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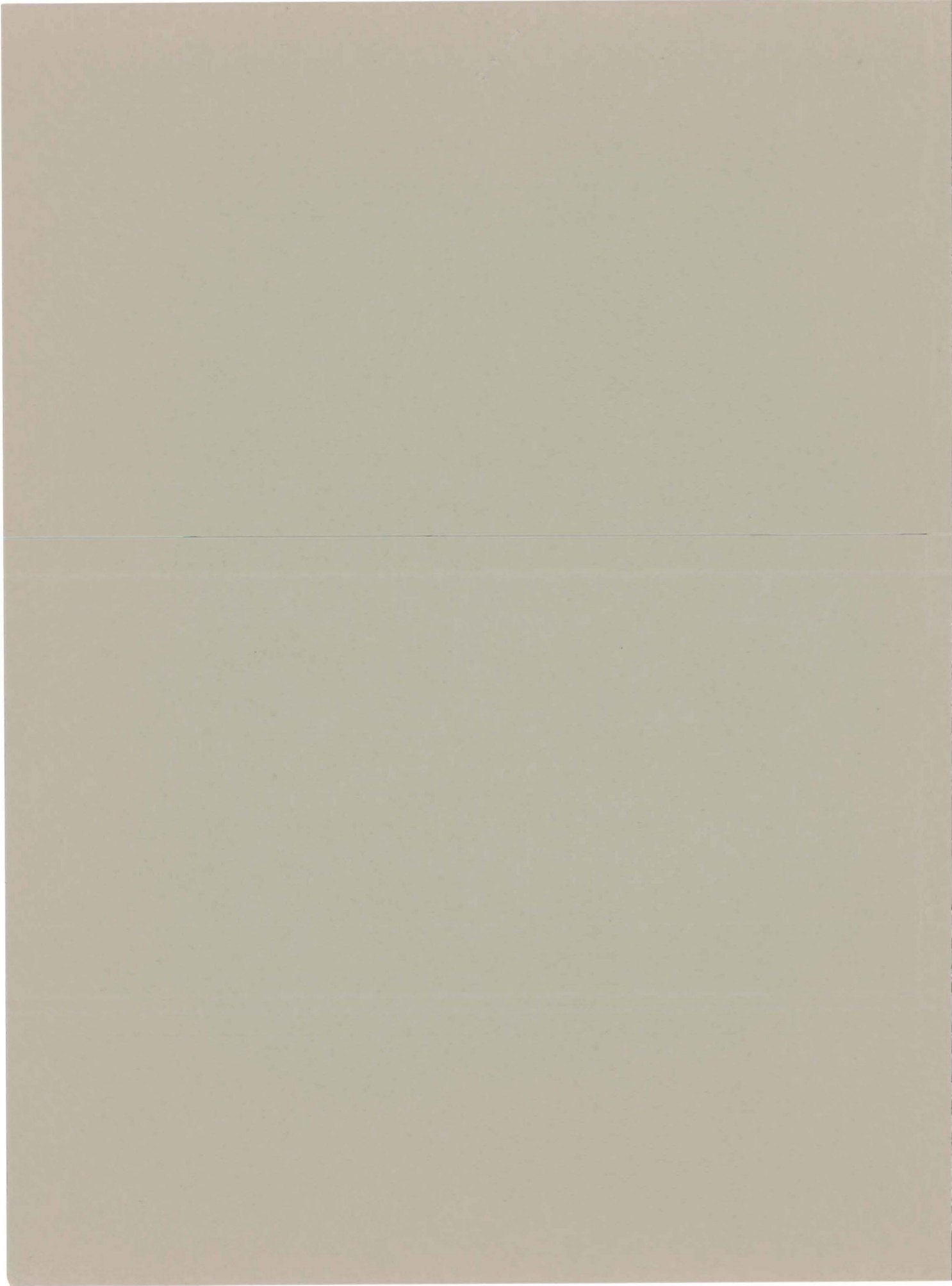
# Improvements Needed In The Administration Of Imprest Funds

B-169349

Environmental Science Services Administration  
Department of Commerce

*UNITED STATES  
GENERAL ACCOUNTING OFFICE*

APRIL 28, 1970





UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

B-169349

Dear Mr. Secretary:

This is our report on improvements needed in the administration of imprest funds by the Environmental Science Services Administration, Department of Commerce. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of the Treasury; the Assistant Secretary for Science and Technology; and the Administrator, Environmental Science Services Administration.

