



Status of the Implementation of Recommendations from the 2008 ODCA Audit Report Titled “Review of the District’s Cash Advance Fund”

May 23, 2013

A Report by the Office of the D.C. Auditor
Yolanda Branche, D.C. Auditor

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Acknowledgements

For their time, information, insight, and cooperation during the review process, we want to thank the staff of the Office of the Chief Financial Officer and the Office of Risk Management.

Introduction

The Comptroller General's Government Auditing Standards for Performance Audits emphasize the importance of following up audits to determine whether appropriate corrective actions have been taken. Failure to implement audit recommendations increases the risk of fraud, waste and abuse in government operations. Thus, tracking audit recommendations to assess the progress of corrective actions is an integral part of sound controls that include proactive risk mitigation and compliance monitoring strategies.

The District of Columbia Auditor (Auditor) conducted an audit of the status of the implementation of recommendations presented in ODCA's 2008 audit report titled, "[Review of the District's Cash Advance Fund.](#)"

Objectives, Scope and Methodology

The objectives of the audit were to determine the status of:

1. The Office of the Chief Financial Officer's (OCFO) implementation of recommendations that were made in ODCA's 2008 audit report titled, "[Review of the District's Cash Advance Fund](#)," dated May 28, 2008 (Report); and
2. The Office of Risk Management's (ORM) efforts to implement and maintain a system for managing the resolution of outstanding recommendations and findings.¹

Audit Scope

The audit period covered recommendation implementation activities since the May 28, 2008 report issuance to January 1, 2013.

Audit Methodology

To accomplish our audit objectives we: (1) reviewed prior audit reports regarding District agencies' implementation of audit recommendations, and (2) conducted interviews with OCFO staff and analyzed supporting documentation submitted by the OCFO regarding the operation of the District's Cash Advance Fund. We also conducted interviews with ORM officials.

On March 12, 2009, the Office of the Inspector General (OIG) issued a report titled "Audit of District Agencies' Implementation of Audit Recommendations" that addressed deficiencies regarding the implementation of recommendations by ORM.

The OIG audit noted that ORM did not have controls in place to ensure compliance with established criteria governing follow-up activities and lacked adequate administrative controls to track and manage the resolution of outstanding audit issues.

¹ Section 6 of the District's Reorganization Plan No. 1 of 2003 (D.C. Code § 2003-35 (LexisNexis 2012) provides that the Office of Risk Management (ORM) is responsible for implementing and maintaining a system for managing the resolution of outstanding recommendations and findings from various sources including the Office of the Inspector General (OIG), D.C. Auditor, and external District-wide audits with management letter recommendations, court orders, retained consultants, and others.

As a result of the OIG findings, ORM agreed to implement a comprehensive Web-based audit follow-up system to: 1) accurately and completely track recommendations directed to District agencies; and 2) facilitate the prompt resolution of outstanding recommendations from various sources, including independent auditors.

On September 21, 2012, OIG conducted a follow-up “Audit of District Agencies’ Implementation of Audit Recommendations.” The OIG found that:

- District agencies are:
 1. not maintaining sufficient supporting documentation for recommendations reported as closed; or
 2. reporting recommendations as closed without taking the necessary corrective actions to address reported deficiencies.
- ORM lacked a comprehensive Web-based database system to accurately and completely track recommendations directed to District agencies and facilitate the timely resolution of outstanding recommendations.

Based on these findings and our interviews with ORM officials, we found the issues cited in the OIG’s report remained. As a result, the Office of the District of Columbia Auditor (ODCA) did not conduct in-depth interviews with ORM officials regarding the implementation of recommendations in ODCA’s May 28, 2008 report titled [“Review of the District’s Cash Advance Fund.”](#)

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Office of the Chief Financial Officer's (OCFO) Office of Finance and Treasury (OFT) was responsible for managing the operation of the District's Cash Advance Fund. The OFT Operations Manager was responsible for supervising the day-to-day functions of the cash advance operation. In a document dated January 24, 2007, the District's Treasurer stated that cash advances could be approved by: (1) the Operations Manager; (2) the Chief of Management Operations; (3) one of the three Associate Treasurers; or (4) the District's Treasurer.² However, prior to the January 24, 2007 document, Control Order No. 98-25 stated that cash advances could only be made at the discretion of the District's Treasurer.

The Chief Financial Officer (OCFO) established the following written criteria to govern the operation of the District's Cash Advance Fund:

- Financial Administrative Issuance, Financial Management and Control Order No. 98-25³ (Control Order No. 98-25), issued on December 29, 1998 (see Appendix I). Control Order No. 98-25 established the "policy for cash advances, lost paychecks and stolen paychecks ..."
- Control Order No. 98-25 was clarified in a January 7, 1999 memorandum from the Deputy CFO and the District's Treasurer (Treasurer), which was sent to all agency Chief Financial Officers⁴ (see Appendix II).
- The OCFO OFT again clarified Control Order 98-25 in a memorandum sent to all agency Chief Financial Officers on January 25, 2008 (See Appendix III);
- The CFO issued Financial Administrative Issuance, Financial Management and Control Order No. 12-12, on July 26, 2012, which is now currently in effect (See Appendix IV). Financial Management and Control Order No. 12-12 prohibits the former practice of providing cash

² "Review of the District's Cash Advance Fund" Audit Report Number DCA122008, dated May 28, 2008, p.2

³ Control Order 98-25 established the policy for cash advances, lost paychecks, and stolen paychecks.

