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

ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION

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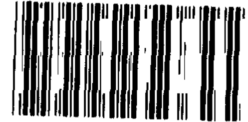
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The Honorable Donald T. Regan
The Secretary of the Treasury

Dear Mr. Secretary:

Subject: Internal Control Weaknesses at the U.S. Customs Service (GAO/AFMD-84-23)

This report presents the results of our survey of internal controls at 12 U.S. Customs Service offices. Our survey was done during the period of January 1983 to April 1983 and included the Headquarters Financial Services Division and six regional accounting stations as well as five district offices with significant collection activity. The survey identified weaknesses in internal controls over collections, receivables, travel advances, imprest funds, obligations, and disbursements. The weaknesses, which usually resulted because established procedures were not followed, existed in controls over the

--deposit, accounting, and safeguarding of collections, including appropriate separation of employees' duties and use of prenumbered receipt forms,

--accounting for accounts receivable and their collection,

--review and reconciliation of employee travel advances,

--procedures and physical security for imprest funds,

--reconciliation and safeguarding of government transportation requests,

--recording and review of obligations, and

--preaudit and certification of disbursement vouchers.

We also noted that some facilities did not correct the control deficiencies disclosed by internal audits.

We previously informed Customs officials of these weaknesses to help in discharging the responsibilities for operating effective systems of internal control within your department as required by the Accounting and Auditing Act of 1950. This requirement was

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strengthened in September 1982 when the Federal Managers' Financial Integrity Act was passed. The new law amends the 1950 act by establishing a number of requirements to help ensure that federal agencies develop and use adequate systems of control. One requirement is that federal agencies must conduct ongoing evaluations of the adequacy of their internal control systems. Another is that, beginning in December 1983, the head of each executive agency must make an annual report to the President and the Congress certifying to the effectiveness of the agency's internal controls including, if necessary, a schedule for strengthening any weaknesses identified in those controls. The act also requires the head of each agency to make an annual report to the President and the Congress certifying whether or not their organizations' accounting systems are in compliance with the Comptroller General's principles and standards for accounting systems. We understand that the findings in this report were considered in your Department's evaluations which you discussed in your December 27, 1983, statements to the Congress and the President.

The Customs Service advised us that it included four of the findings contained in this report as exceptions in their accounting system certifications required by the 1982 Federal Managers' Financial Integrity Act. The Customs Service, however, did not report all weaknesses because, in its opinion, these findings did not meet the Treasury Department's definition of material: We believe these other weaknesses are also important. Although any individual weakness may not have a material effect on the Customs Service's financial condition, we believe that, in the aggregate, these weaknesses may be detrimental to the overall financial operations if allowed to remain unchecked.

We based our survey on audit guidelines designed to identify internal control problems and on interviews and discussions with fiscal office personnel. When responses indicated potential weaknesses, we tested selected transactions to determine if the weaknesses existed, but we did not attempt to establish their extent or the precise corrective actions needed. The weaknesses we identified are discussed in enclosure I and their locations are shown in enclosure II. Our work was performed in accordance with our generally accepted government auditing standards.

We discussed our survey results with accounting station and headquarters personnel. In most instances, they initiated or promised corrective action.

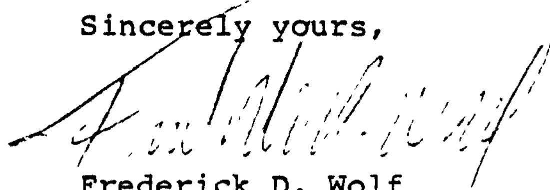
We recommend that you consider the internal control requirements discussed in this report in your future reviews to comply with the Federal Managers' Financial Integrity Act of 1982, and that you determine whether any weaknesses identified by those reviews have been corrected when you prepare the required annual statements.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations. You should send the statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations within 60 days of the date of the report, and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

We are sending copies of this report to the Commissioner of Customs and to your Inspector General.

We appreciate the courtesies and cooperation extended to us at each location we visited.

Sincerely yours,



Frederick D. Wolf
Director

Enclosures - 2

INTERNAL CONTROL WEAKNESSES AT

TWELVE U.S. CUSTOMS SERVICE FISCAL OFFICES

The Accounting and Auditing Act of 1950 (31 U.S.C. 3512) requires the head of each executive agency to establish and maintain a system of accounting and internal controls to provide effective control over and accountability for the agency's assets. Our survey, which evaluated accounting controls at headquarters and six regional accounting stations and five district offices, disclosed the following:

--Collection controls needed improvement at most locations. Collections were not properly logged, correctly accounted for, or adequately safeguarded; duties of employees handling collections were not adequately divided; and in a few instances, collections were not promptly deposited.

--Prenumbered receipt forms were not adequately accounted for. Required nationwide reconciliations were not timely and at some locations the forms were not safeguarded.

--Accounts receivable were not sufficiently administered at most accounting stations. The receivables were not promptly and accurately recorded in the accounting records, and efforts to collect outstanding receivables were neither prompt nor aggressive.

--Travel advances were not properly managed at most accounting stations. The advances were not periodically reviewed or reconciled and amounts exceeding employees' needs were not promptly recovered.

--Imprest funds were not adequately handled at many facilities. Basic control procedures were not in use, adequate physical security was not provided, and fund levels exceeded need.

--Government Transportation Requests were not effectively controlled at some facilities. The requests were not periodically reconciled or adequately safeguarded, and duties were not appropriately segregated.

--Obligations at some facilities were not promptly recorded or periodically reviewed.

--Disbursement controls were weak at most accounting stations. Vouchers were not adequately preaudited or certified, payments were not scheduled to coincide with due dates, and reasons for lost discounts were not documented. Questionable disbursements made to Customs employees assigned to the Operation Florida Task Force were turned over to the Treasury Inspector General for further investigation.

--Some facilities did not correct deficiencies disclosed by internal audits.

These internal control weaknesses, which usually existed at more than one location and occurred because established procedures were not followed, are discussed in more detail below. The locations where the weaknesses existed are identified in enclosure II.

NEED TO IMPROVE CONTROLS OVER COLLECTIONS

Because of the substantial amounts involved, it is especially important that Customs facilities maintain effective control over their collections. During the last fiscal year Customs collected almost $10 billion in duties, taxes, fines, penalties, and miscellaneous fees. The offices we visited collected about $2.6 billion.

Both GAO and Treasury manuals specify collection controls to ensure that collections are properly accounted for and promptly deposited. These controls were not used effectively at the facilities we visited. Some facilities did not properly record collections or adequately safeguard amounts collected. In addition, collection duties were not always properly segregated. In a few instances, deposits were not prompt.

