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**Petty, Change and Imprest Cash Funds  
Audit**

September 26, 2014



**City of Fort Worth  
Department of Internal Audit**

1000 Throckmorton Street  
Fort Worth, Texas 76102

**Audit Staff**

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**The audit of petty, change and imprest cash funds was conducted as a part of the Department of Internal Audit's Fiscal Year 2014 Annual Audit Plan.**

### **Audit Objectives**

The objectives of this audit were to determine whether petty, change and imprest cash funds were accounted for and were being operated in accordance with established policies and procedures.

### **Audit Scope**

Petty, change and imprest cash funds as of June 30, 2014

### **Opportunities for Improvement:**

- Update general ledger to accurately reflect cash balances and require proper entries to close out cash funds
- Prohibit replenishment of change funds and self-replenishment of imprest funds
- Limit access to cash funds based on business need
- Enforce cash handling policy and training requirement
- Routinely evaluate the need for petty cash funds
- Prohibit replenishments of general fund cash funds with special revenue funds

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## **Executive Summary**

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As a part of our FY2014 Annual Audit Plan, the Department of Internal Audit conducted unannounced counts of petty, change and imprest cash funds maintained in various City departments. The objective of this audit was to determine whether these custodial cash funds were accounted for and were being operated in accordance with established policies and procedures.

Based on our audit results, we concluded that the security and safeguarding of petty, change and imprest cash funds was adequate and that there was adequate separation of duties between the recording and cash disbursement/replenishment of funds. We also concluded that the City of Fort Worth (CFW) has a blanket insurance policy covering employees involved in cash handling functions.

While the security, safeguarding and insurance coverage regarding petty, change and imprest cash funds was considered adequate, we concluded that the accounting for these cash funds (within the general ledger) was not always accurate. Cash funds counted by the Department of Internal Audit sometimes exceeded or were less than the amounts listed in the CFW's general ledger. There were two instances where the amount counted was \$5,000.00 more than what was in the general ledger, and one instance where the amount counted was \$10,000.00 more than the general ledger. In addition, the general ledger did not reflect cash funds that had been closed. One change fund was used for refunds.

Based on training records provided to the Department of Internal Audit, the majority of custodians did not complete the mandatory cash handling training. Also, in one instance, more CFW employees had access to change funds than was considered necessary.

Audit results indicated that one cash fund (recorded within the general ledger as a General Fund) was replenished with Special Revenue monies. We also noted a need to routinely review existing petty cash funds for necessity.

These findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.



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## Background

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### Petty Cash

Petty cash is used to purchase items or services on an emergency and infrequent basis, where it is not feasible or practical to submit a purchase order, request for payment, or use a procurement card.

### Change Funds

Change funds are established for the purpose of making change where cash is collected. Change funds are strictly revolving funds and require no replenishment.

### Other Custodial Cash Funds

Other custodial funds include imprest funds used by the Police Department for covert operations. Like petty cash and change funds, imprest funds have a set authorized balance in the general ledger. However, the authorized balance is usually higher due to the nature of expenses for which the funds are used.

### Risk Management

The CFW has a blanket insurance policy covering employees involved in cash handling functions. The current policy protects the CFW from crimes such as theft, disappearance and destruction, forgery or alteration, robbery and safe burglary, money order and counterfeit currency, computer and wire transfer fraud, employee dishonesty, and credit card forgery.

Finance Directive No. 6, located on Financial Management Services' intranet page, requires that all employees who have cash handling positions successfully complete an eight-hour course on cash handling. The policy requires that all departments perform monthly reconciliations, reimburse petty cash funds at the end of each fiscal year, maintain an updated list of petty cash custodians, use pre-numbered petty cash vouchers for reimbursement of the funds, etc. Finance Directive No. 6 is silent as to the frequency of mandatory training.

## Objectives

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The objectives of this audit were to determine whether petty, change and imprest cash funds were accounted for and were being operated in accordance with established policies and procedures.

## Scope

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Our scope included petty, change and imprest cash funds represented within the CFW's general ledger as of June 30, 2014. We also surveyed other departments to determine whether they had cash funds that were not represented within the general ledger.