⁴ The OCFO Memorandum, dated January 7, 1999, restricted the receipt of cash advances by District employees who had shortfalls in their pay due to late or missing payroll documentation. It further gave the responsibility to resolve these issues to the affiliated agency in conjunction with the Office of Pay and Retirement Services (OPRS).

advances to employees. Financial Management Control Order No. 12-12 supersedes prior Financial Administrative Issuances, Financial Management and Control Order No. 98-25 25, issued on December 29, 1998 and rescinded the Cash Advance Policy issued on January 25, 2008.

- OCFO OFT Banking and Operations Division Standard Operations, Policies and Procedures Manual “Task 200”, effective July 15, 2009.

Recommendations & Follow-Up Results

We concluded that out of the fifteen (15) recommendations provided in the 2008 ODCA report titled "[Review of the District's Cash Advance Fund](#)," ten (10) were determined to be implemented and/or "overtaken by events"; four (4) were "fully implemented"; and one (1) was "partially implemented." Please refer to Figure 1:

Figure 1

Summary of 15 Report Recommendations

Ten Recommendations Implemented and/or Overtaken by Events	
1	The Associate Treasurer, Operations and Banking, immediately discontinue allowing the Operations Manager or designees to handle multiple phases of the cash advance process and establish a sound and effective system of separation of duties.
2	The Associate Treasurer, Operations and Banking, must immediately ensure that the cash advance and cashiering operations comply with all applicable OCFO orders and internal control policies.
3	The Associate Treasurer, Operations and Banking, take immediate steps to correct all physical security deficiencies noted by the Auditor at cashiering sites managed by OFT.
4	The Associate Treasurer, Operations and Banking, ensure that all OFT staff strictly adhere to Control Order No. 98-25.
5	The District's Treasurer, in conjunction with the Office of Pay and Retirement Services, should strongly encourage District employees to choose direct deposit of their paychecks. District employees choosing not to participate in the direct deposit program should be informed of the risk associated with paper paychecks and that the District will not issue cash advances for lost or stolen payroll.
6	The Associate Treasurer, Operations and Banking, must ensure that the Operations Manager or anyone approving cash advances adhere to established procedures based on a formally approved policy.

	Procedures must be officially communicated to all applicable agency personnel.
7	OFT's Associate Treasurer, Operations and Banking, immediately communicate, both verbally and in writing to all OFT cashiers, the OCFO's policy on cashing personal checks and strictly enforce this policy.
8	OFT's Associate Treasurer, Operations and Banking, institute procedures to ensure that all checks received for repayment of cash advances are cashed daily.
9	OFT's Associate Treasurer, Operations and Banking, ensure that regular unannounced cash counts are conducted at all OFT cashiering sites by entities independent of Operations and Banking, throughout the fiscal year but no less than twice annually.
10	OFT's Associate Treasurer, Operations and Banking, ensure that Head Cashiers make daily deposits of all cash in excess of the amount maintained for making change. If necessary, deposits should be made twice a day.
Four Recommendations Fully Implemented	
1	The District's Treasurer and Associate Treasurer, Operations and Banking, hold OFT staff who approved cash advances, which violated Control Order No. 98-25, accountable to the fullest extent permitted by applicable personnel rules up to and including termination.
2	OFT's Associate Treasurer, Operations and Banking, ensure that the Cashiering Manager's personal check for \$2,000, dated October 15, 2007, is cashed immediately and the cash placed in the cash advance fund.
3	OFT's Associate Treasurer, Operations and Banking, take steps to obtain immediate reimbursement from the Head Cashier for the two personal checks cashed totaling \$500.
4	The District's Office of the Inspector General conduct an investigation to determine the status of the \$1,000 that was missing from the cash maintained in the vault at an OFT cashiering site.

One Recommendation Partially Implemented	
1	The Associate Treasurer, Operations and Banking, immediately devise a plan to return to current and former District government employees the approximately \$26,000 in cash which is owed in overpayments. To the extent OFT is unable to return the cash to its rightful owner, these amounts must be properly categorized as a liability and recorded in the District's SOAR and reported correctly and promptly to the Office of Unclaimed Property.

Status of Recommendations

We determined that ten (10) recommendations were implemented and/or “overtaken by events” because The Office of the Chief Financial Officer’s (OCFO) Office of Finance and Treasury (OFT) Financial Management and Control Order No. 12-12 signed by the Chief Financial Officer effective July 26, 2012, stated that the practice of providing cash advances to employees was discontinued in 2008 and cash advances were prohibited. Further, Order No. 12-12 superseded OCFO Control Order No. 98-25 and rescinded the cash advance policy.

