



**American Samoa Government**  
**Department of Port Administration**

**Surprise Cash Count Report**  
**August 22, 2022**



**TERRITORIAL AUDIT OFFICE**

Tofa Sualauvi H. Su'a, Acting Territorial Auditor

Report Number: 22-10

**October 26, 2022**



AMERICAN SAMOA GOVERNMENT  
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To: Honorable Lemanu P.S Mauga  
Governor of American Samoa  
American Samoa Government  
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From: Tofa Sualauvi H. Su'a  
Acting Territorial Auditor

**SUBJECT: Department of Port Administration Surprise Cash Count Report**

Enclosed is the Territorial Audit Office agreed upon procedures report for a Surprise Cash Count which was conducted at the Department of Port Administration on August 22, 2022.

The contents of the report were discussed at the exit audit meeting in the presence of the Department's Deputy, the Chief Accountant and her Finance Team who concur with the findings and their responses are included therein. Nothing in their responses has changed our report. Also present in the exit conference was a representative from the Treasury Department.

As we move forward, my office will do a follow-up audit on the implementation of recommendations. To be effective, the Department must implement recommendations and the intent is to assess how well responsible managers had implemented the audit recommendations.

We wish to thank the Director, Mr Christopher King and his staff for the assistance given to my office during the duration of the cash count process.

October 26, 2022

Attachments:

**Distribution list**

Tuaolo M.Fruen - Senate President  
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Christopher King - Director, Department of Port Administration

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## **PURPOSE**

As part of the Territorial Audit Office (TAO) work plan, a surprise cash count was conducted at the Department of Port Administration for the Seaport and Airport Operations locations. The last surprise cash count was on February 26, 2021 and included nine (9) findings. [See summary on page 21](#). The review will compare the results of the prior and the current cash count and to confirm that recommendations reported in the last count have been satisfactorily implemented.

Cash receipts are subject to surprise cash counts by the Territorial Audit Office and the results of our findings are to report directly to the Governor of American Samoa in accordance with requirements contained in the American Samoa Annotated Code (A.S.A.C); Territorial Audit Office Title 4, Chapter 4.

## **INDEPENDENCE**

The Territorial Audit Office (TAO) is free from organizational impairments to independence in our reporting as defined by *Generally Accepted Government Auditing Standards* (GAGAS). Organizationally, we are outside the staff or line management function of the units that we audit.

## **DEPARTMENT'S PROCLAMATIONS**

### *Mission Statement*

In partnership with Port Users, the Department of Port Administration (DPA) shall provide excellent service to customers and to the Community and in doing so shall raise the standard of living in a manner that protects our environment and maintains the best of our fa'asamoa (Samoan way of life).

### *Vision Statement*

In the global market, American Samoa will become the hub of the Pacific Island Region.

### *Function Statement*

The Department of Port Administration is divided into three major areas; (1) Port Operations, (2) Administrative Services and, (3) Airport Operations. These major operations consist of subdivisions that make up the foundation of the Department and services provided therefrom to the public. The Department's primary objective is to always ensure accountability, transparency and redundancy in its operations.

## **SUMMARY**

We carried out a review of cash receipts and collections and the related internal controls at the Department of Port Administration for the Seaport and Airport locations. In conjunction with our review, we performed a surprise cash count, audited a sample of daily receipts and transmittal letters and reviewed the controls and procedures related to cash handling operations. The surprise cash count was performed on August 22, 2022 and reveals the following:

What we found:

1. Risk and Control Review - written policies and procedures shall be in place
2. Standards Operating Procedures (SOP) for cash handling operations are in draft form and not inclusive
3. Inadequate control over manual receipts
4. There is inadequate segregation of duties existed in cash handling processes
5. Cash Receipting process is manually performed
6. There is no register to control the issuance of Book and Cash Receipts
7. Cash receipts sequence is skipped and not issued in numerical sequence
8. Deposits are not submitted to the ASG Treasury, Revenue Division timely
9. Frequency in conducting of internal spot counts
10. No documented reason(s) for VOIDING of receipts and original copies are missing
11. The mail log maintained for customer payments is not reviewed
12. The Airport location cash report is not checked for completeness and accuracy
13. Receipts are not reconciled and Transmittal Letters are not properly compiled and reviewed
14. Cash collections are used to make vessel purchases and office supplies
15. Reimbursement checks for cash collections used by the office are issued in the name(s) of employees
16. Key control personnel has no access to the cash vault combination and Airport funds are kept in an unlocked tool box
17. Lack of signage in cashiering areas

## BACKGROUND

The control and handling of cash is governed by the ASG Treasury Cash Receipting Policy and Procedures Manual which creates a general performance standard for ALL government departments. This contains basic principles and standards that departments are required to adhere to. An updated version has not been made available and distributed throughout.

As required under the ASG Treasury Cash Receipting Policy and Procedures Manual, all cash received shall be receipted and that all daily cash collections shall be remitted to the Revenue Division with complete transmittal letters (TL) and receipt copies with deposit(s). The Finance unit is responsible for the preparation and finalization of documents for submission to the ASG Treasury, Revenue Division.

The American Samoa Annotated Code (A.S.A.C) Title 20 requires the Department of Port Administration to collect fees from vessel and cargo owners to defray the cost of constructing, maintaining and operating hydraulic engineering and navigation facilities, fairways and canals as well as the cost of providing services including piloting, docking, supplying water, handling freight and arranging services through local agencies.

The Finance unit is responsible for revenue collection and payments are accepted in the form of cash and checks. Customers can make payments in the following ways:

1. Over the counter at the main office, Seaport and Airport locations and;
2. Checks are remitted through the mail

The Department of Port Administration has three (3) divisions namely:

- a. Airport Operations comprises of the Tafuna Airport & Security Operations, Fitiuta and Ofu Airports
- b. Seaport Operations comprises of the Harbor Master, Manu'a Seaport, Cargo Terminal, Security and Water Transportation units
- c. Support Services comprises of the Engineering, Finance, Human Resource, Maintenance and Properties & Leases

The Manu'aTele vessel operations on supplies and cargo transportation from and to Manu'a islands are handled by the Water Transportation unit at the dock. The vessel has a regular schedule, every Monday and Friday. However, there are times where the vessel has to make special trips at the request of the Manu'a people. Both passenger fares and freight are collected before or on the date of vessel departure.

