

CITY AUDITOR'S OFFICE



**AUDIT OF MUNICIPAL COURT
PETTY CASH FUND**

Report CW012-1819-02

October 10, 2018

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CITY AUDITOR

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BACKGROUND

The City Auditor's Office performs on-going unannounced cash counts and reviews of cash handling controls at city facilities. The Municipal Court Petty Cash Fund was selected for a surprise cash count and audited on August 27, 2018. Petty Cash Funds are defined as funds established for the purpose of making immediate and/or emergency cash payments and for making payments that are too small to be made by check. Petty cash payments should not exceed \$100 per occurrence. These funds are replenished as needed by the departments through the City Treasurer's Office. The City Treasurer's Office oversees the administration of the petty cash system including the authorization, issuance, replenishment, and tracking of petty cash funds.

OBJECTIVES

The objectives of our audit were to:

- Determine if management controls are adequate to ensure that expenditures are properly authorized and reported.
- Determine if applicable policies and procedures are appropriately followed.
- Review overall operations to determine if objectives and benefits are accomplished.

SCOPE AND METHODOLOGY

The scope of this audit was limited to a review of petty cash funds and transactions for one year, September 2017 to August 2018. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Review of applicable guidelines, policies, and procedures,
- Interviews with City personnel,
- Petty cash count and reconciliation,
- Analysis and detail testing of selected data, and
- Review of previous audit recommendations.

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

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The following conclusions were noted:

Determine if management controls are adequate to ensure that expenditures are properly authorized and reported.

Determine if applicable policies and procedures are appropriately followed.

- A copy of the Petty Cash and Change Funds Policy/Procedure FN305 should be kept with the Department Director or designee. A copy was provided to the Fund Custodian during this audit.
- A memo needs to be prepared and submitted during the months where there were no disbursements. (Finding #1)

Review overall operations to determine if objectives and benefits are accomplished.

- Reconciliation of the petty cash fund was accomplished on May 16, 2017.

Further information is contained in the following sections.

1. Replenishing Petty Cash Funds

Criteria

Petty Cash and Change Funds Policy/Procedure FN305

H. Replenishing Petty Cash Funds managed by individual departments

5. The fund custodian:
 - a. Forwards the signed *Petty Cash Log, Petty Cash Reconciliation & Replenishment Forms*, all original receipts, and all paid petty cash vouchers to Treasury; and
 - b. If no disbursements were made during the month, fund custodian's supervisor submits a signed memo to that effect. ...

Condition

- In 9 of the 12 months reviewed, no disbursement were made during the month, the fund custodian's supervisor did not submit a signed memo to that effect as required by FN 305 (H. 5. b.).

Cause

- The custodian was not aware of this requirement.

Effect

- Failure to follow policy.
- Weaknesses in cash controls.

Recommendation

- 1.1 The Department Director or designee, supervisor, and fund custodian should follow Petty Cash and Change Funds Policy/Procedure (FN305) section H. Replenishing Petty Cash Funds managed by individual departments.

MANAGEMENT RESPONSE

1. Memos are required when no disbursements were made.

- 1.1 The Department Director or designee, supervisor, and fund custodian should follow Petty Cash and Change Funds Policy/Procedure (FN305) section H. Replenishing Petty Cash Funds managed by individual departments.

Management Plan of Action: Effective immediately, when there are no disbursements of petty cash funds during the month, the court will submit a memorandum advising Treasury to that effect as required by City Policy/Procedures FN305.

Estimated Date of Completion: October 31, 2018