



Date: June 12, 2009
To: Bob Morgan, Interim City Manager
From: Internal Audit Division
Subject: Petty Cash Review of the Legal Department

The Internal Audit Division has performed a review of the Petty Cash Fund in the Legal Department. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', written over a horizontal line.

Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Terry Wood, City Attorney



City of Greensboro

Date: June 8, 2009
To: Terry Wood, City Attorney
From: Internal Audit Division
Subject: Petty Cash Review

Petty Cash Funds may be used to reimburse employees for out-of-pocket expenses for minor expenditures incurred on behalf of the City. Purchases from these funds are limited to \$50 (excluding sales tax) and must be accompanied by a valid receipt at time of purchase. Purchases cannot be split on multiple tickets for the purpose of keeping the reimbursement below this limit. Purchases greater than \$50 should be processed through the purchase order, procurement card, or check order system. Petty Cash is only to be used when purchasing items and supplies for immediate use that could not be purchased or obtained using the aforementioned methods.

We conducted a review of the \$300 Petty Cash Fund maintained by Legal Services. The objectives of our review were to determine whether:

- Controls over Petty Cash exist.
- Vouchers are properly documented; and disbursements are made in accordance with the City's written policy and procedures.
- An adequate segregation of duties exists over the Petty Cash Fund.

Methodology

First, on April 24, 2009, we began our review by verifying that the currency on hand and the unreimbursed expenses (e.g. register receipts/invoices) kept in the cash box totaled the designated amount. There were no discrepancies with balancing the fund. However, we noted that the business purpose relating to an \$44.40 expenditure for the purchase of a Wachovia official check was undisclosed at the time of our verification.

Then, we selected a sample of requests for reimbursements (check orders) dated from July 2008 to February 2009 to ensure the following:

- Appropriate expense account numbers were charged for each reimbursement.
- Check orders were properly approved.
- Business purposes for the expense appeared valid.
- Individual Petty Cash disbursements were less than the \$50 limit.
- Documentation, check order, and reimbursement amounts were in agreement.

During our review, we noted the following:

Access to Petty Cash Fund

The Legal Department's Petty Cash Fund was assigned to one custodian responsible for cash disbursements made from the fund, as well as the overall fund maintenance (e.g. securing cash/documentation, ensuring proper documentation for expenditures, replenishing/reconciling the fund, etc.). Through inquiry, we learned that a coworker was allowed access and could disperse funds in the custodian's absence. We explained this was prohibited by City policy; and suggested, if necessary, that they request permission to assign an alternate Petty Cash custodian from the Accounting Manager.

A request was prepared by the custodian and permission was granted by the Accounting Manager on April 24, 2009.

Documentation/Recordkeeping

The City's *Petty Cash Policy and Procedures* states: *"To replenish the Petty Cash Fund, the departmental Custodian will summarize all expenditures, including payee, purpose, account number and amount, with the appropriate vouchers, and receipts/invoices attached."*

Finding: It was noted, in some instances, the purpose for the expenditure was not explicitly documented.

Recommendation: Disbursements from the Petty Cash Fund should always be well documented in accordance with written policy and procedures. When requesting a replenishment, the Legal Department currently attaches its original receipts totaling the amount on the check order. After proper authorization, it is submitted to Accounts Payable to process for payment. We suggest the department start using pre-numbered Petty Cash Vouchers (as used by the Collection Division). These vouchers should contain the following information:

- The date of the disbursement;
- A **detailed** description for the disbursement, including name of employee requesting funds;
- The amount dispersed;
- The approving supervisor's signature;
- The General Ledger account number to be charged (should be charged to accounts that most directly relate to the items purchased); and
- Custodian's signature.

Pre-numbered vouchers provide a detailed summarization each transaction, as well as aid in the reconciliation of the Petty Cash Fund.

Split-Purchases

As mentioned earlier, City policy states: *"There is a limit of \$50 (excluding sales tax) for each purchase made when using the Petty Cash process. Purchases cannot be split on multiple tickets for the purpose of keeping the reimbursement below this limit. Purchases greater than \$50 should be processed through the purchase order, procurement card, or check order system."*

Finding: In reviewing Petty Cash documentation, we noted three (3) separate receipts dated November 20, 2008 totaling \$110, which occurred within minutes of each other. These purchases were processed by the Register of Deeds Office as follows: \$21 (processed at 11:08 a.m.); \$15 (processed at 11:10 a.m.); and \$74 (processed at 11:15 a.m.). These transactions have the appearance of split-purchasing, which is prohibited by City policy and circumvents the Petty Cash system.

Recommendation: The Legal Department should adhere to City policy when using the Petty Cash process. We contacted the Register of Deeds to inquire about their acceptable forms of payment. We were told that they accept both cash and check.

We recognize that much of the work conducted by our Legal Department is time-sensitive; therefore, the check order process may not be feasible. Therefore, we suggest that the City Attorney work with the Accounting Manager to develop possible alternatives for handling such transactions while adhering to City policy.

