



GARLAND

INTERNAL AUDIT

Cash Count Audit

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Authorization

We have conducted an audit of the Cash Count Audit. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

The objectives of this audit were as follows:

1. Are City's cash funds in compliance with the City of Garland's Financial Policies and Procedures? (to include surprise cash fund counts and analysis of petty cash purchases)
2. Were recommendations from the previous cash count audit implemented?

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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. Our audit covered June 1, 2010 - December 30, 2010.

While we report to the Mayor and City Council and present the results of our work to the Audit Committee, we are located organizationally outside the staff of line management functions we are auditing. Therefore, this Audit organization may be considered free of organizational impairments to independence to audit internally and report objectively to those charged with governance.

To adequately address the audit objectives, we:

- Reviewed the City's Petty Cash Directive, Cash Handling Procedures Directive and SOP (Standard Operating Procedure) 1124-011 (Obj. 1)
- Conducted surprise counts of petty cash, coin and bill accepters, and change funds (Obj. 1)
- Reviewed petty cash reimbursements (Obj. 1)
- Reviewed petty cash check requests (Obj. 1)
- Determined if prior audit recommendations have been implemented (Obj. 2)

Overall Conclusion

We counted and reviewed 24 Petty Cash Funds, 28 Change Funds and 11 CBA's (Coin and Bill Accepters). We found that all funds were safe, secured and locked.

Of the 24 Petty Cash funds, we found that 18 departments were not using pre-numbered receipts. Of the 28 Change Funds, we found that 7 departments do not make daily deposits. We did not identify any problems with the CBA's.

We issued 49 memos to each responsible area with 53 recommendations to strengthen internal controls.

For those transactions we observed, we did not identify any prohibited expenditures and no fraud was found.

The directives, policies and procedures are outdated and need to be updated to reflect current practices.

Background

Petty Cash

The current Petty Cash Directive, which allows departments to reimburse employees for expenses of \$75 or less, was issued on September 18, 2000. The Accounting Department is responsible for setting up the petty cash for departments, how much money is issued, and maintaining a current list of petty cash custodians for each department. A total of 24 petty cash funds were reviewed and counted. During our review 4 departments relinquished their petty cash.

When an employee makes a purchase of \$75 or less, the employee can get reimbursed through their department's or Financial Service's petty cash funds. The employee is responsible for submitting an original itemized receipt before reimbursement can be made.

Petty cash custodians are responsible for obtaining original receipts from employees and issuing a pre-numbered receipt with the employee's name, account number and a brief description of the reimbursement. At the end of the month, the petty cash custodian is required to reconcile their petty cash, submit all receipts with vouchers to the Financial Services Department and process a request for a check so they can replenish their petty cash.

As of September 7, 2011, there was a total of \$13,900 in Petty Cash funds and petty cash replenishments totaled \$34,003.41 between the period of June 1, 2010 through December 30, 2010.

Change Drawer Funds

Various departments throughout the City take in monies for fees and services provided such as permits, inspections, utility payments, registration fees, admissions, etc. The change drawer funds are used to make change readily available for those customers paying for fees and services. Departments are responsible for reconciling their monies and for preparing cash reports. Most departments take their deposits to the Accounting office to be picked up by the Loomis Armored car service. A total of 28 department change funds were reviewed and counted.

As of September 7, 2011, there was a total of \$21,403.04 issued in change funds.

Coin and Bill Accepters (CBA's)

There are four library branches, South, North, Central and Walnut Creek located throughout the City that operate a total of 11 CBA's. Patrons pay \$.15 for online Internet printing using printers designated for that purpose and pay for the use of photocopy machines. The printers and photocopiers are equipped with coin boxes to accept payment and the revenue is deposited into two separate revenue accounts. The CBA's have their own replenishment system tubes that are automatically replenished within the box. The tubes contain a maximum of \$20 in quarters, \$3.65 in nickels, and \$10.60 in dimes, for a total of \$34.25 for each CBA. The CBA's accept coins and bills. As customers deposit coins into the machines, the tubes are automatically refilled. The coin overflow from the replenishment tubes and the bills are collected, counted and deposited. The CBA's revenue for the Central library is deposited on a daily basis and the branches make deposits once a week

As of September 7, 2011, there was a total of \$23,349.93 collected in internet/printer revenue and \$8,620.48 in copier revenue for FY 2011.

Opportunities for Improvement/Follow-up

During our audit, we did not identify any new significant issues to report.

The following is a follow-up of the report “Cash Count Audit” issued on August 27, 2009. The original audit included surprise cash counts of petty cash funds, change funds, coin bill acceptor (CBA) funds, and testing of receipts and reimbursements. The follow-up audit was not intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement/Follow-up section presented in this report may not be all-inclusive of areas where improvement might be needed.

