



EVALUATION

Audit No. 26-402

To: Accountability in Government Oversight Committee

From: Marisa C. Vargas, City Auditor
Office of Internal Audit

Date: March 25, 2026

Subject: 26-402 – Department of Finance & Administrative Services – Evaluation of Custodian and Sub-Custodian Oversight Requirements

EXECUTIVE SUMMARY

The Office of Internal Audit (OIA) conducted an evaluation of the Department of Finance and Administrative Services (DFAS), Treasury Division, to assess whether the City’s Department Imprest Fund List (Imprest Fund List) accurately reflects assigned custodians and sub-custodians for imprest funds.

The evaluation was self-initiated after OIA identified multiple locations in the Imprest Fund List where a primary custodian was assigned, but no sub-custodian was documented. Because imprest funds are physically entrusted to individual employees who assume personal financial responsibility for shortages, continuity of accountability is critical when primary custodians are absent.

OIA’s analysis of the July 1, 2025 Imprest Fund List identified that 24 of 43 authorized cash locations (56%), representing \$42,215 (71% of total authorized imprest funds), did not have a sub-custodian reflected in Treasury’s centralized records.

Although some departments maintained sub-custodian documentation internally, those records were not consistently submitted to or reflected in Treasury’s listing.

OIA identified opportunities to strengthen:

- Consistency in custodial designation to ensure continuity of responsibility; and
- Centralized tracking mechanisms to ensure imprest fund records are current, complete, and readily available.

Strengthening these areas will enhance centralized oversight and reinforce accountability over City cash assets.

BACKGROUND, OBJECTIVES, & SCOPE

BACKGROUND

The Department of Finance & Administrative Services (DFAS), through its Treasury Division, serves as the fiscal agent and guardian of the City's financial resources. Treasury establishes Citywide cash handling requirements through the *Cash Management Policies and Procedures Manual* (Manual) and related Administrative Instructions.

Imprest funds (change and petty cash funds) are fixed amounts of City cash advanced to departments to facilitate daily operations. These funds remain City property at all times and are physically entrusted to a designated custodian.

Before funds are released, the custodian must complete the required *Cash Handling Training Class* and execute a notarized Custodian Statement of Responsibility. The Statement provides that, upon termination of custodianship, the individual will account for the entire fund and authorizes the City to deduct any unexplained shortage from wages or salary.

The Manual states that each cash fund is assigned to a designated custodian who has exclusive access and control over the fund and is personally responsible for its safekeeping. If anyone other than the primary custodian handles the fund, a Sub-Custodian Statement of Responsibility must be completed and retained on file.

Treasury maintains a centralized Imprest Fund List to track authorized fund amounts and assigned custodians and sub-custodians. The list is intended to serve as a Citywide accountability mechanism to ensure responsibility for entrusted funds is clearly documented, current, and verifiable.

As of July 1, 2025, the Imprest Fund List reflected nine (9) departments and forty-three (43) authorized cash locations totaling \$59,800 in authorized imprest funds.

OBJECTIVES

The objective of this evaluation was to determine whether Treasury's Imprest Fund List accurately reflects custodial assignments and supports centralized oversight and accountability over City imprest funds.

SCOPE

The scope of the evaluation included:

- Analysis of the Imprest Fund List dated July 1, 2025;

- Examination of Custodian and Sub-Custodian Statements of Responsibility for selected departments and cash sites; and
- Assessment of Treasury’s processes for maintaining centralized custodial records.

This evaluation focused specifically on the completeness and accuracy of custodial assignments reflected in Treasury’s centralized listing. Additional details regarding the evaluation methodology are provided in Appendix A.

RESULTS

FINDING 1 – OPPORTUNITIES EXIST TO STRENGTHEN THE ORGANIZATION AND CLARITY OF CUSTODIAN AND SUB-CUSTODIAN OVERSIGHT REQUIREMENTS.

Condition

During preparation to perform a surprise cash count, OIA identified several locations without designated sub-custodians on the Imprest Fund List. To assess the extent of this issue, OIA evaluated the Imprest Fund List, dated July 1, 2025, which reflected nine (9) departments and forty-three (43) authorized cash locations totaling \$59,800.

Initial analysis identified that seven (7) departments, representing twenty-four (24) of the forty-three (43) locations (56%), totaling \$42,215 (71% of the total authorized amount), did not have a documented sub-custodian reflected in Treasury’s centralized records.

Because the Imprest Fund List serves as Treasury’s official record of custodial assignments, the absence of documented sub-custodians indicates that more than half of authorized cash locations – representing the majority of imprest fund dollars – were not fully reflected in centralized oversight records.

The departments, numbers of locations, and associated fund amounts for which sub-custodians were not reflected in Treasury’s centralized records are summarized in Table 1 below.