Collections not placed under immediate accounting control

Cash and checks received through the mail are inherently susceptible to loss, theft, or misuse. Because of this, the GAO Policies and Procedures Manual for Guidance of Federal Agencies (7 GAO 11.1) specifies that agency collections should be placed under appropriate accounting controls as soon as they are received. These controls should, among other things, provide for collections to be logged upon receipt, verified by an individual other than the one opening the mail, and properly accounted for until deposited. Customs procedures, however, did not provide for such controls and, therefore, assurance was lacking that all funds received were properly accounted for and deposited.

Recording collections when received establishes immediate control and provides a permanent check to determine whether all receipts are subsequently processed and deposited. At nine facilities, however, mail collections were not immediately logged or otherwise accounted for. Employees at three other facilities logged receipts, but did not open mail containing collections in the presence of another employee.

Further, receipts were not used to accompany collections transferred from one processing point to another at 11 locations. At one location, for example, four employees handled some collections before turning them over to the teller, yet none of the employees signed for receipt of the funds. Should a loss occur, fixing responsibility would be difficult.

Inadequate control of collections in hands of messengers

The Customs Policies and Procedures Manual (PPM 5315.2) specifies strict accountability procedures for transporting collections by messenger between Customs offices or between a Customs office and a depository. Unless a sealed or locked moneybag is used, the messenger should verify the contents at both pickup and delivery. Otherwise, the messenger signs a receipt for the moneybag and the contents are verified by two employees at both the collection and delivery points.

Six facilities did not have adequate control over collections in the hands of messengers. For example, one station sent collections in a sealed envelope via messenger to a nearby district office. The district office then sent the collections to the depository. Neither the messenger nor district employees verified the contents of the package. At four other locations, not only were the amounts of funds sent not verified, but also the messenger and employees at the receiving office did not sign for receipt of the funds.

Collections not adequately safeguarded

Because currency and checks are highly susceptible to improper conversion and loss, control procedures should provide for adequate physical security measures. The Customs Policies and Procedures Manual (PPM 5311.3) specifies that facilities, such as locked steel cabinets or safes, are to be used to store collections and requires collections to be kept from public view during as well as outside the official hours. Ten of the facilities we visited did not maintain adequate physical security over collections, thereby allowing easy access and increasing the risk of loss. To illustrate:

--At six locations collections were frequently left on desks or countertops during the workday and were accessible to both other employees and the public. Three of these locations also left collections out overnight.

--Safekeeping facilities at four locations were accessible to several people. Moreover, storage facilities were sometimes left open and unattended. For example, at one location at least four employees knew the combination of the safe where collections were stored. Also, the safe was not locked during the day and was left unattended during the teller's lunch and break periods.

--Although local procedures in three locations required annual combination changes for safes used to safeguard collections, the safe combination had not been changed for 2 years at one office while the other two locations did not have any record of the last combination change.

Collection duties not properly segregated

One of the basic principles of internal control is to divide critical functions between two or more persons, a technique often referred to as separation of duties. Errors are more likely to be prevented or detected when duties are separated, and fraud is less likely to occur when its success depends on collusion. The GAO manual (7 GAO 11.2) states that persons responsible for handling cash receipts should not participate in accounting or operating functions which would permit them to conceal the misuse of cash receipts.

At 12 facilities we visited, duties of employees handling collections were not adequately segregated to ensure effective control over receipts. For example, at nine facilities employees responsible for receiving and recording collections also prepared deposit tickets. At four of these locations, these same employees also reconciled collection records to confirmed deposits. At another station an employee responsible for processing collections also maintained accounts receivable records. At two other facilities, one employee mailed penalty notices to importers, received collections, and maintained related case files.

Collections not deposited promptly

Our manual (7 GAO 12.2) specifies that collections should be deposited daily if possible. The Treasury manual (I TFRM 6-8030) states that collections of $1,000 or more should be deposited daily, but that smaller collections may be accumulated and deposited when the total reaches $1,000. Still, deposits must be made at least weekly regardless of the amount accumulated.

Customs procedures incorporate the above requirements and the agency places considerable emphasis on promptness of deposits. Overall, the majority of collections at the locations we visited appeared to be deposited promptly. Nevertheless, improvements were needed at three locations.

The headquarters accounting station sometimes held checks for long periods before deposit. For example, a check for $55,291 was not deposited until 54 days after it was received. Another check for $18,623 was held for 13 days before deposit. A $10,538 check, on hand at the time of our review, had been received 16 days earlier.

At another accounting station, collections totaling about $60,000 were held for several months because station employees said they did not have time to determine the proper account to credit. These amounts should have been deposited and then credited to a suspense account.

A third location was not promptly depositing checks received for fines and penalties. This office had 69 checks totaling $15,600 on hand at the time of our visit. Many of the checks were more than 1 month old.

When collections are not deposited promptly, Treasury's access to the funds is delayed and the potential for loss, theft, or misuse of the funds is increased. Undue delays in depositing monies collected mean the Treasury is denied use of the funds for that time and, as a result, may need to borrow thereby increasing the government's interest cost.

We discussed the above weaknesses with Customs officials at the appropriate locations. In general, they agreed that the weaknesses existed and promised corrective actions. Officials at several locations, however, did not see a need to log collections citing reasons such as shortage of staff and absence of evidence that losses had occurred. In our opinion, because collections are not logged as soon as received, assurance is lacking that all amounts received are actually deposited. Moreover, we have long held that certain internal controls are necessary regardless of whether major losses or inaccuracies have occurred. The very purpose of a sound system of internal controls is to prevent such occurrences.

NEED TO IMPROVE CONTROLS OVER PRENUMBERED RECEIPT FORMS

The use of prenumbered receipt forms can help prevent the loss or theft of collections. To be effective, however, the forms must be properly safeguarded and accounted for. Facilities we visited did not have adequate controls over prenumbered receipt forms because required reconciliations were incomplete and infrequent. Moreover, at three facilities forms were not properly safeguarded.

Prenumbered receipt forms not properly reconciled

To maintain accountability over prenumbered receipt forms, Customs procedures require that semiannual inventories be performed. The process, initiated by the Headquarters Accounting Division, is conducted simultaneously at all Customs facilities. Results of physical inventories are reconciled to information recorded in the accounting system. Timely resolution of discrepancies is necessary to deter and detect the misuse of forms.

Despite the above requirements, nationwide inventories have only been conducted every 2 years since 1978. The latest inventory, taken in April 1982, remained unreconciled more than 1 year later.

Recent audits by Customs internal auditors have also pointed out shortcomings in this area. In one investigation, for example, the auditors discovered the theft by a Customs inspector of almost $5,000 in cash and checks. The auditors concluded that the theft was not promptly detected, in part, because of deficiencies in conducting inventories of prenumbered forms. In another location, auditors reported that poor procedures for monitoring and controlling prenumbered forms had resulted in the loss of accountability for over $125,000 in Customs collections.