In order to reach our conclusions we reviewed and analyzed OCFO OFT:

- Internal control policies and procedures;
- Control Orders;
- Memorandums;
- Detailed cash advance reports;
- Correspondence from officials; and
- Data from the District’s financial reporting system (SOAR); and
- PeopleSoft Human Capital Management System.

Ten Recommendations Implemented and/or Overtaken by Events:

- 1. The Associate Treasurer, Operations and Banking, immediately discontinue allowing the Operations Manager or designees to handle multiple phases of the cash advance process and establish a sound and effective system of separation of duties.**

Results of ODCA Verification: To determine whether the OCFO took steps to immediately discontinue allowing the Operations Manager or designees to handle multiple phases of the cash advance process and establish a sound and effective system of separation of duties, we reviewed the cash advance policy from the OCFO OFT that was signed on January 25, 2008, by the D.C. Treasurer and Deputy Chief Financial Officer. This cash advance policy dictated that only the Treasurer or Associate Treasurer for Operations and Banking could approve cash advances after the Director or Deputy Director of the Office of Pay and Retirement Services (OPRS) gave their approval.

We also reviewed the OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual “Task 200” dated July 15, 2009, which stated in part that *“Verification of cash is performed using the dual control method to maintain proper segregation of duties.”*

Finally, we reviewed a list of approved cash advances, issued between January 2008 and May 2008. All the cash advances were approved in accordance with OCFO policies and procedures. According to the OCFO Associate Treasurer, the list of cash advances contained the last cash advance documented on May 9, 2008. The Associate Treasurer also stated *“to my knowledge, after May 9, 2008, no cash advances were performed.”*

We found that the cash advance process and operations were discontinued by the OCFO.

- 2. The Associate Treasurer, Operations and Banking, must immediately ensure that the cash advance and cashiering operation comply with all applicable OCFO orders and internal control policies.**

Results of ODCA Verification: To determine whether the OCFO OFT ensured that the cash advance and cashiering operation complied with all applicable OCFO orders and internal control policies, we reviewed the following cash

advance and applicable cashiering operation orders and internal control policies from OCFO OFT presented in Figure 2:

Figure 2

OCFO Cash Advance Fund Orders and Internal Control Policies

	Order/Policy Title	Effective Date
1	Financial Administrative Issuance, Financial Management and Control Order No. 98-25 (Control Order No. 98-25, see Appendix I)	December 29, 1998
2	Memorandum from the Deputy CFO and the District's Treasurer (Treasurer) (See Appendix II)	January 7, 1999
3	OCFO Office of Finance and Treasury (OFT) Cash Advance Policy (See Appendix III)	January 25, 2008
4	OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual "Task 200" with Cash Advance Fund internal control duties	July 15, 2009
5	Financial Administrative Issuance, Financial Management and Control Order No. 12-12 (See Appendix IV)	July 26, 2012

According to OCFO OFT, unannounced cash audits were performed by personnel on a weekly (performed by the cashier supervisor); monthly (performed by the cashier operations manager); and quarterly basis (performed by the OFT Banking and Operations management staff)⁵. Additionally, the Office of Integrity and Oversight (OIO) performed bi-annual audits of the cashiering operation.

We found that internal control policies and Control Order 98-25 were established for OCFO OFT staff regarding the cash advance and cashiering operation policies. However, the policies and Control Order 98-25 were no longer relevant because Control Order 12-12 prohibited cash advances.

⁵ During a prior ODCA recommendation follow-up audit of the 2008 Review of the District Cash Advance Fund report, OCFO OFT provided a response on January 4, 2010 to ODCA's former Compliance Director addressing whether the OCFO OFT ensured that the cash advance and cashiering operation complied with all applicable OCFO orders and internal control policies as well as other ODCA inquiries.

3. The Associate Treasurer, Operations and Banking, take immediate steps to correct all physical security deficiencies noted by the Auditor at cashiering sites managed by OFT.

Results of ODCA Verification: The ODCA 2008 audit report titled, "Review of the District's Cash Advance Fund," noted the following physical security deficiencies at cash advance site locations:

- Broken doors and a broken door lock;
- Window to the cashier's area was not bullet proof;
- Cash advance funds were maintained in unlocked boxes;
- Combination to the vault was not changed when staff were no longer employed at site;
- Cashiers entered vault area from main corridor – providing an opportunity for an unauthorized individual(s) to force entry into the vault.

ODCA presented the recommendation to change the vault combination. OCFO OFT stated that combinations were changed every four (4) months and when tellers or cashiers left District employment.

As evidenced by seventeen (17) invoices totaling \$13,620.36, provided to ODCA by OCFO OFT, locks and safe combinations were periodically changed and broken doors and a door lock were repaired⁶.

