

**AUDIT REPORT ON THE REVIEW
OF INTERNAL CONTROLS OVER
COLLECTIONS AND THE IMPREST FUND
AT THE FEDERAL LAW ENFORCEMENT
TRAINING CENTER**

OIG-00-064

MARCH 06, 2000

This report has been reviewed for public dissemination by the Office of Council to the Inspector General. Information requiring protection from public dissemination has been redacted from this report in accordance with the Freedom of Information Act, 5 U.S.C. section 552.



Office of Inspector General

United States Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

MAR 6 2000

MEMORANDUM FOR W. RALPH BASHAM, DIRECTOR
FEDERAL LAW ENFORCEMENT TRAINING CENTER

FROM: Dennis S. Schindel *Dennis Schindel*
Assistant Inspector General for Audit

SUBJECT: Audit Report on the Review of Internal
Controls Over Collections and Imprest Fund
at the Federal Law Enforcement Training
Center

This memorandum transmits the final report of the Office of Inspector General *Review of Internal Controls Over Collections and Imprest Fund at the Federal Law Enforcement Training Center.*

Our audit found that internal controls provided reasonable protection from theft or loss. However, this report discusses the need for full field background investigations for all cashiers, and separation of duties for personnel involved in the sale of excess or damaged property. We believe that internal controls need strengthening in those areas and, accordingly, have made two recommendations for improvement.

In your response, you concurred with the findings and indicated that you have initiated corrective actions which should satisfy the requirements of the recommendations. Your response has been incorporated into the report and is included as an Appendix to the report.

We appreciate the courtesies and cooperation provided to our auditors. If you have any questions, you may call me at (202) 927-5400 or a member of your staff may contact Charles Mataya, Director, Program Audits at (713) 706-4611.

Attachment

OVERVIEW

This report presents the results of our audit of the Federal Law Enforcement Training Center's (FLETC) cash collections and imprest fund programs. The audit was undertaken to determine if internal controls over collections and the imprest fund were sufficient to protect revenue and cash from theft or loss.

Our audit found that for the most part, the internal controls did provide reasonable protection from possible theft or loss. However, we found two areas that needed corrective actions. Background investigations were not done for most employees assigned to cashier's functions, and one employee controlled the entire sale of excess property functions.

BACKGROUND

FLETC is an interagency training facility located at Glynco, Georgia, with a satellite facility located at Artesia, New Mexico and a temporary facility located at Charleston, South Carolina. Although most operating funds are received in its annual appropriation from Congress, FLETC also receives about \$30 million annually from other sources including reimbursable training costs, sales of excess property and reimbursement for lost equipment. About 25 percent of the \$30 million is received through FLETC's Financial Operations Branch in the form of checks and cash while the other 75 percent is received through intergovernmental electronic transfers.

The Budget and Finance Division maintains an imprest fund to provide travel advances and minor expenses incurred during day-to-day operations. The authorized amount of the fund is \$7,000. [REDACTED]

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine if internal controls over collections and the imprest fund were sufficient to protect revenue and cash from theft or loss.

We interviewed personnel at the Offices of Financial Operations, Personnel, and Property Management. We also reviewed policies and procedures developed for the deposit of funds in effect as of April 27, 1999. We examined the deposits made during the first and second quarters of Fiscal Year 1999.

We conducted our work in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such audit tests as were determined necessary.

AUDIT RESULTS

We found that, for the most part, there were adequate internal controls over collections and the imprest fund except for the following control weaknesses: background investigations; and separation of duties. Several directives were developed that detailed how cashiers were to handle collections. An accountant was also assigned the responsibility to review deposits to ensure that they were made timely.

