

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL INSPECTION REPORT

PRC IMPREST FUND

July 1, 2015

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Introduction

Background

Until December, 2014 the Postal Regulatory Commission (PRC) maintained an imprest fund of petty cash advanced from the Postal Service for minor financial transactions. A Department of Treasury (Treasury) policy directive¹ requires federal agencies to eliminate their imprest funds because they are labor intensive, require high levels of internal control, and generate no interest. The Treasury directive exempted some small cash payments under \$25 paid by agencies to individuals in support of their mission and to cash-only vendors.

While the PRC may not be required to follow the policies of the Postal Service and Treasury, following Federal best practices streamline the payment process and reduce administrative and transaction costs through the use of electronic alternatives to cash.

The PRC used its imprest fund to reimburse employees for local travel expenses such as taxi and personal vehicle mileage reimbursement up to \$25. The reimbursement limit could be increased to \$35 when employees shared a taxi. However, according to PRC policy, the government travel card is the preferred method for paying taxi and shuttle service charges when travelling locally on approved Commission business. PRC policy also allowed reimbursement from the imprest fund for a specific expense category of “urgently needed supplies” (when proper approval and when other methods are not possible or reasonable). The imprest fund’s monthly balance was \$500.

PRC employees requested reimbursements from the imprest fund by filling out PS Form 1164 (Form 1164), *Claim for Reimbursement for Expenditures on Official Business*. The Commission Secretary or delegated official was the approving authority for all imprest fund requests and insured that the expenses complied with PRC policy. The custodian of the imprest fund was responsible for reimbursing employees from the imprest fund.

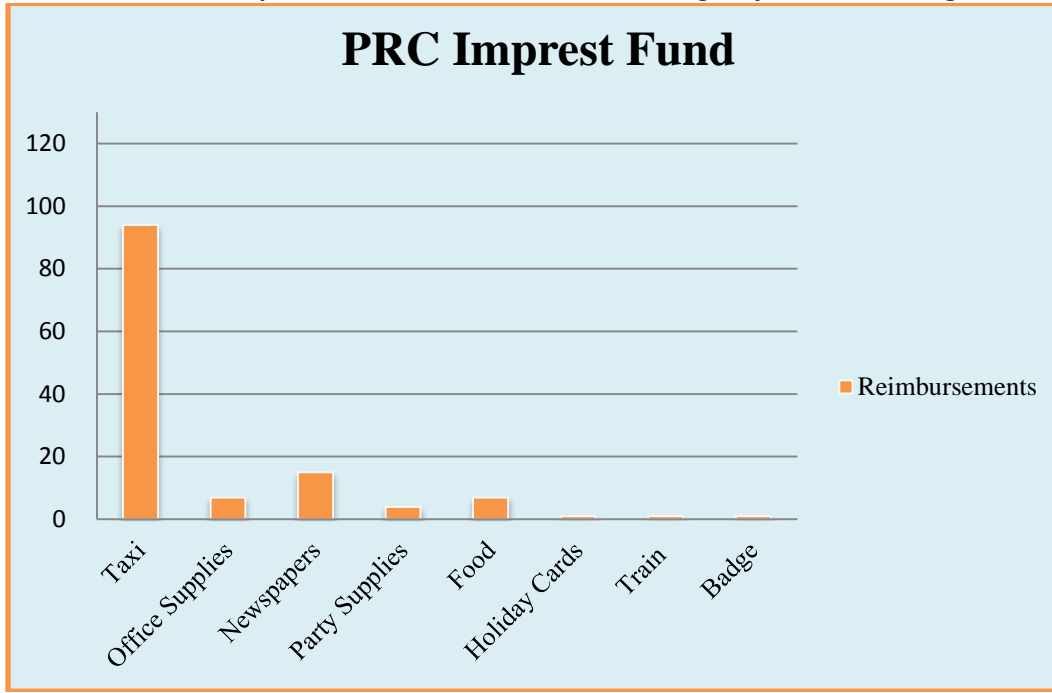
To replenish the fund as needed, the custodian completed PS Form 1129, *Cashier Reimbursement Voucher and/or Accountability Report* which is reviewed and signed by the approving official. The custodian mailed the form to the Postal Service San Mateo Accounting Service Center. The requested funds were electronically transferred to a PRC checking account, and the custodian withdrew the funds.