Since OCFO OFT cash advance operations were discontinued, we found that recommendations regarding a bullet proof window, cash advance funds in unlocked boxes, and vault entry from the corridor were deemed overtaken by events.

4. The Associate Treasurer, Operations and Banking, ensure that all OFT staff strictly adhere to Control Order No. 98-25.

Results of ODCA Verification: In order to verify the implementation of the recommendation for OCFO OFT staff to comply with Control Orders 98-25 **and** 12-12, we reviewed the OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual ("Task 200"), which required:

⁶ OCFO OFT response on January 4, 2010 to ODCA's former Compliance Director., *supra* note8.

- An unexpected cash count quarterly by the former Treasury Operations Manager or his designee; and
- An unexpected cash count performed by the Office of Integrity and Oversight.

We found that “Task 200” ensured that all OCFO OFT staff adhered to Control Order No. 98-25 and Control Order No. 12-12.

- 5. The District's Treasurer, in conjunction with OPRS, should strongly encourage District employees to choose direct deposit of their paychecks. District employees choosing not to participate in the direct deposit program should be informed of the risk associated with paper paychecks and that the District will not issue cash advances for lost or stolen payroll checks.**

Results of ODCA Verification: To encourage District employees to choose direct deposit of their paychecks, we found that the Associate Treasurer for Banking and Operations arranged a banking day to invite District employees to open accounts⁷.

We also found that the OCFO and the District’s Treasurer used their websites to recommend that employees choose direct deposit over receiving paper paychecks. However, employees were not informed of the risk associated with receiving paper paychecks since the cash advance operation being discontinued.

- 6. The Associate Treasurer, Operations and Banking, must ensure that the Operations Manager or anyone approving cash advances adhere to established procedures based on a formally approved policy. Procedures must be officially communicated to all applicable agency personnel.**

Results of ODCA Verification: We found that as a result of the discontinuation of the cash advance policy, the recommendation to adhere to established policies was moot.

- 7. OFT's Associate Treasurer, Operations and Banking, immediately communicate, both verbally and in writing to all OFT cashiers, the OCFO's policy on cashing personal checks and strictly enforce this policy.**

⁷ OCFO OFT response on January 4, 2010 to ODCA’s former Compliance Director., *supra* note 5.

Results of ODCA Verification: We found that OFCO OFT advised OFT cashiers of the policy on cashing personal checks. Specifically, OCFO OFT issued a memorandum dated April 17, 2008, which stated “some cashiers and tellers who work for the OFT have been accepting checks from other OFT cashiers and tellers and exchanging the checks for cash... This practice is tantamount to loaning funds, which is not a government function. This practice is contrary to the policies of the OCFO and OFT, and is unacceptable. As such, no OFT cashier or teller should accept a check in exchange for cash.”

8. OFT's Associate Treasurer, Operations and Banking, institute procedures to ensure that all checks received for repayment of cash advances are cashed daily.

Results of ODCA Verification: To verify that OCFO OFT instituted procedures to ensure that all checks received for repayment of cash advances were cashed daily, we reviewed the OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual “Task 500” issued on July 15, 2009. “Task 500” §501005.10 states: The Main Cashiering Office prepares an overall status of Daily Bank Deposit Cash Report to report collection totals....Separate deposits are prepared for currency and checks. The deposits are placed in a bank issued security sealed bag for armored car daily pick-up. Additionally, Section 501005.30, of “Task 500” requires “that the armored car service deposits the daily collections on the same day upon receipt.”

We found that daily pickup of deposits ensured that all checks received for repayment of cash advances were cashed daily. The daily pickup of deposits however is no longer relevant since OCFO OFT’s Financial Management and Control Order No. 12-12 prohibited cash advances.

9. OFT's Associate Treasurer, Operations and Banking, ensure that regular unannounced cash counts are conducted at all OFT cashiering sites by entities independent of Operations and Banking, throughout the fiscal year but no less than twice annually.

Results of ODCA Verification: In order to determine whether OCFO OFT ensured that regular unannounced cash counts were conducted at all OFT cashiering sites by entities independent of Operations and Banking, throughout the fiscal year but no less than twice annually, we reviewed the OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual (“Task 200”) which required:

- An unexpected cash count quarterly by the former Treasury Operations Manager or his designee; and
- An unexpected cash count performed by the Office of Integrity and Oversight.

While the “Task 200” policy addresses the recommendation for unannounced cash counts, with regard to cash advances, the policy was preempted by OCFO OFT’s Financial Management and Control Order No. 12-12 which prohibited cash advances.

10. OFT's Associate Treasurer, Operations and Banking, ensure that Head Cashiers make daily deposits of all cash in excess of the amount maintained for making change. If necessary, deposits should be made twice a day.