Headquarters officials agreed that weaknesses existed in the inventory and reconciliation process. The lack of a prompt reconciliation of the April 1982 inventory was attributed to several factors including movement of the headquarters computer center to an offsite location and late or missing physical inventory data from the regions.

Prenumbered receipt forms not adequately safeguarded

To prevent unauthorized use, prenumbered receipt forms should be kept in a safe place when not in use. Three locations, however, did not adequately safeguard the forms. Unused forms were stored in places such as unlocked safes, file cabinets, and desk drawers. Officials at these locations agreed to strengthen safeguarding practices.

NEED TO IMPROVE CONTROL OVER ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from operations and therefore are government assets to be controlled, safeguarded, and--most importantly--collected. Weaknesses in controlling, accounting for, and collecting receivables were noted at seven locations. Recently completed reviews by Customs internal auditors at three of these locations have also pointed out problems.

Receivables not recorded promptly

Our manual (2 GAO 12.4) states that accounting for receivables is an important form of control over agency resources in that it results in a systematic record of amounts due that must be accounted for. The manual specifically provides that accounts receivable shall be recorded accurately and promptly upon completion of the acts that entitle the agency to collect amounts it is owed. When amounts due are not recorded in the appropriate records, the agency's financial statements and reports will be incomplete and managers will not be in a position to take the actions necessary to ensure collection of all moneys owed the agency.

Penalties assessed against importers

Customs assesses penalties against importers and others for violating import laws and regulations. Violators receive a notice of the amount assessed and are allowed 60 days from the date of the notice to either pay the penalty or petition to cancel or reduce the assessment. If the violator does not respond within the prescribed time, Customs procedures specify that regional offices collect the amount of the claim in accord with the Claims Collection Act (4 C.F.R. 101-105).

Six accounting stations did not follow procedures to ensure that penalties were promptly recorded in the accounting records. Thus, normal collection and billing procedures were not followed.

One station, for example, had delegated most of its collection responsibilities for penalties to district offices and the station did not record amounts due until the districts' efforts were exhausted. At another station, 7 of 13 cases examined were not recorded until 5 to 11 months after they were referred from a district office. Moreover, the district office was also slow in referring cases to the region.

Revenue earned on deferred import duties

Although the government earns revenue when an imported item is released to importers, Customs normally only records this revenue when payment is received. Under the immediate delivery system, there is a time delay between release of merchandise and payment of duty. The six regional accounting stations we visited were not recording revenue earned through the immediate delivery system until payment was received. As pointed out in an earlier report,[1] this conflicts with the provisions of the Customs accounting system approved by the Comptroller General in 1972 and Public Law 84-863, which requires the recording of revenue as soon as it is earned.

Aging reports of receivables not accurate

Accounts receivable aging schedules, which show receivable balances in chronological order, are essential for identifying problem accounts and determining action required for prompt collection. Despite the widely recognized value of aging schedules they were not being prepared at the headquarters accounting station. Moreover, the aging schedules at the other accounting stations we visited did not accurately reflect the status of accounts. For example:

--Customs regulations allow importers to protest bills for supplemental duties. A 1982 Court of Customs and Patent Appeals decision ruled that supplemental duty bills are not due until the expiration of a 90-day protest period. Further, if the protest is denied, the amount is not due for another 180 days. However, Customs aging schedules did not differentiate these accounts from other receivables thus distorting the amounts shown as delinquent.

--Aging schedules, on the other hand, were understated because, as previously mentioned, fines and penalties were not promptly recorded and billed.

--Two stations were not crediting partial payments to accounts receivable. Instead, partial payments were credited to a suspense account pending either full payment or adjustment of the amount due.

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[1]"Import Duties and Taxes: Improved Collection, Accounting, and Cash Management Needed" (FGMSD-78-50, Aug. 21, 1978).

At one of these stations, we also noted that other accounting records were not properly maintained. For example, all bills were filed together regardless of status. Paid or canceled bills were not always cross-referenced to documents supporting the transaction. Manual files did not always agree with computer records and reconciliations were not performed to resolve differences.

Collection actions not prompt or aggressive

The Federal Claims Collection Standards (4 C.F.R. 101-105) require agencies to act promptly and aggressively to collect amounts owed the government. The standards further require (1) three written demands be made at 30-day intervals, (2) interest be charged on delinquent amounts, (3) delinquent debts be offset against future payments to the debtor, (4) licenses or other privileges be revoked, and (5) other persistent actions to achieve collection be attempted. The Customs Policies and Procedures Manual incorporates most of these requirements and also specifies other actions such as telephone contacts and followup letters aimed at soliciting prompt payment. Despite these requirements, six accounting stations were not taking all necessary steps to collect delinquent amounts.

All six stations did not assess interest charges for most types of overdue bills. We previously noted this same problem in an earlier report.[2] Charging interest on delinquent bills provides an equitable incentive for prompt payment. In March 1983 Customs issued a proposal in the Federal Register to amend its regulations to charge interest penalties on delinquent bills. As of February 1984, a final notice was under review within the agency. The effective date for the notice is tentatively set for June 30, 1984.

Three accounting stations were not taking appropriate steps to ensure that payments were offset in accordance with established procedures. For example, according to officials at one station, refunds due importers were not offset against delinquent bills because the process was too time-consuming. At another station the offset process was used only when the debtor was in bankruptcy. A third station only offset refunds against delinquent bills of the same category.

Two stations were not taking prompt action to suspend credit privileges for delinquent debtors. At one station, listings of delinquent debtors whose credit privileges were suspended had not been updated for several months. At the other station, credit privileges were not always suspended for debtors delinquent for long periods. One firm, for example, had failed to pay an $11,267 bill for almost 18 months. In March 1982, the station threatened to suspend the firm's credit privileges if payment was not made within 2 weeks. Seven months later the bill was still unpaid, yet the firm's credit privileges had not been revoked.

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[2]"Import Duties and Taxes: Improved Collection, Accounting, and Cash Management Needed" (FGMSD-78-50, Aug. 21, 1978).

At five accounting stations, required follow-up collection efforts, such as telephone contacts and demand letters, were not always prompt or were not made at all. Thus, amounts due remained outstanding for long periods increasing the risk of loss. At one office, for example, we were told that the heavy workload did not allow time to follow-up on delinquent accounts. At another station, we noted that telephone contacts were not established with debtors until long after the bills were seriously delinquent. Fifteen of 27 cases examined at a third station also showed insufficient follow-up. To illustrate:

--Four bills issued to one importer totaling $40,656 remained outstanding from 7 to 21 months. There was no evidence of any follow-up contacts with the debtor after computer generated notices failed to elicit payment. Moreover, despite the delinquencies, the importer was issued a $309 refund for overpayment of duty.