## Methodology

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To achieve the audit objectives, the Department of Internal Audit performed the following steps:

- obtained a list of petty, change and imprest cash funds recorded in the general ledger;
- counted and reconciled cash in the presence of the respective cash fund custodians;
- compared petty, change and imprest cash fund counts to the general ledger;
- determined whether the security of cash was adequate;
- obtained CFW cash handling training requirements and determined whether cash fund custodians were in compliance; and,
- determined whether a crime or employee dishonesty insurance policy existed and was on file within the CFW's Risk Management Division.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review. 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.



## Audit Results

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We counted 14 of the 15 cash funds with general ledger balances of \$1,500.00 and above (noted as <sup>1</sup> in the following table). We also randomly selected a sample of six funds that were reflected in the general ledger at less than \$1,500.00 (noted as <sup>2</sup>). In addition to these 20 funds, two more funds were included in our sample, but could not be counted since they had been closed (noted as <sup>3</sup>). The general ledger had not been updated to reflect fund closure. We also counted one additional fund for which there was no balance in the general ledger (noted as <sup>4</sup>). This additional fund was brought to our attention by the custodial department. Our sample represented 81% of the general ledger's petty, change and imprest cash fund population in dollars.

Eight (8) of the 21 funds counted resulted in no exceptions. Five (5) funds had immaterial variances (less than \$3.00). However, material variances were noted in 10 funds. The following table summarizes our variances.

Type of Fund	Authorized Balance	Balance per General Ledger (GL)	Amount Counted by Internal Audit	Variance Between Authorized Balance and Audit Count	Variance Between GL and Audit Count	Comments
Imprest <sup>1</sup>	Unknown	\$5,000.00	\$15,000.00	N/A	\$10,000.00	No documentation to support authorized fund amount or the increase in cash fund
Imprest <sup>1</sup>	Unknown	\$10,000.00	\$15,000.00	N/A	\$5,000.00	No documentation to support authorized fund amount or the increase in cash fund
Imprest <sup>1</sup>	Unknown	\$10,000.00	\$15,000.00	N/A	\$5,000.00	No documentation to support authorized fund amount or the increase in cash fund



Type of Fund	Authorized Balance	Balance per General Ledger (GL)	Amount Counted by Internal Audit	Variance Between Authorized Balance and Audit Count	Variance Between GL and Audit Count	Comments
Change <sup>4</sup>	\$2,100.00	\$ 0.00	\$1,981.52	(\$118.48)	\$1,981.52	GL not updated to reflect actual composition of funds
Change <sup>1</sup>	2,100.00	3,900.00	2,218.05	118.05	(1,681.95)	
Change <sup>1</sup>	<u>2,300.00</u>	<u>2,600.00</u>	<u>2,300.00</u>	<u>.00</u>	<u>( 300.00)</u>	
Total	<u>\$6,500.00</u>	<u>\$6,500.00</u>	<u>\$6,499.57</u>	<u>(\$ .43)</u>	<u>(\$ .43)</u>	
Imprest <sup>3</sup>	Unknown	\$1,903.67	\$0.00	N/A	(\$1,903.67)	Fund not counted because the fund had been closed
Imprest <sup>3</sup>	\$0.00	\$670.00	\$0.00	N/A	(\$670.00)	Fund not counted because the fund had been closed
Imprest <sup>1</sup>	\$2,000.00	\$2,660.00	\$2,000.00	\$0.00	(\$660.00)	Fund replenishment recorded as a fund increase
Imprest <sup>1</sup>	\$1,500.00	\$1,500.00	\$1,700.00	\$200.00	\$200.00	Overage with no supporting documentation provided
Change <sup>1</sup>	\$1,800.00	\$1,800.00	\$1,802.56	\$2.56	\$2.56	Immaterial variance
Change <sup>1</sup>	\$6,700.00	\$6,700.00	\$6,701.97	\$1.97	\$1.97	Immaterial variance
Change <sup>2</sup>	\$1,300.00	\$1,300.00	\$1,301.12	\$1.12	\$1.12	Immaterial variance
Change <sup>1</sup>	\$2,000.00	\$2,000.00	\$2,000.50	\$0.50	\$0.50	Immaterial variance
Change <sup>1</sup>	\$1,800.00	\$1,800.00	\$1,800.20	\$0.20	\$0.20	Immaterial variance
Imprest <sup>1</sup>	\$5,000.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00	Replenished using special revenue and recorded as a general fund account
Imprest <sup>1</sup>	\$2,000.00	\$2,000.00	\$2,000.00	\$0.00	\$0.00	N/A
Change <sup>1</sup>	\$1,500.00	\$1,500.00	\$1,500.00	\$0.00	\$0.00	N/A
Change <sup>2</sup>	\$400.00	\$400.00	\$400.00	\$0.00	\$0.00	N/A
Petty Cash <sup>2</sup>	\$300.00	\$300.00	\$300.00	\$0.00	\$0.00	N/A



