

CITY AUDITOR'S OFFICE



**AUDIT OF THE DEPARTMENT OF PLANNING
BUSINESS LICENSING DIVISION
CHANGE FUNDS**

Report CW012-1819-08

April 4, 2019

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CITY AUDITOR

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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 of 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, increasing or decreasing of funds, and fund closures.

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 October 2018 city auditors conducted cash counts of change funds for the Business Licensing Division. There are a total of 4 change funds amounting to a total of \$1,200.00.

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 Business Licensing Division 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 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 October 8, 2018.

Our methodology included:

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

FINDING AND RECOMMENDATION

We completed unannounced cash counts of the change funds at the Business Licensing Division. 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 Business Licensing Division. These issues are summarized in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Departmental Location of Petty Cash and Change Funds Policy/Procedure FN305

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 Business Licensing Division 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 Business Licensing Division 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.

MANAGEMENT RESPONSE

1. Departmental Location of Petty Cash and Change Funds Policy/Procedure FN305

Recommendation

- 1.1 Business Licensing Division 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.

Management Plan of Action: A copy of both the FN305 and Petty Cash and Change Funds Policy and Procedures reside in a folder with the change fund custodian. A folder was created that contained both the FN305 and Petty Cash and Change Funds Policy/Procedures and will reside in the cashiering booth. All staff, who serve in the cashiering function, will review the documents and sign an acknowledgment form that will be placed in the folder as well.

Estimated Date of Completion: May 1, 2019