



**Follow-up Audit AF2015-04
Unannounced Review of
Petty Cash and Change Funds**

April 2017

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OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

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EXECUTIVE SUMMARY

The Office of Internal Audit conducted a review of petty cash and change funds with the purpose of: identifying the physical existence and location of petty cash and change funds; ascertaining whether petty cash and change funds were maintained in accordance with policies and procedures as prescribed by the City of Fayetteville Finance Department; and determining if all petty cash and change funds were accurately accounted for. The result of that review was outlined in report number R2015-04 issued in January 2016 with the following observations.

1. Policies and procedures were not available for change funds.
2. Petty cash and change funds were not maintained at authorized amounts.
3. Policies and procedures did not require written documentation of petty cash or change fund periodic reconciliations.
4. Procedures for notification of custodian or transfers of custodian were not clear.
5. There was a lack of adequate safeguarding for petty cash and change funds.
6. Examination of petty cash and change funds was needed to ensure balances were aligned with need.
7. Examination of petty cash and change funds was needed to ensure balances were aligned with actual practice
8. The usage of petty cash was not in accordance with North Carolina General Statutes.

In accordance with the *Annual Audit Plan Fiscal Year 2017*, the Office of Internal Audit performed a follow-up to the *Unannounced Review of Petty Cash and Change Funds R2015-04* audit report to determine if the original audit recommendations identified had been implemented by management as stated in the original management responses.

Based on the audit work performed, the Office of Internal Audit concluded the Finance Department updated policies and/or implemented procedures to effectively remediate issues as presented in the original audit report. The original audit recommendations appeared to be adequately addressed with these updates.

BACKGROUND

Petty cash funds are maintained by various City departments to provide a convenient and economical method to make small purchases. These funds are maintained on an imprest basis, which means the funds are maintained at a specific monetary level and expenditures are reimbursed. Change funds are maintained by City departments to provide change as a result of various transactions.

Internal Audit issued *Unannounced Review of Petty Cash and Change Funds R2015-04* in January 2016 with recommendations to improve oversight of petty cash and change funds. The Audit Committee approved a follow-up audit of petty cash and change funds in the *Annual Audit Plan Fiscal Year 2017*.

AUDIT OBJECTIVES

The objective of this audit was to determine if the original audit recommendations identified had been implemented by management to remediate the observations as presented in the original audit report.

AUDIT SCOPE

The scope of this review was limited to measures implemented by management to remediate issues as presented in original audit report *Unannounced Review of Petty Cash and Change Funds R2015-04*.

AUDIT METHODOLOGY

Internal Audit obtained and examined a listing of all petty cash and change funds from the Finance Department. The list included each fund, the authorized amount and the custodian of each fund. In addition, the auditors reviewed policies governing the use of petty cash and change funds. Data was obtained from the general ledger, listing all petty cash and change fund accounts. A sample of petty cash and change funds were selected and unannounced cash counts were performed at which time the physical security and record maintenance of the these funds were observed. The auditors did not review the validity of purchases made from petty cash funds, nor was a review performed to ensure procedures as outlined in policies were being adhered to.

AUDIT RESULTS

Based on the results of follow-up test work, each original observation recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The observation has been addressed by providing sufficient evidence to support all elements of the recommendation.
<i>In Progress</i>	The corrective action has been initiated to implement the recommendation but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in personnel levels, or management has decided to assume the risk.

Original Observation 1

Policies and procedures were not available for change funds.

The Finance Department did not have a policy for change funds. Policies should be updated to provide guidance for establishing, reconciling, increasing or closing a change fund; handling changes in custodians and locations; and recording cash overages and shortages. Without an explicit written policy for change funds, custodians and managers may not clearly understand their responsibilities with respect to change funds. Addressing change funds in policies would help resolve the observations made during the review.

Original Recommendation

Establish policies for change funds and ensure the policies are followed.

