prevent the recurrence of this type of violation.

(c) Prenumbered Receipts Not Adequately Controlled:

As stated above, the Cashier is using the General Receipt (GR), State Department Form 158, as a substitute for Form FS-459, Cash Receipt. Our review disclosed that the GR forms were not in one series. Approximately 800 forms were in stock at the time of our review and in five different series. The Cashier was not aware of this fact and could not show us any record of the serial numbers of forms received by him. He did not know the importance of maintaining a numerical sequence control. At our request, he checked with USAID/I to see if they had established any controls and was told that there were none and that USAID/I had simply forwarded the forms received by them. We also noted that the GR forms were lying in open boxes on the floor and were not locked up or otherwise properly safeguarded.

The USDO's memo of April 25, 1977 makes the Cashier accountable for these prenumbered receipts and alerts him to keep proper control over all unused FS-459s (GRs in this case). Accordingly, USAID/I should ensure that all necessary corrective steps for controlling, recording, and safeguarding of the prenumbered receipts are taken. At minimum, a physical inventory of unused receipts on hand should be taken. The inventory should be cross-checked with the USDO and proper accountability controls should be established.

(d) Accounts Receivables Not Followed-Up or Reconciled:

USAID/I's prescribed policies and procedures relating to Bill's for Collections (B/C's) were not available with the Sub-Cashier responsible for the issuance and follow-up of B/C's. No statement of uncollected B/C's was made available to us for our review as none was being routinely prepared. However, we compiled this information and found that according to Karachi records 20 B/C's totalling Rs. 31,513 were outstanding at the time of our audit. Of these, 19 B/C's were from three to 12 months old. Sixteen of the B/C's totalling Rs. 10,084 were issued to various persons or organizations in Islamabad and Lahore, and the billing office assumed that the payments for these had been made at those places. For the remaining four B/C's totalling Rs. 21,429, USAID/Karachi suggested to USAID/I that the amounts be deducted from related residential lease payments but they had no record of actions taken nor had they made any effort to find out the current status or to reconcile their records with the Mission's control records.

Recommendation No. 3

The Controller, USAID/I should, in conjunction with the USDO, provide the prescribed cash receipt forms (FS-459s) to the Cashier; and formally instruct him to follow established procedures regarding the issuance of receipts at the time of collections and require him to promptly deposit all collections as per Section 7D of AID Handbook 19.

Recommendation No. 4

The Controller, USAID/I should conduct an inventory of all accountable prenumbered receipt forms on hand with the Cashier; verify their correctness in relation to USDO's records; require establishment of control records; and assign responsibilities to accountable officers to ensure that these forms are given proper physical safeguards.

**Recommendation No. 5**

**The Controller, USAID/I should provide the USAID/Karachi billing office with copies of applicable policy and procedures relating to follow-up and reconciliation of outstanding B/C's with the accounts receivable control ledger maintained by the Mission and ensure that USAID/Karachi billing records are updated.**

## **B. REVIEWS OF CASHIER OPERATIONS AND IMPREST FUND**

### **1. Assessment of Funding Needs**

Section 13 I of Handbook 19 requires the Mission Controller to review funds held by Cashiers at least once in each quarter to ensure that they are commensurate with actual needs. There was no evidence at USAID/Karachi to show that this was being done. On the basis of our cash flow analysis, it appeared that the imprest fund was more than actually needed. Against the imprest fund of Rs. 148,500, the monthly replenishment request averaged about Rs. 94,000. The Cashier submits, on average, two replenishment requests per week and receives the checks after about a fortnight from USDO, Bangkok. The average cash balance per voucher day was about Rs. 65,000 and for 16% of the time, the balance was more than Rs. 100,000. Thus, USAID/I should reassess the size of the imprest fund and consider reducing it to the smallest amount commensurate with actual needs.

### **2. Verification of Imprest Fund**

Section 13H of Handbook 19 requires the Mission Controller to perform unannounced cash verifications at least once every quarter. During FY 1981, USAID/I personnel made four cash counts of the imprest fund in November and December 1980, and in March and August 1981. Three of the four counts appeared to have been made unannounced, but the cash count made during March 1981 was announced in advance. The surprise cash counts revealed that advance receipts were not properly approved and that some advances remained outstanding for more than 48 hours. We also noted that the cash verifications were generally made by non-financial personnel and there was no indication, apart from the cash count, that any other area of fund management was reviewed.