Type of Fund	Authorized Balance	Balance per General Ledger (GL)	Amount Counted by Internal Audit	Variance Between Authorized Balance and Audit Count	Variance Between GL and Audit Count	Comments
Petty Cash <sup>2</sup>	\$250.00	\$250.00	\$250.00	\$0.00	\$0.00	N/A
Change <sup>2</sup>	\$200.00	\$200.00	\$200.00	\$0.00	\$0.00	N/A
Change <sup>2</sup>	\$50.00	\$50.00	\$50.00	\$0.00	\$0.00	N/A

During our audit, a City department brought it to our attention that concession revenue from vending machines within their department was being used as petty cash funds. This concession arrangement is excluded from the City’s vending contract managed by the Public Events Department.

Logs maintained by the department to track the receipt and use of concession revenue, indicate that the total concession revenue received was immaterial (totaling only \$78.56 and \$81.06 over the past 19 and 16 months, respectively). The Department of Internal Audit noted that the vending concession checks were made payable to the “Public Safety Comm Ctr” at 3000 W. Bolt Street. Of the seven check and/or check stub copies observed (totaling \$58.16), none could be traced to logs provided to Internal Audit by the Police Department.

While the concession revenue/petty cash fund amounts were noted as being immaterial, the Department of Internal Audit considered the opportunity to contract (verbally or in writing) with a vendor outside of the CFW’s concession contract and the proceeds not be included in the general ledger a material control weakness. Vendor concession revenue will, therefore, be considered during the risk assessment for the Department of Internal Audit’s FY2015 Annual Audit Plan.