The Department carries an Accounts Receivable portfolio derived from cargo vessel operations at the dock and airport landing and related charges. Billings for such services are automated using QuickBooks. The application is a standalone program and does not interface with the ASG Accounting System, OneSolution. ***This is a separate matter that is considered significant and we will communicate separately.***



## **SCOPE**

The scope of the surprise cash count which was conducted on August 22, 2022 included a review of cash handling processes and adherence to established ASG Treasury Cash Receipts Policy and Procedures Manual. Our audit included an evaluation of internal controls over cash handling operations. Internal control weaknesses were identified in these areas and are discussed in the *Observations, Findings and Recommendations* section of the report. Our recommendations if implemented should improve the internal controls in these areas.

The physical cash count was performed as applicable in accordance with the *Quality Standards for Inspection and Evaluation* (contained in the Blue Book - December 2020 revision) developed by the Council of the Inspector's General on Integrity and Efficiency (CIGIE). Accordingly, we performed tests of source documents, records, and other auditing procedures to obtain sufficient and appropriate evidence to support our findings and recommendations.

## **OBJECTIVES**

The objectives of the audit were to determine that cash:

1. Handling procedures conform to the ASG Treasury Cash Receipting Policy and Procedures Manual and applicable business practices.
2. Funds are secured and safeguarded.
3. Cash are appropriate for their intended use and discrepancies (shortages or surpluses) are adequately monitored, reported and properly addressed.
4. Surprise counts (internal spot checks) are periodically performed by management.

## **METHODOLOGY**

In conducting the audit, the following procedures were performed:

- Reviewed compliance with the ASG Treasury Cash Receipts Policy and Procedures Manual
- Observed and verified cash on hand held by custodians at the Airport and Seaport Operations locations including the latest on August 25<sup>th</sup>, 2022
- Observed that funds were secured and safeguarded.
- Cash collections were not utilized for office purchases.
- Test select a sample of receipts and transmittal letters for completeness
- Inquiries of responsible personnel and follow up on audit findings from last year's cash count of February 26, 2021.

The review and examination of current practices were made through observations and test select a sample of daily cash receipts and weekly transmittal letters where applicable.

**CASH COUNT RESULTS**

The detailed findings in the report determined that the Department’s risk rating is “**HIGH**” and “**URGENT & IMPROVEMENTS NEEDED**”. We observed several areas where improvements can be made and these are listed in the Observations, Findings and Recommendations section of the report.

Below is the summary of funds counted:

| Location of count | Receipts verified | Date of receipts | Receipt sequence | Amount of receipts | Funds counted      | VARIANCE (short)/over |
|-------------------|-------------------|------------------|------------------|--------------------|--------------------|-----------------------|
| Seaport           | Yes               | 8/5 to 8/8       | 39770 - 39800    | 1,781.00           | 1,893.87           | 112.87                |
|                   | Yes               | 8/8              | 38901 - 38926    | 1,998.00           | 1,998.00           | 0                     |
|                   | Yes               | 8/8 to 8/11      | 38927 - 38939    | 2,023.00           | 2,023.00           | 0                     |
|                   | Yes               | 8/12 to 8/22     | 58332 - 58357    | 33,755.96          | 33,763.96          | 8.00                  |
|                   | Yes               | 8/16 to 8/21     | 38940 - 38955    | 689.00             | 689.00             | 0                     |
|                   | Yes               | 8/20             | 39702 - 39750    | 3,024.00           | 2,879.00           | (145.00)              |
| <b>Total</b>      |                   |                  |                  | <b>\$43,270.96</b> | <b>\$43,246.83</b> | <b>(\$24.13)</b>      |

| Location of count | Receipt verified | Date of receipt | Cash receipt number | Amount of receipt | Funds counted | VARIANCE (short)/over |
|-------------------|------------------|-----------------|---------------------|-------------------|---------------|-----------------------|
| Airport           | Yes              | 36020           | 36020               | \$111.20          | \$111.20      | None                  |

The Department’s Chief Accountant was aware of the variance. She explained that funds were used for vehicle refuel and payment for a duplicate office key. We are unable to justify the payment of \$5.00 for the duplicate office key as the invoice is dated March 22, 2022 - *Pago Plaza inv#5142*.

**Note**  
Book receipts are assigned for the Manu’aTele operations and Cash receipts and used for other regular activities.

Subsequent follow up on August 25<sup>th</sup>, 2022 revealed that not all funds counted on August 22<sup>nd</sup>, 2022 were deposited intact with the ASG Treasury, Revenue Division. The following shows funds were withheld for office purchases of \$6,558.87;

| Date of count | Date of followed up with Treasury | Amount of funds counted | Total remitted to Treasury         | VARIANCE                            |
|---------------|-----------------------------------|-------------------------|------------------------------------|-------------------------------------|
| 08/22/22      | 08/23/22                          | \$43,246.83             | \$36,687.96<br><i>TL no.300295</i> | \$6,558.87<br><b>Funds withheld</b> |

## **CONCLUSION**

The prior year cash count disclosed internal control weaknesses similar to those discussed in the *Observations, Findings and Recommendations* section of the report and were not fully implemented. By not timely fully implementing these audit recommendations, management is allowing cash receipts and handling risks identified in the earlier audit to remain. We recommend for the Department to take immediate corrective actions.

Overall, this audit found repeated issues and a concern because of significant internal control weaknesses over cash handling operations. The Department of Port Administration needs to institute strong internal and financial controls that will enhance and better monitor cash handling processes.