### **3. Safety of Cashier's Office**

The Cashier keeps the imprest funds and other collections in a safe whose combination is, he stated, known only to him. However, the Cashier's office is not a protected, or separately enclosed area. Moreover, all office personnel have an easy and unrestricted access to his office and there are no fixed timings for cash operations. Thus, the present arrangement is not entirely satisfactory.

Recommendation No. 6

The Controller, USAID/I should: (a) review the imprest fund established for the Karachi Cashier and determine if the fund amount is excessive; (b) improve procedures to ensure that all periodic verifications of the Cashier's operations are unannounced as required by Section 13H of Handbook 19; and (c) review the present safeguarding of the Cashier's office to determine if the physical facility is adequate.

SUMMARY OF IMPREST FUND DEFICIENCIES

EXHIBIT A

Name of Department/Agency	<u>USAID/Karachi</u>
Number of Funds in Department/Agency	<u>One</u>
Number Funds Examined	<u>One</u>

<u>Description of Deficiencies</u>	<u>Number of funds Examined</u>	<u>Number of Discrepancies</u>
Unannounced audits and cash verifications not performed (Apparently, 3 of the 4 cash verifications during FY 1981 were unannounced and one was announced. But there is a set pattern of getting cash counts done by TDY visitors to Karachi, and this tends to reduce the element of surprise as TDY arrival schedule is generally known to all).	One	One
Imprest funds used improperly	One	None
Fund levels exceed authorized amounts	One	None
Safekeeping facilities inadequate (Separate office for cashier activities not available)	One	One
Fund shortages identified	One	None
Fund procedures not followed by cashiers	One	Four
Duties of cashiers not separated	One	One
Cashiers or alternates were not properly appointed	One	None
Funds were improperly established	One	None
Fund amount in excess of usual need	One	One
Fund shortages were not reported to IGs, GAO, and law enforcement agencies	One	None
Imprest fund accounting transactions were not properly recorded	One	None
Other (explain)	-	-

ANTI-FRAUD AND WASTE PROJECT  
IMPREST FUNDS  
INTERNAL CONTROL QUESTIONNAIRE  
LOCATION - USAID/KARACHI

1. Q. Were the funds properly established?
  - A. Yes. The USAID/Karachi Class 'B' Cashier has an imprest fund of \$15,000 (Rs. 148,500) and the fund was properly authorized on 11/20/78.
  
2. Q. Were the cashiers properly appointed?
  - A. Yes. The alternate cashier was made Class 'B' Cashier but his designation per personnel action is Admin. Assistant II.
  
3. Q. Were the cash balances properly accounted for and were any fund shortages reported to the IG, GAO, and law enforcement agencies?
  - A. Yes. The cash balances were properly accounted for and there were no shortages. However, the cashier took Rs. 850.00 (\$85.00) out of his pocket and included it in the imprest fund at the time of our cash verification.
  
4. Q. Were the cashiers making unauthorized use of the fund?
  - A. No. The fund was used for authorized purposes. However, a receipt for advance requested was not prepared and the money (Rs. 850.00) was kept in the pocket.
  
5. Q. Were interim receipts for cash and subvouchers examined for compliance with Government procurement and purchasing requirements?
  - A. Yes. Interim receipts for cash advances, except for Rs. 850.00, were duly signed and were made available.
  
6. Q. Was the fund limited to the smallest amount commensurate with the authorized purposes of the fund?
  - A. No. The fund was not commensurate with actual needs. Based on our analysis, we estimate that an imprest fund of \$10,000 (Rs. 99,000) would be more realistic.

ANTI-FRAUD AND WASTE PROJECT  
IMPREST FUNDS  
INTERNAL CONTROL QUESTIONNAIRE  
LOCATION - USAID/KARACHI

7. Q. Were the accounting records and internal controls reviewed for conformance with prescribed Treasury and/or agency procedures to determine if:
- (a) Q. The fund was only used for authorized purposes?
    - A. Yes. The fund was used for authorized purposes;
  - (b) Q. Payments were within authorized amounts?
    - A. Yes. Payments were within the authorized amounts;
  - (c) Q. The fund was only used when it was advantageous to the U. S. Government?
    - A. Yes. The fund was used in the interest of USG;
  - (d) Q. The fund internal controls were adequate?
    - A. No. The internal controls were weak in the following areas:
      - (i) cash receipts were not issued at the time of receipt of cash;
      - (ii) collections were deposited after 5 or 6 days;
      - (iii) interim receipts were not always issued;
      - (iv) there were inadequate controls on Bill's for Collection -- outstandings bills were not reconciled with account receivable control ledgers.
      - (v) there were no controls over accountable cash receipt forms;
  - (e) Q. Accounting transactions properly reflect imprest fund disbursements?
    - A. Yes. Accounting transactions properly reflected the imprest fund disbursements.