## Overall Evaluation

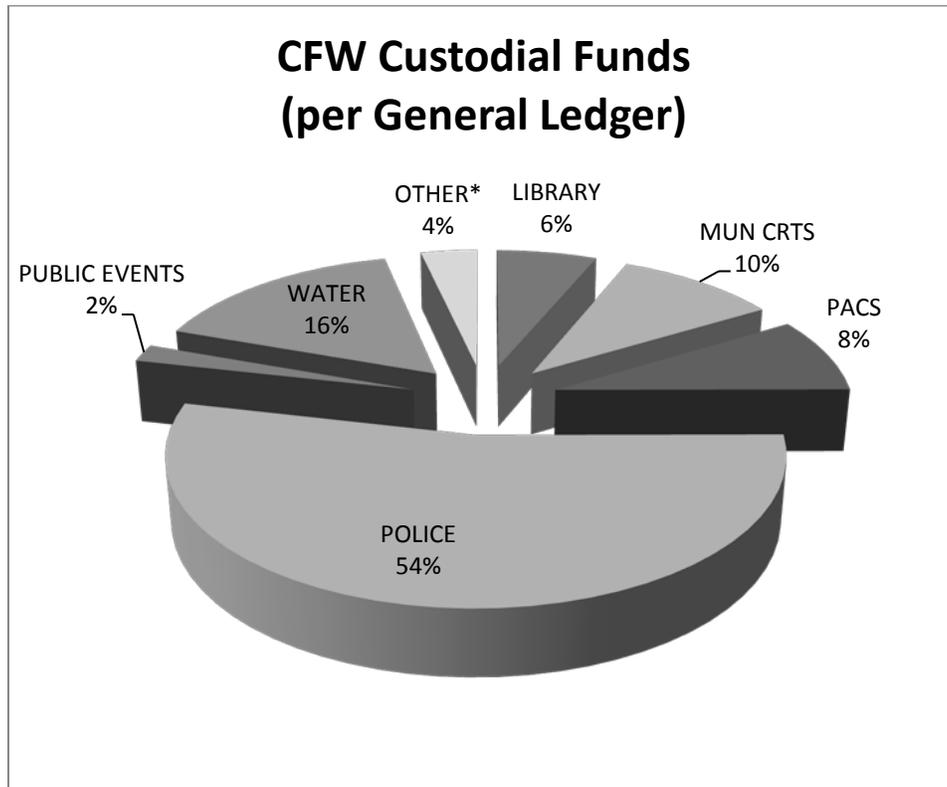
High	Medium	Low
Cash fund balances inaccurately reflected in the general ledger		
Inappropriate use of change funds		
Bank checking account (used as an imprest fund) was closed without knowing how the remaining bank balance, if any, was disposed		
Imprest fund recorded as CFW general fund, but replenished using special revenue funds (e.g., state/federal-awarded assets)		
		Employee access to some change funds exceeds business necessity
		Mandatory cash handling training not completed by the majority of custodians
		Routine review of necessity for petty cash funds not performed

## Detailed Audit Findings

### 1. The General Ledger does not accurately reflect some cash fund amounts/balances.

City management is responsible for establishing and maintaining a system of internal controls to ensure that assets are safeguarded, financial activity is accurately reported and reliable, and management and their employees are in compliance with policies and procedures. Requiring routine custodial fund reconciliations is an important step to ensure that City assets are properly accounted for and recorded.

According to the general ledger, as of June 30, 2014, the CFW had 91 custodial cash funds totaling \$76,846.72. Below is the break-down of those custodial cash funds, by department. It should be noted that the results of our cash counts differed from cash balances noted within the general ledger.



\* Includes departments with 1% or less of total CFW custodial cash funds -- Aviation, City Attorney's Office, City Secretary's Office, Code Compliance, Financial Management Services, and Transportation and Public Works

- For two sampled funds, the Department of Internal Audit counted \$15,000.00 within each fund. However, only \$10,000.00 was reported for each of these funds within the general ledger. In another instance, we counted \$15,000.00. However, only \$5,000.00 was reported within the general ledger.

In FY2009, the Department of Internal Audit released a Police Informant Funds Audit, which covered fiscal years 2006 through 2007. General ledger records indicate that effective July 25, 2008, entries were made to the three police informant funds based on Internal Audit's recommendations. Two journal entries were processed in the amount of \$10,000.00. The third entry was in the amount of \$5,000.00. Accordingly, a follow-up audit, released on December 14, 2012, concluded that "...Finance Department personnel prepared a journal entry to adjust the account balances".

Based on these journal entries and the fact that \$15,000.00 was counted for each fund during the current audit, it appears that these funds have increased since the last audit. However, these increases are not reflected within the general ledger.

Police Department staff indicated that these funds were increased using federal and/or state-awarded assets. Although supporting documentation was not provided, we reviewed the Narcotics Division's standard operating procedure which lists four CFW imprest funds (TNT #2 through TNT #5) with authorized balances of \$15,000.00 each. CFWPD stated that the three \$15,000.00 funds included in our sample accounted for three of the four imprest funds listed in Narcotics Division's SOPs. In addition, CFWPD stated that one of the \$15,000.00 imprest funds listed in the SOPs was never increased from \$5,000.00 to \$15,000.00. Since no additional description is included within CFWPD's SOPs, we were unable to validate these funds. We asked two different sources within CFWPD for additional descriptions and received different responses. Due to multiple discrepancies between our cash counts and the general ledger, federal and state-awarded assets will be considered during the risk assessment for the Department of Internal Audit's FY 2015 Annual Audit Plan.

