Executive Summary

The objective of this audit was to determine whether the imprest fund was being administered in compliance with the Treasury Financial Manual (TFM), the Department of the Treasury "Manual of Procedures and Instructions for Cashiers" (Treasury Manual), and FCC Instructions FCCINST 1046.1. The audit was designed to ensure that all funds were properly accounted for; the amount of the fund was not in excess of cash requirements; the cashier and alternates were following procedures that adequately protect the funds from loss or misuse; and, the cashier and alternates were not making unauthorized use of the funds.

On July 10, 1996, the OIG conducted a surprise count of the FCC Headquarter's imprest fund. The auditors identified that the fund was in an out of balance condition. This condition resulted from the improper inclusion of an outstanding form AD-202 (Travel Authorization / Advance) for $300 dated January 24, 1992. This receipt is considered to be invalid. The out of balance condition results from two non related transactions which have netted to result in the current $300 shortage. Officials within OMB could not provide a satisfactory explanation as to why the aforementioned out of balance imprest fund condition had not been resolved prior to the OIG audit.

The OIG also determined that additional measures were required to secure the funds in a manner prescribed in the TFM. In performing the surprise cash count, the auditors identified that the cashier and alternates have been working out of the same cash box. The TFM requires cashiers and alternates to work out of separate cash boxes or drawers. Furthermore, while no instances of fraud or malfeasance were identified, funds were disbursed in a number of instances for either inappropriate purposes or when required documentation was not properly completed. Specifically, the auditors found 16 subvouchers processed for payment which contained individual expenses exceeding allowable thresholds; 67 subvouchers filed after the 30 day limitation without the required written justification; 32 subvouchers which did not include the necessary statement justifying the expenditure; 6 subvouchers claiming reimbursement mileage for use of privately owned vehicles where the claimants did not indicate the normal mileage for the commute from home to work; 19 subvouchers where funds were advanced to an employee and no receipts were attached to the proper paperwork; and, 11 Cashier Reimbursement and / or Accountability Reports that did not bear the proper signature from the reviewing official. The Chief, Financial Operations Division (FOD) was briefed on the results of this audit and stated that she would take appropriate measures to ensure that all imprest fund disbursements comply with the TFM, Treasury Manual and FCCINST 1046.1.

This report contains three recommendations which upon implementation will bring the FCC into compliance with the TFM, the Department of the Treasury "Manual of Procedures and Instructions for Cashiers," and FCCINST 1046.1. The Managing Director has concurred with all three recommendations. Excerpts from the Manging Director's response to our draft report are incorporated under the appropriate audit recommendation. The entire response is contained in Appendix 3.

Audit Objective

The objective of this audit was to determine whether the imprest fund was being administered in compliance with the Treasury Financial Manual (I TFM 4-3000), the Department of the Treasury "Manual of Procedures and Instructions for Cashiers" (Treasury Manual), and FCC Instructions (FCCINST) 1046.1. The audit was designed to ensure that:

- All funds are properly accounted for;
- The amount of the fund is not in excess of cash requirements;
- The cashier and alternates are following procedures that adequately protect the funds from loss or misuse, and
- The cashier and alternates are not making unauthorized use of the funds.

Audit Scope

We conducted our audit in accordance with Generally Accepted Government Audit Standards which included interviews, analysis of program and procedures, and such other tests we considered necessary.

The scope of this audit was limited to examining subvouchers and travel advances to FCC employees assigned to the Washington, D. C. metropolitan area for fiscal year 1996. Our scope did not include any subvouchers and travel advances issued to FCC employees located in the field offices. We performed our audit fieldwork at Headquarters from July 1996 through November 1996.

Background

The Treasury Financial Manual (TFM) is Treasury's official publication for financial accounting and reporting of all receipts and disbursements of the Federal Government. Volume 1, Part 4, Chapter 3000 of the TFM prescribes procedures governing imprest fund disbursing activities performed by both Department of Treasury and non-Treasury disbursing officers. These procedures provide guidance for performing disbursing activities delegated by Treasury's Chief Disbursing Officer (CDO) to Government departments, agencies, disbursing officers, and employees. The CDO and other officers and employees to whom disbursing functions have been delegated are authorized to perform certain disbursing functions under 31 U.S.C. 3321 and 3322.