Follow-Up

Management's response to the recommendation stated: "The Treasurer will prepare a draft petty cash/change fund policy for review and approval by the City Manager's Office. A copy of the draft policy will be submitted to the SMT for their feedback. Once the policy is amended, the treasurer will conduct mandatory training for all petty cash and change fund custodians in the two weeks following policy adoption." City of Fayetteville Policy 313: *Change Funds* was drafted and approved with an effective date of April 6, 2016.

Management's response also indicated petty cash would be included as part of the draft policy. City of Fayetteville Policy 306: *Petty Cash Funds Operating/Monitoring* was last revised effective September 1, 1991 and was not revised as result of the prior year audit. Internal Audit recommends revisions to Policy 306 as appropriate.

Status of Recommendation

Implemented

Original Observation 2

Petty cash and change funds were not maintained at authorized amounts.

According to Policy #306 - *Petty Cash Funds Operation/Monitoring*, overages should be deposited to the appropriate revenue account and shortages should be made up by the custodian of the fund. The cash on hand and reimbursed receipts should equal to the authorized petty cash amount. Cash issued in advance of purchases or removed from the fund for legitimate reasons surrounding City of Fayetteville business should be documented, approved and kept with the fund until replenished. Although a formal policy was not available during the review, change funds should remain at the authorized amount and should be used solely for the purpose of making change in association with official City business.

Variances in cash counts affect the accuracy of financial records and could yield an opportunity for misplaced or misused funds. Based on Internal Audit's review, total cash on hand and reimbursed receipts did not equal the established fund amounts. Internal Audit found eight funds during the on-site cash counts with variances when compared to the general ledger.

1. During the count of the petty cash fund at Fire Station #14 on 6/29/15, Internal Audit noted the total amount including: cash of \$215.49; receipts totaling \$72.23; and a City of Fayetteville reimbursement check in the amount of \$16.17 equaled \$303.89. The authorized amount for the fund was \$250. The overage of \$3.89 was removed from the fund and deposited with Finance Collections to be posted to miscellaneous revenue on 6/29/15. The additional \$50 included in the fund should be taken to the Finance Department, deposited and posted to miscellaneous revenue.
2. During the count of the change fund at Westover Recreation Center on 6/29/15, a \$5 overage was noted. The authorized amount for the fund was \$75. The custodian of the fund indicated the \$5 was owed to a customer, because at the time of payment, there were not enough small bills to make change. The custodian indicated the normal process was to obtain change from the Finance Department after the daily deposit was made. Once change was received, the customer would be called and given the change. The Office of Internal Audit did not remove the \$5 overage, so the customer could be refunded when change was obtained.
3. During the count of the change fund at Lake Rim Recreation Center on 6/29/15, a \$10 overage was noted. The amount counted in the fund was \$85. The authorized amount was \$75. The overage of \$10 was removed from the fund and deposited with the Finance Department to be posted to miscellaneous revenue on 6/29/15.
4. During the count of the change fund at EE Miller Recreation Center on 6/26/15, a \$0.10 shortage was noted. The amount counted in the fund was \$74.90. When the funds were put back into the safe, a nickel was found and was placed in the bag making the fund short \$0.05. Staff at this site should be required to make up shortage in this fund.
5. During the count of the change fund at Stoney Point Recreation Center on 6/26/15, a \$15 shortage was noted. The amount counted in the fund was \$35. The authorized amount was \$50. The custodian indicated the \$15 shortage was due to the receipt of a large bill as payment and they were waiting for change to return from Finance Department. Accordingly, the custodian of the fund indicated the fund was made whole on July 1, 2015.
6. During the count of the petty cash fund at Environmental Services Grove Street location, an \$0.08 overage was noted. The amount counted in the fund was \$354.28 with receipts totaling \$145.80. The total amount was \$500.08. The authorized amount was \$500. The \$0.08 was removed from the fund and deposited with the Finance Department to be posted to miscellaneous revenue on 6/29/15.
7. On June 29, 2015, there was no change fund to count at Smith Recreation Center. The authorized amount was \$75, but the custodian of the fund indicated there was never a change fund for this Center, only for Seabrook Pool. Upon further review, it was noted the change fund for both Smith Recreation Center and Seabrook Pool appeared to have been set up in October 2001. The Cash Receipts Audit Program questionnaire submitted by the fund custodian for FY 2008 indicated a fund amount at Smith Recreation Center of \$55. Subsequent Cash Receipts Audit Program questionnaires submitted by the fund custodian for FY 2009, FY 2010 and FY 2015, respectively, all indicated a fund amount at Smith Recreation Center of \$50. Per Internal Audits review, there should be a change fund in the amount of \$75 at Smith Recreation Center and a change fund in the