- An imprest fund (used for covert operations) had a June 30, 2014 general ledger balance of \$1,903.67. The Police Department had provided FMS a spreadsheet and register tape to support expenditures totaling \$1,096.33 -- indicating an authorized \$3,000.00 (\$1,903.67 + \$1,096.33) cash fund. Although the spreadsheet referenced a specific Bank of America account number, the Department of Internal Audit was unable to trace that account number to a bank statement. Alternatively, the \$1,903.67 general ledger balance was traced to a November 2010 Bank of America bank statement, but under a different account number.

The most recent bank statement in our possession (April 25, 2011) showed a lower bank balance of \$1,381.99. It should be noted that the April 2011 and November 2010 bank statements were for the same bank account. Bank of America personnel stated that this particular account was closed. Since the bank account was not in the CFW's name or under the CFW's tax id number, the Department of Internal Audit was unable to determine



whether the remaining funds were returned to the City, properly expended before the account was closed or misappropriated.

Four names are associated with the checking account. One is a former CFW employee and the remaining three are aliases. Although the CFW should make every effort to not jeopardize the safety of employees involved in covert operations, the Financial and Management Services Department (FMS) in conjunction with the Police Department should ensure proper use, recording and accounting for covert funds. Based on supporting documents, this checking account existed as far back as April 2002.

- For one cash fund, we counted \$2,000.00 (\$660.00 less than the amount recorded in the general ledger). The City's procurement system used to replenish funds, indicated that the cash fund balance should be \$2,000.00. Also, the fund custodian stated that they have maintained a balance of \$2,000.00.
- For one sampled fund, we counted \$1,700.00 although \$1,500.00 was recorded in the general ledger. The custodian stated that \$200.00 appeared in August 2013. The source of the \$200.00 overage could not be provided.
- For two sampled funds associated with one CFW department, the general ledger agreed in total (\$6,500.00) to our cash counts. However, the allocation of that \$6,500.00, within the general ledger, differed from our physical counts.

When the general ledger does not accurately reflect the actual fund amount, the opportunity for theft, loss or misuse is increased.

**Recommendation 1A:**

*The Chief Financial Officer should require that each department immediately reconcile custodial cash funds, and then report their results to the Financial Management Services Department. The General Ledger should then be updated accordingly and any variances, considered material by the Chief Financial Officer, explained in writing.*

**Auditee's Response:**

Concur. The Department of Finance is appreciative of the Internal Audit Department's work with respect to the Petty, Change, and Imprest Cash Funds Audit. While we concur with the recommendations outlined within the audit document, the department views the operations of Petty, Change, and Imprest Cash Funds within the City as needing a complete review and potentially a substantial overhaul. Through the introduction of many practices in the City, such as procurement cards, the need for petty cash accounts could be obsolete or greatly reduced. In addition, it may be feasible to consolidate or centralize several of these functions and activities in order to streamline operations and minimize the risk associated with cash management.



With respect to this specific recommendation, FMS agrees that a formal process should be developed to reconcile cash custodial funds, report figures to the Department, and post needed transactions to the general ledger.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Audit Comment:** The Department of Internal Audit agrees that the use of procurement cards should reduce if not eliminate the use of petty cash funds. As noted in finding #7 of this report, a routine review of petty cash funds is recommended to determine whether their existence is justified. Only four petty cash funds were identified during this audit. The remaining cash funds are change and imprest funds. A City Revenue Collection Process Audit, approved within the FY2015 Annual Audit Plan, should allow the Department of Internal Audit to comment regarding the consolidation of functions in order to minimize risks associated with cash management.

