
Office of Inspector General

Audit Report

Closeout of Imprest Funds

Federal Aviation Administration

Report Number FE-1998-044
Date Issued: December 9, 1997





**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

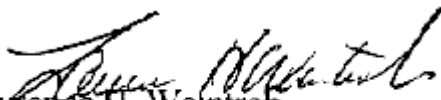
Office of Inspector General

Memorandum

Subject: ACTION: Report on Closeout
of Imprest Funds, FAA
Report Number: FE-1998-044

Date: December 9, 1997

From:


Lawrence H. Weinrob

Assistant Inspector General for Auditing

Reply to JA-1
Attn of:

To: Federal Aviation Administrator

BACKGROUND AND OBJECTIVES

This report presents our audit results on Closeout of Imprest Funds, Federal Aviation Administration (FAA). Our audit objectives were to determine whether the FAA (i) properly accounted for and closed its imprest funds, (ii) established effective alternative disbursement mechanisms, and (iii) provided adequate management controls over these mechanisms. The audit was conducted from December 1996 to May 1997.

On December 28, 1995, the Director of Financial Management, Department of Transportation (DOT), issued a memorandum directing all DOT imprest funds be closed as of June 30, 1996. The memorandum identified alternative disbursement mechanisms that should be used instead of imprest funds. These included use of direct deposit, Treasury checks, Government American Express cards for travel advances and reimbursements, and Government Visa cards for small purchases. Third party drafts also could be used for exceptional situations, where other methods are not feasible. FAA maintained 413 imprest funds with authorized cash balances of about \$1.3 million.

Our audit reviewed imprest fund closeout procedures for FAA's Eastern Region, New England Region, Western-Pacific Region, Northwest Mountain Region, and the Technical Center for the 3-months preceding the closeout deadline. We also reviewed FAA's use of, and controls over, third party drafts as an alternative disbursement mechanism. The audit was performed in

accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.

RESULTS-IN-BRIEF

FAA complied with DOT's directive to close imprest funds by the required deadline. However, FAA did not limit use of third party drafts to exceptional circumstances, and did not maintain adequate controls over third party drafts. A third party draft is a check-like instrument, drawn against and paid by an outside contractor or financial institution.

Use of Third Party Drafts

During the first quarter of Fiscal Year (FY) 1997, FAA issued about 13,000 third party drafts, totaling \$4.7 million. In this same period, five sites we reviewed issued about 8,100 third party drafts, totaling \$3.2 million. We found drafts were used routinely for travel advances, travel reimbursements, small purchases, and recurring services, although alternative methods could have been used.

During this period, the Technical Center issued about 1,900 third party drafts, totaling \$1.1 million, for travel voucher reimbursements. At the Eastern, New England, and Western Pacific Regions, third party drafts were issued to employees for travel advances, although employees had Government American Express cards for that purpose. The New England and Western-Pacific Regions also used third party drafts to procure goods and services which could have been procured with Government Visa cards. Three of the five locations also used third party drafts to procure recurring services for items such as cleaning, janitorial, elevator maintenance, and air conditioning repair services.

Controls over Third Party Drafts

We identified discrepancies with third party draft transactions at each location reviewed. Discrepancies included inadequate supporting documentation, lack of approving signature, missing authorization numbers, improperly voided drafts, and inadequate controls over issuance and receipt of drafts. Interviews with Third Party Draft Coordinators revealed limited reviews of third party drafts were performed before payments were made.

RECOMMENDATIONS

We recommend the FAA Administrator: (i) limit use of third party drafts to exceptional situations, and (ii) ensure Third Party Draft Coordinators adequately review third party drafts before making payments.

Management Comments

We discussed our results with staff from FAA's Office of Financial Services on November 13, 1997. The Special Assistant to the Deputy Director, Office of Financial Services, advised that FAA intends to shift toward credit cards and minimize use of third party drafts.

ACTION REQUIRED

Please provide written comments within 30 days. We appreciate the courtesies and cooperation extended by FAA representatives. If you have any questions, please call me at (202) 366-1992, or John Meche at (202) 366-1496.

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