amount of \$50 at Seabrook pool. There is a clear discrepancy with these funds which needs to be addressed.

8. The general ledger shows \$842.35 as the change fund balance for parking facilities. Revenue for the City of Fayetteville's various parking locations is handled by McLaurin Parking Company (Fayetteville Parking Service). Based on an Internal Audit inquiry, Fayetteville Parking Service personnel stated the amount included funds for the different lots serviced, but indicated the funds had been returned to the City.

Change Fund Balances by Lot

Lot	Balances
RCW2	119.00
Library Lot	166.70
Bow Commons	173.50
Donaldson	100.00
RCW1	110.35
Franklin Commons	172.80
Total	\$842.35

¹ Per JD Edwards general Ledger records, table reflects change fund amount issue to parking lots.

Internal Audit was able to verify receipt of all parking pay-station change funds except the \$119 at RCW2. The change fund account on the general ledger was not recorded for the receipt; instead the receipt was recorded to revenue on 10/1/2013 by the Finance department. An adjustment needs to be made to correct the general ledger account. Furthermore during the interview, it was disclosed a change fund resides at the Franklin Street Parking deck. The \$1,700 payment for this change fund appeared to have been recorded as an expenditure on 5/22/2012 by Engineering and Infrastructure. This also needs to be corrected and the change fund balance recorded properly in the general ledger. These funds were not counted by the Office of Internal Audit.

Original Recommendation

Petty cash and change funds should be maintained at their authorized amounts. Overages should be deposited as miscellaneous revenue and shortages should be made up by the custodian of the fund. Additionally, when personnel establish and close change funds they should be accounted for as an asset on the general ledger. Currently, the parking fund should be adjusted as noted in the observation.

Follow-Up

Finance Department personnel indicated an audit, to confirm petty cash and change fund balances were maintained at authorized amounts, was conducted November 2016 and no overages or shortages were found. Finance Department personnel also indicated unannounced visits to conduct audits took place on December 1 & 2, 2016 and February 23 & 24, 2017. Based on Internal Audit inquiry, Finance Department personnel could not produce valid evidence of the audits. However, Internal Audit physically visited two petty cash and five change fund sites at which time each of the custodians present indicated Finance personnel had recently counted the fund. In addition, Finance Department personnel indicated policies governing petty cash and change funds were distributed by hand and emailed along with a list of petty cash and change fund authorized amounts to all custodians, supervisors and department heads. At the time of distribution, the handling of overages and shortages was explained.

Internal Audit recommends Finance Department personnel have fund custodians, alternates, supervisors and department heads sign off on policies stating they have read and understand the policies governing petty cash and change funds at least annually. In addition, Internal Audit recommends when unannounced petty cash and change fund audits are performed, count sheets should be used and signed by both the custodian of the fund

being counted and by Finance Department personnel performing the count. Records of these unannounced audits should be maintained for the appropriate period based on City and departmental retention schedules.

