



City of

ALBUQUERQUE

Office of Internal Audit

STRATEGIC REVIEW

18-403

**PLANNING DEPARTMENT
PETTY CASH & CHANGE
FUND CASH COUNTS**

AUGUST 22, 2018

EXECUTIVE SUMMARY

The petty cash fund was accounted for without exception, and the change fund contained a shortage of \$0.05. Procedures for securing cash are adequate; however, the current petty cash and change fund practices do not fully comply with the City's *Cash Management Manual* and applicable Administrative Instructions.

OIA noted four areas for improvement with the Planning Department's petty cash practices and procedures. The issues noted pertain to:

- Reconciliation – Petty cash is not reconciled as required,
- Replenishment – Petty cash is not replenished as required,
- Purchases – Petty cash was used to make unallowable purchases, and
- Vouchers – Petty cash vouchers were not numbered as required.

OIA also noted four areas for improvement regarding the change fund practices and procedures. The issues noted involve:

- Cash handling certificates – One cashier's certificate was expired and had not been renewed,
- Department specific policies and procedures – Have not been established;
- Dual verifications of balances on hand – Are not completed and a shortage existed; and
- Sub-custodian agreements – Agreements were not on file.

INTRODUCTION

On June 22, 2018 the Office of Internal Audit (OIA) performed a surprise cash count of the petty cash and change funds maintained by the Planning Department.

Fund Type	Amount	Fund Location
Petty Cash	\$ 200	Plaza del Sol
Change Fund	\$ 1,100	Plaza del Sol

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.

The Planning Department's cash site at Plaza del Sol is open Monday through Friday from 8:00am to 4:50pm and the approved \$1,100 change fund is used to make change for paying customers. Each of four cashiers is assigned a daily starting balance of \$150 (\$600 total), and the remaining \$500 balance is secured in the safe to make change, as needed. Each cashier is responsible for his or her funds and transactions, and cashiers do not share cash drawers.

OBJECTIVES

The objectives of the surprise cash counts were to determine:

- Are the *petty cash & change funds* entrusted to the custodian/sub-custodian(s) accounted for and reconciled to approved fund amounts?
- Do the *petty cash & change fund* practices and procedures comply with the City's *Cash Management Manual* and applicable Administrative Instructions?
- Are procedures for securing cash adequate?

RESULTS

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

The Planning Department's current petty cash practices do not fully comply with the City's *Cash Management Manual*, and OIA noted four petty cash compliance issues, which are detailed in the table below.

Petty Cash Compliance Issues

Condition	Criteria
1. <u>Lack of Reconciliation:</u> The fund is not reconciled as required.	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.
2. <u>Infrequent Replenishment:</u> Petty cash funds are not replenished in accordance with the <i>Cash Management Manual</i> . The last replenishment occurred on 6/15/2015. All reconciling items are dated between 7/31/2015 and 9/30/2016.	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.
3. <u>Unallowable Purchases:</u> Petty cash funds were used to purchase retirement cakes and gifts.	The City's <i>Cash Management Manual</i> specifies that petty cash funds must not be used to purchase meals or other supplies for award ceremonies, or for retirement dinners or parties, unless items are approved by CAO and Department Director in writing prior to purchase.
4. <u>Unnumbered Vouchers:</u> Petty cash vouchers were not numbered as required.	The City's <i>Cash Management Manual</i> requires that petty cash vouchers be numbered on the upper right hand corner.

Recommendations

No recommendations pertaining to petty cash will be made. The Treasury Division confirmed that the Planning Department's petty cash fund was returned and deposited on July 5, 2018.

Change Fund Compliance

The Planning Department's current change fund practices do not fully comply with the City's *Cash Management Manual* and applicable Administrative Instructions. OIA noted four compliance issues, which are detailed in the table below.

Change Fund Compliance Issues

Condition	Criteria
<p>1. <u>Expired Cash Handling Certificate:</u> One of the backup cashier's cash handling certificate expired on June 17, 2018 and had not been renewed.</p>	<p>Administrative Instruction 2-6 requires all City employees who handle City monies to attend a Cash Handling training every three years.</p> <p>Those employees not certified by the Treasury Division will not be recognized as official cash handlers and shall not handle City monies until completing the training course and receiving certification.</p>
<p>2. <u>No Departmental Specific Policies and Procedures:</u> Planning does not have internal policies and procedures for its change fund.</p>	<p>The City's <i>Cash Management Manual</i> requires, in addition to the cash handling procedures contained therein, each department to establish its own specific procedures. At a minimum, the procedures should include the custodian authorization, internal controls for the funds, and the process for handling overages and/or shortages.</p>
<p>3. <u>No Dual Verification:</u> The cashiers do not dual verify their \$150 change drawers and a \$0.05 shortage existed.</p>	<p>The City's Cash Management Manual defines dual control as "a situation in which two people work together cooperatively in the verification of one another's work."</p> <p>Administrative Instruction 2-4 requires that shortages less than fifty dollars (\$50) require an Over/Short Form to be completed for recording purposes and signed by appropriate management. All copies of shortages shall be forwarded to the Treasury Division, Office of Internal Audit, and Office of Inspector General for review and monitoring.</p>
<p>4. <u>Sub-custodian Agreements Not on File:</u> Planning did not have sub-custodian agreements in place for the cashiers and back-up cashiers.</p>	<p>The City's <i>Cash Management Manual</i> requires if anyone other than the Primary Custodian handles either of these funds a Sub Custodial Statement of Responsibility should be completed and kept on file at the department.</p>

Recommendations

The Planning Department should:

- Track the expiration dates of employees' cash handling certifications to allow employees ample time to schedule and take the recertification class.
- Establish and submit department-specific policies and procedures to the Treasurer's Office for approval that address:
 - Internal controls, including dual verification of funds, and

- How to handle overages and shortages.
- Work with the Treasurer's Office to ensure that updated sub-custodian agreements are completed and on file.

NON-AUDIT SERVICE COMMUNICATION

Generally Accepted Government Auditing Standards – 2011 Revision (GAGAS 2011) defines non-audit services as “professional services other than audits or attestation engagements.” Strategic Reviews initiated by OIA are non-audit service projects that are designed to add value by providing rapid responses to urgent City issues or ensure compliance in high risk areas. GAGAS 2011 does not expressly address or establish standards for non-audit services.

Surprise cash counts are Strategic Review projects and the work performed does not constitute an audit conducted in accordance with GAGAS. Throughout each fiscal year, OIA objectively selects various petty cash or change funds to review. The Planning Department was selected in fiscal year 2018.

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