**Recommendation 1B:**

*The Chief Financial Officer should enforce the City's policies related to cash handling, petty cash and change funds.*

**Auditee's Response:**

Concur. The Chief Financial Officer and management team of the Department of Finance concur that we are responsible for developing the recommended policies and procedures relating to cash management. The FMS Department is currently in the process of reviewing our Financial Management Policy Statements (FMPS) and plan to incorporate needed changes into the policies for adoption by the Mayor and Council. Once this occurs, the CFO and Department of Finance will enforce the City's policies relating to these activities and all financial functions covered within the FMPS.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 1C:**

*The Chief Financial Officer should require that the Financial Management Services Department routinely conduct a Cash Handling Class. Mandatory attendance should be required and enforced for all employees with cash handling responsibilities.*

**Auditee's Response:**

Concur. The Financial Management Services Department does routinely conduct Cash Handling Classes – both scheduled and upon request. Recommendation 1C relates to recommendation 1B in that the appropriate requirement for employees handling cash, change



funds, or imprest accounts needs to be established. Once that is completed, mandatory attendance will be enforced.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 1D:**

*The Chief Financial Officer should initiate a review of all bank accounts used to transact business on behalf of the City of Fort Worth. This review should include department inquiries, bank confirmations, and a more detailed review of the bank reconciliations.*

**Auditee's Response:**

Concur. The CFO and the Department of Financial Management Services concur with this finding. While procedures and processes are in place which facilitates the Department of Finance being involved in the initiation and review of bank accounts, it is conceivable that this activity takes place without Finance representation. Bank confirmations for known accounts are sent out each year in conjunction with the City's external audit. These accounts and their associated balances are verified by an outside audit firm.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 1E:**

*The Chief Financial Officer, in conjunction with the Police Chief and the City Attorney's Office, should ensure that covert funds are administered to protect the safety of our police officers, while also ensuring accountability for those funds.*

**Auditee's Response:**

Concur. The CFO and the management team of the Department of Financial Management Services are happy to assist in the review of covert funds and how they are administered. As stated, this review will be conducted in conjunction with the Police Chief and the City Attorney.

**Target Implementation Date:** April 1, 2015

**Responsibility:** The Chief Financial Officer and the Police Chief share joint responsibility.



## **2. A Change Fund was used for refunds.**

Change funds were used to reimburse a defendant (arrested by another agency on a CFW warrant) for towing fees of \$118.30. Also, a juror was reimbursed for parking fees totaling \$5.75, also from the same change fund. Upon request for replenishment, the Financial Management Services Department processed a check in the amount of \$124.05.

According to CFW Finance Directive No. 6, change funds are established for the purpose of making change where cash is collected. The use of change funds for reimbursements is considered inappropriate and against City policy.

Both of the referenced reimbursements were made to provide quality customer service to our citizens. However, City policy should clearly address the practice of providing cash refunds to customers.

### **Recommendation:**

*The Chief Financial Officer should ensure that the current policy adequately addresses the cash customer refunds, including the handling of customer refunds in emergency situations / unusual circumstances.*

### **Auditee's Response:**

Concur. The Chief Financial Officer and the management team of the Department of Financial Management Services will review the current policy to determine if it adequately addresses cash refunds to customers. If the policy is lacking, the Department will propose revisions as necessary to ensure it adequately addresses cash customer refunds and the handling of customer refunds in emergency situations.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Finance Officer and Department of Finance

## **3. The Juror Fund was not properly closed out within the general ledger.**

Prior to October 2013, citizens who responded to a jury summons were provided free parking for fulfilling their civic duty. For this purpose, the CFW set aside a Juror Fund of \$4,000.00 to reimburse jurors for their parking fees. In October 2013, the CFW chose to provide jurors with pre-purchased parking coupons.

During our audit, we made an attempt to count the Juror Fund noted in the general ledger. However, Municipal Court staff provided documentation to support closure of the fund. Supporting documentation included a bank deposit of the Juror Fund's ending balance of \$3,330.00, which the Department of Internal Audit was able to trace to a 10/23/2013 bank statement deposit. Upon inquiry regarding the closed account, FMS staff stated that an accounting entry error had been made when closing the Juror Fund. The FMS Department made



a correcting entry. However, the correcting entry resulted in the Juror Fund having a remaining balance in the amount of the accumulated jury fund expenditures - \$670.00. Although FMS staff received the supporting documentation for these expenditures, the expenditures were not properly recorded in the general ledger.