--Collection action was not taken for 14 months on another delinquent bill amounting to $12,448. When we brought this case to the attention of station officials, they contacted the debtor. Full payment was made about 2 weeks later.

Similar findings identified by Customs internal auditors

Recently completed audits by Customs internal auditors at three of the accounting stations included in our survey have also identified weaknesses in recording, accounting for, and collecting accounts receivable. For example:

--Auditors concluded in October 1982 that accounts receivable records at one location were inaccurate and unreliable. According to the auditors, receivable records were understated by over $4 million because some bills had not been issued while others had been improperly canceled. Moreover, the auditors noted discrepancies between reports on receivables generated by two accounting systems which had not been reconciled for long periods of time.

--Auditors reported that another station had not established and managed an effective accounts receivable program. In 86 percent of the randomly selected cases reviewed, the auditors found collection effort to be insufficient. Consequently, delinquent receivables remained outstanding for long periods, increasing the likelihood that amounts owed would not be collected.

--At the third station, auditors found that accounts receivable records were cluttered with many old, apparently uncollectible bills. Collection efforts were poorly documented and over $240,000 in bills were canceled erroneously. The

auditors also pointed out a $3.1 million gap between general ledger control accounts and subsidiary records.

NEED TO IMPROVE CONTROL OVER TRAVEL ADVANCES

Travel advances represent sizeable amounts of government funds--the U.S. Customs Service alone reported almost $6 million in travel advances outstanding as of May 1983 and nearly half this amount had been outstanding over 120 days. Amounts shown as current (30 days or less) included continuous advances, some of which may have been outstanding for years. Unless proper control is exercised over advances, funds needed for travel are unnecessarily tied up and the risk that advances might not be recovered is increased.

The GAO manual and Customs procedures specify controls needed to ensure that (1) travel advance records are accurate and reliable, (2) travel advances are made only for authorized travel, (3) the size of the advances does not exceed appropriate limits, and (4) advances are cleared promptly by repayment or travel vouchers. Nevertheless, seven accounting stations did not exercise the required controls over travel advances. As a result, account balances may not be accurate and advances which were unjustified or excessive, remained outstanding for long periods of time.

Advances not periodically reconciled

Our manual (7 GAO 25.6) requires agencies to maintain control accounts supported by individual records of outstanding travel advances. The manual further provides that these accounts are to be periodically reconciled. Moreover, Customs procedures require that travel advance balances be reconciled to source documents at year-end.

Four stations were not performing necessary reconciliations and, therefore, Customs could not be ensured that amounts recorded on the accounting records at these locations were accurate. For example, a review by headquarters staff in February 1981 at one of these locations noted an $8,400 discrepancy between manual and computer records of travel advances. An accountant was assigned full-time to reconcile the differences but was reassigned before the job was completed. Another accounting station no longer attempted to reconcile accounting records because, according to one station official, the reconciliation process was too difficult.

Advances not reviewed nor aggressively pursued

The GAO manual provides that agency accounting systems should include procedures for periodic review and analyses of outstanding travel advances. All advances determined to be in excess of immediate needs should be promptly recovered to keep outstanding balances to a minimum.

None of the seven accounting stations reviewed exercised such control over travel advances. Advances were not periodically analyzed despite agency requirements to do so. Consequently, continuous advances were often unwarranted and single trip advances remained outstanding for a long time. Some employees were issued new advances before liquidating old ones, and further aggressive collection action was not being taken to recover outstanding amounts. Several offices failed to collect outstanding advances from employees who had transferred or resigned. In a few instances, we noted that regulations limiting the size of advances from imprest funds were circumvented. The following examples illustrate some of the problems.

--Records at one accounting station showed that 15 employees, who were terminated as a result of consolidating two regional offices left without repaying $3,627 in outstanding travel advances. Similarly, at another station, 15 employees had retired, transferred, or quit without liquidating travel advances totaling almost $2,600.

--Nine of 10 advances examined at another station exceeded employees' needs. For example, one individual had a $950 advance since 1977. Records showed that during fiscal year 1982 the employee made three trips and submitted vouchers totaling $411. Another employee averaged $120 in expenses for each of three trips made in fiscal year 1982 yet he maintained an $800 advance. A $630 advance for a third employee was increased to $1,000 in 1975 and justified as necessary because of increased per diem rates. In fiscal year 1982, this employee traveled a total of 23 days, most of which took place during a 2-month period.

--The headquarters accounting station reported $620,166 in travel advances over 180 days old as of February 28, 1983. We examined 10 of these advances totaling $21,553 to determine why they were outstanding so long. In five cases, no travel voucher had been filed although the trips were supposed to have occurred as long as 14 months earlier. The accounting station had not made an effort to contact the employees. In three other cases, vouchers were filed but the advances were not liquidated in full. For example, one traveler received a $4,000 advance in July 1981 for travel during the month of August. The following month the traveler filed a voucher claiming expenses of $3,245. Nineteen months later the $755 balance was still unpaid. In the remaining two cases, the travelers submitted vouchers liquidating the advances, but due to a backlog in the accounting section, the amounts liquidated had not been entered into the accounting records.

--Although Customs limits travel advances from the imprest fund to $500, at four stations we found instances where employees received more than one advance for the same trip, apparently to circumvent the dollar limitation. For instance, one employee obtained $1,000 for one trip by filing

two $500 requests. Records showed that both requests were approved and issued the same day. Another employee obtained a $300 advance from the imprest fund 3 days after having received a $500 advance. During this time, the employee had unliquidated advances of $11,168.

--Review of travel advance records for 23 Customs employees assigned to the Operation Florida Task Force in the Miami region (discussed further on p. 22) revealed that outstanding advances for these individuals averaged almost $11,000 each. Six employees had advances outstanding which exceeded $15,000. These large balances occurred because the accounting station issued advances in excess of the prescribed limits (about $3,500 or enough to cover 45 days travel), gave employees new advances before existing ones were liquidated, and did not promptly process vouchers. Moreover, employees were not submitting monthly vouchers as required. In many instances, advances were issued without valid travel authorizations. One individual, for example, had received three advances totaling $17,820. The latest advance, issued in October 1982, was for $6,750. Time records showed that he left the task force and returned to his permanent duty station a few weeks later. The employee had not submitted any travel vouchers as of April 1983. Another individual received three $6,750 advances during a 4-month period and a third employee had received $16,375 in advances, but had filed vouchers liquidating only $4,600. Moreover, a $6,750 advance was justified with a travel authorization that had expired.

After we brought these problems to the attention of headquarters officials, the Acting Commissioner of Customs issued a memorandum to field offices directing them to act immediately to reduce the amounts of outstanding travel advances. A Customs Service official advised us that as of January 1, 1984, the outstanding travel advance balance had been reduced by $2,047,000. In addition, the Customs Service expected to reduce the balance by another $1.1 million through payroll deductions and processing employee travel vouchers.