Sincerely yours,

*A. T. Samuelson*

Director, Civil Division

The Honorable  
The Secretary of Commerce





D I G E S T

WHY THE REVIEW WAS MADE

The Environmental Science Services Administration, as of September 30, 1969, was administering 141 imprest funds totaling \$504,550. An imprest fund is an advance of cash in a fixed amount from a disbursing office to a designated cashier for the purpose of making immediate payments of comparatively small amounts.

Because of the large number of imprest funds and the sizable dollar amount, the General Accounting Office (GAO) evaluated the administration of these funds.

FINDINGS AND CONCLUSIONS

GAO reviewed 10 funds each having a balance of \$10,000 or more. A total of at least \$247,000 more than was needed was being kept in nine of the funds. GAO believes that this excess resulted because the Administration was not performing periodic reviews of fund levels. (See p. 6.)

The cash verifications required by regulations were not being performed. For example, for 15 of 26 funds reviewed, cash verifications had not been made for more than 1 year. Verifications within a month of a change in the principal cashier were made in only three of 17 instances. (See p. 7.)

The Administration maintains two or more imprest funds at each of eight different locations. GAO believes that an opportunity exists for consolidating the funds at each location, which would reduce the number of administrative reports and the number of employees that are assigned imprest fund responsibilities. For example, four separate funds were kept in the same building in Silver Spring, Maryland. (See p. 9.)

GAO also noted:

--A fund shortage of \$62.85. (See p. 11.)

--About \$150 in cash from one imprest fund was being kept in an unlocked file cabinet in an unattended room. (See p. 11.)

- An alternate cashier was not available to handle transactions in the absence of the principal cashier. (See p. 12.)
- Travel advances for nonemergency travel were being made from one of the funds. (See p. 12.)

RECOMMENDATIONS OR SUGGESTIONS

GAO is recommending that the Secretary of Commerce reemphasize to Department of Commerce operating units the need for adherence to Treasury Department and Administration policies and procedures to ensure that (1) imprest funds are maintained at the lowest level consistent with actual need, (2) the number of imprest funds is kept to a minimum, (3) adequate reviews and audits are made to ensure that applicable procedures are being followed, and (4) funds are properly safeguarded. (See p. 15.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

Administration officials stated that they generally agreed with GAO's findings, that GAO's recommendations would be considered, and that appropriate corrective action would be taken.

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## CHAPTER 1

### INTRODUCTION

The General Accounting Office has reviewed certain aspects of the administration of imprest funds by the Environmental Science Services Administration (ESSA). The review was completed in November 1969. The scope of our review is described on page 17.

#### GENERAL

The mission of ESSA is the scientific collection and interpretation of environmental data; the utilization of such data for basic understanding and prediction of the nature and behavior of man's environment, with special emphasis on timely warnings of environmental hazards; and the conduct of basic and applied research and development to increase understanding of the processes and phenomena of the physical environment.

To accomplish this mission, ESSA operates weather observing and reporting stations, weather forecast centers, ocean vessel stations, the ESSA weather satellite system, and an extensive network of communications for meteorology. In addition, ESSA mans and operates a fleet of oceanographic and hydrographic survey vessels and maintains scientific field teams to fulfill its earth description and mapping responsibilities.

#### IMPREST FUNDS

An imprest fund, as defined in the ESSA Finance Handbook, is:

"\*\*\* an advance of cash in a fixed amount from a disbursing office to a designated cashier for the purpose of making immediate payments of comparatively small amounts and providing replenishment thereto on a revolving basis."

ESSA's Finance Division is responsible for establishing and closing out imprest funds, processing and certifying

payments for reimbursement, making periodic audits of funds, and furnishing cashiers with operating guidelines. As of September 30, 1969, ESSA was administering 141<sup>(1)</sup> imprest funds totaling \$504,550.

ESSA was selected for our review because of the number of imprest funds it administers and the total amount authorized for the funds. Of ESSA's 141 imprest funds, 13 funds totaling \$362,500 were aboard ships.