The "Manual of Procedures and Instructions for Cashiers" is provided to agencies as a supplement to the TFM. This manual gives specific instructions which should be followed when operating an imprest fund.

The TFM Part 4, Section 3030, states that "Regulations will be issued by each agency and must be consistent with the principles, standards, and related requirements of this chapter. In addition, regulations must be consistent with instructions promulgated by the CDO, under cover of the "Manual of Procedures and Instructions For Cashiers Operating Under 31 U.S.C. 3321." The FCC has issued these regulations in FCCINST 1046.1, Subject: "FCC Imprest Funds." These instructions are used to supplement the "Manual of Procedures and Instructions for Cashiers" (Manual) published by the Department of Treasury, Financial Management Service (FMS) by expanding on the narrative to detail the FCC's responsibilities.

Audit Results

The OIG conducted a surprise count of the FCC Headquarter's imprest fund on July 10, 1996. The auditors identified that the fund was in an out of balance condition. This condition resulted from the improper inclusion of an outstanding form AD-202 (Travel Authorization / Advance) for $300 dated January 24, 1992. This receipt is considered to be invalid. The out of balance condition results from two non related transactions which have netted to result in the current $300 shortage. The Treasury "Manual of Provisions and Instructions for Cashiers," Section 10, states that "When a loss of funds has been discovered, whether by you or an unannounced audit, your administrative agency is responsible for clearing the loss."

In addition, the objective of this audit encompassed determining whether the fund was being independently verified; whether the fund was at an appropriate level; whether funds were adequately protected from loss or misuse; and, whether funds were being expended in an appropriate manner and within proscribed monetary limits. The OIG determined that additional measures were required to secure the funds in a manner prescribed in the TFM. Furthermore, while no instances of fraud or malfeasance were identified, funds were disbursed in a number of instances for either inappropriate purposes or when required documentation was not properly completed. Management has already acted to address these matters.

The FCC Headquarters Imprest Fund is Out of Balance

The FCC maintains a Headquarter's imprest fund at 1919 M St. The fund has been established at the level of $29,350. On July 10, 1996, the auditors performed a surprise count of the fund in order to determine whether the fund balanced. In performing the count the auditors identified the following status of the fund:

Cash on Hand		$1921.27
Cash Held in Reserve	$5000.00	
Travel Advances		$5097.92
Cash Receipts & Subvouchers		$1757.92
Interim Receipts		$120.00
Reimbursement Vouchers in Transit	$15,452.89	
Total		$29,350.00
Imprest Fund Cash Advance		$29,350.00
Difference		-0-

Based upon the chart above, the fund appeared to be in a balanced condition. However, further analysis identified that a component of the $5,097.92 outstanding travel advances was a $300 travel advance dated January 24, 1992. The auditors questioned the cashier as to the nature of this dated document and how it could still remain outstanding over four years after submission. The cashier replied that the January 24, 1992, outstanding travel advance is in fact no longer outstanding. The auditors were informed that the $300 shortage represents the net amount of two non related transactions processed in FY 1992. See below for the specific details provided to the auditors:

(1) In FY 1992 a $300 travel advance for an international trip was paid out of the imprest fund. The imprest fund cashier then submitted a replenishment voucher to the National Finance Center (NFC) for reimbursement of this advance. When the NFC processed the reimbursement voucher they erroneously processed the travel advance with $500 as the advance amount and cut a reimbursement check for the same amount. At the time the cashier was made aware of this error she informed management and recorded the $500 reimbursement check in the imprest fund. This action created a $200 overage in the fund. FCC documentation reflects that this matter was referred to the NFC but the NFC took no action.

(2) Also in FY 1992 a $500 additional travel advance from the imprest fund was made to a traveler without documentation being maintained in either the cashier's records or in the NFC's records. In FY 1992, the Chief, Accounts Processing Branch (APB) was able to approve imprest advances in excess of $500 when it was justified. Proper documentation would have been a form AD-202 with the original signature of the approving official. No such documentation can be located at this time. Without this documentation management is unable to identify to whom the $500 advance was issued to and whether any money is owed to the Commission.