NEED FOR MORE EFFECTIVE CONTROL OF IMPREST FUNDS

Imprest funds are "cash on hand" funds comprising currency, coin, or government checks advanced by a U.S. Treasury disbursing office to agency imprest fund cashiers. At the Customs Service, imprest funds are used for a variety of disbursing needs, such as purchasing supplies and services, paying employee travel expenses, and making cash payments for information or evidence in connection with violations of Customs laws. The funds are sizeable--as of June 1982 Customs had 148 imprest funds that were authorized over $1.7 million.

Because imprest funds could be misused, lost, or stolen, they should be well controlled. We reviewed 11 imprest funds ranging

from $3,500 to $91,000 at 10 facilities and found that established procedures and controls were not always followed.

Basic control procedures not followed in day-to-day operations

The GAO manual (7 GAO 27) as well as the Treasury's Fiscal Requirements Manual and its Manual of Procedures and Instructions for Cashiers sets forth the requirements for use of imprest-type funds by departments and agencies. Moreover, the Customs Policies and Procedures Manual (PPM 5363) incorporates many of the GAO and Treasury guidelines for controlling imprest funds. Despite the widely recognized need for strong controls over imprest funds, several locations did not adhere to basic control procedures. To illustrate:

--At four facilities, duties were not properly separated. The imprest fund custodians had access to or were involved in processing collections. When collections are handled by imprest fund custodians they have the opportunity to use collections to cover shortages in imprest funds. Also, at one of these locations the imprest fund cashier occasionally made purchases with the fund. Such a practice increases the risk of abuse of the funds and could permit a cashier to use the funds for personal needs.

--Cashiers at five facilities did not cancel all documents supporting imprest fund disbursements. The Treasury manual requires this procedure to reduce the possibility that documents, such as receipts from vendors, will be reused and result in duplicate payments.

--The cashier at one location did not have signed receipts as required by agency procedures for $2,000 in advances issued to two subcashiers.

--Cashiers at two offices disbursed funds without asking for identification when they did not know the payees. Making imprest fund payments without requiring adequate identification of payees could result in improper or fraudulent payments.

--At seven locations cashiers did not have a list of individuals authorized to approve disbursements from the fund. Such documentation is necessary to ensure that only properly authorized disbursements are made from imprest funds.

--Four facilities had not established requirements for the prompt liquidation of advances from the fund. The Treasury manual (I TFRM 3040.20C) requires that purchases for which cash has been furnished should be confirmed within 5 workdays from the date of the advance. At one of these locations, we noted that two advances, 1 and 5 months old, were still outstanding.

--At two offices, required unannounced cash verifications were done at about the same time each quarter, establishing a pattern of regularity that nullified the element of surprise. Also, reviews at one of these locations excluded funds under control of the subcashier.

--One office made two payments of $15,304 and $12,680 from the imprest fund to a marina with whom it had a contract to store seized vessels. Customs paid the marina after it threatened to terminate its contract because of late payment of storage fees. Both Treasury and Customs regulations limit imprest fund payments to $500.

Adequate physical security not provided

Because imprest funds include cash and checks that are susceptible to improper use, the GAO and Treasury manuals specify standards of security that should be employed when imprest funds are handled. This guidance generally provides that imprest funds should be placed in a safe or vault under exclusive control of the fund custodian.

Several locations we reviewed were not adequately safeguarding imprest funds. For example:

--Five facilities did not follow prescribed procedures for maintaining a record of the safe combination and duplicate cashbox key. The Treasury Manual of Procedures and Instructions for Cashiers specifies that the safe combination and duplicate key should be placed in a sealed, signed, and dated envelope and kept in a safe place for use in an emergency. At one office this was not done, while at four other locations the envelopes contained either the safe combination or the duplicate key, but not both. Also, at one office the envelope containing the combination record was not signed or dated.

--One facility had not changed its safe combination for 16 months although Customs procedures require at least annual changes. At a second location, officials did not have any record of when the combination was last changed.

--Imprest fund subvouchers were not properly safeguarded at three locations. Subvouchers were sometimes kept in desk drawers or file cabinets or left unattended and unsecured. Because subvouchers are the basis for replenishing the fund, they should be secured the same as cash.

--Safes were not adequately safeguarded at four locations. For example, at one facility at least four employees had access to the safe where imprest funds were kept. In another office, we observed that the cashier's safe was left unlocked for extended periods during the day and that the lock on the cashbox kept in the safe was broken. The subcashier at this same location kept the combination to her safe in a desk drawer.

--Contrary to Treasury requirements, the cashier and two alternates at one location used the same funds. For adequate internal control, cashiers should not work from the same cashbox and only the person responsible for a specific fund should have access to it.

Size of imprest funds should be reduced

The GAO manual (7 GAO 27.4) states that an imprest fund should be limited to the smallest amount commensurate with the authorized purpose of the fund. Moreover, Treasury regulations state that when the source of funds is not reasonably close to the cashier and more than 24 hours' notice is required to obtain cash, fund size should be limited to

--1 months' requirement when the amount is less than $10,000, or

--2 weeks' requirement when the amount is $10,000 - $100,000.

Five locations maintained imprest funds that exceeded the Treasury's guidelines. One facility had a fund of $30,000, but disbursed an average of under $5,300 biweekly. Another office maintained a $20,000 fund, but disbursed no more than $11,800 per month during the preceding 5 months. One $3,500 fund exceeded needs by about $1,700, while a $14,000 fund was at least $6,000 too high. The fund at the fifth office averaged about $91,000 during the preceding 7 months, with disbursements ranging from $12,441 to $47,241 monthly.

Officials generally agreed to correct these imprest fund deficiencies. At two locations, officials did not feel separation of duties was a problem because collections handled by imprest fund custodians were usually in the form of checks. In our view, when collections, whether in the form of currency or checks, are handled by imprest fund custodians, the possibility exists that these collections could be used to cover imprest fund shortages. Accordingly, we believe that these responsibilities should be separated.

NEED TO IMPROVE CONTROLS OVER GOVERNMENT TRANSPORTATION REQUESTS

Government Transportation Requests (GTRs), when presented to a carrier, authorize the carrier to issue tickets to government travelers and to bill the government agency for the cost of the tickets. Since these documents can easily be improperly used, it is essential that they be placed under adequate safeguards and controls.

In this regard, the General Services Administration's Federal Property Management Regulations specify accountability controls each agency should place over GTRs. The regulations state that "each agency shall prescribe procedures to control GTR procurement, stocking, distribution, and accountability and shall establish

safeguards to prevent their improper or unauthorized use." As indicated below, several of the locations we visited had not established effective controls over GTRs.