Based on Internal Audit inquiry, Finance Department personnel indicated transactions as follows: established three new change funds; closed five change funds; reduced two change funds; established one petty cash fund, and closed one petty cash fund. The adjustments to petty cash and change funds as noted by Finance Department personnel were to be recorded to the proper asset account on the general ledger. Internal Audit reviewed the general ledger account balances as compared to the listing of authorized amounts for both petty cash and change funds. The amounts reported on the general ledger by type of fund and department were consistent with the listing of authorized amounts provided by the Finance Department.

It was determined during the previous audit that \$842.35 for parking facilities at RCW2, Library Lot, Bow Commons, Donaldson, RCW1 and Franklin Commons had been returned and recorded to a revenue account. The Finance Department personnel made an adjustment to the parking fund, and the \$842.35 no longer appears on the general ledger as a change fund. Finance Department personnel also indicated the change fund at Franklin Parking Deck was reduced by \$500. However, at the time of the reduction, Finance Department personnel did not verify the fund amount at this location. Internal Audit recommends a physical count at the Franklin Parking Deck location be performed to verify the amount held in the fund.

Status of Recommendation

Implemented

Original Observation 3

Policies and procedures did not require written documentation of petty cash or change fund periodic reconciliations.

Finance Department's *Petty Cash Funds Operation/Monitoring Policy #306* does not explicitly require petty cash funds be periodically reconciled to their authorized amounts. The majority of the fund custodians surveyed by Internal Audit indicated their petty cash or change funds were not reconciled by an independent party. Requiring routine custodial fund reconciliations is an important step to ensure City assets are properly accounted for and recorded. To reduce the possibility of fraud and error, procedures should be established to ensure reconciliations are conducted and periodically checked by another authorized individual independent of the fund.

Original Recommendation

A written reconciliation of petty cash and change funds should be required. There should be a reconciliation done by the custodian with verification of the balances by a second authorized individual including initialing and dating reports to document a review and reconciliation was performed.

Follow-Up

Management's response to this recommendation stated a reconciliation requirement would be outlined in the petty cash and change funds policies. Finance Department's *Change Funds Policy #313*: Section 2. Custodian states: "The custodian will be solely responsible for his/her designated change fund. The custodian will perform a reconciliation/count before each shift starts and at the end of each shift. Each reconciliation/count should be recorded using a log. These logs will be signed and dated daily by the custodian and the supervisor documenting a review is done." In addition, Section 2: Supervisor states: "The supervisor of the custodian will sign the daily reconciliations performed at the beginning and end of each shift. This should be included in normal opening and closing procedures. If the supervisor is not available the department director may designate an alternative reviewer to sign the daily reconciliations." Policy 306: *Petty Cash Funds Operating/Monitoring*, as revised, became effective September 1, 1991, but was not revised to address this recommendation. Internal Audit recommends revisions to Policy 306 as appropriate.

Of the two petty cash and five change fund sites physically visited by Internal Audit, all funds counted had reconciliation sheets with twice daily initials by the custodian or alternate and an at least a monthly review

and sign-off by a supervisor. Custodians were reconciling/counting funds twice daily and initialing that this has been performed.

Status of Recommendation

Implemented

Original Observation 4

Procedures for notification of custodian or transfers of custodian were not clear.

Finance Department's *Petty Cash Funds Operation/Monitoring Policy #306*, which provides guidance on how said funds could be used and/or safeguarded, requires when the custodian of a fund is transferred to another employee, the department head is responsible for notifying the Finance Department. However, the policy did not state the notification should be in writing. Internal Audit's review did not yield any documentation on the custodians of record. Without updated and accurate documentation of custodian and transfer of custodian, it would be difficult to confirm who has responsibility for the fund. Lack of accountability for petty cash and change funds could result in a lack of control over these funds.

Original Recommendation

To enhance accountability and also ensure all policies and procedures relative to the use of the petty cash and change fund monies are adhered to, Internal Audit recommends the names of all fund custodians be included when a petty cash or change fund is requested. In addition, a listing of all current authorized custodians of each fund should be created and maintained by the Finance Department and also kept with the fund.