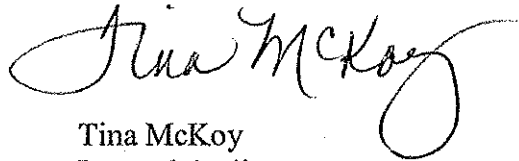
Year-End Petty Cash Balance

The *Petty Cash Policy and Procedures* states: *"Funds may be replenished as needed during the year; however, the Fund must be fully replenished at 100% of the specified balance before year-end Accounts Payable cutoff."* The 2007-2008 cutoff for submitting check orders was 2:00 p.m. on Friday, June 20, 2008.

Finding: We noted 11 expenditures totaling \$123 dispersed from the fund from June 16, 2008 to June 27, 2008. A check order including these amounts was prepared on July 22, 2008; and processed by Accounts Payable on July 23, 2008.

Recommendation: The Legal Department should ensure that proper year-end procedures are followed regarding the Petty Cash process.

We would like to thank the Legal Department staff for their courtesy and cooperation shown during this review. We ask that you please make your responses for corrective actions to our findings by Monday, June 22, 2009. If you have any questions or concerns, please contact us at 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Andy Scott, Interim Assistant City Manager for Economic Development



City of Greensboro

Date: June 10, 2009
To: Terry Wood, City Attorney
From: Internal Audit
Subject: Petty Cash Review – Reply to Response dated June 9, 2009

The Internal Audit Division has reviewed your response to our review of the Legal Services' Petty Cash Fund; and we feel that the procedures you plan to implement will adequately address our findings. We appreciate and applaud you for your timely response to our review.

If you have any questions or require further assistance, please do not hesitate to contact us at 373-4528.

A handwritten signature in cursive script, reading "Tina McKoy".

Tina McKoy
Internal Auditor

A handwritten signature in cursive script, reading "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Andy Scott, Interim Assistant City Manager for Economic Development

McKoy, Tina W

From: Jones, Beverly
Sent: Tuesday, June 09, 2009 4:17 PM
To: McKoy, Tina W; Lucas, Len
Cc: Wood, Terry; Peterson-Buie, Becky; Norman, Sylvia; Valent, Janet
Subject: Legal Dept - Petty Cash Audit

Dear Tina and Len:

This is in response to the April 24, 2009 audit of the Legal Department's petty cash and Internal Audit's final findings memo dated June 8, 2009. First and foremost, we are pleased to note that no discrepancies were found in balancing the fund. A couple of procedural items identified in your audit, however, do require further explanation and resolution, and I will address those here.

Methodology

The purchase of a \$44.40 Wachovia official check was undisclosed at the time of the audit. This was an oversight and a detailed explanation for this expenditure was recorded on April 24, 2009, thereby resolving that discrepancy.

Access to Petty Cash Fund

As noted in your report, City policy dictates that only one person have custody and control of petty cash. In the Legal Department, due to work schedules, it is necessary that one alternate person be allowed to access and disburse funds in the absence of the primary custodian. This access was requested and granted the same day of the audit.

Documentation/Recordkeeping

The auditor made a determination that some expenditures were not properly and/or explicitly documented. To correct this procedural error, it was suggested that Legal begin using pre-numbered vouchers that provide detailed information regarding each expenditure, which are then signed by the petty cash custodian and her supervisor. We have ordered a supply of these vouchers from the print shop and plan to implement their use on July 1, 2009, the beginning of the next fiscal year (since we are almost halfway through June and already so close to the end of this fiscal year).

Split Purchases

A notation was made regarding three expenditures on November 20, 2008 totaling \$110 (\$21, \$15, and \$74), which highlights two separate issues: One, an apparent violation of the City's policy against "split purchases," and two, an expenditure of more than \$50, which exceeds the allowable limit for one-time purchases from petty cash. First, while we are certainly aware of the City policy prohibiting "split purchases" and would not intentionally violate that policy, the nature of the business in this department sometimes dictates that a paralegal will have multiple items for recordation on any one given trip to the Register of Deeds. In those cases, the total amount needed for recording the various items would be calculated and that amount withdrawn from petty cash. At the Register of Deeds, the recordation of these items would naturally happen within relatively close succession; therefore, the receipts and time-stamps shown thereon could give the *appearance* of acting to circumvent the policy prohibiting split purchases, but we assure you that is not the case. Regarding exceeding the \$50 limit on any one purchase, again, this was a simple oversight—one we recognize should not have happened and which will not happen again. The auditor suggested that if it was felt that purchases more than \$50 were or may become regular occurrences, we should request an increase in the one-time expenditure allowance. After discussing this question, we do not feel that an increase in the one-time limit is necessary. To ensure that this issue does not arise again, however, we will take the necessary steps to remind department personnel that expenditures of more than \$50 need to be planned for in advance in order to handle those expenditures in a manner consistent with City policy, whether it be through purchase order, P-card or check request.

Year-End Petty Cash Balances

Finally, regarding replenishment of funds "at 100% of the specified balance before year-end Accounts Payable cutoff," a notation was made that the 2007-2008 replenishment was not made in a timely manner. Again, this was a simple oversight, but you may be assured that the 2008-2009 replenishment will be processed and completed within the time frame set out in the City's policy.

With the corrections and adjustments noted above, we feel that the issues cited in the audit have been appropriately addressed. If further information is required or other actions become necessary, please do not hesitate to let us know.

Beverly S. Jones, CLA, NCCP
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