The audit was limited to the review of controls over cash handling and processing of daily cash receipts. Accordingly, we expressed no views on the overall controls in other areas of operations within the department in which a more detailed review is warranted.

### **Discussions of the Surprise Cash Count Results**

The matters covered in this report were discussed with the Department's officials during and at the conclusion of the audit. The draft report was discussed at the exit conference on September 22, 2022 and was submitted with a request for comments. The full texts of the Department's responses are included as addenda to this report, *refer Exhibit A*.



## OBSERVATIONS, FINDINGS and RECOMMENDATIONS

### **Finding No.1: Risk and Control Review - documented and written policies and procedures must be in place**

We perform a risk and control review on the cash handling process which included analyzing the flow of documents from start to finish. To determine risks and controls process, we first determined the actual processes. Although, the standard operating procedures (SOP) has not been finalized and approved, we further verified through discussions with the Chief Accountant and other personnel and from observations. There are multiple risks associated with cash handling process. The most obvious risk is that employee theft and misappropriation will occur. Specifically, the potential risks are that employees might destroy, change, remove cash from drawers or incorrectly reconcile daily receipts to totals and deposits made.

#### **Recommendation**

In order to reduce the likelihood of inappropriate activities, the Department shall establish multiple controls. The standard operating procedures (SOP) that govern cash handling processes shall be finalized soon. The procedures shall be broken down into sections outlining general policy, personnel affected, authority and restrictions, procedures and audit requirements. Fundamental controls shall contain that monies must not be used for meeting expenses or any other type of “unauthorized” disbursements.

Various other controls over cash handling process include:

- Receipts must be completed at the time of transactions with all appropriate information completed
- Daily reconciliation of cash and checks shall be prepared by someone other than the person(s) receiving funds
- Supervisory review with signatures or initials denoting a review has been done and completed

#### **Audit Comments to the Department’s Responses**

For the written procedures to be effective the management shall check and see that employees are abiding by policies and procedures; the management team needs to engage with employees. It is an opportunity to improve knowledge and correct any errors before issues become a larger concern.

The Standard Operating Procedures manual shall be re-evaluated and updated on a timely basis. This will ensure that the information contained in the manual reflects changes occur in the Department’s operation from time to time.

We will follow up in the next audit visit that the recommendation has been implemented.

**Finding No.2: Standard Operating Procedures (SOP) for cash handling operations are in draft form and not inclusive**

While a SOP is already documented, they are in draft form and not inclusive of key processes and controls. The development and use of written procedures are always important to the successful quality control system. Written procedures provide employees with information to perform a job properly and facilitate consistency, good quality and better results. Lack of written processes increases the risk of errors.

Although the supervisory review is being performed timely, the supervisory assertions when approving the reconciliations (daily cash reports and transmittal letters preparation) are not documented. Standardized policies should include the objective of the review (define approval), the steps necessary to achieve the objective and control points in the review process in order to promote a consistent level of supervisory approval.

**Recommendation**

The Department should have finalized cash handling policies and procedures and key controls that ensure policies and procedures are in place and effective. These policies and procedures shall be maintained in a policy manual as appropriate and communicate to staff. Such written procedures on cashiering processes (*receiving, recording, safeguarding and depositing of funds - cash/checks*) shall be provided to employees with cash handling responsibilities and be documented in their job descriptions.

**Audit Comments to the Department's Responses**

See comments under Finding No.1

**Finding No.3: Inadequate control over manual receipts**

As revenue is collected, the Department issues the customer a manual receipt. Receipts come in triplicates;

- i. the original to the customer (*white copy*)
- ii. duplicate copy is attached with transmittal letters (TL) and deposit(s) to the ASG Treasury, Revenue Division (*yellow copy*) and;
- iii. 3<sup>rd</sup> copy is retained for record purposes (*pink copy*)

Issuing receipts in an unorderly manner is not a good business practice as it creates problems not only in monitoring collections and could result in lost monies.

There shall be a periodic reconciliation and or spot check of manual receipts to ensure all collections are recorded. Such checks will make sure that the Department does account for all its collections from manual receipts - *this finding is to be read in conjunction with details discussed under Findings nos.5,6 and 7.*



### **Recommendation**

The Department of Port Administration should document a policy for manual receipts which require staff to maintain an accurate record of cash and book receipts is disseminated to all finance and accounting staff involved which motivates for compliance. The Chief Accountant shall ensure receipts are issued numerically and follows the sequence when a new receipt book is issue and the completed one is returned for safekeeping.

### **Audit Comments to the Department's Responses**

Either the Staff Accountant or the Senior Accountant has to make sure receipts are intact and in order. This work shall be documented and evident by the Chief Accountant's timely review.

### **Finding No.4: There is inadequate segregation of duties existed in cash handling processes**

Segregation of duties is a challenge with small size departments. Manual processes by nature represent internal control risks particularly if no mitigating controls exist such as reconciliation and management review. There should be adequate segregation of duties to ensure the responsibilities of initial receipt, deposit preparation and reconciliation do not belong to the same person.

We observed that proper segregation of duties for cash handling and processing was not always in place. This situation may have resulted from budgeted constraints that yielded reduced staffing levels. Management should be aware that the lack of segregation of duties increases the risk of inappropriate cash handling and the misuse of funds - *this finding is to be read in conjunction with details discussed under Finding no.10*

#### *Example*

At the Seaport location, custodians of cash receipts also prepare the transmittal letters (TLs) and present the deposit(s) to the ASG Treasury, Revenue Division.

### **Recommendation**

Effective segregation of duties represents a vital component of any organization's internal and financial controls system. It involves breaking down processes so that no single person is responsible for every stage of a transaction. Segregation of duties controls are designed to help prevent employees from committing errors, omissions or engaging in fraudulent activity.

When staffing levels do not permit duties to be separated, management should adequately review the duties performed on a frequent basis, specifically for areas where deficiencies were identified.

