

# AUDIT OF PETTY CASH PROGRAM AND CLOSEOUT COUNT OF THE TREASURY DIVISION (AR24-01)





## **Executive Summary**

### **Audit of Petty Cash Program and Closeout Count of the Treasury Division (AR24-01)**

**Background:** The Office of Internal Audit (OIA) includes the petty cash program in our rotational audit plan. Our last City-wide petty cash audit was conducted in FY21 and in FY22 we focused only on a closeout count of the Treasury Division. With the resumption of in-person work in May of 2023, one of our goals for FY23 was to ensure all petty cash funds and cash collection sites were counted. Due to the increased threat of cyber security incidents, OIA began incorporating IT components into our audit objectives. For this audit, we requested departments reconcile access rosters for their Point of Sales (POS) systems to a report of terminated employees generated by the Information and Technology Services Department. Based on experience derived from our inventory audit we included additional physical security components into our engagement plan.

**Conclusions:** Our audit indicated that for the most part the program is operating as intended. The amount of overall audit findings remained steady despite the addition of the physical security elements. We were able to count all funds within a 14-day period. We identified nine (9) findings which were generally immaterial in nature. We noted the amount of petty cash reimbursement has increased probably due to resumption of in-person work requirements. We also noted that the overall amount of funds that have been deployed to support petty cash and change funds has increased but this is due to new Commonwealth requirements for increased jury member payments as well as the establishment of the new Vola Lawson Service Center.

For the third consecutive time the expanded closeout count of the Treasury Division was completed satisfactorily. All funds received by the Treasury Division were deposited intact into the City's bank account. No discrepancies were noted while tracing transactions from the Treasury POS system to the City's ERP system and then the individual accounts receivable systems. We also asked additional questions related to physical security and we noted that two departments needed to standardize their policies.

**Recommendations:** The Office of Internal Audit made the following recommendations:

- Three (3) departments were to review and reconcile their petty cash funds due to overdue receipts.
- Two (2) departments were required to notify staff about reimbursement requirements.
- One (1) department was required to complete a journal voucher.
- One (1) department was required to develop a form to track funds when transferred.
- Two (2) departments were to standardize physical security policies.

**Departmental Response:** As a result of the audit all departments submitted responses regarding the recommendations and the actions have been closed.

**City-wide Petty Cash Count and Closeout Count of Treasury Division**

**AR 24-01**



**This Audit Report has been approved for release and has been transmitted to the individuals listed below.**

***Original Signed***

**Robert Snyder  
Chief Internal Auditor**

**Report Distribution:**

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**December 29, 2023**

**AR 24-01**

# City-wide Petty Cash Count and Closeout Count of Treasury Division

AR 24-01

## Table of Contents

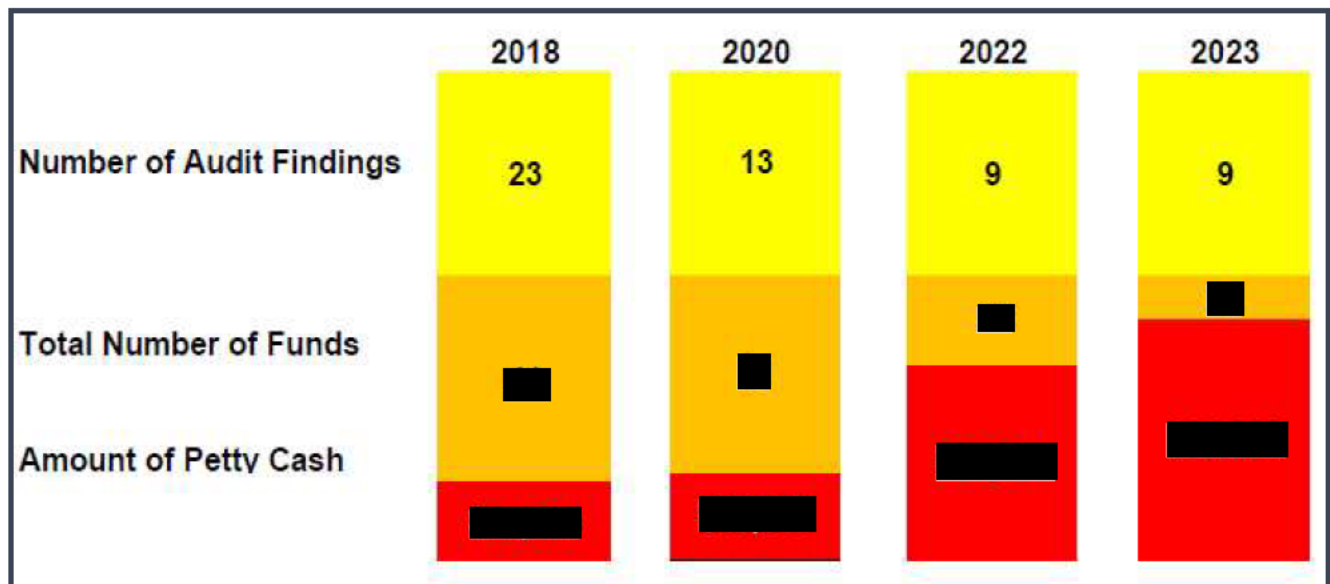
	Page Number
Background	1
Objective, Scope, and Methodology	1
Findings, Conclusions, and Recommendations	2
I. Results of Petty Cash Audit	2
A. Results of Petty Cash Audit	2
B. Transition from Petty Cash to Employee Reimbursement Module	2
C. Update of Policies and Procedures	3
D. Point of Sales Systems	3
F. Physical Security	3
II. Close-out Count of Treasury Division	4
A. Verification of Daily Transaction Totals	4
B. Verification of Transactions to ████████ ERP System	4
C. Verification of Transactions to Accounts Receivable Systems	4
Conclusions	5
Recommendations	5
Departmental Response Memos	6
 List of Charts and Tables	
Chart 1 Summary of Petty Cash Program and Audit Findings	1
Table 1 Comparison Petty Cash Reimbursement to Employee Reimbursement Module	2
Table 2 Summary of Petty Cash Program	3