Results of ODCA Verification: To verify whether OCFO OFT ensured that Head Cashiers made daily deposits of all cash in excess of the amount maintained for making change, we reviewed the OCFO OFT Banking and Operations Division Policies and Procedures Standard Operations Manual “Task 500” issued on July 15, 2009. “Task 500” §501005.10 states: “The Main Cashiering Office prepares an overall status of Daily Bank Deposit Cash Report to report collection totals... Separate deposits are prepared for currency and **checks**. The deposits are placed in a bank issued security sealed bag for armored car **daily pick-up** (emphasis added). Additionally, Section 501005.30, of “Task 500” requires “that the armored car service **deposits the daily collections on the same day upon receipt** (emphasis added).”

This policy was established to ensure that head cashiers made daily deposits of all cash in excess of the amount maintained for making change. With regard to cash advances, the policy was moot because OCFO OFT’s Financial Management and Control Order No. 12-12 prohibited cash advances.

Four Recommendations Fully Implemented:

- 1. The District's Treasurer and Associate Treasurer, Operations and Banking, hold OFT staff who approved cash advances, which violated Control Order No. 98-25, accountable to the fullest extent permitted by applicable personnel rules up to and including termination.**

Results of ODCA Verification: To determine whether OCFO OFT held OFT staff, that approved cash advances, accountable to the fullest extent permitted by applicable personnel rules up

to and including termination, we reviewed PeopleSoft. We found two screen shots in PeopleSoft indicating that the two former employees who were responsible for violating Control Order No. 98-25 were terminated from District government employment⁸.

- 2. OFT's Associate Treasurer, Operations and Banking, ensure that the Cashiering Manager's personal check for \$2,000, dated October 15, 2007, is cashed immediately and the cash placed in the cash advance fund.**

Results of ODCA Verification: To determine whether the Cashiering Manager's personal check for \$2,000 was cashed, we reviewed a copy of the System of Accounting and Reporting (SOAR) journal entry signed by OCFO OFT officials on March 11, 2008. We also reviewed a copy of a \$2,000 bank slip dated March 3, 2008 that indicated the \$2,000 was replaced in the cash advance fund⁹.

- 3. OFT's Associate Treasurer, Operations and Banking, take steps to obtain immediate reimbursement from the Head Cashier for the two personal checks cashed totaling \$500.**

Results of ODCA Verification: To determine whether the head cashier provided reimbursement for two personal checks, we reviewed the OCFO Office of Integrity and Oversight's (OIO) Internal Security Report of Investigation (report) dated March 25, 2008. The report stated that the Office of the D.C. Auditor discovered two checks (one for \$200 and another for \$300 totaling \$500) in a cashier vault. The two checks were personal checks written by an OCFO OFT cashier. The OIO report concluded that this matter should be referred to the Office of the Inspector General (OIG) for appropriate criminal action.

- 4. The District's Office of the Inspector General conduct an investigation to determine the status of the \$1,000 that was missing from the cash maintained in the vault at an OFT cashiering site.**

Results of ODCA Verification: To determine whether OIG conducted an investigation to determine the status of the \$1,000 that was missing from the cash maintained in the vault at an OFT cashiering site, we reviewed the OCFO OIO's Internal Security Report of Investigation (report) dated March 25, 2008. The report explained that a former employee removed approximately \$1,000 from the cash advance vault without

⁸ OCFO OFT response on January 4, 2010 to ODCA's former Compliance Director., *supra* note 5.

⁹ *Ibid*

submitting a check to cover the amount removed. According to the former employee's testimony, due to financial hardships, she was unable to repay this amount. The investigation concluded that this matter would be referred to the OIG for appropriate criminal action."

One Recommendation Partially Implemented:

- 1. The Associate Treasurer, Operations and Banking, immediately devise a plan to return to current and former District government employees the approximately \$26,000 in cash which is owed in overpayments. To the extent OFT is unable to return the cash to its rightful owner, these amounts must be properly categorized as a liability and recorded in the District's SOAR and reported correctly and promptly to the Office of Unclaimed Property.**

Results of ODCA Verification: To determine whether OCFO OFT implemented the recommendation to return approximately \$26,000 in overpayments, we reviewed the process involved for having these funds returned to their rightful owner. We reviewed an OCFO OFT SOAR journal entry report transferring approximately \$22,000 in overpayments to the Office of Unclaimed Property (OUP). OCFO OFT was unable to properly justify the approximate remaining balance of \$4,000.

We found that a total of approximately \$8,700 was paid to the rightful owners. We further found that the remaining approximate \$13,300 was not returned to the rightful owners for the following reasons:

- Despite efforts of the OUP to reach the rightful owner using announcements in the newspapers and the OCFO website, the owners did not come forward; and
- OUP provided rightful owners with claim forms however the owners failed to return the claim forms.

We found that OCFO OFT devised a plan to return these overpayments to their rightful owner; however, the entire amount was not accounted for and returned to the rightful owners.

