

CITY AUDITOR'S OFFICE



AUDIT OF THE OFFICE OF CULTURAL AFFAIRS CHANGE FUNDS

Report CW012-1819-05

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CITY AUDITOR

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AUDIT OF THE OFFICE OF CULTURAL AFFAIRS

CHANGE FUNDS

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BACKGROUND

Change funds are cash funds established to provide service organizations with sufficient coin and currency to make change for operational purposes. Change funds are administered by the Department of Finance. Change funds are separate from the petty cash funds and are used only to make change. The amount in the change fund does not fluctuate. It is always the same as what was originally funded. No expenditures can be deducted from the change funds.

Over sixty (60) change funds have been authorized to various change fund custodians by the Department of Finance. These funds are in various amounts based on need and are over \$21,000.

The Director Finance is responsible for enforcing change fund policy/procedures and reviewing and approving or denying requests for change funds. The Director of Finance is responsible for change fund operation including establishing, maintaining, increase or decrease of funds, and fund closure.

Department Directors are responsible for all change funds operated in their departments and their compliance with applicable policy and procedure.

In addition to the Department of Finance periodically reviewing operations, the City Auditor's Office may periodically perform unannounced cash counts and review change fund controls at city facilities.

During the month of November 2018 the city auditors audited change funds for the Office of Cultural Affairs. There are a total of eight (8) separate change funds amounting to a total of \$1,245.

The locations included:

- Charleston Arts Center four (4) separate change funds
- West Las Vegas Arts Center one (1) change fund
- Historic Fifth Street School three (3) separate change funds

Change fund activities at the locations are subject to both city and departmental cash handling policies and procedures.

- Petty Cash and Change Funds Policy/Procedure FN305
- Cash Handling Policy/Procedure FN302

Cash controls at each location are evaluated against these policies and procedures and any other applicable department specific policies and procedures.

OBJECTIVES

Our objectives in completing the audit of cash handling controls and procedures at the Office of Cultural Affairs were to:

- Conduct a surprise cash count of the change funds.
- Review compliance with city and departmental change fund policies and procedures.
- Observe general security of funds.

SCOPE AND METHODOLOGY

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. The last fieldwork date of this audit was November 8, 2018.

Our methodology included:

- Surprise count of change funds.
- Observing cash operations.
- Interviewing personnel.
- Reviewing change funds policies and procedures.

FINDINGS AND RECOMMENDATIONS

We completed unannounced cash counts of the change funds for the Office of Cultural Affairs. No significant overages or shortages were discovered during our count.

Our audit identified issues management should address to improve the cash handling controls at the Office of Cultural Affairs. These issues are summarized in the following sections.

1. Departmental Location of Petty Cash and Change Funds Policy/Procedure

Criteria

City cash handling policies and procedures should be followed to ensure proper controls over funds and accountability for transactions.

Petty Cash and Change Funds Policy/Procedure FN305

Procedures

B. Maintaining a Petty Cash and /or Change Fund

3. ... A copy of FN305 Petty Cash/Change Fund Policy/Procedure should be kept with both petty cash and change funds for easy reference.

Condition

The Office of Cultural Affairs did not have a copy of the *Petty Cash and Change Funds Policy/Procedure FN305* with the change funds.

Cause

Petty Cash and Change Funds Policy/Procedure FN305 was not distributed to the Change Fund Custodians.

Effect

The required Policy and Procedure was not available for easy reference.

Recommendation

1.1 Cultural Affairs Management should ensure that fund custodian receives a copy of *Petty Cash and Change Funds Policy/Procedure FN305* and it is kept with the change fund for easy reference.

2. Departmental Audits of Change Funds

Criteria

Departmental independent audits of Change Funds.

Petty Cash and Change Funds Policy/Procedure FN305

Procedures

B. Maintaining a Petty Cash and /or Change Fund

6. Departmental procedures must provide for periodic audits of all petty cash and change funds.
 - a. The results of these audits must be reported to the Department Director or designee.
 - b. All overages and shortages must be immediately reported to the direct supervisor and Treasury.

Condition

The Office of Cultural Affairs did not have a written departmental procedure for periodic audits of their change funds as required by *Petty Cash and Change Funds Policy/Procedure FN305* nor were these periodic audits performed.

Cause

The Office of Cultural Affairs was not familiar with the Departmental audit requirement included in *Petty Cash and Change Funds Policy/Procedure FN305*.

Effect

The required independent Departmental verifications were not performed.

Recommendation

2.1 Cultural Affairs Management should document and implement a Departmental Procedure to require independent Departmental audits in accordance with *Petty Cash and Change Funds Policy/Procedure FN305*.

MANAGEMENT RESPONSES

1. Petty Cash and Change Funds Policy/Procedure Not On Hand

- 1.1 Cultural Affairs Management should ensure the fund custodian receives a copy of Petty Cash and Change Funds Policy/Procedure FN305 and file it with the department's cash handling procedures.

Management Plan of Action

Management will distribute FN305 to all Office of Cultural Affairs staff in addition to FN302 Cash Handling procedures. Staff will review the documents and sign acknowledgement form to verify their understanding of both policies.

Estimated Date of Completion: December 30, 2018

2. Need Department Procedure for Audit of Change Funds

- 2.1 Cultural Affairs Management should document and implement a procedure to periodically audit their change funds.

Management Plan of Action

Department management will periodically and randomly, audit change funds. Department management will develop tracking spreadsheet to document the details of each occurrence, including participants' names, date and time, and the results of each audit.

Estimated Date of Completion: July 30, 2019