# BACKGROUND

The Office of Internal Audit (OIA) executes an audit work plan which includes cyclical audits of various City programs including the petty cash program. The governing documents for the petty cash program are Administrative Regulation (A.R.) 4-3 Petty Cash Fund Procedures (October 1, 1991), and A.R. 4-8 Collection and Deposit of City Monies (September 10, 2020) which were issued by the Finance Department. Petty cash funds are primarily used to reimburse staff members for making small purchases under \$30.00. The term petty cash fund also refers to “change funds” used for making change at the City’s cash collection sites. One clear requirement is that funds used for making change cannot be used for petty cash purposes.

The overall number of funds has been declining from 41 in FY 2018 to 32 in FY 2023. The total amount of cash on hand increased due to two (2) factors, 1) the establishment of the new Vola Lawson Service Center, and 2) the mandate from the Commonwealth of Virginia to increase payments to jurors for jury duty. The number of audit findings has held steady at nine (9) findings between FY 2022 and FY 2023. Chart 1 below shows the status of our prior audits of the petty cash program.

**Chart 1 Summary of Petty Cash Program and Audit Findings**



## OBJECTIVE, SCOPE, AND METHODOLOGY

OIA conducted an audit of all City Petty Cash and Change funds from June 26, 2023, to July 10, 2023. To increase the effectiveness of our audits we have added questions related to physical security and Point of Sales (POS) systems access controls. We also analyzed the usage and amounts of the various petty fund accounts to ascertain if the funds are at the proper amounts.

Our audit was focused on the petty cash program, and we will not provide an opinion on the compliance or effectiveness with other City programs, policies, or procedures. Our last petty cash audit was conducted in June 2021. In FY 2022 only the Treasury Division was selected to be audited due to the COVID-19 pandemic. This year OIA audited all petty cash funds with the primary



intent to ensure the existence of the funds. One of our main concerns was the possibility of not being able to inspect the funds due to personnel operating from a remote location. To mitigate this concern, we coordinated our audit with the department fiscal officers. This is a departure from our normal procedure of executing surprise audits.

## **FINDINGS, CONCLUSIONS, RECOMMENDATIONS**

### **I. RESULTS OF PETTY CASH AUDIT CITY-WIDE**

#### **A. Results of Petty Cash Audit**

Our audit indicated that for the most part the program is operating as intended. We were able to count all funds within a 14-day period. We noted three (3) funds which had receipts over 30 days old, two (2) departments needed to notify their staff of reimbursement requirements, one (1) department needed to prepare a Journal Voucher, one (1) department needed to create a form to notify staff when cash is transferred, and two (2) departments needed to standardize their physical security requirements. Interviews with petty cash custodians indicated that overall use remains low but has increased due to return to office requirements.

