



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

FEB 27 1976

Mr. Wayne B. Colburn
Director, U.S. Marshals
Service
Department of Justice

Dear Mr. Colburn:

We have reviewed the Service's system of internal controls over receipts, disbursements, and property at the Atlanta and Chicago district offices and identified areas where improvements can be made. The results of our review showed: a need for improvements in the assignment of duties in handling and accounting for cash receipts and disbursements, and in the preaudit and payment approval process of vouchers. Also, the Atlanta office needs to improve its controls over seized property.

INADEQUATE CONTROLS OVER RECEIPTS
AND DISBURSEMENTS

During fiscal year 1975 the Service collected about \$17 million and disbursed about \$59 million. The Atlanta and Chicago offices collected about \$679,000 and disbursed about \$2.2 million during the same period. Our review of these functions at the Service's district offices in Atlanta and Chicago are discussed below.

Need for separation of duties

Title 7 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (GAO manual) requires that persons responsible for handling cash receipts not participate in the accounting functions. Separation of duties is necessary to tighten internal control over financial transactions and helps to prevent misuse of cash receipts and concealment in the accounting records. In addition, disbursing should be segregated from operations such as examining invoices and preparing vouchers to better insure that disbursements are legal, proper, and correct.

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At Atlanta, one individual receives cash, prepares receipts and other accounting records, and prepares and makes bank deposits. In Chicago, collection duties are divided among three clerks who perform all the above functions relating to a single transaction. Also in Atlanta, one person prepares the vouchers for payment, prepares and signs checks, maintains records supporting payments, and prepares the monthly reports for disbursements. A similar procedure is used in Chicago except a different person signs the checks.

The Service issued instructions effective April 15, 1975, which directed that only the marshal and chief deputy marshal be designated as both certifying and disbursing officers and that a member of the clerical staff be designated as a third disbursing officer. The normal complement of disbursing officers was to be three and deviation in the number of disbursing officers was to be justified in writing. As of August 1975, six persons in the Atlanta office were designated as disbursing officers.

Need for adequate preparation and review of vouchers before payment

Title 7 of the GAO manual requires preaudit and approval of vouchers before they are certified for payment. This function needs improvement to insure correct payments. We found that:

- The Atlanta and Chicago offices are not making required reconciliations between billing statements from non-Federal jails and institutions and the marshals' records.
- Certain payments made by the Atlanta office to guards for guarding prisoner patients in private hospitals were incorrect.
- The Atlanta office did not consistently use, as the Department of Justice requires, the Rand-McNally Guide distances as the basis for making mileage payments to witnesses. Based on the Rand-McNally mileage, there were errors on 131 (or 70 percent) of the 187 payments we examined for April 1975.

Other deficient receipt and
disbursement functions

- The Chicago office is making collection deposits weekly. Weekly deposits amount to as much as \$43,000. Large accumulated amounts of funds should be deposited daily, if possible.
- The Atlanta office did not have signature cards for U.S. court personnel authorized to certify vouchers. Payments were made without verifying that the signatures were authentic.
- The Atlanta office was keeping cash receipts in an unlocked drawer.

NEED FOR PHYSICAL INVENTORY
OF SEIZED PROPERTY

The Service does not require a physical inventory of seized property. Section 12.5 of title 2 of the GAO manual requires agencies to conduct regular physical inventories. This procedure is necessary as a check on effectiveness of the accounting procedures to provide adequate and accurate information on the control of seized property.

The seized property records at the Service's district offices in Atlanta were generally incomplete and inaccurate. Our physical inventory of 68 selected seized property items showed:

- Eleven items (automobiles and firearms) were in the marshal's custody but were not recorded on the seized property records.
- Forty-seven items (money orders, automobiles, firearms) showed no appraised values.
- Four items (automobiles and currency) shown on the seized property register had been released without annotation on the register.¹
- Twenty-three items (currency and automobiles) had no evidence control sheets.²

¹ Seized Property Registers are used to record and report on seized property including evidence.

² Evidence Control Sheets are used to record the receipt, chain of custody, and final disposition of evidence seized by or delivered to the Marshals Service.

In some cases, seized property was commingled in such a manner that it precluded a physical inventory.

Our physical inventory of selected seized property at Chicago showed that the property was adequately recorded but we did find minor errors. The errors noted in both offices were primarily caused by the seized property officers' failure to keep complete and accurate records showing receipt and disposal of seized property and their failure to reconcile these records with periodic physical inventory of seized property.

CONCLUSION

The Service's system of controls at the Atlanta and Chicago district offices, in some instances, is not adequate to protect the Government from losses resulting from errors or other improper acts. Since our review was limited to only two offices, we do not know to what extent the deficiencies noted in this report exist service-wide. We believe, however, that it behooves the Service to take action to insure that good internal controls over cash receipts and disbursement functions and seized property are employed throughout the Service.

RECOMMENDATIONS

We recommend that the Service

- increase emphasis on adequate separation of duties relative to handling and accounting for receipts and in making and accounting for disbursements;
- insure that better preaudit of vouchers is performed before they are certified for payment;
- require marshals to deposit receipts more frequently;
- instruct disbursing officers to maintain signature cards on certifying officers;
- insure that cash receipts are kept in locked safes; and
- immediately take physical inventories of seized property at its district offices, reconcile differences with accountable records, and require regular physical inventories of seized property.

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We appreciate the cooperation and assistance provided us by the representatives of the Service. We would like to be appraised of any action the Service takes on the recommendations included in this report.

Sincerely yours,

Jack Wild

Jack Wild
Assistant Director