--Eight offices did not periodically reconcile accountability records to GTRs on hand and issued, or determine whether GTRs issued to employees were used, returned, lost, or stolen. For example, although one office maintained a log of issued GTRs, it did not have any procedures requiring that GTRs be inventoried or reconciled. Our examination of the log revealed several instances where GTRs issued to employees as far back as 1978 had not been accounted for. One of these GTRs had been issued to an employee who had left the agency almost 2 years ago.

--At two locations, one employee had total control over the custody, issuance, and accounting for GTRs.

--Four stations did not adequately safeguard GTRs against loss or misuse. At one station, for example, five employees had access to the file cabinet where GTRs were stored, while at another station GTRs were secured at night but some were left in an unlocked file cabinet during the day.

Because of these weaknesses, GTRs were vulnerable to loss or abuse; should either occur, detection and establishment of accountability would be extremely difficult.

NEED TO IMPROVE CONTROLS OVER OBLIGATIONS

Obligations specify the amounts of orders placed, contracts awarded, services rendered, or other financial commitments made by federal agencies that will require cash outlays. The GAO manual (7 GAO 4) provides guidance to federal agencies for controlling and accounting for obligations. Weaknesses existed in controls over obligations at six of the Customs accounting stations we visited.

Obligations not reviewed and reconciled as required

Our manual (7 GAO 17.3) requires that the totals of obligation documents be reconciled with controlling accounts periodically and at the end of the fiscal year. The manual also requires that unliquidated obligations--those on which full payment has not been made--be reviewed at the end of each fiscal year. Obligations no longer valid should be deobligated. This requirement is based on 31 U.S.C. 200 which specifies that any financial statement submitted to the Congress should include only valid obligations. At four accounting stations, however, obligations were not being sufficiently reviewed or reconciled. Consequently, assurance was lacking that recorded obligations were valid or that amounts shown in financial reports were accurate. To illustrate:

--At one station, fiscal year 1980 and 1981 unliquidated obligations totaling almost $9.3 million had not been verified at the end of fiscal 1982.

--Instead of a year-end review, another station sent a list of unliquidated obligations to originating offices monthly for a status check. However, no follow-up was made if no response was received. We also noted several instances where people incurred obligations over their contract authority. One employee, for example, whose authority was limited to $2,500 had incurred an obligation of almost $5,000.

--A third station had not performed required monthly reconciliations of obligation documents to control accounts for 8 months. Moreover, the required year-end review to determine the validity of recorded obligations was not performed in fiscal year 1982 because the office was consolidated with another region.

Obligations not recorded promptly when incurred

The GAO manual (7 GAO 17.1) requires agencies to promptly record obligations as charges against applicable appropriations so that requirements for funds control are met, essential management information is provided, and statements and required reports are prepared.

Three accounting stations we visited were not meeting these requirements. At one station, we observed long delays between the time an obligation was incurred and when it was recorded. Also, in 10 of 20 cases examined at this location, obligation documents were prepared after vendor invoices were received. Similarly, at another station, we found 11 invoices totaling over $20,000 and ranging in age from 45 to 137 days which had not been paid because the related obligations were not recorded. At the third station, backlogs of unrecorded obligations were attributed to a shortage of personnel.

These weaknesses reduce the reliability and effectiveness of the financial reporting system. Further, such practices could lead to overobligation of funds and violations of the Anti-Deficiency Act.

NEED TO IMPROVE CONTROLS OVER DISBURSEMENTS

Because the Customs accounting station disbursing operations we reviewed did not conform to Treasury and GAO requirements, federal funds were unnecessarily exposed to the risk of loss, theft, or other misuse. Disbursement activities often did not conform to sound cash management principles in timing the payment of bills.

Legality, propriety, and accuracy of disbursements should be checked before payments are made

Because disbursement transactions are susceptible to misuse and diversion, GAO, Treasury, and Customs provide guidance to help

ensure the propriety, accuracy, and legality of disbursements. For example, the GAO manual (7 GAO 24.2) requires a preaudit of vouchers before they are certified for payment. Examiners should, among other things, (1) verify the data on the voucher, (2) check that the vouchers and supporting documents are properly authorized, (3) determine that the transaction is legal and the goods and services were received, and (4) ensure the payment will not be a duplicate.

Despite these requirements, we noted weaknesses in the disbursement process at all seven accounting stations reviewed. Employees performing preaudits at six stations did not have a list of officials (and their signatures) who had authority to approve documents such as travel vouchers and invoices. Consequently, examiners were not in a position to know if the approvals were proper. Moreover, in a few instances, we observed that payments were made without any evidence of approval. The seventh accounting station had such a list but it was out-of-date and not checked during the examination process. Of 51 documents we examined at this station, 24 were approved by individuals whose names or signatures were not on file.

At five accounting stations, examiners were not taking adequate steps to guard against duplicate payments such as stamping or perforating all vouchers and supporting documents in such a way as to prevent their use again or making payments based only on original invoices or vouchers. To illustrate:

--One accounting station processed an original travel voucher and a photocopy of that travel voucher on different dates resulting in a $3,188 duplicate reimbursement to the traveler.

--At another station, we identified several duplicate payments including one for $403,219 that was originally paid about 2 months earlier. The vendor returned the duplicate check shortly after receiving it. The invoices supporting the duplicate payment were photocopies.

At three stations, employees performing preaudits did not always document the audit steps taken. Such a practice helps ensure that preaudits are carried out according to management's instructions and also fixes responsibility for the individual steps performed. For example, at one station purchase orders were not annotated to show what goods were received or services performed when partial payments were made. At another station, evidence was lacking that calculations and additions on employee travel vouchers had been checked for mathematical accuracy. At the third office, disbursement records generally failed to indicate the specific preaudit steps performed or who carried them out.

Questionable disbursements made to Customs employees assigned to the Operation Florida Task Force

On March 15, 1982, the U.S. Customs Service joined other Federal agencies in a major investigative task group (Operation Florida) to combat narcotic traffickers in Florida. Customs headquarters designated the Miami region to coordinate budgeting and accounting for the Customs employees involved. Several hundred Customs employees nationwide were assigned to the task force.

Our review of the travel claims submitted by 13 of the Customs employees revealed many abuses and questionable claims. Examples follow:

--During April 1982, three Customs employees and an employee from another Federal agency rented a furnished house. When the Customs employees filed travel vouchers for the month, they included their proportionate share of both the rent and a $500 security deposit. The rental agent told us in April 1983 that $409 of the security deposit was refunded to two of the Customs employees the previous summer. The refunds had not been returned to the government.