Conclusion

The implementation of the Chief Financial Officer's (OCFO) Office of Finance and Treasury (OFT) Financial Management and Control Order No. 12-12 signed by the District's Chief Financial Officer with an effective date of July 26, 2012 officially states that the practice of cash advances to District employees was discontinued in 2008; the cash advance policy has been rescinded; and this Control Order No. 12-12 supersedes the previous Control Order No. 98-25.

Control Order No. 12-12 had a direct effect on the first ten (10) recommendations which presented improvements to the District Cash Advance Fund. The remaining five (5) recommendations were implemented prior to the issuance of Control Order No. 12-12.

As a result of the effective date of Control Order No. 12-12, we reviewed activities that occurred between the cash advance operation discontinuance in 2008 and July 26, 2012, when the order went into effect.

Based our review of this matter, we found that OCFO OFT staff that was responsible for the cash advance operation were no longer employees with the District. Upon our request for documented proof that there were no cash advances approved or submitted after the cash advance operation discontinuance year of 2008, we received an email response from the OCFO Associate Treasurer that stated "to my knowledge, after May 9, 2008, no cash advances were performed."

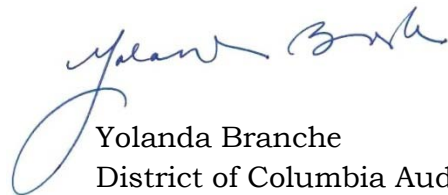
Based on our review and findings, we concluded that of the total fifteen (15) recommendations provided in the previous report from 2008, ten (10) were implemented and/or "overtaken by events"; four (4) have been "fully implemented"; and one (1) was "partially implemented".

The one (1) that we found had been partially completed recommended that the OCFO's Associate Treasurer, Operations and Banking devised a plan to return to current and former

District government employees the approximately \$26,000 in cash which was owed in overpayments. Our review found that the CFO had devised a plan to return the overpayments and approximately \$22,000 in overpayments was transferred to the Office of Unclaimed Property (OUP) however the Office of Finance and Treasury, was unable to properly justify the approximate remaining balance of \$4,000. Approximately \$8,700 was paid to the rightful owners, however, \$13,300 was not returned to the rightful owner. The CFO responded on May 20, 2013 that "OFT sent letters to the owners, published the owners' name in newspapers and listed them on MissingMoney.com." The CFO further stated that "the unclaimed overpayments remain a liability to the District of Columbia government forever; therefore if the owners ever come forward, they can still claim the funds."

The Auditor recommends that the CFO continue to investigate the \$4,000 in overpayments that could not be justified in an effort to return these monies to their rightful owners.

Sincerely,

A handwritten signature in blue ink, appearing to read "Yolanda Branche", is written over a large, stylized blue loop.

Yolanda Branche
District of Columbia Auditor

Agency Response

On April 30, 2013, the Auditor submitted a draft of the report titled, "Status of the Implementation of Recommendations from the 2008 ODCA Audit Report Titled 'Review of the District's Cash Advance Fund,'" to the District of Columbia Chief Financial Officer (CFO) for comments on the findings and recommendations contained therein.

The Auditor received written comments from the CFO on May 20, 2013. The comments of the CFO to the draft report are attached.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER



Natwar M. Gandhi
Chief Financial Officer

May 20, 2013

Yolanda Branche
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street NW, Suite 900
Washington, DC 20005

Dear Ms. Branche:

This correspondence is in response to your request for comments on the draft report entitled, "Status of the Implementation of Recommendations from the 2008 ODCA Audit Report Titled Review of the District's Cash Advance Fund." The Office of the District of Columbia Auditor (ODCA) indicated that 14 of its 15 recommendations were implemented or "Overtaken by Events" because the Office of the Chief Financial Officer's (OCFO) Financial Management and Control Order No. 12-12 signed by the Chief Financial Officer effective July 26, 2012, stated that the practice of providing cash advances to employees was discontinued in 2008 and cash advances were prohibited. The ODCA also indicated that one recommendation was partially implemented. That recommendation is referenced herein, followed by the results of the ODCA verification and the response of the OCFO, Office of Finance and Treasury (OFT).

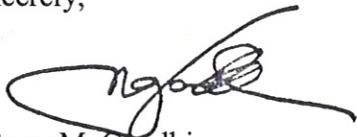
Recommendation 5: The Associate Treasurer, Operations and Banking, immediately devise a plan to return to current and former District government employees the approximately \$26,000 in cash which is owed in overpayments. To the extent OFT is unable to return the cash to its rightful owner, these amounts must be properly categorized as a liability and recorded in the District's SOAR and reported correctly and promptly to the Office of Unclaimed Property.

Results of ODCA Verification: We found that OCFO OFT devised a plan to return these overpayments to their rightful owners; however, the entire amount was not accounted for and returned to the rightful owners.

OCFO Response: OFT sent letters to the owners, published the owners' names in newspapers, and listed them on MissingMoney.com. If the owners were listed with another state's address we then reciprocated the funds to that state, which is our policy. We feel that we have done as much as we could possibly do to try to return these funds. The funds remain a liability to the District of Columbia government forever; therefore if the owners ever come forward, they can still claim the funds.

