



# *City of Albuquerque*

## *Office of Internal Audit*

P.O. BOX 1293, Suite 5025, Albuquerque, NM 87103

### Interoffice Memorandum

June 27, 2018

Ref. No.: 18-402

**To:** Michael Geier, Chief, Albuquerque Police Department  
Cilia E. Aglialoro, Treasurer, Department of Finance & Administrative Services

**From:** Lawrence L. Davis, Acting City Auditor, Office of Internal Audit

**Subject:** RESULTS OF THE ALBUQUERQUE POLICE DEPARTMENT PETTY CASH COUNT

On June 14, 2018, the Office of Internal Audit (OIA) conducted a surprise count of the Albuquerque Police Department's (APD) petty cash. APD employees were interviewed regarding cash management policies, procedures, and processes.

Petty cash funds are defined in the City's *Cash Management Manual* and are established to enable departments to make small, emergency purchases where a purchase order is not cost effective or a purchasing card cannot be used. APD maintains one \$350 petty cash fund.

Location	Amount
APD	\$ 350

### **OBJECTIVES**

The objectives of the surprise cash count were to determine:

- Are petty cash funds entrusted to the custodian/sub-custodian(s) accounted for and reconciled to approved fund amounts?
- Do petty cash practices and procedures comply with the regulations outlined in the City's *Cash Management Manual*?
- Determine the necessity for maintaining the Department's petty cash fund.

## **EXECUTIVE SUMMARY**

An overage of \$.86 was noted during the petty cash count. Cash and vouchers on hand totaled \$350.86 while the fund's approved balance is \$350.

In addition to the overage, OIA noted eight petty cash practices that were not in compliance with the City's *Cash Management Manual*. According to the City's *Cash Management Manual*, petty cash funds can be taken away from the custodian and/or department if petty cash practices and purchases are not in compliance with the procedures outlined within the Cash Management Manual.

APD may no longer require a petty cash fund. Receipts were dated between December 2015 and November 2017 and the fund had not been replenished since December 2015. The petty cash custodian stated that APD rarely uses the petty cash and may eliminate it.

## **FINDINGS**

Establishing and monitoring the effectiveness of internal controls is the responsibility of management. The following issues concern areas that OIA believes could be improved by the implementation of the related recommendations.

### **Petty Cash Compliance**

APD's current petty cash practices do not comply with the City's *Cash Management Manual*. OIA noted eight petty cash compliance issues.

The table below illustrates the eight petty cash compliance issues noted during the surprise cash count.

**Petty Cash Compliance Issues**

Condition	Criteria
1. <b><u>Access to Fund:</u></b> The petty cash fund is kept in an unlocked cash box in a safe. Multiple individuals have the combination and access to the safe and, therefore, the petty cash fund.	The City's <i>Cash Management Manual</i> states that only the custodian and department head should have access to the fund.
2. <b><u>Expired Cash Handling Certificate:</u></b> The petty cash custodian's cash handling certificate expired on August 27, 2017 and had not been renewed.	The City's <i>Cash Management Manual</i> and Administrative Instruction 2-6 require all City employees who handle City monies to be certified and attend a Cash Handling training every three years.

### Petty Cash Compliance Issues

Condition	Criteria
3. <b>No Departmental Policies and Procedures:</b> APD does not have internal policies and procedures for its petty cash fund.	The City's <i>Cash Management Manual</i> requires that, in addition to the cash handling procedures contained therein, each department should have its own specific procedures.  Documented procedures help ensure the consistent application of internal controls.
4. <b>Missing Authorizing Signature:</b> Authorizing signatures were missing from all ten petty cash vouchers. The custodian stated that the Fiscal Manager signs the vouchers when the fund is reconciled and replenished.	The City's <i>Cash Management Manual</i> requires petty cash vouchers to be approved and signed by the Division Manager/Director.
5. <b>Lack of Reconciliation:</b> The fund is not reconciled as required and contained an overage of \$0.86.	The City's <i>Cash Management Manual</i> requires reconciliations to be performed daily, weekly, or monthly depending on the amount of activity involved and the dollar amount of the fund.
6. <b>Infrequent Replenishment:</b> Petty cash funds are not being replenished in accordance with the <i>Cash Management Manual</i> . The last replenishment occurred on 12/9/2015. All reconciling items are dated between 12/17/2015 and 11/1/2017.	The City's <i>Cash Management Manual</i> requires that petty cash funds be replenished at least once a month. Replenishments must be made within 30 days of expenditure. Petty cash receipts held for more than 90 days or cross fiscal years will not be honored for reimbursement.
7. <b>Personal Use Purchases:</b> Petty cash funds were used to purchase a coffee pot for the department.	The City's <i>Cash Management Manual</i> specifies that petty cash funds will not be used to purchase personal use items, which include foodstuffs, coffee and related supplies, coffee pots, microwave ovens, and television sets.
8. <b>No Petty Cash Log:</b> APD does not use a petty cash log.	The City's <i>Cash Management Manual</i> states that each time monies are withdrawn from the fund, the petty cash log should be completed.

#### Recommendation

APD should comply with the City's *Cash Management Manual*'s requirements for petty cash funds, including the following:

- Create and implement written policies and procedures for the fund. At a minimum, policies and procedures should include:

- Guidelines for safekeeping,
- Procedures for issuing funds, including use of a petty cash log,
- Procedures for reconciling, and
- Procedures for handling overages and/or shortages including instructions on notifying the appropriate City authority in the event of a loss.
- Ensure the custodian attends and is recertified in cash handling training every three years.
- Ensure all petty cash vouchers are approved and signed by the Division Manager/Director.
- Ensure petty cash funds are reconciled and replenished at least once a month.
- Ensure petty cash funds are only used for authorized purchases, as defined by the City's *Cash Management Manual*.

## **Fund Balance**

APD may no longer require a \$350 petty cash fund. The fund is infrequently used and was only used once in the past 15 months, as shown in the table below.

**APD Petty Cash Activity**

Month	Expenditure
April 2017	-
May 2017	-
June 2017	-
July 2017	-
August 2017	-
September 2017	-
October 2017	-
November 2017	\$41.50
December 2017	-
January 2018	-
February 2018	-
March 2018	-
April 2018	-
May 2018	-
June 2018	-

*Source: APD Petty Cash vouchers*

## **Recommendation**

APD should consider eliminating its petty cash fund and returning the funds to DFAS-Treasury.

xc: Sarita Nair, Chief Administrative Officer  
Sanjay Bhakta, Chief Financial Officer  
Aubrey Thompson, Fiscal Manager, APD

Petty Cash Count – Albuquerque Police Department  
June 27, 2018

18-402

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Contract Auditor

REVIEWED AND APPROVED:

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Lawrence L. Davis, Acting City Auditor  
Office of Internal Audit

APPROVED FOR PUBLICATION:

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Chairperson, Accountability in  
Government Oversight Committee

ACKNOWLEDGED:

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Jim Thompson, City Auditor  
Office of Internal Audit