--In many of the cases, Customs employees claimed apparently excessive and repetitious amounts for meal expenses to the daily maximum--generally $75. In some cases, the employees' work schedules cast doubt on the legitimacy of the claim. For example, for 120 out of 120 days when an employee worked a 4 p.m. to midnight shift with no meal break, the employee claimed dinners ranging from $18 to $24.50. Regardless of working hours, another employee claimed about $7, $11, and $24 each day for breakfast, lunch, and dinner, respectively, for 137 out of 137 straight days. In September 1982, the Miami region began reducing meal claims to a maximum of $30 a day unless receipts were provided.

--Three employees submitted travel vouchers with overlapping claims resulting in $364 in overpayments. In two instances, the amounts claimed for meals, lodging, and miscellaneous expenses on the overlapping claims did not agree.

--While in a foreign country, a Customs employee spent almost $700 on car rentals although this expense had not been authorized on the travel order. The employee also claimed $74 for two lunches and $63 for a dinner with foreign officials. These meal claims were in addition to the $105 received each day for subsistence. The employee's travel voucher, totaling $5,700, was offset against an outstanding travel advance and was not approved by an authorized official or certified correct and proper for payment.

--Travel vouchers for one employee included questionable amounts such as $77 for shoe repairs, $7 to $10 daily for transportation to and from work including days when time

cards showed the employee did not work, and long distance phone calls apparently included in the daily lodging rate.

Because of the large number of Customs employees who have been assigned to the task force since its inception in March 1982, as well as indications that the problems were not isolated occurrences, we referred this matter to the Treasury Department's Office of Inspector General for further audit and review.

Check disbursement vouchers not always certified

To fix responsibility for the legality, propriety, and correctness of disbursement transactions, our manual (7 GAO 23.1) as well as Treasury and Customs guidance require that vouchers be certified by an authorized certifying officer. Certifying officers are accountable and liable for any illegal, improper, or incorrect payments.

At two accounting stations, we noted that vouchers for which no checks were issued, such as travel vouchers offset against outstanding travel advances, were not being certified correct and proper as required.

Inadequate separation of duties

As specified by OMB Circular A-123, key duties, such as authorizing, approving, and recording transactions, issuing or receiving assets, making payments, and reviewing or auditing should be assigned to separate individuals to minimize the risk of loss to the government. Internal control depends largely on eliminating opportunities to conceal errors or irregularities.

Duties were not properly separated at three locations. At two accounting stations, employees who reviewed vouchers also updated the accounting records and examined related payment listings for errors. At another office, we found four instances where employees had approved both their own travel advances and vouchers. One of these individuals had also approved his own travel authorization.

Payments not scheduled to coincide with due dates

To avoid unnecessary borrowing costs, the Treasury requires agencies to control the timing of disbursements so that bills are paid when due--neither too early nor too late. Early payments unnecessarily accelerate the flow of cash from the Treasury and cost the government substantial amounts in interest. Late payments are contrary to good business practice and can cause cash flow problems for vendors and contractors.

The importance of timely payments was emphasized recently by the Congress when it passed the Prompt Payment Act (Public Law 97-177). The act requires federal agencies to pay their bills on time, to pay interest penalties when payments are made late, and to take discounts only when payments are made within the discount

period. In August 1982, the Office of Management and Budget issued policies and procedures implementing the requirements of the act.

Despite the increased emphasis on bill payment performance, five accounting stations did not systematically schedule payment of invoices to coincide with due dates. For example, of 20 paid invoices reviewed at one station, 12 were paid from 4 to 48 days late. Examination of accounts payable files also revealed many invoices that were overdue. Reasons for the delays appeared twofold:

--Invoices were sometimes sent directly to the office that received the goods or services and then sent to the Financial Management Division, either directly or via an intermediate office. In some instances, the invoices were already overdue by the time they arrived in the payment office.

--The payment office filed invoices by the date received in that office and processed them on a first-in first-out basis regardless of the due date.

At another station, 12 of 22 invoices reviewed were paid more than 10 days before the due date while 3 were paid more than 10 days late. At four locations, invoices were not always date stamped when received. Because the Prompt Payment Act requires the payment of interest on late payments, the date an invoice is received is essential to determine whether a bill was paid on time or whether an interest penalty is due.

Cash discounts not taken and lost discounts not documented

The GAO manual (7 GAO 24.8) requires that (1) procedures be established to ensure that vendors' invoices offering cash discounts are processed promptly so that payment may be made within the time prescribed and (2) failure to take cash discounts be fully explained on appropriate documents.

At seven accounting stations cash discounts were not always taken and the reasons for lost discounts were not shown on the documents supporting disbursements. The stations also did not keep records showing the amounts of discounts lost. Without this information, it is difficult for managers to identify and eliminate the problems that prevent discounts from being taken. To illustrate:

--One station had not taken available discounts offered on 38 invoices paid to one vendor during the first 6 months of fiscal year 1983. The amount lost totaled $969. Also, of 10 other invoices examined, three offered discounts amounting to $101 which were lost.

--Six of 20 invoices examined at another station offered discounts. In four cases, discounts totaling $95 were not

taken while in a fifth the examiner calculated the discount incorrectly, taking 10 percent instead of the one percent offered by the vendor. This example was brought to the attention of appropriate agency personnel for corrective action.

NEED FOR CORRECTIVE ACTION ON CONTROL DEFICIENCIES IDENTIFIED IN INTERNAL AUDITS AND REVIEWS

Internal audits are widely recognized as part of an agency's system of financial controls. Under section 113 of the Accounting and Auditing Act of 1950, agency heads are required to establish accounting and internal controls, including internal audits. Audits of Customs operations are conducted by its Office of Internal Affairs. In addition, management inspection teams and others often review financial and accounting operations.

Internal audit is an effective tool for improving operations when managers act promptly to correct deficiencies identified. In this regard, Customs procedures require managers to take timely and aggressive followup actions to ensure that problems identified by internal auditors are corrected. At four facilities we visited, however, we noted the following internal control weaknesses that had previously been disclosed by internal auditors and management review teams.

--In October 1981, a management review team made numerous recommendations for improving operations at the headquarters accounting station. Seventeen months later, weaknesses involving separation of duties, reconciliation of accounting records, followup on delinquent travel advances, and reviews of unliquidated obligations remained uncorrected.

--In an April 1981 report, Customs internal auditors noted that one accounting station was not paying its bills on time and was not taking advantage of prompt payment discounts. The auditors recommended that a system be established to process invoices by due date rather than the date received in the disbursement section. Although station officials stated that corrective action was taken, we found the same problems 19 months later.

--An audit of an imprest fund in November 1982 at one station, found, among other things, that cashiers did not have a list of officials authorized to approve disbursements from the fund. The auditors further found that the fund was too large and recommended that it be reduced. Four months later cashiers still did not have a list of approving officials and the fund level was unchanged.