Follow-Up

Management's response to this recommendation stated: "The accounts payable staff will contact each department to confirm the name of each custodian. A list of authorized custodians for each department will be approved in writing by the department head and the department head/custodians will be advised to maintain a copy at each site, if possible, where a petty cash/change fund is located." Finance Department personnel indicated the authorized custodian was confirmed for each fund via email and the email correspondence was provided to Internal Audit.

Finance Department personnel also indicated a list of petty cash and change fund balances and all current authorized custodians is maintained by the Collections Supervisor within the Finance Department. The Finance Department stated a request was made for departments to provide documentation of any modification to fund custodians. In addition, Finance Department personnel indicated custodians, supervisors and department heads had been notified at the time of unannounced visits to maintain the policies and a listing of custodians with or near funds. The Finance Department personnel have implemented measures to ensure a listing of all current authorized custodians of each fund was created and maintained by the Finance Department and also kept with the fund.

Status of Recommendation

Implemented

Original Observation 5

There was a lack of adequate safeguarding for petty cash and change funds.

City of Fayetteville Financial Procedure titled *Cash Handling General Procedures*, indicates: "All checks, cash and credit card receipts must be protected by using a cash register, safe or other secure place until the funds are deposited." Internal Audit's review disclosed three petty cash or change funds with monies totaling \$378.43 were not kept locked when not in use. In each of these cases, there was a locking receptacle available, but it was not used by the custodian. Cash is a liquid asset and easily susceptible to misappropriation, if not properly safeguarded. Therefore, preventive controls are necessary to properly safeguard cash from possible theft and/or misappropriation.

1. During a count of the petty cash fund in the Legal Department on 6/30/15, it was noted the funds were kept in an unlocked drawer in the open vault of the City Attorney's Office. The amount of money counted in the fund was \$87.94, with a total authorized amount of \$500. After discussion about the security of the funds, the custodian indicated they would begin keeping the drawer locked at all times.
2. During a count of the petty cash fund at Fire Station #14 on 6/29/15, it was noted the funds were kept in a lockbox but not in a locked drawer or safe. The amount of money counted in the fund was \$215.49, with an authorized amount of \$250. After discussion about the security of the funds, the custodian indicated they would begin keeping the funds in a locked drawer at all times.
3. During a count of the change fund at the Tokay Fitness Center on 6/26/15, it was noted the funds were kept in an unlocked drawer. A safe was available to be used to keep the funds, but according to the custodian was not being used. The amount counted in the fund was the authorized amount of \$75. After discussion about the security of the funds, the custodian of the fund indicated they would begin using the safe to store the funds.

Original Recommendation

Monies designated for petty cash and change funds should be kept such that they are secure from theft and loss. In addition, each custodian should review the roles and responsibilities of custodians periodically and be aware of the responsibilities assigned to them.

Follow-Up

Finance Department personnel indicated all monies were required to be kept secured in a lockbox and/or safe. Internal Audit physically visited two petty cash and five change fund sites at which time it was noted all funds counted were kept in a secure location. It appears Finance Department personnel have implemented measures to ensure monies designated for petty cash and change funds are kept secure from theft and loss. In addition, Finance Department personnel indicated the custodian section of policy was explained to staff and compliance to the policy was emphasized at the time unannounced counts were performed. While it does appear Finance Department personnel have made an effort to ensure each custodian reviewed the roles and responsibilities of custodians periodically and were aware of the responsibilities assigned to them, Internal Audit recommends at least yearly when authorized amounts in the funds are verified, the Finance Department have fund custodians, alternates, supervisors and department heads sign off on the policies stating they have read and understand the policies governing petty cash and change funds.

Status of Recommendation

Implemented

Original Observation 6

Examination of petty cash and change funds was needed to ensure balances were aligned with need.