### **Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.

**Finding No.5: Cash Receipts process is manually performed**

The cash cashiering process is widely manual processes. Some of these manual processes contribute and demonstrate issues that are likely due to delays at the department level. Currently, there is an available cashiering module in the ASG Accounting System, OneSolution. However, the scope of the cashiering functions had not been fully tested and utilized to the system's advantage. Although reconciliations and controls were in place, an automated interface can reduce the time spent and provide assurance that all receipts are accounted for - *this finding is to be read in conjunction with details discussed under Finding no.3*

*Example*

- Cash receipts are not issued in strict numerical sequence.
- Differences were identified between cash/book receipts and transmittal letters (TL) deposits

**Recommendation**

We recommend that opportunities for increasing efficiency and improving the control environment be evaluated to reflect the benefit of implementing electronic cash receipts and drawers using the existing ASG Accounting System, OneSolution.

Manual receipts can still be used only when there is a problem with the ASG automated cash cashiering system.

**Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.

**Finding No.6: There is no register to control the issuance of Book and Cash Receipts documents**

The safeguarding of assets is a fundamental element of internal and financial control and adherence to these controls reduces the exposure to financial loss. There shall be adequate controls exist and adhered to so that cash and book receipts are promptly controlled. The recommended practice is to use one receipt sequence at a time unless there is a valid reason on why more than one receipt sequence is required - *this finding is to be read in conjunction with details discussed under Findings no.3 and 16.*

**Audit Recommendation**

There shall be an efficient recording process for all cash and book receipts. To avoid inappropriate activities, receipts shall be chronological controlled to best suited the daily operations and shall be in compliance with the recommended practices as contained in the ASG Cash Receipts Policy Manual and Cash Procedures (for **ALL Departments**).

It is the responsibility of the Finance in-charge to review all receipt books to ensure all receipt documents are log, accurate and issued in sequential order. Events and situations of non-compliance and failure to comply shall be examined and subject to disciplinary action.



**Audit Comments to the Department’s Responses**

The establishment of the log book was done subsequently to the cash count and we appreciate the Department’s efforts in having the log book to monitor receipt document movements.

**Finding No.7: Cash Receipt sequence is skipped and not issued in numerical sequence**

Receipting and collections over the counter are documented by the issuance of sequentially pre-numbered cash and book receipts (official ASG forms). All cash receipts are to be strictly accounted for and never issued out of order. The review has identified that not all cash receipts were issued in numerical sequence and sometimes the sequence is skipped - *this finding is to be read in conjunction with details discussed under Finding no.3*

*Example*

- At the Seaport location, Book receipt#.39674 and #42851 were skipped. At the time, sequence nos.58300 to 58349 was used. There was no reasonable explanation given on why the two (2) receipts were shown as unorderedly.

Also the following was noted as below:

| Book receipt Nos. | Receipt Dates | Amounts \$ |
|-------------------|---------------|------------|
| 38940             | 8/16/2022     | \$30.00    |
| 38941             | 8/17/2022     | \$30.00    |
| 38942             | 8/21/2022     | \$45.00    |
| 38943             | 8/17/2022     | \$30.00    |
| 38944             | 8/21/2022     | \$120.00   |
| 38945             | 8/18/2022     | \$30.00    |

**Audit Recommendation**

It is strongly recommended that all cash receipts shall be issued in strict numerical sequence. The custodian of all cash receipt records shall make sure documents are issued in the order of book numbers and receipts sequence. The in-charge officer must ensure these procedures are effectively carried out and evident of such shall be documented, for instance: custodians and supervisor(s) are to sign off on the physical register during issuance and returning of used receipt books. Any missing sequence(s) has a financial impact and allows for significant breakdown(s) in the control environment and personnel can take advantage of those weaknesses to cover for misappropriation of funds. Furthermore, it facilitates the monitoring process which helps ensure that all cash collected is deposited intact.

**Finding No.8: Deposits are not submitted to the ASG Treasury, Revenue Division on time**

The cash count reveals that proceeds from receipts are not submitted to the ASG Treasury, Revenue Division on time. Sometimes funds are withheld beyond reasonable periods - *this finding is to be read in conjunction with details discussed under Findings no.13 and 14.*

*Example:*

| <b>Receipt nos.</b> | <b>Receipt dates.</b> | <b>Deposit dates</b> | <b>Amount \$</b> | <b>No of days delay</b> |
|---------------------|-----------------------|----------------------|------------------|-------------------------|
| 38898               | 07/29/2022            | 8/23/2022            | \$250.00         | 25                      |
| 38899               | 07/29/2022            | 8/23/2022            | \$120.00         | 25                      |
| 39651               | 07/18/2022            | 8/23/2022            | \$45.00          | 36                      |
| 39652               | 07/18/2022            | 8/23/2022            | \$60.00          | 36                      |
| 39653               | 07/19/2022            | 8/23/2022            | \$60.00          | 35                      |
| 39654               | 07/19/2022            | 8/23/2022            | \$30.00          | 35                      |
| 39655               | 07/19/2022            | 8/23/2022            | \$180.00         | 35                      |

At the time of report compilation, the following receipts were not deposited with the ASG Treasury, Revenue Division:

- Receipt#38940, 8/16 for \$30
- Receipt#38941, 8/17 for \$30
- Receipt#38942, 8/21 for \$45
- Receipt#38943, 8/17 for \$30
- Receipt#38944, 8/21 for \$120
- Receipt#38945, 8/18 for \$30

The ASG Cash Receipts Policy Manual; 1.8 *Cash Receipts will be deposited daily*

*“All deposits should be made daily and intact - no cash should be retained or expended. ASG Treasurer may make exceptions to the daily deposit requirement in writing. In the event that the amounts of cash collected at certain remote locations do not warrant the time and cost required of making daily trips to the bank or the Revenue Department, Treasury will establish a minimum threshold on a case by case basis for cash receipts collected before a deposit is prepared”.*

**Audit Recommendation**

We strongly recommend that all receipts shall be deposited on a consistent and timely basis to reduce the misappropriation and security risks. The *“ASG Cash Receipts Policy Manual and Cash Procedures”* require that **ALL** receipt deposits shall be remitted on a daily basis.

