



# City of Greensboro

Date: April 30, 2003  
To: Ed Kitchen, City Manager  
From: Internal Audit  
Subject: Cash Counts/Petty Cash Counts

Internal Audit recently conducted cash counts and reviews of petty cash and change funds in departments throughout the city. This was our first citywide review of general fund change funds since the 2002 fiscal year. Our reviews included parking lots and decks, and certain other of the funds for the first time. (\*) We conducted these reviews to determine whether funds were being safeguarded and whether accounting records were correct. In order to accomplish this, we reviewed the general ledger for the recorded petty cash amounts for all funds. We also requested and received information as to records concerning petty cash funds from Accounting and reviewed previous cash counts conducted by Internal Audit. We contacted various department heads by electronic mail transmission to determine if our records as to trustee and location of these funds were correct or not. We tested the information provided by conducting cash counts and determining whether funds were recorded correctly; at the same time we reviewed procedures for safeguarding these funds.

## THE GENERAL FUND PETTY CASH ACCOUNT

General Fund petty cash account balance as of the end of February 2003 when we started our work was \$25,414.92. Our cash counts and inquiries indicate that Petty Cash counted as of that date was \$26,731.50, which is a difference of \$1,316.58. The Accounting Division staff charged with maintaining the records for Petty Cash indicated that several journal entries were pending that would correct the account for overages credited to the petty cash account in error when the petty cash accounts were closed. Unfortunately, these entries had not been made before the audit began due to the ERP implementation process. Further, several areas have been found to have change funds that were not created by charging the petty cash account. In all but one instance, the origination of these funds cannot be determined so an entry will have to be made to record them in the general ledger. Additionally, some departments have not done a good job in reporting any changes in the trustees of petty cash funds to Accounting.

**Department heads should be reminded to make sure Accounting is notified when petty cash/change funds accounts need to be created, increased, decreased, replenished, or terminated.**

The problems noted in our counts of these funds were as follows:

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\* Counted and reported for the first time.

- **Legal**-\* had an imprest amount of \$300 in petty cash and it was over by \$75.83 when counted. For over two years, the custodian had been allowing staff to buy stamps for personal use that had been purchased with City petty cash funds. Rather than using the personal funds received from employees to offset the cost of the postage, the entire amount of the postage sold (for both City use and personal use) had been requested as reimbursement from the Legal Department's expense account.

**The custodian was required to deposit the \$75.83 to a miscellaneous expense account, and was instructed to cease selling stamps for personal use that had been purchased with City petty cash funds.**

- The **Police Department** -\* petty cash total on the general ledger for all its locations was \$15,100. It appears that at some point, the Police Department felt its petty cash needs had changed, and they increased their confidential funds by \$1,000. There was no record of this increase in the petty cash account. We assume this was done by charging an additional \$1,000 to expense when they requested a reimbursement for undercover funds spent. Additionally, they have internally redistributed the funds they were assigned to the different divisions without notifying Accounting of these changes. Because of the delay in time, redistribution of funds, and employee assignment changes, there is no concrete evidence to prove exactly how they got the additional \$1,000, so a prior year correction must be done to correct the accounts used.

The change fund in Police Records was short \$30, the CID Division was over by \$2.70, and Vice/Narcotics was short by one cent. The Vice/Narcotics division had \$10,000 in funds and had a very good record keeping system, including both the uses of computerized spreadsheets and sub ledgers maintained by staff having physical access to funds. Team members actually receiving cash were required to initial the sub ledger to indicate their acceptance of the funds they received.

**Overages have been deposited, and shortages were replenished by Accounting. Additionally, a journal entry has been prepared to adjust the accounts to correct the \$1,000 increase in petty cash funds that appears to have been previously charged to expense by the Police Department in error.**

- **Employee Benefit Association**-\* change funds were limited to \$100 each to one employee in the Melvin Municipal Office Building, (MMOB), and one employee at the Library.