Table 1 – Locations Without Documented Sub-Custodians

Department	Locations Without Documented Sub-Custodian	Total Amount
Arts & Culture	7	\$30,575
Human Resources	1	\$50
Municipal Development	3	\$7,000
Parks & Recreation	6	\$750
Planning	1	\$1,100
Solid Waste	5	\$2,700
Senior Affairs	1	\$40

Total	24	\$42,215
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To determine whether documentation existed outside of Treasury’s records, OIA contacted applicable departments and reviewed supporting custodial documentation for the twenty-four (24) locations. During this review, OIA identified the following documentation issues:

- (19) had executed Sub-Custodian Statements of Responsibility on file at the departmental level but had not submitted them to Treasury;
- (8) did not have executed Sub-Custodian Statements of Responsibility on file; and
- (10) had a transfer of custodial responsibility but did not provide Treasury with the required update.

As a result, Treasury’s centralized Imprest Fund List did not consistently reflect current sub-custodian assignments.

Cause

Inconsistent sub-custodian documentation and reporting resulted from a combination of uneven departmental compliance and limited clarity regarding when sub-custodians should be formally designated. *The Cash Management Policies and Procedures Manual* (Manual) establishes requirements for executing Sub-Custodian Statements of Responsibility and outlines procedures for transferring custodial responsibility when changes occur. However, departments do not consistently execute or submit required documentation to Treasury, resulting in incomplete or outdated centralized records.

Additionally, while the Manual requires a Sub-Custodian Statement of Responsibility when individuals other than the primary custodian handle the fund, it provides limited structured guidance to support consistent implementation across departments. The Manual does not define criteria—such as fund thresholds, operational risk considerations, or documented exceptions—to guide departments in determining when sub-custodians should be designated, contributing to inconsistent designation and reporting practices across departments. Treasury also relies primarily on departments to initiate and submit custodial documentation, and centralized tracking and verification processes are largely manual.

Criteria

The Manual, under “Custodian Duties for Change and Petty Cash Funds,” states:

“Each cash fund is assigned to a designated custodian, who has exclusive access and control over the fund. The custodian is personally responsible for the safekeeping and proper management of the fund at all times.”

The Manual further states:

“If anyone other than the primary custodian handles the fund, a Sub-Custodian Statement of Responsibility must be completed and retained on file.”

Additionally, the Manual provides that when custodial responsibilities change:

“The Department Director must submit a memorandum to the City Treasurer requesting the transfer. The memo must include the name and employee identification number of the current custodian or sub-custodian and the new custodian. The incoming custodian or sub-custodian must complete the *Cash Handling Training Class* prior to assuming responsibilities. Upon approval from the Treasurer, a dual verification of funds must be performed by both the outgoing and incoming custodians, and documentation must be sent to Treasury including the original notarized Custodial or Sub-Custodian Statement of Responsibility signed by the incoming custodian.”

These requirements align with GAO’s *Standards for Internal Control in the Federal Government* (Green Book), including Principle 3 (assignment of responsibility and authority), Principle 10 (design of control activities), and Principle 13 (use of quality information to support oversight). These principles emphasize clear documentation of responsibilities, defined control activities, and reliable information to support monitoring of asset custody.

Effect

Imprest funds are City assets entrusted to designated custodians who assume personal financial responsibility for shortages on behalf of their departments. Treasury maintains the Imprest Fund List as the centralized record of authorized fund amounts and assigned custodians and sub-custodians.

When sub-custodian documentation is not consistently executed or submitted to Treasury, or when custodial transfers are not properly reported, the Imprest Fund List may not accurately reflect custodial assignments. As a result, accountability for specific cash locations may be incomplete, continuity of control during personnel absences or personnel transitions may be unclear, and Treasury’s ability to maintain effective centralized oversight of entrusted cash assets may be reduced.

At the time of evaluation, several City cash locations collectively maintaining approximately \$59,800 in imprest funds lacked documented sub-custodian assignments. Without a formally designated sub-custodian, cash handling responsibilities during leave, turnover, or unexpected absences may not be clearly assigned, increasing the risk of errors, delayed detection of discrepancies, or potential misappropriation of funds.

RECOMMENDATIONS:

The Department of Finance & Administrative Services, Treasury Division, should:

1. Enhance guidance within the Cash Management Policies and Procedures Manual to define criteria and operational expectations for designating sub-custodians, including when

individuals other than the primary custodian have access to imprest funds and when exceptions may be appropriate and should be documented.

2. Enhance Treasury's centralized tracking process to ensure that all authorized imprest fund locations and assigned custodians and sub-custodians are accurately recorded and updated in a timely manner. The process should include procedures for periodic reconciliation of departmental records to the Imprest Fund List.
3. Require departments to periodically certify the accuracy of assigned imprest fund custodians and sub-custodians, including confirmation of active employment status and continued assignment.
4. Ensure departments are following the established transfer procedures and submitting custodial transfer documentation when a custodian or sub-custodian changes.

CONCLUSION:

By implementing the recommendations detailed in this report, the Department of Finance & Administrative Services, Treasury Division, can strengthen centralized oversight of imprest funds and ensure custodial assignments are complete, current, and accurately reflected in Treasury's records.

Because imprest funds are physically entrusted to individual employees who assume personal financial responsibility for shortages, maintaining accurate and centralized documentation of custodial assignments is essential of accountability and safeguarding City assets.