**Audit Comments to the Department’s Responses**

This is noted and we will follow up in the next audit visit.

**Finding No.9: Frequency in conducting of internal spot counts**

The Department has no documented procedure or policy stipulating the frequency of internal surprise spot counts as this is left entirely at the discretion of the management team.



### **Suggested ways for improvement**

The key to preventing or reducing the risk of fraud is having strong controls in place. Typically seen and recommended practices that each cash drawer and vault shall be spot checked and counted at least once a month. The spot counts shall be spaced and randomly selected. The SOP should include and require that custodian funds shall be spot checked periodically to ensure that funds the property of the Department are safeguarded.

### **Audit Comments to the Department's Responses**

This is an important issue and we will follow up in the next audit visit.

### **Finding No.10: No documented reasons for VOIDING of manual receipts and original copies are missing**

It was revealed from the tested sample that some receipts were marked voided and not all original copies are retained. In addition, there is no narrated documentation on voided copies on why receipts were marked VOIDED. A supervisor shall initial on reviewing of all voided receipts and all copies shall be accounted for. Ideally, high VOID activity could indicate a fraudulent activity - *this finding is to read in conjunction with details discussed under Finding no.4*

#### *Example:*

Transmittal Letter no.300294 dated 8/11/2022 for receipt no.37165 dated 7/12/2022 for \$12.00 - only two copies are retained and the white copy (original) is missing.

### **Audit Recommendation**

Management should establish written procedures that emphasize voiding receipts must be strictly observed and the lack of adequate policies and procedures and the failure to apply best practices can result in the possibility to conceal errors in the normal course of duties. Segregation of Duties (SOD) requires the separation of key processes that disperses critical functions to more than one person.

### **Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.

### **Finding No.11**

#### **The mail log maintained for customer payments is not reviewed**

The Department's customer payments received through the mail is log on an excel spreadsheet. However, the log does not indicate that it is timely review by someone other than the preparer for completeness.

### **Audit Recommendation**

Best business practice recommends, the maintenance of a log of all payments received through the mail and comparing at a minimum, the total of each list shall agree to the list of total receipts and mail receipts recorded at the end of each day.

It is recommended that all checks received shall be endorsed immediately or date stamp until issue with receipts. An officer not involved with handling of mail remittances should reconcile the mail log with the receipted deposits.

### **Audit Comments to the Department's Responses**

The issue here is that a review shall be performed and evident on the mail log. The reviewer must sign-off on the log indicating the recorded information is correct. We will follow up in the next audit visit.

### **Finding No.12: The Airport location cash report is not checked for completeness and accuracy**

There is no evident of an independent checked of daily cash receipts to cash reports at the end of the day. Cash is subject to inherent risk of being misappropriated by employees. The recommended practice is to have cash reports prepared by someone other than cashier(s) and review by a responsible supervisory person independent of handling cash - *this finding is to be read in conjunction with details discussed under Findings no.4 and 13. Example:*

- Parking Lot collection report of August 11, 2022 was prepared and signed by the cashier but shows no evident that it was verify nor has supervisory approval.

The ASG Cash Receipts Policy Manual states that; 1.7 Cash collected will be reconciled daily, *“Cash receipts should be reconciled daily to register tapes, manual receipts or theatre tickets prior to submission pf the Treasury Transmittal Letter. The reconciliation should be performed at the location at which the cash was received, preferably by the site supervisor or equivalent. Cash reconciliation should not be performed by the employee handling cash receipts. Cash shortage should be identified, documented and analyzed to determine if corrective action is necessary. Cash-to-check composition of the receipts and deposit is verified by an independent person to ensure integrity”*.

### **Audit Recommendation**

It is recommended that daily cash reports prepared at each location and before deposits are submitted to the Revenue Division shall be reviewed by a senior accounting officer independent of cash handling. Evident of review shall be documented on each individual daily cash report.

### **Audit Comments to the Department's Responses**

The fundamental accounting procedure was not evident on the physical document so the control was not performed. We will follow up in the next audit visit that this is implemented.



**Finding No.13: Receipts are not reconciled and Transmittal Letters are not properly compiled and reviewed**

The compositions of funds noted on transmittal letter deposits do not reflect actual cash and checks received at the time of receipting. The Department’s practice does withhold and borrows funds to make up deposits from subsequent dates taking. The practice is considered “unorderly” because of the uncontrollable manner and the way the information is presented on transmittal letters could be misleading.

Complete and accurate preparation of transmittal letters are an integral part of the Department’s accounting process - *this finding is to be read in conjunction with the details discussed under Findings no.8 and 12. Example:*

| Transmittal Letter date | Transmittal Letter no. | Cash receipt numbers | Per POA TL tally \$ | Per TAO & receipts tally \$ | Difference \$ |
|-------------------------|------------------------|----------------------|---------------------|-----------------------------|---------------|
| 8/11/2022               | 300294                 | 42851                | 30.00               | 30.00                       | 0             |
|                         |                        | 58326                | 210.80              | 210.80                      | 0             |
|                         |                        | 58327 to 58330       | 1371.94             | 1,371.94                    | 0             |
|                         |                        | 38900                | 30.00               | 30.00                       | 0             |
|                         |                        | 39674                | 21.00               | 21.00                       | 0             |
|                         |                        | 37161 to 37200       | 1,414.00            | 1,414.00                    | 0             |
|                         |                        | 38851 to 38897       | 2,606.00            | 2,606.00                    | 0             |
|                         |                        | <b>Total</b>         | <b>\$5,683.74</b>   | <b>\$5,683.74</b>           |               |
|                         |                        | <i>Comprises of:</i> |                     |                             |               |
|                         |                        | Cash                 | 4,558.94            | 4,975.94                    | -417.00       |
|                         |                        | Checks               | 1,124.80            | 707.80                      | 417.00        |
|                         |                        | <b>Totals</b>        | <b>\$5,683.74</b>   | <b>\$5,683.74</b>           |               |