Internal Audit's review of petty cash and change fund balances showed departments may keep higher balances than needed. Of the funds reviewed, Internal Audit noted eight petty cash funds or change funds not being consistently used or may be inconsistent with the current needs of the department. The availability of City credit cards and improvements in technology associated with the cash receipts, such as the ETS credit card system implemented with the Parks and Recreation Department, may enable departments to reduce the amount of petty cash and change funds needed. Internal Audit's review indicated only one department had reduced fund balances to adjust for these factors. To maximize use of City funds, departments should review petty cash and change fund balances to ensure balances are aligned with needs.

1. During the count on 6/29/15 of the petty cash fund held at Fire Station #14, there was cash totaling \$215.49; three receipts dating back to 5/18/15 totaling \$72.23, and an un-cashed City of Fayetteville reimbursement petty cash check dated 6/25/15 in the amount of \$16.17. The total amount counted for the fund was \$303.89. The authorized amount was \$250. Prior checks to replenish the fund were written on 5/21/15 and 6/11/15 for \$60.04 and \$41.71, respectively. The authorized amount could possibly be reduced.
2. During the count on 6/30/15 of the petty cash fund held by Police Victim Assistance, the custodian of the fund indicated there are very few expenditures made from this fund. The amount of money counted in the fund was the authorized amount of \$300. There were a total of five checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount for this fund could possibly be reduced.
3. During the count on 6/30/15 of the petty cash fund held by Police Administration, the amount of money counted in the fund was \$232 with receipts totaling \$18. This accounted for the total authorized amount of \$300 in the fund. There were a total of five checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount could possibly be reduced.
4. During the count on 6/30/15 of the petty cash fund held at the Airport, the amount of money counted in the fund was \$130 with receipts totaling \$70. Receipts dated back to March 10, 2015, and the fund custodian indicated the fund is replenished about once per quarter. The total authorized amount was \$200 for this fund. There were a total of two checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount for this fund could possibly be reduced.
5. During the count on 6/30/15 of the petty cash fund held at the Transit Department, Grove Street location, the amount of money counted in the fund was \$161.87 with receipts totaling \$88.13 dating back to April 2015. The authorized amount for this petty cash fund was \$250. The fund was replenished and the money from the fund was turned over to the Finance Department on 7/17/15. This fund is no longer in existence.
6. During the count on 6/29/15 of the change fund at Cliffdale Recreation Center, the amount counted was the authorized amount of \$75, mostly in large bills (3 twenties, 1 ten, 5 ones). When asked if the fund was balanced daily, the custodian indicated the funds are not used often and so not balanced often. The authorized amount could possibly be reduced.
7. During the count on 7/10/15 of the change fund held at Myers Recreation Center, the amount counted in the fund was the authorized amount of \$75, in large bills (1 fifty, 1 twenty, 1 five). The authorized amount could possibly be reduced.
8. During the count on 7/2/15 of the petty cash fund held at the Environmental Services Department, Grove Street location, the amount of cash counted in the fund was \$354.28; with receipts dating back to April 2015 totaling \$145.80 which equaled \$500.08. The authorized amount for this fund was \$500 and as previously mentioned, the overage was taken to the Finance Department to be deposited. There were a total of three checks written to reimburse petty cash expenditures for FY 2014-2015. The authorized amount could possibly be reduced.

Original Recommendation

A periodic review of all petty cash and change funds should be done to determine if the need for the fund still exists.

Follow-Up

Finance Department personnel indicated a periodic review of all petty cash and change funds was done to determine if the need for the fund still exists, resulting in the closure of one petty cash and one change fund and the reduction of two change funds. It appears Finance Department personnel implemented measures to ensure a periodic review of all petty cash and change funds was done to determine if the need for the fund still exists.

Status of Recommendation

Implemented

Original Observation 7

Examination of petty cash and change funds was needed to ensure balances were aligned with actual practice.

