

## **Audit of the San Diego Area Office Imprest Fund (OIG Control # 991977)**

### **PURPOSE OF AUDIT**

The Office of Inspector General (OIG) performed an audit of the San Diego Area Office (SDAO) Imprest Fund, in response to a report from the SDAO Director, Mr. Patrick Matarazzo, regarding monies missing from the fund. The Imprest Fund program was established by the *Equal Employment Opportunity Commission (EEOC) Order 470.001, Page 1, Paragraph 2, Imprest Fund Management*. An *imprest fund is a fixed-cash fund in the form of currency or Government check which has been advanced by a Disbursing Office and charged to the EEOC appropriation, to an authorized Cashier for payment of other cash requirement purposes as specified in the designation*. The purpose of the audit was to (a) determine the underlying cause of the SDAO imprest fund shortage, (b) to ensure that applicable guidelines and procedures were adhered to in order to adequately safeguard against potential fraud, waste, and/or abuse and (c) to review SDAO's internal control process and assess control risk.

### **SCOPE AND METHODOLOGY**

The audit consisted of the analysis of control activities such as policies, guidelines, instructions and data in support of imprest fund management involving the SDAO during the period of March 20, 1997 through September 30, 1999. OIG performed a review of the SDAO's imprest fund internal control process to ensure compliance with applicable guidance and statutes. OIG also interviewed the current and former imprest fund cashiers to obtain an understanding of procedures used by SDAO to manage the imprest fund. Finally, OIG reviewed records obtained from the Monthly Director's Financial Status Reports and the Commission's CUFF<sup>1</sup> records to verify the SDAO's external reporting procedures to both the EEOC Los Angeles District Office (LADO)<sup>2</sup> and Headquarters.

This audit was conducted in accordance with generally accepted governmental auditing standards as published in the *Comptroller General's Government Auditing Standards, 1994 Revision*. The audit was conducted from June 7, 1999 through September 24, 1999.

---

<sup>1</sup> CUFF records are maintained on an automated spreadsheet and are described as the continuous recording of commitments, obligations and expenditures.

<sup>2</sup> SDAO falls under the purview of the EEOC Los Angeles District Office (LADO).

## BACKGROUND

On March 3, 1999, Mr. Patrick Matarazzo, Director, San Diego Area Office contacted the General Services Administration, Federal Protective Service Division, Region 9 (GSA-FPS, Region 9) to report missing monies from the SDAO imprest fund. On March 17, 1999, Federal Protective Officer Christopher Demarest obtained statements from SDAO staff with his investigation of the imprest fund. On June 7, 1999, Mr. Matarazzo contacted the Office of Inspector General<sup>1</sup> Hotline to report missing monies from the SDAO imprest fund and subsequently submitted to OIG a memorandum detailing events that lead up to the discovery of the missing monies<sup>1</sup>. The amount in question was \$65.37.

Mrs. Peggy Pennington served as the SDAO primary imprest fund cashier from March 20, 1997 until her December 9, 1998 resignation from EEOC<sup>2</sup>. SDAO issued a memorandum dated February 25, 1999 to Ms. Sandi Park (former Director, Financial Management Division, Office of Financial and Resource Management [OFRM]) informing her that Mrs. Pennington had resigned and to request the designation of Ms. Joyce Cooper, Acting Enforcement Supervisor, as the primary cashier and Ms. Catherine Archembeault, Investigator Support Assistant, the alternate. Two completed *SF-211, Request for Change or Establishment of Imprest Fund* were issued by OFRM, effective date February 25, 1999, in response to SDAO's February 25, 1999 memorandum. The first *SF-211* revoked Mrs. Pennington's designation as primary imprest fund cashier and the second one was to designate Ms. Cooper as the new primary imprest fund cashier<sup>6</sup>.

---

<sup>1</sup>EEOC Order 470.001, Page 15, Paragraph 12(b) states that in the event of an obvious robbery, notify the local police and the OIG.

<sup>4</sup> An investigation into the whereabouts of the missing imprest fund monies was conducted by the OIG in conjunction with the GSA-FPS, Region 9. The investigation concluded that the imprest fund monies were converted to personal use by a former student volunteer, Mr. Eddy Archuleta. On January 20, 2000 Special Agent Bill Scott, GSA-FPS, Region 9, obtained an admission of guilt from Mr. Archuleta, stating that while Mrs. Pennington was on leave, he (Mr. Archuleta) found an unmarked envelope under the carpet located in Mrs. Pennington's office and secured it in his desk. Mr. Archuleta eventually admitted to Special Agent Scott to taking the money home and later spending it. Special Agent Scott is in the process of presenting this case to an Assistant United States Attorney for criminal prosecution.

<sup>5</sup> Mrs. Pennington resigned to care for her ailing mother in Denver, Colorado.

<sup>6</sup> OIG was not provided a *SF-211* officially designating Ms. Catherine Archembeault as the alternate. Furthermore, during the course of survey work OIG discovered that the SDAO had officially designated an alternate cashier, Ms. Virginia Thompson, on March 20, 1997. Ms. Thompson resigned from the Agency effective March 26, 1999. OIG found no supporting documentation to determine if her designation was revoked.

According to Mr. Matarazzo, around the end of February 1999 he requested Ms. Deborah Kinzel's, a former imprest fund cashier, assistance in opening the office safe because he thought he did not have the correct combination and the imprest fund cashier of record, Mrs. Pennington, had resigned. Using the safe combination provided by Mr. Matarazzo, Ms. Kinzel opened the safe whereupon she discovered two cash boxes. Ms. Cooper took charge of the cash boxes and with the assistance of Mr. Matarazzo opened them whereupon they discovered no monies in the cash box designated for the imprest fund.