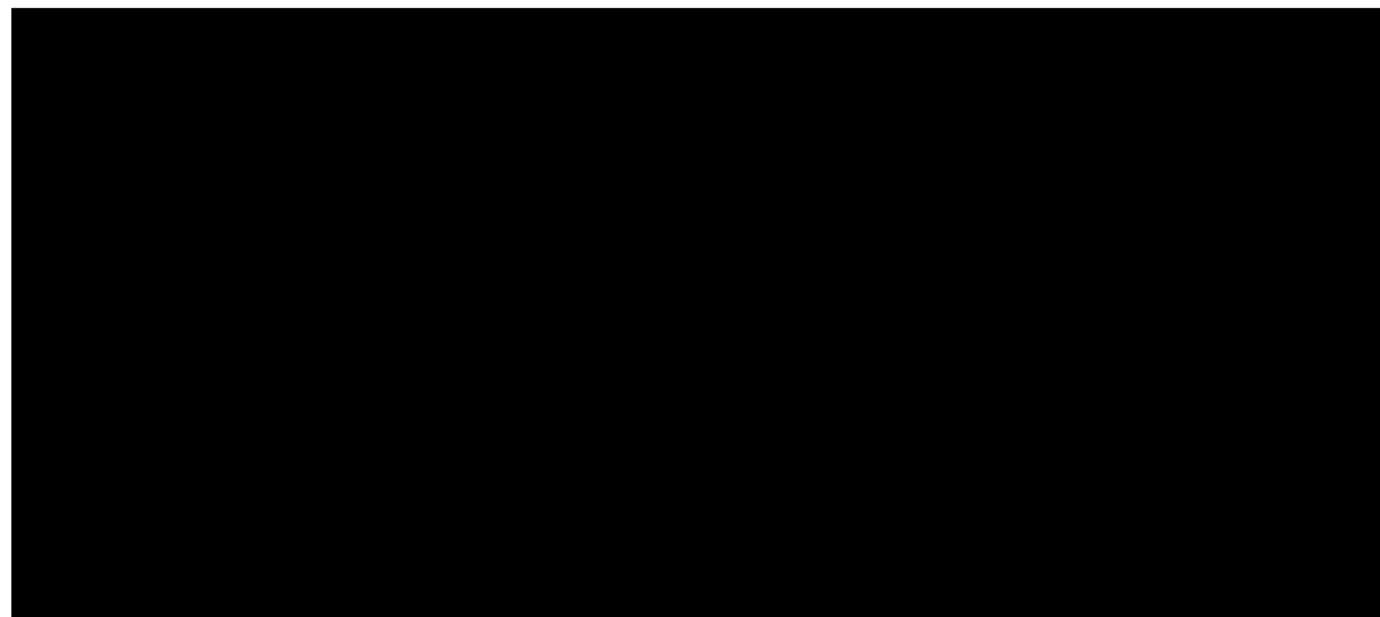
#### **B. Transition from Petty Cash to Employee Reimbursement Module**

One of the factors that has contributed to the decline in use of petty cash has been the [REDACTED] Employee-Reimbursement Module which was installed in July 2018. This module would allow for employees to be reimbursed through their paychecks for funds that were previously paid to them using the Accounts Payable (A/P) process. Since then, the amount of petty cash usage has been declining and took a steep downturn during COVID. Table 1 below shows the comparison to the amount of petty cash reimbursed compared to the amounts reimbursed through the module.

<b>Table 1 Comparison Petty Cash Reimbursement to Employee Reimbursement Module</b>			
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2023</b>
<b>Petty Cash Reimbursement</b>	\$7,808	\$1,498	\$5,271
<b>Employee Reimbursement Module</b>	\$237,643	\$39,248	\$277,889**
<b>* Reimbursement computation based on Claim Entry Date and Actual Settlement amount of disbursement.</b>			
<b>** This amount includes only the charges classified as Reimbursed/Closed</b>			

We reviewed the records of the petty cash control accounts in the [REDACTED] system which indicated that \$5,271 had been reimbursed for all of FY 2023. When we examined the petty cash control accounts in the Treasury Division, we noticed that the usage of the petty cash is in aligned with expected usage.

Our review of expenditures reimbursed through the Employee Reimbursement Module showed steady increasing use and most of the expenditures made using petty cash could also make use of this system. However, use of this system will create delays due to the procedures required and we assess that the remaining departments with petty cash have a need for prompt reimbursement of small expenses. Table 2 below, shows the comparison of departments having petty cash as well as the types and amounts of funds in use.