The difference can be explained as follows:

- a. Including in the deposit total were three (3) checks totaling to \$914 received on 08/08/2022 (funds were withheld and not deposited daily):
  - Check no.545 for \$236, receipt no.38901
  - Check no.110 for \$606, receipt no.38916
  - Check no.218 for \$72, receipt no.39799
  
- b. Three (3) checks amounting to \$497 received in the above sequence were excluded in the deposit total (funds are not deposited daily);
  - Check no.838 of \$9.00, receipt no.38874
  - Check no.4561 of \$203.00, receipt no.38885
  - Check no.1611 of \$285.00, receipt no.38889

The above Transmittal Letter deposit form shows that it was certified by another person and not the Chief Accountant. At the Seaport location, the Cash Reconciliation Report for Transmittal Letter no.300295 of 08/22/2022 neither was incomplete nor signed off by the preparer and approver.

The ASG Cash Receipts Policy Manual states that;

1.7 Cash collected will be reconciled daily. *“Cash reconciliation should not be performed by the employee handling cash receipts. Cash shortage should be identified, documented and analyzed to determine if corrective action is necessary. Cash-to-check composition of the receipts and deposit is verified by an independent person to ensure integrity”.*

#### **Audit Recommendation**

Incomplete or inaccurate preparation can cause discrepancies and management cannot be assured that all funds collected are deposited. Accurate composition of Transmittal Letters (TLs) and reconciling receipts issued against cash and checks could have eliminated discrepancies as well as minimize the potential for fraud and the misappropriation of funds.

Again, we strongly recommend that all funds shall be deposited timely and intact and a Petty Cash Fund shall be immediately established to meet daily office needs.

#### **Audit Comments to the Department’s Responses**

This is noted and we will follow up in the next audit visit that this is addressed and action.

#### **Finding No.14: Cash collections are used to make vessel purchases and office supplies**

The Department continues to use cash collection proceeds to make purchases for the vessel and office supplies. This practice was also reported in the prior year cash count.

Although the ASG Treasury Cash Receipts Policy Manual prohibits the use of cash collection proceeds for any purchases, the Department cannot eliminate the practice since there is no Petty Cash Fund available to meet these urgent needs. For this purpose, deposits presented to the ASG Treasury, Revenue Division are sometimes do not agree to total receipts collected and cash is withheld until reimbursements are received from the Treasury Department - *this finding is to be read in conjunction with details discussed under Findings no.8 and 13.*

#### **Audit Recommendation**

The practice of using cash collection proceeds for office purchases should be discontinued. Continue use of collection proceeds for such activities has the potential effect of public monies being misappropriated.

We strongly recommend for the Department to establish a Petty Cash Fund and the “Fund” should be sufficient to meet the office daily needs.

#### **Audit Comments to the Department’s Responses**

This is noted and we will follow up in the next audit visit.



**Finding No.15: Reimbursement checks for cash collections used by the office are issued in the names of employees**

Generally speaking, employees are not required to receive for business related reimbursements. Nevertheless, there are some exceptions. Currently, use of office funds for needed purchases is approved either by the Director or one of his deputies. When reimbursements are processed, Treasury issued checks in the name(s) of the Department's employees. These purchases are mainly for vessel spare parts and office supplies.

At our meeting with the Department's Chief Accountant on 09/15/2022, the Petty Cash Fund request has not been finalized. The establishment of a Petty Cash Fund will minimize and or eliminate the practice of using cash collections for office purchases - *this finding is to be read in conjunction with details discussed under the Petty Cash Establishment on page 18.*

**Audit Recommendation**

From an audit perspective, weaknesses identified when taken as a whole, increase the risk of unauthorized use and misappropriation and not being detected in a timely manner. While the Department awaits approval of the Petty Cash Fund, it is important to have an organized and clear process for approving and processing reimbursements. A reimbursement plan shall be designed to protect employees from mishandling of monies and eliminate conflicting information and will keep the records in check without surprise costs and budget problems.

The Director shall be the only person to authorize and approve supporting documents and be within allowable dollar limits and a reasonable time frame. Again, we strongly recommend immediate establishment of the Petty Cash Fund.

**Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.

**Finding No.16: Key control personnel has no access to the cash vault combination and Airport funds are kept in an unlocked box**

From enquiries, we were advised that only three (3) people namely the staff accountants have direct access to the vault's combination. We also observed during the cash count process that funds held at the Airport location were kept in an unlocked box - *this finding is to be read in conjunction with the details discussed under Finding no.6*

**Audit Recommendation**

We strongly recommended the following:

- From an audit perspective and under no circumstances that cash and checks shall not be held and stored in desk drawers, filing cabinets or other unlocked devices. Funds must be stored and kept in a secured and recommended locked cash device and stored in an inconspicuous area.
- Combination to the vault or safe must be changed every time a change in personnel occurs and the combination code and names of individuals with access to the combination be kept in a safe place and were approved by the Department's Director.

The Department should ensure that funds in their possession during the workday or left on premises overnight are secured and safeguarded.

**Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.

**Finding No.17: Lack of signage in cashiering areas**

The cashiering areas where we conducted the surprise cash counts do not have signs reminding the public to obtain a receipt for their payments. Posting such signs can be an effective control to minimize the risk of misappropriated of collections.

**Audit Recommendation**

The Department of Port Administration shall post signs in cashiering areas reminding customers to obtain a receipt for their payments.

**Audit Comments to the Department's Responses**

This is noted and we will follow up in the next audit visit.



