


Date: December 8, 2009
To: Audit and Finance Committee
From: Jennifer Ruttman, Interim City Auditor 
Subject: Review of Petty Cash/Change Funds
cc: Bryan Raines, Deputy City Manager
Jack Friedline, Deputy City Manager
Kari Kent, Deputy City Manager
Doug Yeskey, City Controller

Background:

On July 29, 2008 we reported the results of our citywide review of petty cash and change funds. At that time, we noted a few minor discrepancies and noncompliance issues and asked the departments involved to address them. Pursuant to the Council-approved Audit Plan, we recently performed another review to verify that each petty cash and change fund equals its established value and is being managed in accordance with Management Policy 203, Petty Cash and Change Funds.

Summary:

This review included a sample of 11 petty cash and 2 change funds throughout the City that were not tested during our 2008 review. While we found no discrepancies in these funds, we noted some of the same noncompliance issues that were discovered in the prior review. We believe this is because many of the fund custodians do not have adequate knowledge and understanding of Management Policy 203. Specifically, we found that numerous custodians inappropriately advanced or reimbursed employees from petty cash funds prior to receiving RC manager approval, thus increasing the risk of inappropriate petty cash expenditures. In addition, many custodians indicated that they were never told about the Management Policy when they inherited custody of the fund.

Recommendations:

1. The Accounting Division should revise the custodian transfer form to require custodians to acknowledge that they have read and understand Management Policy 203. Initially, all current custodians should be required to review the policy, sign the form and return it to Accounting.
2. We have notified the responsible City staff members of specific issues with their respective funds; however we recommend that the City Manager's office remind departments that all RC managers and petty cash/change fund custodians are required to understand and follow the procedures outlined in Management Policy 203.

Management's response to these recommendations is attached.



December 7, 2009

TO: Jennifer Ruttman, Interim City Auditor
THROUGH: Chris Brady, City Manager *CRB*
FROM: Bryan Raines, Deputy City Manager
SUBJECT: Department Response to Auditors Report for Petty Cash/Change Funds

This report is in response to the draft report of the audit of petty cash and change funds completed by the City Auditors Office. The City Manager's Office and the Accounting Division appreciate the assistance and feedback from the Auditor's office and welcome its recommendations in respect to the handling of petty cash.

Response to Recommendation #1:

The Accounting Services Division concurs with the finding requiring petty cash custodians to review Management Policy 203, Petty Cash and Change Funds. The Petty Cash Custodian Transfer form has been revised to include a section for the new custodian to acknowledge they have read and understand Management Policy 203. The Accounting Services Division will contact all current petty cash custodians and require them to acknowledge they have read and understand Management Policy 203.

Response to Recommendation #2:

The City Manager's Office agrees with the recommendation and will utilize established management meeting opportunities to ensure Departmental understanding of the requirements of petty cash handling as outlined in Management Policy 203 – Petty Cash and Change Funds.

xc: Doug Yeskey, Controller