During the period July 1, 2013 through June 30, 2014, PRC employees submitted 96 Form 1164’s with 197 expense reimbursements totaling \$1,737 from the imprest fund. The expenses

¹ On November 9, 1999, the Financial Management Service published the Imprest Fund Policy Directive and other supporting documentation.

incurred were for local taxi expenses to business meetings, Widely Attending Gatherings² (WAG) events and other expenses considered “urgently needed supplies” to purchase newspapers, food, and party and office supplies.

Table 1: Number of PRC Imprest Fund Reimbursements During July 1, 2013 through June 30, 2014



Objectives, Scope and Methodology

The objective of our inspection was to assess whether the PRC imprest fund was properly accounted for and administered according to PRC policy. The scope of our review included imprest fund expenses paid from July 1, 2013 through June 30, 2014.

To accomplish our objective, we:

- interviewed PRC management and the imprest fund cashier regarding their roles and responsibilities for the imprest fund processes and procedures;
- reviewed PRC imprest fund policies and procedures;
- reviewed PRC imprest fund reimbursement files;
- validated the number of expenses paid from the imprest fund;

² Under 5 C.F.R. § 2635.204(g)(2), “[a] gathering is widely attended if it is expected that a large number of persons will attend and that persons with a diversity of views or interests will be present.”

- benchmarked against the Postal Service imprest fund policies and processes; and
- discussed findings and observation with PRC officials.

We conducted this inspection between July 2014 and December 2014 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections and Evaluations*. We believe that the documentation obtained provides a reasonable basis for our conclusion based on our objectives. We discussed our observations and conclusions with management on March 30, 2015.

Prior Audit Coverage

The PRC OIG conducted an audit entitled *Imprest Fund* (Report Number AR-08-01A-01) dated May 26, 2009. The audit found that policies and procedures governing the imprest fund could be improved. At the time the PRC used Postal Service Handbook F-19, *Accountability of Disbursing Officers*, September 1991, Chapter 8, *Imprest Fund*. However, the Handbook did not address various matters such as expenses eligible for reimbursement, requirements for receipts, dollar limits for reimbursements, form(s) to use to obtain reimbursement, imprest fund security, and other concerns. We also noted that increased management oversight over imprest fund operations was needed.

Results

Although PRC imprest fund expenses were accounted for, the imprest fund was not always properly administered. PRC management did not provide adequate oversight of the reimbursements which occurred because they forgot about the imprest fund policy's \$25 limit. PRC policy requires the Commission to ensure expenses comply with policy, to conduct monthly bank reconciliation reviews and unannounced audits, and to attest whether the imprest fund is needed. As a result, PRC may have been exposed to risks by paying for unallowable expenses and not properly streamlining the payment process.

Inadequate Oversight

PRC management did not adequately monitor the imprest fund expenses. Specifically, PRC reimbursed employees for expenses that were over the \$25 authorized limit and for questionable expenses categorized as "urgently needed supplies". This occurred because PRC management forgot about the PRC imprest fund policy's limit. According to PRC policy, reimbursements are allowed for local travel expenses and urgently needed supplies under \$25. The reimbursement travel limit is increased up to \$35 if employees share a taxi. Local travel expenses exceeding \$25 for an individual traveler can be submitted using the Postal Service eTravel³ system for reimbursement.

In addition, management was required to approve Form 1164 but did not ensure that the expense complied with the imprest fund policy. PRC policy did not address how to fill out PS Form 1164; therefore, we benchmarked against the Postal Service policy⁴. We found the following exceptions on Form 1164:

- a missing employee signature and several missing dates;
- expenses were approved before the employee signed Form 1164;
- some tips were over 20% of the taxi fare;
- reason for travel was vague; and
- expense amounts claimed were in the wrong category field.

During the course of our work, we found that PRC management subsequently placed policy exception memoranda dated July 29, 2014 in a few imprest fund files to retroactively grant approval for exceeding the \$25 threshold. The memoranda were intended to provide documentation of imprest fund payments that were not paid in compliance with PRC imprest fund policy. PRC management informed us that they forgot about the \$25 imprest fund requirement and created these memoranda to satisfy policy requirements. Although PRC management belatedly corrected the oversight of the expenses after the files were closed and reimbursements were received, prompt reviews could have assisted management in making informed decisions to process the exceptions in eTravel instead of using the imprest fund.