OIA appreciates the cooperation and assistance provided by DFAS personnel during this evaluation. The department's response is included in Appendix B.

APPENDIX A

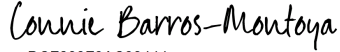
METHODOLOGY

Methodologies used to accomplish the objectives include but are not limited to the following:

- Obtained and analyzed the Imprest Fund List dated July 1, 2025, to identify authorized locations, assigned custodians, and documented sub-custodians.
- Quantified locations and fund amount where sub-custodians were not reflected in Treasury’s centralized records.
- Selected targeted locations for further evaluation and obtained Custodian and Sub-Custodian Statements of Responsibility to determine whether documentation existed at the departmental level.
- Contacted applicable departments to verify execution and retention of Sub-Custodian Statements not reflected in Treasury’s listing.
- Evaluated relevant provisions of the *Cash Management Policies and Procedures Manual* and assessed Treasury’s process for maintaining and updating the Imprest Fund List.
- Evaluated whether custodial transfer procedures—including required documentation and submission to Treasury—were followed when custodial or sub-custodial responsibilities changed.
- Assessed Treasury’s process for maintaining and updating the Imprest Fund List and the extent to which centralized records reflected current custodial assignments.


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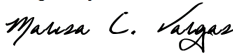
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APPENDIX B

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled *Department Response* whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Responsible Party	Department Response	<u>OIA Use Only</u> Status Determination*
Recommendation #1: Enhance guidance within the Cash Management Policies and Procedures Manual to define criteria and operational expectations for designating sub-custodians, including when individuals other than the primary custodian have access to imprest funds and when exceptions may be appropriate and should be documented.	DFAS, Treasury Division	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur “Treasury concurs with this recommendation. The Cash Management Policies and Procedures Manual will be enhanced to clarify expectations for when sub-custodians should be designated for imprest funds and when exceptions may be appropriate. The guidance will also require departments to document any approved exceptions. Additionally, the manual will clarify that departments holding imprest funds must outline in their internal procedures how those funds are managed, including the designation of sub-custodians when multiple imprest funds are maintained at different cash site locations within the department.” <u>ESTIMATED COMPLETION DATES</u> “September 2026”	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

Recommendation	Responsible Party	Department Response	<u>OIA Use Only Status Determination*</u>
<p>Recommendation #2:</p> <p>Enhance Treasury’s centralized tracking process to ensure that all authorized imprest fund locations and assigned custodians and sub-custodians are accurately recorded and updated in a timely manner. The process should include procedures for periodic reconciliation of departmental records to the Imprest Fund List.</p>	<p>DFAS, Treasury Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>“Treasury concurs with this recommendation. Treasury will work to enhance its centralized tracking of imprest funds to ensure that all authorized imprest fund locations, as well as assigned custodians and sub-custodians, are accurately recorded and updated in a timely manner when a cash site notifies Treasury of a change in custodian or sub-custodian. This process is dependent upon departments and cash sites providing timely notification, as Treasury may not otherwise be aware when a custodian is no longer with the department. Treasury will also implement procedures to perform an annual reconciliation of departmental imprest fund records with Treasury’s official Imprest Fund Listing to ensure consistency, accuracy, and proper oversight of all authorized imprest funds.”</p> <p><u>ESTIMATED COMPLETION DATES</u> “September 2026”</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

Recommendation	Responsible Party	Department Response	<u>OIA Use Only Status Determination*</u>
<p>Recommendation #3:</p> <p>Require departments to periodically certify the accuracy of assigned imprest fund custodians and sub-custodians, including confirmation of active employment status and continued assignment.</p>	<p>DFAS, Treasury Division</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>“Treasury partially concurs with this recommendation. As outlined in the Cash Management Policies and Procedures Manual, it is the responsibility of departments to notify Treasury of any changes to imprest fund custodians or sub-custodians, including changes resulting from employment status within the department. Treasury relies on departments to provide timely notification, as Treasury may not otherwise be aware when a custodian or sub-custodian is no longer employed or assigned to those duties.</p> <p>Treasury will request updates from departments biannually, or as needed, regarding their designated custodians and sub-custodians to ensure the information on record remains accurate and current.”</p> <p><u>ESTIMATED COMPLETION DATES</u> “September 2026”</p>	<p><input checked="" type="checkbox"/> Open</p> <p><input type="checkbox"/> Closed</p> <p><input type="checkbox"/> Contested</p>

Recommendation	Responsible Party	Department Response	<u>OIA Use Only Status Determination*</u>
<p>Recommendation #4:</p> <p>Ensure departments are following the established transfer procedures and submitting custodial transfer documentation when a custodian or sub-custodian changes.</p>	<p>DFAS, Treasury Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>“Treasury concurs with this recommendation. Departments are expected to follow the established transfer procedures as outlined in the Cash Management Policies and Procedures Manual, including submitting custodial transfer documentation whenever a custodian or sub-custodian changes. Treasury will continue to provide guidance and reminders to departments to ensure these procedures are consistently followed, supporting proper oversight and accountability of all imprest funds.”</p> <p><u>ESTIMATED COMPLETION DATES</u> “September 2026”</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>