Recommendations to the Finance Division for establishing imprest funds are generally made by the office desiring the fund by a memorandum which sets forth the need for the fund, the recommended amount of the fund, and the names of the proposed imprest fund cashier and alternate cashier. The Finance Division reviews this memorandum and, if warranted, takes appropriate action to establish the imprest fund and requests the Treasury Department to designate the recommended cashier and to issue a check to set up the fund.

Payments from imprest funds may be made by duly authorized cashiers, subcashiers, and alternate cashiers. The Treasury's definition of each follows.

Cashier--A cashier is an employee of a Federal department, agency, or corporation who, having been recommended by the head of the activity, has been designated as a cashier by the Chief Disbursing Officer or a regional disbursing officer and who is thereby authorized to perform disbursing functions.

Subcashier--A subcashier is an employee of a Federal department, agency, or corporation who, after having been designated, in writing, by the head of his activity or his designee to act as a subcashier, is authorized to receive an advance from a cashier and to perform the same type of disbursing transactions as the cashier from whom he receives his advance.

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<sup>1</sup>Includes one consolidated fund--ESSA and the National Bureau of Standards--of \$16,500.

Alternate cashier--An alternate cashier is an employee who has been designated in the same manner as a cashier or subcashier but who functions in such capacity (1) during the absence of the principal cashier or subcashier and/or (2) where the volume of work requires the principal cashier to have an alternate, in which case the principal cashier advances funds on the basis of a receipt signed by the alternate cashier.



## CHAPTER 2

### ADMINISTRATION OF IMPREST FUNDS

Our review of ESSA's administration of imprest funds showed that at least \$247,000 in excess of actual need was being maintained in imprest funds, that cash verifications required by applicable regulations were not being made of some imprest funds, that certain funds could be consolidated, and that other weaknesses required correction. The results of our review are discussed in the following sections of this chapter.

#### NEED FOR PERIODIC REVIEW OF FUND LEVELS

Procedures applicable to imprest funds are contained in title 7, section 27 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies; the U.S. Treasury Department's "Manual of Procedures and Instructions for Cashiers Operating Under Executive Order No. 6166"; and chapter 11 of ESSA's Finance Handbook.

The Treasury Manual provides that:

"\*\*\* the cashier will be expected to turn over his advance at least once every two months \*\*\* and if the cashier does not meet this criterion, the disbursing officer will request the agency to review its requirements."

ESSA's Finance Handbook provides that:

"The amount of an imprest fund shall be determined on the basis of estimated averages of monthly payments therefrom and the lead time required for reimbursement."

The Finance Handbook requires ESSA's Finance Division to review each imprest fund after the initial 6-month period of activity to determine the ceiling for each fund and provides for subsequent reviews to revise the ceiling based on the actual needs of the fund.

A table showing a breakdown, by fund level, of the 141 ESSA imprest funds as of September 30, 1969, follows.

<u>Fund level</u>	<u>Number of funds</u>	<u>Amount</u>	<u>Percent of total</u>
\$ 0 to \$1,999	107	\$ 56,050	11.2
\$ 2,000 to \$9,999	24	82,000	16.2
\$10,000 and over	<u>10<sup>a</sup></u>	<u>366,500</u>	<u>72.6</u>
Total	<u>141</u>	<u>\$504,550</u>	<u>100.0</u>

<sup>a</sup>Includes a consolidated fund--ESSA and the National Bureau of Standards--of \$16,500.

We reviewed the activity subsequent to July 1, 1967, for the 10 funds being maintained at \$10,000 and over, to determine whether these funds were being maintained at levels consistent with actual need. Of these 10 funds, nine were being maintained at amounts which totaled at least \$247,000 in excess of actual need. (See app.) The nine funds for which excesses are shown are maintained aboard ships. We based the actual fund-level need of each imprest fund on its highest monthly activity plus an amount (average monthly activity times average lead time for reimbursement) to cover the reimbursement lead time. ESSA did not make the periodic reviews of fund levels that were required by existing procedures for determining if the levels maintained were appropriate. Amounts of imprest funds should be held at minimums consistent with operating needs, to preclude unnecessary borrowings and related interest costs by the Treasury.

#### NEED FOR IMPROVEMENT IN PERFORMING CASH VERIFICATIONS

Cash verifications required by Treasury and ESSA regulations were not made of some imprest funds and the effectiveness of cash verifications which were made had been reduced by procedural weaknesses.