The following results for each finding are as follows:

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
1 (Obj 2)	Update Finance Directive #11 Petty Cash & SOP #1124-011	<p>To Update Finance Directive #11 Petty Cash and SOP #1124-011 to include the following:</p> <ul style="list-style-type: none"> A. Require Petty Cash Custodians to replenish their Petty Cash at least quarterly rather than monthly. B. Petty Cash Custodians must submit detailed original receipts with each 	<p>Financial Services concurs with the recommendation. The Petty Cash Directive #11 will be updated and sent to the City Manager for approval by September 18, 2009.</p>	<p>The Petty Cash Directive #11 and SOP 1124-01 are not updated yet but a draft has been written and submitted to the Financial Services Managing Director to review and submit to the City Manager.</p> <ul style="list-style-type: none"> A. Included in draft Petty Cash Directive B. Included in draft Petty Cash Directive C. Included in draft SOP 1124-011 D. Included in draft Petty Cash Directive E. Included in draft Petty Cash Directive F. Included in draft Petty Cash 	<p>Partially Implemented.</p> <p>Estimated date of Implementation: November 30, 2011</p>

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
		<p>replenishment</p> <p>C. Petty Cash Custodians should use <u>pre-numbered</u> Petty Cash voucher booklets approved by Finance.</p> <p>D. Petty Cash Advances for non travel purchases are prohibited.</p> <p>E. Petty Cash Reconciliation Forms and Petty Cash Vouchers should be attached to all replenishments requests.</p> <p>F. Provide correct links within the Directives to any cash related forms and/or procedures.</p> <p>G. Correct references to SOP 1124-011</p>		<p>Directive</p> <p>G. Included in draft SOP 1124-011</p>	

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
2 (Obj 2)	Update Finance Directive #1 Cash Handling Procedures	<p>To "Update Finance Directive #1 Cash Handling Procedures to include the following:"</p> <p>A. Section 1.3 should state all receipts must be deposited no later than the following business day. Those departments that cannot make daily deposits must submit written notification to Finance in the form of a waiver, approved by the City Manager</p> <p>B. Section 1.5 should be updated to state JP Morgan Chase Bank Texas, NA</p> <p>C. Section 1.8 stating "to send daily a copy of each cash report to Internal Audit" needs to be removed.</p>	<p>Financial Services concurs with the recommendation. The Petty Cash Directive #1 will be updated and sent to the City Manger for approval by September 18, 2009.</p>	<p>The Cash Handling Procedures Directive #1 is not updated yet but a draft has been written and submitted to the Financial Services Managing Director to review and submit to City Manager.</p> <p>A. Included in draft B. Included in draft C. Included in draft</p>	<p>Partially-Implemented.</p> <p>Estimated date of Implementation: November 30, 2011</p>

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
3 (Obj 2)	Cash Handling Training	Offer cash handling training quarterly and require mandatory once a year attendance from all Cash Fund Custodians. A signed Cash Handling Custodian Agreement should be filed with Finance establishing an employee as a Custodian. The Cash Handling Custodian Agreement should include the employee's name, type of fund, date established, outlined cash handling duties and responsibilities, and Managing Director and Custodian signatures.	Financial Services concurs with the recommendation. Cash handling training documentation will be developed and training classes will begin in December 2009.	Financial Services staff has created an agreement which will require custodians to sign and agree to comply with all aspects of the cash handling program. This agreement is still in a draft version and has not been put into effect. As for the training, Financial Services staff agrees that training should only be done when a new custodian takes over or a major change to the process or directives, policies and procedures is made.	Partially-Implemented. Estimated date of Implementation: November 30, 2011

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
4 (Obj 2)	City-wide Cash Handling Assessment	Complete a City-wide cash handling assessment annually to ensure all City Cash Fund Custodians are correct and fund balances are accurate and necessary. Financial Services has since been notified of the correct Custodians and fund balances. The Accounts Payable Supervisor is currently updating the fund records.	Financial Services concurs with the recommendation. A City-wide assessment will be completed annually in conjunction with the fiscal year-end reconciliation's of the Petty Cash and Change Fund accounts. The fund records have been updated and the first assessment will be completed by October 31, 2009.	E-mails were sent out to custodians in September 2010 to inquire about any updates made to the petty cash funds. Another update was made on July 2011. The Accounts Payable Supervisor will continue to make updates as reported and send out e-mails on a yearly basis to obtain updated information and will make changes in the finance system.	Implemented.
5 (Obj 2)	Input custodians as "Petty Cash" in Finance System	Input Petty Cash Custodians as <u>Petty Cash</u> in the Finance System's Utility Description Field.	Financial Services concurs with the recommendation. The list of Petty Cash Custodians received from Audit has been correctly updated in the financial system.	The Utility Field Description in the Finance System has been updated to include "Petty Cash" for custodians.	Implemented.

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
6 (Obj 2)	Petty Cash Replenishments issued Only to Petty Cash Custodians	Ensure all Petty Cash replenishment checks are issued to the Petty Cash Custodian and not the Department or other departmental employees.	Financial Services concurs with the recommendation. A specific Petty Cash Custodian name has been provided on all the Petty Cash replenishment vendor accounts.	All current petty cash custodians have check replenishments issued in their name.	Implemented.
7 (Obj 2)	Journal Entry for Coin & Bill Acceptor (CBA)	Process a journal entry that will create the Coin & Bill Acceptor (CBA) Change Fund and recognize the money that should have been posted to revenue when the CBA's were established. Update the Change Fund records to include CBA fund balances and Custodians. The Accounts Payable Supervisor is currently processing this entry and updating Change Fund records to include CBA accounts.	Financial Services concurs with the recommendation. A journal entry has been made in Finance to properly create Coin and Bill Acceptor funds. CBA tracking will now be a permanent part of the Change Fund records in finance.	A journal entry for CBA's was created and accounts for all 11 CBA's throughout all of the libraries.	Implemented.