## OTHER MATTERS

There were other matters of audit significance observed during the cash count and identified from the review of the selected sample such as:

### 1. Establishment of a Petty Cash Fund

The Department currently has no available Petty Cash Fund. From observations, we strongly recommend for the Department of Port Administration (via the Director) to request the Department of Treasury for a Petty Cash Fund and shall be within the limits defined by the Department of Treasury and as approved by the ASG Treasurer. The most common method of accounting for Petty Cash is to use the imprest system, which consists of maintaining a fixed amount of funds for disbursement. The Petty Cash Fund shall be sufficient for the recurring operating expenses of the Department on a timely basis. The Petty Cash Fund shall be replenished as soon as disbursements reached 75% or as needed.

The audit has highlighted discrepancies where funds were used to purchase office supplies and others, refer *Findings nos. 8, 14 and 15*.

#### What is the main purpose of holding a Petty Cash Fund?

The purpose of a Petty Cash Fund is for minor and anticipated business expenses where the use of alternative means is neither feasible nor cost effective.

It is very important that the Petty Cash Fund must not include funds from other sources. The Fund must be at all times contained the authorized amount in cash and paid vouchers only.

#### How to maintain a Petty Cash Fund?

The following are simple steps in maintaining a Petty Cash Fund;

- The Fund shall be kept in a secured locked place under the control of the responsible custodian who does not involve with cash handling
- Reimbursements from the Fund must be supported by **original receipts ONLY**
- A Petty Cash Voucher must be signed by the person being reimbursed; all reimbursements must be supported by receipts and invoices
- A balanced and signed monthly Petty Cash reconciliation must be prepared by the custodian and to be reviewed by the Chief Accountant. Evident of such review shall be documented on individual reconciliations.

The Petty Cash Fund will cause problems if it is not managed properly. It is susceptible to accounting errors if disbursements are not supported for tracking cash, theft and misappropriation and overspending.

## **2. Accounts Receivable**

We came across the Accounts Receivable component during the cash count performance. With such a sizeable amount (more than \$2 million in both locations), we plan to perform a review of the AR portfolio and will be communicated in a separate audit report.

## **3. Long Term Parking Agreements**

The Airport Operations has recently implemented procedures where travelling customers that wish to park their vehicles at the airport car parking area are require to sign a long term parking agreement. The rent fees vary according to the period of one parking space or to park one vehicle on the airport property.

The following are rent charges applied to rent of one parking space or to park one vehicle:

- a. **One hundred fifty dollars** (\$150) per month or for six (6) or less consecutive months of rental
- b. **One hundred dollars** (\$100) per month for more than six (6) consecutive months of rental
- c. **Fifty dollars** (\$50) per week
- d. **Ten dollars** (\$10) per day for more than eight (8) hours of parking
- e. **Five dollars** (\$5) per day for eight (8) or less hours of parking to be paid to the parking attendant
- f. Staff parking is free with parking pass and only in the area designated for staff parking that day

We noticed that one long term parking agreement form was not properly completed, the require information was not properly filled out; *the rent was from August 10<sup>th</sup>, 2022 to August 24<sup>th</sup>, 2022*. The Airport Operations Staff Accountant confirmed that the customer was in a hurry. Although the agreement was signed by the lessor, the accurate completion of the agreement form is a key component of compliance.

We recommend that “Long Term Parking Agreement” Forms shall be properly completed, reviewed and checked before filing.

## **4. Subsequent event - a new electronic booking system for the Manu’aTele vessel operations**

The Chief Accountant confirmed that a new electronic booking system, **PETS** (Port Electronic Ticketing System) will be installed soon for the Manu’aTele vessel operations. The Department believes that this will improve the quality of service for the Manu’a Islands especially with ferry bookings.

## **Follow-up to February 26, 2021 surprise cash count and Opportunities for Improvement**

The Finance section had not fully implemented the nine (9) findings from the prior year cash count. Two findings have not reappear in the current audit while seven (7) were not fully implemented. There appears to be limited monitoring which is not effective and we strongly recommend for the Department to take immediate corrective actions. A follow up will be diarized in our next audit visit.

### **Audit Follow-Up**

A surprise cash count was carried out on February 26, 2021 at two locations namely the Seaport and Airport locations. At the time of the count, the Seaport location has \$31,012.03 and a shortage of \$40 was revealed. The physical count also verified a change fund of \$55 on hand.

The following findings were noted in that count.

| <b>Finding Ref.</b> | <b>Findings identified</b>   | <b>Implemented Yes, (Y) or No, (N)</b>    |
|---------------------|--|---|
| 1                   | Cash shortage of \$40.00   | No  |
| 2                   | No cash receipt (AR100) issued by cashier on \$700 collected from Water Transportation Division. | None identified in the current cash count |
| 3                   | Missing receipts amounting to \$686.00   | None identified in the current cash count |
| 4                   | Cash Collection Not deposited in a timely manner. Funds were withheld for seventeen days.        | No  |
| 5                   | Cash collections of \$1,974.00 used for unauthorized Petty Cash.                                 | No  |
| 6                   | Book receipts are not use in strict numerical sequence.  | No  |
| 7                   | Need to update cash collection procedures.   | No  |
| 8                   | Need to safeguard assets ( <i>unused receipt books and cash on hand</i> ).                       | No  |

### **V. Other**

Subsequent deposits for funds counted revealed that funds were not banked intact. These funds were deposited in three different deposits and transmittal letters. *This matter has not been fully implemented and is reported again.*



## I. DEPARTMENT PROCLAMATIONS

**MISSION STATEMENT:** In partnership with Port Users, the Department of Port Administration (DPA) shall provide excellent service to Customers and to the Community and in doing so shall raise the standard of living in a manner that protects our environment and maintains the best of our fa'a-Samoa (Samoan way of life).

**VISION STATEMENT:** In the global market, American Samoa will become the hub of the Pacific Island region.

**FUNCTION STATEMENT:** The Department of Port Administration is divided into three major areas: (1) Port Operations, (2) Administrative Services and (3) Airport Operations. These major operations consist of sub-divisions that make up the foundation of the Department and services provided therefrom to the public. The Department's primary objective is to always ensure accountability, transparency, and redundancy in its operations.