The Treasury Manual provides that the administrative agency having use of the funds make unannounced



verifications from time to time of cash balances in imprest funds, including funds held by subcashiers. The manual provides also that a verification be made each time that cashier responsibilities are transferred.

ESSA's Finance Handbook provides that each management control center be responsible for verifying and auditing each cashier fund under its control at least once each 6 months and whenever a fund is transferred to another cashier.

We examined the records maintained at the Finance Division relative to 26 of the 141 imprest funds, to determine whether cash verifications were being made once each 6 months as required in the Finance Handbook. The records for 15 of the funds showed that cash verifications had not been made for over more than 1 year. ESSA officials advised us that the Finance Division had assumed its current imprest fund administrative responsibilities in September 1967 from the ESSA internal auditors who had had this responsibility prior to their consolidation with the Department of Commerce audit staff.

We also reviewed the records of the nine funds aboard ships that, as of September 30, 1969, were being maintained at \$10,000 or over, to determine whether cash verifications were being made at the time cashier responsibilities were transferred. The records showed that, of the nine imprest funds, seven had a total of 17 changes in cashiers subsequent to June 30, 1965, and that in only three instances had a cash verification been made within a month of the date of the change of cashier.

The Finance Handbook provides that unannounced cash verifications be made by other than a cashier or an alternate cashier. We noted, however, that, for one imprest fund, the alternate cashier was making the cash verifications. For another imprest fund, the periodic cash verifications had been made in the same 2 months for the past 3 years. We believe that these practices reduced the effectiveness of the cash verifications for these imprest funds.



IMPROVED ADMINISTRATION THROUGH CONSOLIDATION

ESSA's Finance Handbook states, in part, that:

"The number of imprest funds at any one location or installation shall be kept to a minimum and one imprest fund should be sufficient in most instances." (Underscoring supplied.)

As of September 30, 1969, ESSA maintained two or more imprest funds at each of eight different locations, as shown below.

<u>Location</u>	<u>Number of funds</u>	<u>Total</u>
Silver Spring, Md.	4	\$16,500
Miami, Fla.	2	1,500
Anchorage, Alaska	2	5,000
San Francisco, Calif.	2	1,100
Suitland, Md.	2	5,000
Kansas City, Mo.	2	3,000
Fredericksburg, Va.	2	1,750
Boulder, Colo.	3 <sup>a</sup>	18,545

<sup>a</sup>Includes one consolidated fund--ESSA and the National Bureau of Standards.

We selected for review the imprest funds at the Silver Spring installation. The four imprest funds were located on the second, third, fourth, and 13th floors of the same building. We reviewed the records of all four funds. We made simultaneous, surprise cash verifications of two of these funds and found various weaknesses which are discussed in detail beginning on page 11.

An ESSA official informed us that the reason for maintaining four imprest funds at this location was the large volume of transactions. Our discussions with the cashiers or alternate cashiers for each of the four funds revealed that the time spent by the cashiers in the operation of their funds differed greatly. A table showing the percentage of each cashier's estimated time spent on operation of

the imprest fund and the average fund activity each workday follows.

<u>Cashier number</u>	<u>Amount of fund</u>	Estimated percentage of cashier's time devoted to operation of <u>imprest fund</u>	Average fund activity each workday	
			<u>Transactions</u>	<u>Amount</u>
101	\$ 5,000	25	2.4	\$ 85.58
105	7,500	65	7.7	238.92
110	2,500	25	3.0	99.77
113	<u>1,500</u>	10	<u>1.1</u>	<u>39.90</u>
Total	<u>\$16,500</u>		<u>14.2</u>	<u>\$464.17</u>

As shown above, the activity in the four funds averaged 14 transactions each workday. Each of these funds had alternate cashiers who were designated to function in the capacity of the principal cashier during the latter's absence or when the volume of work demanded.

Each of the cashiers had assigned duties in addition to his imprest fund responsibilities. Our review and our discussions with the cashiers indicated that the preparation of reimbursement vouchers was the most time-consuming activity relative to the operation of the imprest funds.

We believe that some of the weaknesses described in the next section would not have existed had these funds been consolidated. Some advantages that may result from consolidation are: (1) the fund level needed for one fund may be less than the amount needed to operate several funds, (2) a reduction in the number of imprest funds would permit those employees relieved of imprest fund responsibilities to devote their full time to other assigned duties, (3) a reduction in the number of administrative reports, and (4) improvements in fund control.