Background Investigations Were Not Completed for Cashiers

Background investigations were not conducted for three out of four employees who were assigned to perform cashier's functions. Management did not believe it was necessary to conduct full field background investigations because the cashier's position is not classified as sensitive. Treasury policy states that background investigations are at the agencies' discretion. Specifically, the *Treasury Financial Manual*, Vol. 1, Part 4 - Chapter 3000, Section 3020 - Definition of Terms, states that the selection procedures should provide for careful screening of cashier candidates, due to the sensitive nature of these positions. This screening policy has been implemented at other Treasury bureaus. One such policy requires current and accurate information regarding cashier designations to be maintained on site in the event of an audit. The policy also requires management to verify that a background check has been performed on the designated cashier within the past five years.

Without full field background investigations management has no assurance that cashiers do not have a history of misuse of funds. Accordingly, collections and other cash may be entrusted to someone with a prior record of such abuses and be subjected to misappropriation.

RECOMMENDATION 1:

The Director of FLETC should ensure that full field background investigations are completed for all cashiers.

Management Response and OIG Comment

FLETC management agreed with the finding and recommendation and indicated that action had been initiated to revise procedures to require investigations for all employees assigned to perform cashier duties.

The OIG believes this action will meet the intent of the recommendation.

Proper Separation of Duties Policy Was Not Followed

The Property Management Division (PMD) is responsible for disposing of excess or damaged property. For the 11 months ending August 31, 1999, the PMD collected \$136,000 for the sale of excess or damaged property including expended ammunition casings. [REDACTED]

The General Accounting Office's *Standards for Internal Controls in the Federal Government* specific standard number 4, Separation of Duties states, that duties and responsibilities for authorizing, processing, recording, and reviewing transactions should be separated among individuals. [REDACTED]

Without

proper separation of duties, management has no assurance that diversion of funds would be detected.

RECOMMENDATION 2:

The Director, FLETC should ensure that there is proper separation of duties in the process involving the sale of excess or damaged property.

Management Response and OIG Comment

FLETC management agreed with the recommendation and stated that a revised separation of duties procedure for personnel involved in the sale of excess or damaged property was being developed.

The OIG believes this action will meet the intent of the recommendation.

MANAGEMENT RESPONSE

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DEPARTMENT OF THE TREASURY
FEDERAL LAW ENFORCEMENT TRAINING CENTER
GLYNCO, GEORGIA 31524

FIN 2-3 (APR)

January 18, 2000

MEMORANDUM TO: Dennis S. Schindel
Assistant Inspector General for Audit
Office of Inspector General

FROM: W. Ralph Bash *WRB*
Director

SUBJECT: Draft Audit Report on the Review of Internal
Controls Over Collections and Imprest Fund at
the Federal Law Enforcement Training Center

In accordance with the draft audit report on the referenced topic that was provided for discussion purposes only, the Federal Law Enforcement Training Center (FLETC) has reviewed the document and concurs with its contents. Management personnel from the affected areas met and discussed the findings and recommendations. The consensus of the group was that the report accurately reflected the situation and that the proposed recommendations were reasonable and appropriate.

Consequently, representatives of our Finance Division and our Property Management Division have begun development of revised procedures that will result in better internal controls. Specifically, those actions will involve background investigations for all employees assigned to perform cashier duties and a revised separation of duties procedure for personnel involved in the sale of excess or damaged property.

Based on our review, concurrence and initiated actions regarding the content of the draft audit report, we do not feel it is necessary for your staff to meet on-site to discuss the matter. We have communicated this position to Charles Mataya of your staff, who has given his concurrence.

The FLETC appreciates the assistance of the OIG in this matter. If you have questions, please feel free to contact me at (912) 267-2224.

MAJOR CONTRIBUTORS TO THIS REPORT

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Charles Mataya, Director, Program Audits

Kenneth W. Coleman, Audit Manager

Stephen McNicoll, Auditor-in-Charge

Dennis Kallusingh, Auditor

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DEPARTMENTAL OFFICES

Under Secretary for Enforcement
Assistant Secretary (Enforcement)
Desk Officer, Office of Accounting and Internal Control
Acting Director, Office of Organizational Improvement
Director, Office of Strategic Planning

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