In addition to the overages and shortages as presented in Observation 2, Internal Audit found the balances as shown on the general ledger did not accurately reflect the amounts in operations. Petty cash funds were reflected in one account per fund instead of being accounted for by a departmental subsidiary account on the general ledger.

Petty Cash

Department	Account	Per Books	Per Count	Difference
Airport	65.1107.AIR	200.00	200.00	-
Environmental Services	67.1107.ENVSVCS	-	500.00	500.00
Finance	11.1107.FIN	4,900.00	-	(4,900.00)
Fire	11.1107.FIRE	-	300.00	300.00
Legal	11.1107.LEG	-	500.00	500.00
Parks & Recreation Maintenance	11.1107.PARKSMTN	-	400.00	400.00
Police Administration	11.1107.POLADM	-	250.00	250.00
Police Training	11.1107.POLTRNG	-	2,000.00	2,000.00
Police Victim Assistance	11.1107.POLVIC	-	300.00	300.00
Traffic Services	11.1107.TRAF	-	250.00	250.00
Transit	61.1107.TRAN	750.00	250.00	(500.00)
Total		\$ 5,850.00	\$ 4,950.00	\$ (900.00)

Change funds were also not reflected as they are being used in operations and it appears some petty cash funds should be reflected as change funds on the general ledger.

Change Funds

Department	Account	Per Books	Per Count	Difference
Finance	11.1110.FIN	150.00	400.00	250.00
Inspections	11.1110.INSP	200.00	200.00	-
Parks	11.1110.PARKS	50.00	225.00	175.00
Parking	16.1110.PRKG	842.35	1,700.00	857.65
Recreation	11.1110.REC	1,430.00	1,400.00	(30.00)
Transit	61.1110.TRAN	-	500.00	500.00
Totals		\$ 2,672.35	\$ 4,425.00	\$ 1,752.65

City management is responsible to ensure financial activity is accurately reported and reliable. When the general ledger does not accurately reflect the actual fund amount, the opportunity for theft, loss or misuse is increased. For each department a separate account is not maintained in the general ledger per fund, however, it would be helpful to have a listing indicating the amount of each fund, the location and the custodian of the fund.

Original Recommendation

The general ledger should be updated to accurately reflect the balances held in petty cash and change funds by each department.

Follow-Up

Adjustments to petty cash and change funds as noted by Finance Department personnel have been recorded to the proper asset account on the general ledger. Internal Audit reviewed general ledger account balances as compared to the listing of authorized amounts for both change funds and petty cash funds provided by the Finance Department. The amounts reported on the general ledger by type of fund and by department were consistent with the listing of authorized amounts provided by the Finance Department.

Status of Recommendation

Implemented

Original Observation 8

The usage of petty cash was not in accordance with North Carolina General Statutes.

The Local Government Budget and Fiscal Control Act, N.C.G.S 159-28 outlines procedures for budgetary accounting for appropriations. The statute as originally adopted did not allow for cash payments. House Bill 44 amended the Local Government Budget and Fiscal Control Act in September 2015 so payments could be made by “Cash, if the local government has adopted an ordinance authorizing the use of cash, and specifying the limits of the use of cash.”

Original Recommendation

An ordinance should be adopted by City Council to bring the City’s policy of using petty cash funds in compliance with the North Carolina General Statutes.

Follow-Up

Internal audit reviewed City Ordinance No. S2016-001 with an effective date of February 22, 2016. This ordinance adopted by City Council brings the City’s policy of using petty cash funds in compliance with North Carolina General Statutes.

Status of Recommendation

Implemented

CONCLUSION

Based on the audit work performed, the Office of Internal Audit concluded the Finance Department updated policies and/or implemented procedures to effectively remediate issues as noted in the original audit report. The original audit observations appeared to be adequately addressed with these updates.

Internal Audit wishes to thank Finance Department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

Elizabeth H. Somerindyke
Director of Internal Audit

Signature on File

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Internal Auditor

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