

Cash Handling Audit

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Project Team:

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Mission Statement

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in accomplishing strategic priorities, goals, and objectives.



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Executive Summary

Purpose

We audited petty cash in the Internal Services Department – Customer Services section (Customer Services) and Human Services Department– Kid Zone Enrichment Program (Kid Zone) to determine if controls were in place to ensure they adequately safeguard petty cash and promote use of funds in compliance with City policy.

We also audited cash handling in the Engineering and Transportation Department – Engineering Division Administration Office (Engineering), Customer Services, Community Services Department - Parks and Recreation Administrative Office (P&R Administration) and Kiwanis Park Recreation Center (Kiwanis) and the Police Department Cadet program (Cadet Program) to determine if controls were in place to properly secure, process, deposit and reconcile all funds collected.

Background

Petty cash accounts are established by designated custodians throughout the city to provide readily available cash for small incidental expenditures. There are approximately 30 petty cash accounts active at any time ranging from \$100 to \$3,000 per account. As funds are disbursed (which requires a completed voucher and itemized receipt be provided to the custodian) and the balance is depleted, the custodian reconciles the account, provides all receipts and vouchers to the Accounting section of the Internal Services Department (Accounting), and requests that the fund be replenished to the original authorized amount.

Various forms of payment are accepted at many locations throughout the city (cash, check, credit card). Funds collected are picked up on site by an armored car service or taken to Customer Services to be picked up by the service for deposit in the city's Chase bank account. City-wide approximately \$32 million was collected during the 6-month period ending March 31, 2019

Our audit focused primarily on City functions with the highest volume of petty cash transactions and largest amount of payments received.

Results in Brief

1. Overall, the City's petty cash policy and practices include significant controls needed to secure funds; however, the policy needs to more specifically address purchases of food and reporting of overages/shortages in the funds. These changes would aid in the consistent application of rules to food purchases and eliminate unnecessary administrative work reporting immaterial cash discrepancies.

2. Most petty cash transactions tested complied with city policy. The few exceptions noted lacked sufficient receipt documentation or were prohibited purchases of hardware/software items or goods already under city contract.
3. Creation of a citywide cash handling policy would help provide consistent guidance to employees responsible for accepting payments and establish minimum standards for the appropriate processing of receipts and security of funds.
4. There are opportunities to improve physical security over cash in the areas we reviewed to help reduce the risk of theft.

Recommendations

Our detailed report contains recommendations to improve the physical security over cash, revise current petty cash policy and establish a cash handling policy, and address policy compliance issues.

Scope and Methods

Scope

This audit included a review of policies in effect during FY2019-20, with process observation and specific transaction testing occurring in October and November 2019. Cash handling processes were reviewed for Engineering, Customer Services, Recreation (P&R Administrative Office and Kiwanis), and the Cadet program. Petty cash funds were reviewed for Kid Zone and Customer Services.

Methods

We used the following methods to complete this audit:

- Review city-wide and department specific policies related to cash handling and petty cash
- Observed the physical layout and security measures
- Observed the petty cash and cash handling processes
- Evaluated compliance with city cash handling policy and cash handling industry standards
- Performed unannounced petty cash counts
- Traced transactions through the entire cycle from receipt to deposit
- Determined if departments are using the city authorized bank account

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.