## FINDINGS

SDAO has operated without an imprest fund for over twelve months<sup>7</sup>. Currently, staff members of the SDAO have been requesting reimbursements of *SF-1164 - Claim for Reimbursement for Expenditures on Official Business* through LADO. Based upon documents reviewed during the audit, OIG found that SDAO had an adequate internal control process in place to provide reasonable assurance that the objectives of effectiveness and efficiency of operations and compliance with applicable laws and regulations were achieved. The proper management of the internal control process would have ensured protection against the potentiality of fraud, waste, and/or abuse. The following areas of concern were identified by the OIG during its audit:

### Imprest Funds Not Adequately Secured

OIG found that the SDAO imprest fund cashier, Mrs. Pennington, failed to adequately secure the office imprest fund in the office safe as mandated by *EEOC Order 470.001*. Mrs. Pennington maintains that she kept the funds underneath her rug because of the difficulty she had opening the office safe<sup>8</sup>. *EEOC ORDER 470.001, Imprest Fund Management, Page 3, Paragraph 6(c)* maintains that cashiers should keep funds, receipts, etc., in the designated safekeeping facility, accessible to no one else. A safe or combination lock cabinet should be used and that the safe or cabinet used to store the funds should be located in a secure area and only the cashier and alternate should know the combination. During the course of the audit, OIG observed that the SDAO safe was maintained in a secured location and the safe was adequate to secure the funds properly. The Office Director and Administrative Officer, however, should retain duplicate keys to the cash boxes and the safe's combination in a sealed envelope kept in a secured location.

---

<sup>7</sup>Mr. Matarazzo stated that until he has a secretary that can appropriately manage the imprest fund, he recommends that no imprest fund be reestablished for SDAO and that Ms. Joyce Cooper's designation as cashier be rescinded.

<sup>8</sup>Mr. Matarazzo stated that Mrs. Pennington never informed him of the difficulty.

### **Failure to Adhere to EEOC Procedure Concerning the Transfer of Imprest Fund**

SDAO failed to adhere to procedure by failing to transfer the imprest fund to the alternate cashier during Mrs. Pennington's foreseen extended leave of absence and subsequent resignation. During Mrs. Pennington's foreseen absence, the SDAO imprest funds should have been transferred to the alternate cashier, Ms. Virginia Thompson. *EEOC Order 470.001, Page 6, Paragraph 10(b)* states that *if the foreseen absence of the cashier is in excess of 15 workdays, direct transfer of all funds on hand including uncashed checks, if any, is made to the Alternate. The alternate cashier acknowledges receipt of the fund by inserting on the SF-1129 a signed receipt:*

*"The transfer of funds indicated has been received by me (signature), incoming cashier." The cashier and alternate cashier make the above certifications on the original SF-1129 for submission to the Financial Management Division, Financial Resource Management Services<sup>9</sup>.*

### **Alternate Cashier Designation not "Revoked" Upon Resignation of Employment with EEOC**

The alternate cashier's designation was not appropriately revoked upon resignation. Ms. Virginia Thompson officially resigned from employment with EEOC on March 26, 1999. OIG found no evidence of a memorandum or completed *SF-211* revoking Ms. Thompson's designation as alternate imprest fund cashier upon her resignation. However, OIG did observe a completed *SF-211* designating Ms. Joyce Cooper as primary imprest fund cashier. *EEOC Order 470.001, Page 7, Paragraph 10(e)* states that when a cashier leaves the Agency, the office, or is assigned other duties, the departure will be anticipated early enough to allow the designation of a new cashier prior to the effective date of the change. Upon advice that a new cashier has been designated, the former cashier submits a final *SF 1129*.

## **CONCLUSION**

Although Mr. Archuleta admittedly converted the imprest fund to personal use, OIG concludes that SDAO had in place an adequate internal control process to properly administer and secure the SDAO imprest fund. Mrs. Pennington's failure to adhere to that process created the opportunity for Mr. Archuleta to convert the imprest fund to personal use. According to *GAO's Policy and Procedures Manual for Guidance of*

---

<sup>9</sup> Financial Management Division, Financial and Resource Management Services is now referred to as Financial Management Division, Office of Financial and Resource Management.

*Federal Agencies* accountable officials, such as imprest fund cashiers, are personally liable for the loss or improper payment of the funds for which they are accountable. Furthermore, OIG found instances where SDAO failed to properly transfer the imprest fund upon the extended leave of absence and resignation of the primary cashier and where SDAO failed to initiate appropriate procedures to revoke the alternate cashier's designation upon discontinuance of employment with the EEOC.

In light of Mr. Matarazzo's June 7, 1999 memorandum concerning missing imprest fund monies, OIG concurs with his recommendation that no imprest fund be reestablished for SDAO until he has staff that can appropriately manage the fund.

### **RECOMMENDATION**

To address the issues of the missing imprest fund monies and the disestablishment of the SDAO imprest fund OIG recommends: (1) the Director, Office of Financial and Resource Management hold Mrs. Peggy Pennington accountable for not adequately securing the SDAO imprest fund and not grant her relief from her \$65.37 obligation and (2) the Director, San Diego Area Office prepare a memorandum to the Director, Office of Financial and Resource Management, Financial Management Division requesting the revocation of the primary and alternate's imprest fund cashier's official designations and the disestablishment of the SDAO imprest fund in accordance with guidance established in *EEOC Order 470.001, Imprest Fund Management*.