WEAKNESSES NOTED  
DURING SURPRISE CASH VERIFICATIONS

Our simultaneous, surprise cash verifications of two of the four imprest funds at the Silver Spring installation revealed several weaknesses which are described more fully in the following sections.

Fund shortage

Our cash verification showed that there was a shortage of \$62.85 in one of the imprest funds. We noted a Reimbursement Voucher, Standard Form 1129, that showed a cash advance of \$62.85; however, there was no documentation to support this cash advance. Discussions with the cashier revealed that the \$62.85 was not a cash advance but was a fund shortage.

We brought this matter to the attention of an official in ESSA's Finance Division. He informed us later that the \$62.85 had been recovered from the cashier.

Funds not adequately safeguarded

The cash verification also revealed that there was about \$150 in cash in an unlocked file cabinet in an unattended room. The remainder of the fund was kept in a locked file cabinet in the same room. This is the same fund in which we noted a fund shortage of \$62.85; however, we could not ascertain whether this amount had been kept in the unlocked or the locked cabinet. The cashier informed us that the \$150 was kept separate in order that transactions might be handled in the absence of the cashier and the alternate cashier. (This matter is discussed in more detail in following section.) We noted that no subcashier had been designated for this fund even though Treasury regulations permit the designation of a subcashier under these circumstances. Such a designation would have permitted the proper use of the \$150 for handling transactions and would have removed any need for keeping cash in an unsecured location.



Designation of cashier and alternate cashier

Other assigned duties of the cashier or alternate cashier for two of the four funds restricted their availability to operate their imprest funds.

The operation of one of the funds was limited during the absence of the cashier because the alternate cashier was not located near the fund and his duties prevented him from operating the fund most of the time.

For another fund an individual was designated as cashier even though his assigned duties frequently required his absence from the room in which the fund was located.

Numerous travel advances paid  
from imprest fund

One imprest fund was being used, contrary to applicable regulations, to make travel advances to travelers who should have obtained their advances through regular disbursing channels. During a 2-1/2 month period, 69 travel advances ranging from \$25 to \$250 and totaling approximately \$6,900 had been made from this fund. Total fund activity for the 2-1/2 month period was \$12,900.

The Treasury Manual provides that emergency travel advances may be approved for payment from imprest funds if travel orders are issued too late for the travelers to obtain advances through regular disbursing channels. In addition, ESSA's Finance Handbook provides that emergency travel advances be vouchered through the imprest funds only if travel orders cannot be processed in time for the travelers to obtain advances through regular disbursing channels.

We reviewed the travel records of 11 individuals who had received a total of 12 travel advances amounting to \$1,275 from this imprest fund during the 2-1/2 month period. For nine of these advances, travel orders had been issued from 7 to 51 days prior to the beginning travel date. An ESSA travel clerk informed us that it took about 3 days for a travel advance to be processed through regular disbursing channels.

These nine travel advances did not seem to be for emergency travel and therefore should have been processed through regular disbursing channels. We believe that there is an opportunity for ESSA to reduce the amount of this fund by limiting travel advances made from this fund to emergency cases only, as set forth in the Finance Handbook.

## CHAPTER 3

### CONCLUSIONS, AGENCY COMMENTS, AND OUR RECOMMENDATION

#### CONCLUSIONS

There is a need for ESSA to improve its administration of imprest funds to ensure closer adherence to Treasury and ESSA policies and procedures. Improved administration would result in savings by reducing the amount and number of imprest funds outstanding, which would thereby preclude unnecessary borrowings and related interest costs by the Treasury.

For nine of 10 imprest funds, each having a balance of \$10,000 or more, a total of at least \$247,000 in excess of actual needs was being maintained in the funds. This excess resulted because ESSA did not make the periodic reviews of fund levels required by existing procedures, to determine if the levels were appropriate.

The Department should ascertain the feasibility of the consolidation of imprest funds at those locations or installations where more than one imprest fund is being maintained. Some advantages that may result from consolidation are: (1) the fund level needed for one fund may be less than the amount needed to operate several funds, (2) a reduction in the number of imprest funds would permit those employees relieved of imprest fund responsibilities to devote their full time to other assigned duties, (3) a reduction in the number of administrative reports, and (4) improvements in fund control.