Officials within OMD could not provide a satisfactory explanation as to why the aforementioned out of balance imprest fund condition had not been resolved prior to the OIG audit. As $500 in cash is missing from the imprest fund notwithstanding the $200 NFC error, this matter has been referred to the OIG's Director of Investigations for appropriate action, per internal OIG procedures.

<u>Recommendation 1 of 3</u>
The Managing Director follow procedures outlined in "Manual of Procedures and Instructions for Cashiers" to bring the fund back into the proper balance of $29,350.

<u>Management Response</u>
The Managing Director has concurred with the recommendation and stated that "It is true that the Headquarters imprest fund is out of balance by a net amount of $300. We also agree that the out of balance condition resulted from two non-related transactions. One fact is known for sure is that the National Finance Center (NFC) processed a reimbursement in the amount of $500 which should have been reimbursed for $300. This occurred in January 1992 and was pointed out by the Headquarters Imprest Cashier to the Chief, Accounts Processing Branch, at the time.

This fact was discussed with NFC several times over the remaining years of our cross-servicing relationship but it was never resolved. This fact leads to the conclusion that $500 was actually disbursed from the imprest fund but there are no documents to support it. This was also the conclusion of the imprest cashier." The Managing Director also stated that "FOD will review the facts available and take all necessary action to bring the fund back to the proper balance."

Fund is Being Independently Verified

The auditors determined that the fund was verified quarterly, during FY 1996, by personnel within the Financial Analysis Branch (FAB). FCCINST 1046.1 states that "At least once each quarter, a disinterested individual designated by the Chief, FAB will make an unannounced review of the Headquarters imprest fund. Cash balances will be verified in accordance with section 10 of the Manual. Irregularities will be reported to the Chief, FOD." The spot checks done by FAB are being performed in an unannounced manner and at random periods. During FY 1996, the FAB did not detect any shortages to the imprest fund. However, as previously noted, FAB personnel did not address and resolve the out of balance condition noted in this report.

Fund Level is Appropriate

During FY 1996, 1916 transactions totaling $224,829.98 were disbursed from the imprest fund. The auditors determined that the imprest fund in the amount of $29,350 turned over 7.66 times during FY 1996. The TFM states that "the cashier turn over the advance at least once every 2 months." The auditors determined the imprest fund turnover rate fell within the threshold established by the TFM and believe the fund is at an appropriate level. At this time we do not recommend the fund level be changed.

Funds Were Not Adequately Protected From Loss or Misuse

The imprest fund is maintained in a secure room at 1919 M Street. The fund is housed in a five drawer Mosler secured container. In performing our surprise cash count, the auditors identified that the cashier and alternates have been working out of the same cash box. The "Manual of Procedures and Instructions for Cashiers," Section 4: Safekeeping Facilities For Cash, states that "Separate cash boxes or safe drawers must be provided for alternates and subcashiers. Cashiers of all classes must work from separate cash boxes or drawers."

The cashier informed the auditors that the Commission has always had two cash boxes for the imprest fund but because of the total dollar amount of transactions it's easier to work out of the one box. The Chief, FOD agreed that the Commission was in non-compliance with the "Manual of Procedures and Instructions for Cashiers." She informed the auditors that appropriate measures would be instituted in order to ensure compliance with the Treasury Manual and would make sure that the cashier and alternates were provided with, and utilized individual cash boxes.

Recommendation 2 of 3
The Managing Director ensure that the primary cashier and alternates are provided with, and utilize separate cash boxes.
Management Response
The Managing Director has concurred with this recommendation and stated that "FOD has ordered two additional cash boxes and will make sure that appropriate measures are taken to ensure compliance with the Treasury Manual. Cashier and alternates will be provided with and utilize individual cash boxes."

Inappropriate Use of Imprest Funds

The auditors reviewed all 53 replenishment vouchers submitted in FY 1996. These vouchers were supported by 1399 subvouchers (e.g. local travel vouchers, receipts for direct payments to vendors, reimbursements to employees for personal funds disbursed) and 517 travel advances. A number of disbursements made out of the imprest fund were not in accordance with the TFM, Treasury Manual, and FCCINST 1046.1. Specifically, the auditors identified:

- FCCINST 1046.1 establishes monetary disbursement limitations on the use of imprest funds. We found 16 subvouchers which were processed for payment containing individual expenses which exceeded allowable thresholds. These exceptions are outlined as follows:

  2 Payments for training which exceeded the $50.00 payment limitation;

  13 Payments for tips in excess of the allowable 15 percent for local transportation; and,

  1 Payment, from the imprest fund, for a book which exceeded the $30.00 limitation.

The auditors identified numerous local travel vouchers which did not break out the base cost of a taxi trip and the tip paid. By commingling the base fare and the tip, the cashier (and the auditors) were unable to determine whether the tip paid to the taxi driver exceeded the 15 percent tip limitation. The aforementioned 15 percent represents the authorized cap for allowable tips which the government will reimburse a claimant.