--Auditors reported in June 1981 that another accounting station was not properly monitoring outstanding travel advances. Many employees held advances far in excess of

their needs and prompt action was not being taken to recover unneeded amounts. Moreover, the auditors found that collections totaling over $16,000 were neither adequately safeguarded nor promptly deposited. We noted the same types of problems when we visited this location.

INTERNAL CONTROL PROGRAM NEEDS IMPROVEMENT

The Budget and Accounting Act of 1950 places responsibility for establishing and maintaining adequate systems of internal control on the head of each executive agency. This requirement was given added emphasis as a result of the issuance of OMB Circular A-123 and the passage of the Federal Managers' Financial Integrity Act of 1982. The circular prescribes the policies and procedures for executive agencies to follow in ensuring that effective internal control systems are instituted and maintained. The act requires agency heads to report annually, starting in 1983, to the President and the Congress on how well the internal control systems of their agencies are working.

Although the Customs Service has had an internal control program in its field offices for many years, reviews by headquarters management inspection teams have shown the programs to need improvement. Among the problems noted were:

--Lack of management attention placed on the programs.

--Results of reviews infrequently submitted to higher levels for review and analysis.

--Checks of operational functions perfunctory in nature.

--Written guidance too general in describing review to be made.

We observed similar problems during our survey. We also noted a lack of consistency among the programs in terms of areas covered. For example, of five internal control programs examined:

--four did not include reviews to determine if collection responsibilities were appropriately segregated, discounts were taken on vendor invoices, or bills were paid when due,

--three did not provide for checks to ensure that Government Transportation Requests were accounted for or followup actions on delinquent bills were timely and appropriate, and

--two did not cover travel advances, safeguarding of collections, or the adequacy of the preaudit process.

In our opinion, had these programs been operating effectively, many of the control deficiencies discussed in this report could

have been prevented or at least detected, thus giving management the opportunity to correct them.

Presently, the Customs Service is revising its internal control system to conform to the requirements of OMB Circular A-123. As part of this process, we believe that Customs should incorporate controls into the system to reduce the recurrence of the problems we noted.

CONCLUSIONS AND RECOMMENDATIONS

Customs should improve internal controls over financial operations at the locations we visited. Although any one weakness at a single location may not have a material impact on Customs' financial condition, we believe that in the aggregate, if these weaknesses remain unchecked, they may be detrimental to Customs' overall financial operations. The Customs Service advised us that it included four of the findings contained in this report as exceptions in their accounting system certifications required by the 1982 Federal Managers' Financial Integrity Act.

Upon completion of our work we presented our findings to financial management officials at Customs headquarters. The officials promised improvements and have issued a number of memoranda to its staff regarding the issues addressed in this report. The Director of Financial Management noted, however, that many weaknesses occurred in areas not under his control. In our opinion, constant vigilance by top managers is necessary for continued effective operation of any internal control. Accordingly, we recommend that the Secretary of the Treasury instruct the Commissioner of Customs to consider the internal control requirements discussed in this report in your future reviews to comply with the Federal Managers' Financial Integrity Act of 1982 and discuss in the annual statements required by the act whether any weaknesses identified have been corrected.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations. You should send the statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations within 60 days of the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

SUMMARY OF INTERNAL CONTROL WEAKNESSES IDENTIFIED AT 12 U.S. CUSTOMS SERVICE FISCAL OFFICES

	Accounting Stations							District Offices					
	Headquarters	Boston	Chicago	Houston	Los Angeles	Miami	New Orleans	Boston	Chicago	Los Angeles	Miami	New Orleans	TOTAL
COLLECTIONS													
Collections not placed under immediate accounting control		X		X	X	X	X		X	X	X	X	9
Collection transfers not receipted		X	X	X	X	X	X	X	X	X	X	X	11
Inadequate controls over collections in hands of messengers			X		X	X			X	X	X		6
Collections not adequately safeguarded		X	X	X	X	X	X	X	X	X		X	10
Duties not properly separated	X	X	X	X	X	X	X	X	X	X	X	X	12
Collections not deposited promptly	X				X						X		3
PRENUMBERED FORMS													
Not reconciled promptly	X	X	X	X	X	X	X	X	X	X	X	X	12
Not safeguarded			X		X				X				3
ACCOUNTS RECEIVABLE [1]													
Receivables not recorded promptly		X	X	X	X	X	X						6
Aging reports not accurate	X	X	X	X	X	X	X						7
Collection actions not prompt or aggressive		X	X	X	X	X	X						6
TRAVEL ADVANCES [1]													
Not periodically reconciled	X		X			X	X						4
Advances not reviewed nor aggressively pursued	X	X	X	X	X	X	X						7

[1]These functions handled by accounting stations only.

IMPREST FUNDS[2]	Accounting Stations							District Offices					
	Headquarters[2]	Boston	Chicago	Houston	Los Angeles	Miami	New Orleans	Boston[2]	Chicago	Los Angeles	Miami	New Orleans	TOTAL
Duties not separated			X	X			X		X				4
Payment documents not canceled to prevent reuse			X	X	X				X	X			5
Advances to subcashiers not properly accounted for										X			1
Payments made without requiring adequate identification of payee							X					X	2
Cashiers not provided list of authorized approving officials		X	X	X	X	X	X			X			7
No time limit for prompt liquidation of advances		X					X		X			X	4
Insufficient management review of fund operations			X						X				2
Payments exceeded authorized limits						X							1
Safe combination record/duplicate key to cash box not properly maintained					X				X	X	X	X	5
Safe combination not changed when required		X							X				2
Subvouchers not secured									X	X		X	3
Fund not safeguarded			X		X				X	X			4
Fund level exceeds need				X	X	X			X	X			5

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[2] Imprest funds not reviewed at headquarters or the Boston district.

	Accounting Stations							District Offices					
	Headquarters	Boston	Chicago	Houston	Los Angeles	Miami	New Orleans	Boston	Chicago	Los Angeles	Miami	New Orleans	TOTAL
OBLIGATIONS [3]													
Not adequately reviewed or reconciled	X	X	X				X						4
Not promptly recorded	X			X	X								3
GOVERNMENT TRANSPORTATION REQUESTS													
Not periodically reconciled		X	X	X	X	X	X		X	X			8
Not safeguarded		X		X			X		X				4
Duties not separated			X							X			2
DISBURSEMENTS [3]													
Vouchers not adequately preaudited	X	X	X	X	X	X	X						7
Vouchers not properly certified	X					X							2
Duties not separated	X	X				X							3
Payments not scheduled to coincide with due dates	X	X	X	X			X						5
Discounts not taken and reason not explained	X	X	X	X	X	X	X						7
INTERNAL AUDIT													
Weaknesses identified by internal auditors not corrected	X		X	X	X								4

[3] These functions handled by accounting stations only.