**Recommendation:**

*The Chief Financial Officer should require that an entry be made to accurately reflect expenditures related to jury duty and properly close the Juror Fund.*

**Auditee's Response:**

Concur. The Finance Department received supporting documentation for this transaction on July 11, 2014. At that time, the correct entry to close out the account was made. The accounting record has been correct since that time.

**Audit Comment:** The Juror Fund was properly closed subsequent to the Internal Audit's inquiry. We reviewed the general ledger and identified the correcting entry to reduce the fund's balance from \$670.00 to zero.

**Target Implementation Date:** Completed

**Responsibility:** Chief Financial Officer and Department of Finance

**4. More employees have access to change funds at the Will Rogers' facility than considered necessary.**

The Will Rogers Memorial Center has a total change fund of \$1,500.00. The individual change funds are \$900.00, \$400.00 and \$200.00.

- Four employees have access to the \$900.00 fund.
- Eight (8) employees have access to the \$400.00 fund (which includes the four employees mentioned above and an additional four).
- Nine (9) employees have access to the \$200.00 cash fund, which includes eight employees previously mentioned and one other employee.

According to the CFW Finance Directive No. 6, the number of employees with access to cash must be limited for internal control purposes. At least two people per cash handling site must be involved in the cash handling process.

The Assistant Director stated that since the facility is open 24 hours a day, seven days a week, the current level of access to change funds is considered necessary. While the Department of Internal Audit agrees that a 24-hour operation requires access to cash, we concluded that better internal controls are established if access to these funds is granted to employees who are in



supervisory roles. Providing access to change funds to a large number of employees leads to a decrease in accountability and an increased risk of theft, misuse, and/or fraud.

**Recommendation:**

*The Chief Financial Officer, in conjunction with the Public Events Director, should determine the number and level of employees whose business needs require access to the cash funds. Emphasis should be placed on the need for adequate controls, while taking into consideration the level of service provided to our customers.*

**Auditee's Response:**

Concur. The CFO and the management team of the Department of Financial Management Services are happy to assist in the review of access to petty cash and change funds in the Public Events Department. As stated, this review will be conducted in conjunction with the Public Events Director.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Public Events Director

**5. According to CMO records, the majority of cash fund custodians did not complete the required cash handling training.**

According to CFW Finance Directive No. 6, all employees who have cash handling positions must successfully complete an eight-hour course on cash handling policies and procedures. Some of the benefits of completing this training include:

- improved cash handler skills and knowledge;
- increased level of customer awareness and service;
- increased cash handler accountability, documented by a decrease in errors;
- increased safety for cash handlers and City assets; and,
- standardized cash handling practices consistent with the recommendation of the Treasurer's Office.

During our testing of petty cash, change and imprest funds, we obtained the names of cash custodians and determined whether they completed the cash handling training. According to the City's records, 20 of 29 custodians (69%) reviewed did not complete the required cash handling training.

The Cash Handling course is taught by FMS personnel on a quarterly basis. FMS personnel indicated that there is no process in place to ensure compliance with training requirements. Based on training records maintained by the City Manager's Office, the majority of custodians did not complete the mandatory cash handling training.



With cash handling training not being strictly enforced, there is an increased risk of cash handling error, misappropriation and loss of City assets.

**Recommendation 5A:**

*The Chief Financial Officer should ensure that cash handling training requirements under Finance Directive No. 6 are strictly enforced.*

**Auditee's Response:**

Concur. The Chief Financial Officer and management team of the Department of Finance concur that we are responsible for developing the recommended policies and procedures relating to cash management. The FMS Department is currently in the process of reviewing our Financial Management Policy Statements (FMPS) and plan to incorporate needed changes into the policies for adoption by the Mayor and Council. Once this occurs, the CFO and Department of Finance will enforce the City's policies relating to these activities and all financial functions covered within the FMPS. While Finance Directives are not currently part of the FMPS, it is planned that Finance Directives will be eliminated as supplementary documents and incorporated in the FMPS during the review / re-write that is currently taking place.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 5B:**

