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

INTERNATIONAL DIVISION

JAN 21 1971

DLG 05828

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Mr. T. D. Verner, Chief
Accounting Division
Agency for International Development

Dear Mr. Verner:

We recently made selected examinations of vouchers and related documents submitted to Washington by the Nigerian Mission for the months of June and July, 1970. We are apprising you of our findings because we believe that the Mission should provide explanations and additional documentation to support its reported financial transactions, that AID should improve existing procedures to ensure that overseas transactions are adequately documented, and that a thorough review of the activities of the Principal Class "B" Cashier at Lagos might be in order.

We noted that the Principal Class "B" Cashier at Lagos, Mr. Iriata, obtained four advances from the Paris Finance Center during the two-month period to pay employees included on local payrolls, but the Mission did not submit sufficient documentation to fully account for the disposition of these funds. In three of the cases, although each advance equaled the initial amount computed as payable to the employees, the documentation submitted to Washington as support for the payments showed that numerous additions and deletions were made to the payroll listings after the advance was received.

Some of the changes consisted of transferring payroll data from one payroll listing to another payroll listing, but many of them consisted of deleting amounts payable to employees who did not sign the payroll listings as evidence of receipt. In addition, the payroll listings did not show the final disposition of other amounts payable to employees. As a result, even though the cashier returned some amounts to the disbursing officer as unclaimed wages, the advances consistently exceeded the documented payments from the advanced funds.

The payroll documentation for these three pay periods (No.'s 10, 1 and 12) is described in summary form as an attachment to this letter. The documentation from which the summary was made consisted of Schedules covering advances made by the disbursing officer in June, 1970 (No.'s 735-1067, 1106, and 1146), payroll listings accompanying the Schedules, and various collection documents submitted by the Mission for June and July, 1970.

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Similar additions and deletions were made on the payroll listings supporting the fourth advance (obtained on the basis of July Schedule No. 735-43 for pay period No. 13), but we were unable to completely review documentation for this pay period because the payroll listing for one of the locations (Yakubu Gowan) was not attached to the Schedule.

We believe that the documentation discrepancies described above show that AID should strengthen its controls over advances made for local payrolls. We understand that many Missions require payroll advances, and that some are able to obtain the advances by locally cashing checks issued for payroll purposes from Washington instead of authorizing disbursements by a U.S. disbursing officer in exchange for the checks issued from Washington. It appears to us that both procedures are weak because the person receiving the payroll funds is evidently not required to prepare and process a separate accounting for the funds after the employees are paid.

In our opinion, any person receiving funds for payroll purposes should be charged with an outstanding advance until such time as he liquidates it by either returning the funds or submitting adequate documentation to support the application of the funds to the payment of a valid reimbursement claim. Without such a procedure, the person receiving an advance could retain any unused portion without disclosing the amount retained.

Another matter to be considered is the accounting for unclaimed wages returned by the Mission. The documents submitted by the Nigerian Mission indicated that these returns resulted in the augmentation of appropriated funds because the disbursing officer at Paris also reported the collection of the full amounts previously disbursed as advances to the Mission. We believe that AID accounting procedures should be reviewed to ensure that all unclaimed wages are recorded as liabilities until such time as the liability for payment no longer exists.

Other documentation discrepancies noted during our review are listed below:

1. A July disbursement voucher (Schedule No. 735-73), although intended to be submitted by the Mission, was missing from the vouchers actually submitted. We understand that the Mission is not required to include in its voucher submissions a reconciliation of the vouchers to the disbursing officer's statement of transactions. We believe that, as a minimum, the Missions should be required to run adding machine tapes of the submitted vouchers to ensure that none have been overlooked, and that the tapes should be included with the submitted vouchers.

2. Almost none of the disbursement vouchers submitted by the Mission for June and July contained evidence of payment by the disbursing officer. Without such evidence, there is no assurance that the submitted vouchers support the disbursements made by the disbursing officer.

3. A July disbursement voucher (Schedule No. 735-52) contained a supporting document (voucher No. 000077) on which an erroneous addition in arriving at the total resulted in an overstatement of the amount paid to the payee (WASAEC) of $1,070.39. Based on the submitted documentation, collection action is needed.

We will appreciate receiving explanations of all the items commented on above, together with any planned procedural changes to improve the documentation of overseas financial transactions. At that time, we would like to examine any additional documentation that might be available to support the specific transactions identified in our review.

Sincerely yours,

Frank M. Zappacosta

Frank M. Zappacosta
Assistant Director

Enclosure

Illustration of Payroll Documentation Discrepancies
AID Mission - Lagos, Nigeria

Funds Utilized for Selected Pay Periods in 1970
(In Nigerian Pounds)

	P.P. #10 (5-3 to 5-16)	P.P. #11 (5-17 to 5-30)	P.P. #12 (5-31 to 6-13)
Received by Cashier for Payroll			
Received from disbursing officer	7773.02.04	8236.19.02	7583.03.09
Returned to disbursing officer	539.06.07	217.08.08	315.15.09
Net Receipts	7233.15.09	8019.10.06	7267.08.00
Paid by Cashier to Employees			
Initial net pays on payroll	7773.02.04	8236.19.02	7583.03.09
1/Net pays added to payroll	247.07.10	276.12.10	274.16.10
Total amount payable	8020.10.02	8513.12.00	7858.00.07
Portion not paid to employees:			
2/Deleted after receipt of advance	1031.00.11	696.15.04	696.12.10
3/Others with no employee signature evidencing receipt	159.19.03	167.03.10	295.10.03
Total	1191.00.02	863.19.02	992.03.01
Net payments	6829.10.00	7649.12.10	6865.17.06
Excess of net receipts over net payments	404.05.09	369.17.08	401.10.06

1/ All these amounts had been included on the initial payroll listings at different locations, but were deleted from those locations.

2/ None of these amounts were accompanied by a signature evidencing receipt. Some were returned to the disbursing officer, some were added to the payroll at different locations and paid to the employees at those locations (see note 1, above), and some evidently remain outstanding.

3/ Some of these were amounts not accompanied by a signature evidencing receipt, all of which were returned to the disbursing officer, while the remaining amounts were accompanied by the signature of a sub-cashier rather than the employee, some of which were also returned to the disbursing officer.