## II. ACCOUNTING DIVISION UNDER ADMINISTRATIVE SERVICES

The Accounting Division serves to provide support to all operation divisions of Port. Responsibilities are as follow: to organize and maintain financial documents, reports and data; contribute to the budget development process; create and distribute financial reports.

Accounting is responsible for all reconciliation of financial transactions, allotments, receipts and expenditures; collecting and accounting for revenue, terminal use charges, rentals, etc.; maintaining internal control procedures for equipment, materials, and supplies; compiling reports, purchase orders, payroll changes, and payroll discrepancies; identifying, applying for, and maintaining records of all local and grant funding; submitting quarterly reports to the all grant agencies such as FAA and ARPA on the status of all grant-funded projects; and preparing financial statements and reports. The Accounting Division also reviews accounting records to evaluate accuracy and compliance with regulations.

## III. DPA's RESPONSE TO AUDIT FINDINGS

### a. FINDING NO. 1

*Risk and Control Review – documented and written policies and procedures must be in place.*

**DPA Management Response** – Please refer to the attached revised SOP, which has been reviewed and approved by the Director.

**FINDING NO. 2**

*Standard Operating Procedures (SOP) for cash handling operations are in draft form and not inclusive.*

**DPA Management Response** – Please refer to the attached Cash Handling and Accounts Receivable (CHAR) SOP and DMR1.

**b. FINDING NO. 3**

*Inadequate control over manual receipts.*

**DPA Management Response** – Please refer to the attached Petty Cash SOP.

**c. FINDING NO. 4**

*There is inadequate segregation of duties existed in cash handling processes.*

**DPA Management Response** – Please refer to the attached CHAR SOP.

**d. FINDING NO. 5**

*Cash receipts process is manually performed.*

**DPA Management Response** – DPA has bought two cashier systems pending setup of the accounting side with ASG Treasury's IT Division. This is currently underway pending Treasury IT Manager.

**e. FINDING NO. 6**

*There is no register to control the issuance of Book and Cash Receipts documents.*

**DPA Management Response** – DPA has a log that will be used to issue/register all receipt booklets to Cashier. This log is held by the Chief Accountant and issued once a previous receipt booklet has been used up.

**f. FINDING NO. 7**

*Cash receipt sequence is skipped and not issued in numerical sequence.*

**DPA Management Response** – Please refer to DMR3.

**g. FINDING NO. 8**

*Deposits are not submitted to the ASG Treasury, Revenue Division on time.*

**DPA Management Response** – Please see attached CHAR SOP. DPA will submit revenue on time.

**h. FINDING NO. 9**

*Frequency in conducting of internal spot counts.*

**DPA Management Response** – Please see attached CHAR SOP. Spot counts will be conducted on a monthly basis as per SOP.

**i. FINDING NO. 10**

*No documented reasons for VOIDING of manual receipts and original copies are missing.*

**DPA Management Response** – DPA has documented reasons for VOIDING each receipt. A statement by DPA’s Staff Accountant detailing this matter has been filed and also attached herein.

**j. FINDING NO. 11**

*The mail log maintained for customer payments is not reviewed.*

**DPA Management Response** – Only the Airport Division receives check payments via mail. DPA’s process for mail log goes through the Executive Secretary who logs down all received mail and passes on all checks received via mail, to the Airport’s Accounting Division. Two Accountants are responsible for the receipt of these checks and processes receipts as acceptance of payments received.

**k. FINDING NO. 12**

*The Airport location cash report is not checked for completeness and accuracy.*

**DPA Management Response** – DPA’s Airport Accountants are responsible for completing cash reports. As per the attachments for this finding “Parking Lot Collection Report” dated 8/11/2022, DPA’s Airport Accountant had explained that although the “verified by” section of the collection report was not signed, the Accountant did make the necessary corrections and had initiated on the report as a form verifying all collections noted on that report.

**l. FINDING NO. 13**

*Receipts are not reconciled, and Transmittal Letters are not properly compiled and reviewed.*

**DPA Management Response** – As stated in DMR3 and DMR7, all receipts and transmittal letters are reviewed by the Chief Accountant. In her absence, both Senior Accountants for Airport and Seaport are responsible for reviewing receipts and transmittal letters delivered to the ASG Treasury’s Revenue Office. The approval and issuance of a petty cash fund will eliminate this practice.

**m. FINDING NO. 14**

*Cash collections are used to make vessel purchases and office supplies.*

**DPA Management Response** – DPA will no longer use cash collections for purchase. The approval and issuance of a petty cash fund will eliminate this finding.



n. **FINDING NO. 15**

*Reimbursement checks for cash collections used by the office are issued in the name(s) of employees.*

**DPA Management Response** – The approval and issuance of a petty cash fund will eliminate this practice.

o. **FINDING NO. 16**

*Key control personnel has no access to the cash vault combination and Airport funds are kept in an unlocked tool box.*

**DPA Management Response** – DPA has recently purchased a new cash vault and has been setup with only 3 personnel who has access to the vault combination. Vault is open to management for periodic spot counts. Also, as part of our newly revised SOP, cash vault combination is changed quarterly for security purposes. Please refer to attached image of new vault.

p. **FINDING NO. 17**

*Lack of signage in cashiering areas.*

**DPA Management Response** – DPA has now installed signage for the cashier area(s) as recommended.

#### IV. DPA SUMMARY RESPONSE

As of October 7, 2022, DPA has received a petty cash fund issued by Treasury. We have attached our approved Standard Operating Procedures (SOPs) for Petty Cash, Cash Handling and Accounts Receivables as per recommendations. Having a Petty Cash fund will eliminate future audit findings concerning cash handling.

DPA would like to thank the Territorial Audit Office, its Director and auditors for the recent unannounced audit. This audit has given Port the opportunity to enhance its procedures to stay in compliance with the ASG Treasury Cash Handling Policies. DPA has also taken into consideration and has acted upon all recommendations issued by the Territorial Audit Office as per the August 22, 2022 audit report.