ANTI-FRAUD AND WASTE PROJECT  
IMPREST FUNDS  
INTERNAL CONTROL QUESTIONNAIRE  
LOCATION - USAID/KARACHI

8. Q. Were the funds' safekeeping facilities adequate?
- A. Yes. The safekeeping facility was adequate but the Cashier's operational area was not properly safeguarded.
9. Q. Were fund verifications done quarterly by independent employees?
- A. No. Four cash counts were made in the last fiscal year but not on a strict quarterly basis.
10. Q. Did the agency make unannounced audits of imprest funds?
- A. Yes. In 3 out of 4 cases cash counts appeared to be on a surprise basis. However, the audit approach followed by USAID/Islamabad showed a set pattern and may have effected the surprise element of the counts.

LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 1

The Controller, USAID/I should: (a) provide the Cashier at Karachi with a copy of the 'Treasury Cashier Manual' and any existing or future changes thereto as they are received; (b) formally advise the Cashier of his duties and responsibilities; and (c) evaluate his understanding of his work, and if needed, provide him with adequate training.

3

Recommendation No. 2

The Director, USAID/I should review the Cashier's overall workload and reassign some of his work to other local employees so that he has time to perform the Cashier's duties more effectively.

3

Recommendation No. 3

The Controller, USAID/I should, in conjunction with the USDO, provide the prescribed cash receipt forms (FS-459s) to the Cashier; and formally instruct him to follow established procedures regarding the issuance of receipts at the time of collections and require him to promptly deposit all collections as per Section 7D of AID Handbook 19.

6

Recommendation No. 4

The Controller, USAID/I should conduct an inventory of all accountable prenumbered receipt forms on hand with the Cashier; verify their correctness in relation to USDO's records; require establishment of control records; and assign responsibilities to accountable officers to ensure that these forms are given proper physical safeguards.

6

LIST OF RECOMMENDATIONS

Page No.

Recommendation No. 5

The Controller, USAID/I should provide the USAID/Karachi billing office with copies of applicable policy and procedures relating to follow-up and reconciliation of outstanding B/C's with the accounts receivable control ledger maintained by the Mission and ensure that USAID/Karachi billing records are updated.

7

Recommendation No. 6

The Controller, USAID/I should: (a) review the imprest fund established for the Karachi Cashier and determine if the fund amount is excessive; (b) improve procedures to ensure that all periodic verifications of the Cashier's operations are un-announced as required by Section 13H of Handbook 19; and (c) review the present safeguarding of the Cashier's office to determine if the physical facility is adequate.

9

## LIST OF REPORT RECIPIENTS

President's Council on Integrity and Efficiency	5
<u>USAID/Pakistan</u>	
Director	5
<u>AID/W</u>	
Deputy Administrator (DA/AID)	1
Bureau For Asia	
Assistant Administrator (AA/ASIA)	2
Office of Pakistan, Nepal and Sri Lanka Affairs (ASIA/PNS)	1
Audit Liaison Officer	
Bureau For Technology and Science	
Office of Development Information and Utilization (T&S/DIU)	4
Bureau For Management and Budget	
Office of Evaluation (MBB/E)	1
Office of Financial Management (MBB/FM/ASD)	1
Bureau For External Relations	
Office of Legislative Affairs Office (EXRL/LEG)	1
IDCA Legislative and Public Affairs Office	1
Office of Inspector General:	
Inspector General (IG)	1
Communications and Records Office (IG/EMS/C&R)	12
Policy, Plans and Programs (IG/PPP)	1
Regional Inspector General for Audit:	
RIG/A/W	1
RIG/A/Nairobi	1
RIG/A/Manila	1
RIG/A/Cairo	1
RIG/A/Panama	1
<u>OTHER</u>	
Regional Inspector General for Investigations and Inspections (RIG/II/Karachi)	1
New Delhi Residency	1