*The CFO should consider requiring a cash handling refresher course on a routine basis.*

**Auditee's Response:**

Concur. The Chief Financial Officer and management team of the Department of Finance concur that we are responsible for developing the recommended policies and procedures relating to cash management. The FMS Department is currently in the process of reviewing our Financial Management Policy Statements (FMPS) and plan to incorporate needed changes into the policies for adoption by the Mayor and Council. Once this occurs, the CFO and Department of Finance will enforce the City's policies relating to these activities and all financial functions covered within the FMPS.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 5C:**

*The Chief Financial Officer should ensure that all cash handling training sessions are coordinated by FMS.*



**Auditee's Response:**

Concur. The Chief Financial Officer and the management team of the Department of Financial Management Services concur that all cash handling training sessions should be provided by FMS.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance

**Recommendation 5D:**

*The Chief Financial Officer, in conjunction with the Human Resources Director, should determine which department is most appropriate to maintain training records. The designated department should then be considered the "official" record keeper of Cash Handling Training records.*

**Auditee's Response:**

Concur. The Chief Financial Officer and the management team of the Department of Finance agree that, in conjunction with the Human Resource Director, a determination should be made about the official record keeper of cash handling training records.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Director of Human Resources

**6. A General Fund cash imprest fund was replenished using revenue from federal and/or state-awarded assets.**

An imprest fund used for covert operations was set up in the general ledger as a General Fund account. However, transactions related to this imprest fund were processed using Special Revenue funds. As a result, the CFW general ledger does not accurately reflect the activity related to this imprest fund. We did not get confirmation as to whether expenses for this fund are routinely being reimbursed with special revenue funds.

According to Generally Accepted Accounting Principles, governmental units are to be accounted for through separate funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. As such, replenishments to a General Fund account should come from general funds, so there is no comingling of funds. According to the CFW Financial Management Policy Statements, procedures should be developed and maintained that would ensure financial transactions and events are properly recorded, and that all financial reports may be relied upon as accurate, complete and up-to-date.



**Recommendation:**

*The Chief Financial Officer should ensure that required changes are made to the general ledger to accurately represent the activity associated with this imprest fund.*

**Auditee's Response:**

Concur. The Chief Financial Officer and the management team of the Department of Financial Management Services concur with the recommendation that the general ledger should accurately represent the activity within the associated funds for which transactions occur.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Finance Officer and Department of Finance

**7. The business need for petty cash funds is not routinely reviewed.**

The CFW currently has four petty cash funds recorded within the general ledger. However, all four departments with petty cash funds have procurement cards. The custodians stated that petty cash is used mostly for parking, stamps and other expenses for which a procurement card cannot be used.

The Department of Internal Audit sampled two of the four petty cash funds. The two sampled funds had authorized cash balances of \$300.00 and \$250.00. Our cash counts resulted in no variances.

The custodian of the \$300.00 petty cash fund stated that the fund is usually replenished one to two times per fiscal year. The \$250.00 petty cash fund was said to have been replenished two to three times per fiscal year.

The establishment of petty cash funds that are not frequently used increases the opportunity for theft and prevents those funds from being used for other purposes.

**Recommendation:**

*The Chief Financial Officer should routinely initiate a review of CFW petty cash funds to determine whether their existence and/or authorized amounts are justified.*

**Auditee's Response:**

Concur. The Chief Financial Officer and the management team of the Department of Financial Management Services concur that the business need for Petty, Change, and Imprest Cash Funds is not routinely reviewed. Through the introduction of many practices in the City, such as procurement cards, the need for petty cash accounts could be obsolete or greatly



reduced. In addition, it may be feasible to consolidate or centralize several of these functions in order to streamline operations and minimize the risk associated with cash management.

**Target Implementation Date:** April 1, 2015

**Responsibility:** Chief Financial Officer and Department of Finance



## Acknowledgements

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The Department of Internal Audit would like to thank staff of all City departments for their cooperation and assistance during this audit.