### **C. Update of Policies and Procedures**

The controlling regulations for the petty cash program are A.R. 4-3 Petty Cash Fund Procedures (October 1, 1991) and A.R. 4-8 Collection and Deposit of City Monies (September 10, 2020)<sup>1</sup>. OIA has requested that these regulations be updated during other audits. Due to resourcing issues the Finance Department has not been able to update these policies. OIA will support the department and assist as needed until policy revisions can be made.

### **D. Point of Sales System**

As part of our audit, we wanted to test if departments were maintaining up to date access rosters for their POS systems. Inaccurate access rosters present a problem because if terminated employees retain their access rights, they may still be able to complete fraudulent or illegitimate transactions. The Information and Technology Services (ITS) Department deactivates access to the main City network, but many software systems are accessible from other locations. As part of this engagement all departments with POS systems were provided with rosters of employees who had left City service and attested that all of the user access for these staff members had been terminated.

### **E. Physical Security**

Physical security is defined as that part of security concerned with physical measures designed to safeguard personnel; to prevent unauthorized access to equipment, installations, material, and

<sup>1</sup> AR4-8 published to AlexNet says September 10, 2020, however document contains language from 2010.

documents; and to safeguard against espionage, sabotage, damage, and theft<sup>2</sup>. Based on incidents that we have observed since the prior petty cash audit, we updated the physical security related questions that we used during this audit. We reviewed the physical security measures employed by departments. Most appeared to employ physical security measures that were reasonable based on the type of building structure and amount of funds on hand. We requested that these departments provide a response to their approach to physical security. We also shared their responses with the General Services Physical Security Coordinator who made recommendations for further improvement. **We recommended that two (2) departments standardized their physical security measures.**

## **II. CLOSE-OUT COUNT OF TREASURY DIVISION**

### **A. Verification of Daily Transaction Totals**

On the day of the audit, a review of the Treasury Divisions POS system's end of day report indicated a total of [REDACTED] worth of transactions had been processed. The cash, check or money order, and credit card totals amounted to [REDACTED]. This amount was compared to records received by the City's bank account and verified with no discrepancies. The remaining amount of [REDACTED] consists of what is termed "specials" which are transactions that are processed by the POS system to record them into the City's financial system. All cash, check, and money order payments were deposited intact in the following days. **All cash, check, and money order payments were deposited intact on July 2, 2023.**

### **B. Verification of Transactions to the [REDACTED] ERP System**

To ensure all transactions that occurred on June 30, 2023, were reflected in the financial system, we developed a sample based on over 90% of all transactions processed that day. **We identified no discrepancies when we traced these transactions back to the financial system using their respective [REDACTED] object code.**

### **C. Verification of Transactions to Accounts Receivable Systems**

The City has deployed various Accounts Receivable (A/R) systems to accurately record the status of real estate, personal property, business personal property, business license, parking citations, and RPCA payments. We requested copies of payments made through the respective A/R systems as well as supporting records to ensure that the individual accounts were updated.

For those object codes which did not have an A/R system, we requested records from the respective department. **We identified no discrepancies between the Treasury Divisions POS Transaction report and the requested records from the departments.**

<sup>2</sup> Physical Security Definition Department of the Army FM. 3-19.30



# CONCLUSION AND RECOMMENDATIONS

Our audit indicated that the petty cash program is generally operating as intended. A total of nine (9) audit findings were identified. We determined that the number of departments with petty cash and change funds appears reasonable and our continued campaign to reduce and eliminate petty cash funds has reached its conclusion. Changes to requirements for jury payments and the new Vola Lawson Service Center have required the City to increase the total amount of cash deployed but these were operational decisions. **OIA does not recommend any changes to the overall program at this time.**

## RECOMMENDATIONS

The Office of Internal Audit made the following recommendations:

- **Three (3) departments were to review and reconcile their petty cash funds due to overdue receipts.**
- **Two (2) departments were required to notify staff about reimbursement requirements.**
- **One (1) department was required to complete a journal voucher.**
- **One (1) department was required to develop a form to track funds when transferred.**
- **Two (2) departments were to standardize physical security policies.**

## DEPARTMENTAL RESPONSE

Departments with findings and recommendations were required to provide a written response. (See Page 6 for departmental response memos)

Please contact our office at [internalaudit@alexandriava.gov](mailto:internalaudit@alexandriava.gov) or 703.746.4742 if you have any questions.