- FCCINST 1046.1 states that "An SF-1164, Claims for Reimbursement for Expenditures on Official Business, or SF-1034, Public Voucher for Purchases and Services other then Personal, or A-310, Cashiers Receipt/Advances Voucher, should be filed not later than 5 days after expense(s) is incurred. If submitted more than 30 days after expense(s) is incurred, acceptable written justification noted by the Bureau/Office Chief must be submitted to the Cashier." We found 67 subvouchers filed after the 30 day limitation without the required written justification.

- FCCINST 1046.1 states that "The purpose of the travel or other expenses should be noted on the SF-1164." We found 32 subvouchers that did not include the necessary statement justifying the expenditure.

- FCCINST 1046.1 states that "If a privately owned vehicle is used for transportation in the performance of official duties, the driver of the vehicle is entitled to reimbursement for expenses not normally incurred (mileage, tolls). Both the normal mileage traveled to and from home and the official duty station and the number of miles traveled to the temporary station must be shown." We found six subvouchers claiming reimbursement mileage for use of privately owned vehicles where the claimants did not indicate the normal mileage for the commute from home to work. Therefore, it is not known whether the normal mileage was deducted from the total mileage for the trip and whether the claim for reimbursement was only for the mileage that exceeded the normal commute.

- FCCINST 1046.1 states that when an employee is advanced cash to pick up an item from a vendor "the employee will obtain the approving officer's signature on SF-1034/A-310 approving the item and will note the estimated cost of the purchase. Upon completion of the transaction, the employee submits to the cashier a paid receipt and returns any unused cash." We found 19 subvouchers where funds were advanced to an employee and no receipts were attached to the SF-1034/A-310 (See Appendix 1) or any indication that money was returned. These subvouchers are broken down as follows: 11 for metro farecards; 5 for hosting foreign delegates; 2 for carwash coupons; and 1 for a miscellaneous purchase.

- FCCINST 1046.1 states that a designated employee within the Accounts Processing Branch (APB) will review all cashier Optional Form (OF) 1129's." An OF-1129 (See Appendix 2) is the "Cashier Reimbursement and /or Accountability Report. We found 11 OF-1129's that did not bear the proper signature from the reviewing official in the APB. Therefore, it is unknown whether the OF-1129's had been reviewed.

It should be noted that no instances of fraud or malfeasance were identified. Noncompliance with the TFM, Treasury Manual and FCCINST 1046.1 represented 8% of the total transactions. The Chief, FOD was briefed on the results of this audit and stated that she would take appropriate measures to ensure that all imprest fund disbursements comply with the TFM, Treasury Manual and FCCINST 1046.1.

The auditors also note that the TFM states that "Subvouchers for payments made by cashiers will be submitted periodically for replenishment of the imprest fund. After payment by the cashier, subvouchers will be stamped "Paid" and numbered consecutively, beginning with number one each fiscal year." While we found the subvouchers to be numbered consecutively, we did not find any vouchers stamped "Paid". Before the close of our audit fieldwork the Chief, APB had taken the necessary steps to correct this issue.

Copies of all questioned subvouchers were provided to the Chief, FOD for review and appropriate action.

Recommendation 3 of 3

The Managing Director review all questioned subvouchers and take appropriate action to ensure that remittance is made to the Government as appropriate.

Management Response

The Managing Director has concurred with this recommendation and stated that "It is true that these subvouchers were processed improperly based on the imprest guidelines. However, most did not violate rules set forth in the TFM or Treasury imprest fund manual. Rather, they were in violation of the FCC's policy set forth in FCCINST 1046.1." The Managing Director has indicated 5 corrective actions "to review and ensure that remittance, if applicable, is made to the Government."