If you require additional information, please contact John Henry at 202-727-3382 or at john.henry@dc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Natwar M. Gandhi', with a stylized flourish at the end.

Natwar M. Gandhi
Chief Financial Officer

cc: Jeffrey Barnette, OFT
Clarice Wood, OFT
John Henry, OFT
Jeanne Hoover, OFT
Mohamad K. Yusuff, OIO

Appendices

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

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Financial Administrative Issuance
Financial Management and Control Order No. 98-25

Issuance Date: December 29, 1998

Effective Date: December 29, 1998

Pursuant to the authority vested in me as Chief Financial Officer of the District of Columbia by Section 424 of the District of Columbia Home Rule Act of 1973 (P.L. 93-198), as amended by Section 302 of the District of Columbia Financial Responsibility and Management Assistance Act of 1995 (P.L. 104-8), and Section 142 of the District of Columbia Appropriations Act of 1997 (P.L. 104-94), it is hereby ORDERED that:

The following policy for cash advances, lost paychecks and stolen paychecks is hereby established. - REPORT

A. CASH ADVANCES - REPORT

1. Effective the date of this order, cash advances will only be made at the discretion of the District of Columbia Treasurer under the following limited conditions:
 - a). Loss of an employee's paycheck through mutilation or destruction for which proof of receipt can be demonstrated.
 - b). In the Treasurer's sole discretion, that a cash advance is warranted to maintain the credit of the District, correct an error of the District government, or other similar circumstance and that there is a reasonable payment method available.
2. Effective the date of this order, cash advances will be limited to a maximum of \$250.00. However, the Treasurer has the authority in his sole discretion to approve higher amounts for non-payroll related cash advances in unusual circumstances; provided, that said funds shall not exceed the maximum amount of the cash advance fund.
3. Effective the date of this order, all employee cash advances will be automatically deducted in full by the Office of Pay and Retirement Services from the next scheduled paycheck. If an employee or a former employee is not entitled to a paycheck, deductions may be made from other forms of authorized pay including but not limited to back pay, severance pay, and lump-sum leave payments.

B. LOST PAYCHECKS - Report

1. An employee who has not received his/her paycheck in the mail must notify his/her payroll office. If, after seven (7) business days after the employee's scheduled pay day, the check has not been returned to the Disbursing Unit by the United States Post Office, the employee may request a replacement check. The employee shall fill out the required forms and a disbursing clerk shall place a stop payment request with the bank of record. Once the bank confirms that the check has not been paid, the Disbursing Unit shall follow the normal procedures to obtain a replacement paycheck for the employee.
2. Employees or agencies may be charged an administrative fee to reimburse the District for the expense of the transaction.
3. Cash advances will not be made to employees under this section. Therefore, employees are strongly encouraged to establish direct deposit of paycheck in order to avoid any delays in receiving their salary on their scheduled pay day.

C. STOLEN PAYCHECKS - Report

1. In the event an employee's paycheck is stolen, the employee shall follow the same procedures for a lost check to obtain a replacement check. If the bank of record indicates that the missing check has been paid, the Disbursing Unit shall request a copy of the paid item. The employee shall examine the copy to determine if he/she endorsed the check. If the employee did endorse the paycheck, he/she is not entitled to a replacement check. If the employee did not endorse the paycheck, he/she shall fill out an Affidavit of Forgery and the Disbursing Unit shall send this affidavit to the bank. If the bank determines that the check was negotiated fraudulently, the employee shall receive a replacement check issued by the bank.
2. Agencies may be charged an administrative fee for stolen paychecks in order to reimburse the District's expenses of the transaction.
3. Cash advances will not be made to employees under this section. Therefore, employees are strongly encouraged to establish direct deposit of paycheck in order to avoid any delays in receiving their salary on their scheduled pay day.

D. EFFECTIVE DATE: This Order shall be effective on December 29, 1998.

Earl C. Cabbell
Earl C. Cabbell, Interim Chief Financial Officer

12/29/98
Date

JAN 13 1999
98-25

01/07/99

12:44

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer.

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Thomas F. Huestis
Deputy Chief Financial Officer

Finance and Treasury

MEMORANDUM

TO: All Agency Chief Financial Officers

FROM: Thomas F. Huestis
Deputy CFO and Treasurer

DATE: January 7, 1999

SUBJECT: New Policy for Cash Advances and Lost or Stolen Paychecks

The attached CFO Order No. 98-25 institutes a new policy restricting the receipt of cash advances by District employees. The policy is in response to the excessive use of cash advances to address payroll-related problems. In the future, shortfalls in employee pay caused by missing or late payroll documentation must be resolved by the originating agency, in conjunction with the Office of Pay and Retirement Services, if appropriate. Cash advances will no longer be approved in these instances. If warranted, supplemental adjustment forms can be submitted to the Office of Pay and Retirement Services to generate supplemental paychecks on an expedited basis.