³ A web-based system to electronically manage their business travel expenses (create, submit, and review expense reports).

⁴ Postal Service Handbook F-15, *Travel and Relocation*.

PRC policy also requires PRC management to conduct unannounced imprest fund audits and submit a letter by April 1 each year to the Postal Service attesting to the need for the imprest fund and how it was used to fulfill PRC's mission. We found PRC completed the unannounced audit in FY 2014 and regularly conducted reconciliations of the imprest fund. However, PRC management did not submit its letter to meet the requirement until June 9, 2014. Failure to comply with the review requirements⁵ could have resulted in the abuse of or closure of the imprest fund.

During the period we reviewed, the imprest fund was used to reimburse expenses for two specific categories of services: local travel and "urgently needed supplies." Items purchased under the provision allowing purchase of urgently needed supplies included newspapers, lunch for employees on a weekend, refreshments, supplies for a "bring your children to work" event, office supplies, stamps, and holiday cards. PRC has alternative payment methods to cash such as the Postal Service eBuy system, the government purchase card and travel cards which could be used to streamline the payment process. A PRC official stated that managing the imprest fund was a nuisance, and PRC incurred a \$12 monthly bank maintenance fee.

PRC management evaluated the imprest fund usage and determined that the fund was no longer needed. They also stated that maintaining the imprest fund was more of a liability. During the course of our review, PRC closed the imprest fund. This action will provide accountability and transparency to PRC's spending and eliminates the risk of the agency paying for unallowable expenses. We are not making any recommendations regarding the imprest fund because action was taken during the review.

Reimbursement for Attendance at Widely Attended Gatherings (WAGs)

PRC reimbursed one traveler for ten taxi rides to WAGs costing \$128.90, which appear from underlying documentation to be to attend events where potential gifts were provided and may have required a WAG analysis. This occurred because the PRC officials did not enforce federal government wide ethics standards and guidelines⁶ and reimbursed the traveler for transportation while attending WAGs.

Federal government wide ethics standards and guidelines require a finding⁷ by an ethics official that an employee's attendance at a WAG would be within the agency's mission and would enhance its programs and operations before an employee may accept a gift of free attendance at an event from certain individuals or organizations.

Prior to our review, PRC implemented a Widely Attended Gathering approval form and directed all employees to use the form to obtain clearance from agency ethics staff before attending a WAG.

⁵ Postal Service policy, Section 870 of Handbook F-19.

⁶ 5 C.F.R. Part 2635: Standards of ethical conduct for employees of the executive branch.

⁷ DO-07-047, issued by the U.S. Office of Government Ethics in 2007.

Without developing and implementing WAG requirements, PRC may have been potentially placing its employees at risk for accusations of accepting inappropriate gifts. We are not making any recommendations regarding this issue because PRC discontinued reimbursements for transportation to and from WAGs during our review.

Cancelling Departed Cashier's Profile

The PRC did not request the removal of a former PRC alternate imprest fund cashier from the Postal Service system before the employee left the agency. The PRC did not have a written policy to terminate an imprest fund alternate cashier's profile before separating from the agency. PRC officials relied on an automatic deletion of the cashier's information from the Postal Service's accounts payable system. However, during our review, the cashier's status was still active. PRC is required to notify the Postal Service by email to remove or add a cashier from the Postal Service's accounts payable system.

PRC officials did not ensure the former alternate imprest fund cashier was removed from the Postal Service system during the employee's exit procedures. When we brought this issue to PRC's attention, the former alternate imprest fund cashier was deleted from the Postal Service system. This action will prevent the unauthorized approval or misuse of agency imprest fund. We are not making any recommendations regarding this issue because action was taken during the review.

Management's Comments

We do not have any recommendations to the report, and PRC did not provide management comments. This report makes no recommendations because we were satisfied with PRC's corrective actions taken during the course of our review. PRC management informed us on June 26, 2015 that they declined to provide written comments on this report.