There is a need also for more adequate reviews and audits of the imprest funds by ESSA's Finance Division to ensure adherence to Government policies and procedures. This need was evidenced by the large fund excess and other weaknesses relating to cash verifications, safeguarding of funds, and the use of an imprest fund for nonemergency travel advances.



Only those employees whose other assigned duties permit the normal operation of an imprest fund should be designated as cashiers or alternate cashiers.

#### AGENCY COMMENTS AND OUR EVALUATION

On January 13, 1970, we met with ESSA officials to obtain their comments on the matters discussed in this report. The ESSA officials advised us that they were in general agreement with our findings. Specific comments made by ESSA officials follow.

The Chief, Finance Division, advised us that a portion of the amounts shown as fund excesses for the imprest funds aboard ships might be needed for cashing employee checks. He advised us also that the official responsible for each imprest fund showing an excess would be requested to provide a justification for his fund level.

Treasury regulations require the cashiers authorized to cash employee checks include on reimbursement vouchers the total of cashed checks on hand. We noted, however, that, of the nine funds for which fund excesses are shown, the reimbursement voucher for only one fund included amounts representing cashed checks on hand.

The Chief, Finance Division, advised us that the Finance Division had not been fulfilling its responsibilities relating to cash verifications and that corrective action would be taken.

The officials advised us that consolidation of imprest funds was probably feasible at several of the locations listed in this report. Department operating units, other than ESSA, administer 21 imprest funds totaling \$47,675 which we believe should be reviewed in light of our findings included in this report.

#### RECOMMENDATION TO THE SECRETARY OF COMMERCE

We recommend that the Secretary of Commerce reemphasize to Department operating units the need for adherence to Treasury and ESSA policies and procedures to ensure that (1) imprest funds are maintained at the lowest level

consistent with actual need, (2) the number of imprest funds is kept to a minimum, (3) adequate reviews and audits are made to ensure applicable procedures are being followed, and (4) funds are properly safeguarded.

## CHAPTER 4

### SCOPE OF REVIEW

Our review of ESSA's administration of imprest funds was directed toward identifying and reporting imprest fund matters under the responsibility of the Finance Division that required attention or improvement. The review was made at the headquarters of ESSA in Rockville, Maryland, and at a field location in Silver Spring.

At these locations, we examined records pertaining to the operation of selected imprest funds. We also evaluated the practices followed by ESSA in the administration of its imprest funds in the light of existing agency instructions and Treasury Department regulations and discussed with agency officials matters pertinent to our review.



APPENDIX

GAO CALCULATION OF IMPREST FUND EXCESSES

<u>a</u>	<u>b</u>	<u>c</u>	<u>d</u>	<u>e</u>
<u>Cashier number</u>	<u>Date estab- lished at current level</u>	<u>Fund level</u>	<u>Highest monthly activity</u>	<u>Average monthly activity</u>
5	4-23-69	\$ 35,000	\$ 7,732	\$4,554
6	4- 1-69	100,000	8,045	3,424
7	5-15-68	100,000	22,650	4,253
26	1- 8-68	40,000	7,677	2,740
27	7- 1-67	25,000	8,468	2,951
94	6- 1-68	10,000	4,036	2,291
117	7- 1-69	15,000	2,401	2,051
131	6- 5-68	11,500 <sup>a</sup>	6,517	3,102
138	3-27-69	15,000	2,905	2,905
Total				

<sup>a</sup>Average fund level used because fund level changed several times.



<u>f</u>	<u>g</u>	<u>h</u>	<u>i</u>
Average number of months for lead time	Amount to cover reimbursement lead time (col. e x col. f)	Total monthly activity (col. d + col. g)	Fund excess (col. c - col. h)
1-1/4	\$5,693	\$13,425	\$ 21,575
1-2/3	5,718	13,763	86,237
1-1/4	5,316	27,966	72,034
1	2,740	10,417	29,583
1-1/2	4,426	12,894	12,106
1	2,291	6,327	3,673
1	2,051	4,452	10,548
1	3,102	9,619	1,881
1	2,905	5,810	<u>9,190</u>
			<u>\$246,827</u>