I will continue to review new requests for cash advances up to \$250 under the limited conditions specified in the CFO Order.

Please familiarize yourself and your agency's employees with the provisions of CFO Order No. 98-25. If you have any questions, please call me at 727-2469, or George Rivera, Treasury Operations Officer, at 727-0780. Thank you for your cooperation.

Attachment

cc: Earl C. Cabbell, Interim CFO
Tammie Robinson, Chief of Staff to the Interim CFO
Stephen Taylor, General Counsel to the CFO
Craig Small, Associate Treasurer
George Rivera, Treasury Operations Officer
Judy Banks, Director, Office of Pay and Retirement Services

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Office of Finance and Treasury



CASH ADVANCE POLICY

Financial Management and Control Order No. 98-25, which pertains to Cash Advances, is in the process of being revised and updated. This Cash Advance Policy will be consistent with the updated version of such Order, as this Policy reflects the current position and directive to staff from the Chief Financial Officer and the Treasurer regarding Cash Advances, which shall remain in effect until further written notice. This Cash Advance Policy will also be consistent with a Memorandum of Understanding between the Office of Pay & Retirement Systems (OPRS) and the Office of Finance & Treasury (OFT) that is being developed regarding the issuance of Cash Advances, which will specify in detail the steps in the Cash Advance process and the documentation requirements. The current Policy is as follows:

When an employee of the District of Columbia does not receive, or is officially informed that he or she will not receive, their payroll check or direct deposit ("Paycheck") on the date that such pay is due to the employee, he or she shall contact their agency payroll office. The agency payroll manager or his/her designee shall then contact the Director or the Deputy Director of OPRS to request an off-cycle check or a Cash Advance for the affected employee(s). Given the District's obligation and desire to pay all of its employees timely, Cash Advances shall be permissible in an amount less than or equal to the net amount of the Paycheck that the employee was scheduled to receive. OPRS shall research the payroll matter, and the Director or Deputy Director shall determine whether a Cash Advance is warranted, and if so, shall approve the Cash Advance request and forward the appropriate documentation to the Office of Finance and Treasury for processing. All such Cash Advances shall be reimbursed to the District upon the processing of the Paycheck that the employee should have received that led to the issuance of such Cash Advance.

OFT shall review the documentation supporting all Cash Advance requests to ensure that it is consistent with what OPRS and OFT have agreed is appropriate and required, and will ensure that it has been approved by the Director or Deputy Director of OPRS. If both the Director and Deputy Director are absent from work, one of them may officially delegate the authority to perform this function to another senior OPRS official. The processing of Cash Advances by OFT shall proceed only upon the approval of the Associate Treasurer for Operations and Banking or the Treasurer/Deputy CFO. In the event that both of these officials are absent from work, they may officially delegate the authority to perform this function to another senior OFT official. Upon approval, the Cash Advance request shall be forwarded to the OFT Operations Manager for further processing. The Operations Manager will properly direct and coordinate with the OFT Cashiering Manager and staff to facilitate the execution of the Cash Advances. An employee receiving a Cash Advance shall be directed to the appropriate OFT site, and must show a valid District government-issued photo identification to verify his or her identity prior to receiving payment. All Cash Advance Payments must be signed for, and all appropriate documentation for each Cash Advance shall be maintained in secure filing system.

Non-payroll-related Cash Advances are permitted by Financial Management and Control Order No. 98-25; however, it is the current policy of Office of the Chief Financial Officer and the Office of Finance and Treasury not to issue Non-payroll-related cash advances.


 Lasana K. Mack, DC Treasurer and Deputy Chief Financial Officer

1/25/08
 Date

**Government of the District of Columbia
Office of the Chief Financial Officer**



**Financial Administrative Issuance
Financial Management and Control Order No. 12-12**

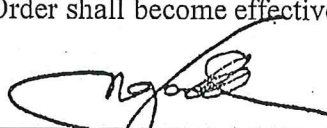
Issuance Date: July 26, 2012

Effective Date: July 26, 2012

Pursuant to the authority vested in me as Chief Financial Officer of the District of Columbia by section 424 of the District of Columbia Home Rule Act of 1973 as amended by Pub. L. No. 109-356, approved October 16, 2006, D.C. Official Code section 1-204.24(d) (2008 Supp.), I, Natwar M. Gandhi, Chief Financial Officer of the District of Columbia ("CFO"), hereby order that:

1. The former practice of cash advances to employees, discontinued in 2008, is hereby prohibited.
2. Financial Management and Control Order Number 98-25 which relates to Cash Advances, and the Cash Advance Policy dated January 25, 2008 are hereby rescinded.
3. This CFO Order supersedes all previous CFO Orders to the extent of any inconsistency therein.

Effective: This Order shall become effective July 26, 2012.



Natwar M. Gandhi
Chief Financial Officer

JUL 27 2012

Date