The fund at the MMOB was short two tickets and had a cash overage of \$1.50. With tickets valued at \$5.00 each, the cumulative shortage was \$8.50. It appeared some tickets might have been sold for an incorrect price when a change of price occurred. The Library representative had turned in all her receipts as well as the \$100 she had been assigned for her change fund. The entire amount was deposited to a revenue account in error. The \$100 change fund should have been credited to the petty cash account when returned.

**A check has been issued to replenish the shortage in the funds held at the MMOB. Additionally, a journal entry is being prepared to correct the account credited when the funds were returned by the Library representative.**

- A count of the funds located at the Branch Libraries showed the following discrepancies:
  - Overages at three branches totaling \$9.17.

**The overages have been deposited to the cashier overage account on daily receipts.**

- A net general ledger credit of \$16.58 for the Northeast Branch (which is closed)

**The net credit is due to turning in a net overage to the petty cash account rather than to the cashier overage account when the Northeast Branch was closed. A journal entry is pending to correct this error.**

- Shortages at two branches totaling \$80.21

**The bulk of the shortage came from a theft from a cash register at the Central Branch on or about February 25, 2003. One hundred dollars was taken and Police incident report #2003-008-3729 was filed. At that time, the Library staff did not request that these funds be replenished. Since that time, there have been small overages that have reduced the net amount of the remaining shortage. A check request will be prepared to replenish this net shortage.**

- Two branches that have twice as much in funds as they have recorded on the general ledger.

**The records kept by the Central Branch show \$400 in petty cash at that location, and the general ledger has only \$200 recorded. Likewise, at the Southwest Branch, the branch's records show a total of \$50, and Accounting's records state only \$25. It is impossible to determine where these extra funds originated so a journal entry is being prepared to increase their petty cash totals on the general ledger and to credit prior year corrections.**

- Parks and Recreation – highlights of the petty cash counts:
  - Eight locations had overages of \$3.00 or less
  - The entire \$25 assigned to Country Park was missing
  - Four locations had petty cash amounts that had not been paid from the petty cash account, and the origination of only one of the four could be determined.

**The overages have been deposited to the cashier overage account.**

**When an interim manager took over the operation at Country Park, he was not made aware or accountable for the \$25 petty cash fund. These funds have been replenished by Accounting, and the new manager is aware of his responsibility for these funds.**

**When the BurMil Wildlife Center opened, \$100 was withheld from a day's deposits to fund the change needed for a cash register. We also discovered three \$25 cash**

boxes, located at Lindley Recreation Center, Grimsley Pool, and Smith Pool, that were not recorded in the general ledger. Since we have not audited petty cash in a long time, and since these funds appear to have been in existence for some time, Accounting is preparing a journal entry to record these petty cash funds and credit prior year corrections.

We informed management of the problems we encountered.

- **Building Inspections**-\* was short \$10 when counted. They were assigned \$500 but had only \$490 in petty cash funds.

**Building Inspections** has requested replenishment of the shortage amount. In order to establish better accountability, funds need to be handled by one or two staff members at most rather than by a committee.

- **Property Management** -\* was charged with \$200 and the fund was intact.

The funds counted included an extra \$5 for a non-city coffee fund for the division. We recommended the custodian separate that \$5 from the City petty cash funds.

- **Finance** has funds in Supply-\* and Collections. The Supply funds were over \$3.56 when originally counted, and Collections \$0.01. A recount of Supply funds uncovered an additional \$0.20 overage.

Supply deposited the \$3.56 funds overage on 4/3/03. The remaining \$.20 in excess funds should also be deposited to the overage account.

Supply has been selling stamps as an accommodation to employees, and some employees do not take the change for their stamps, which caused the overage accumulation. Supply should be instructed not to sell stamps purchased with petty cash to employees.

#### **OTHER FUNDS COUNT RESULTS:**

##### **FUND 680-FLEET MAINTENANCE**-\*

The fifty-dollar change fund indicated in the general ledger was correct and intact when counted.

##### **FUND 564- TRANSIT SYSTEM**-\*

The fifty-dollar change fund indicated in the general ledger was over by \$1.25 when counted.

**GTA has deposited the overage to the cashier overage account.**

Additionally, we observed counting of fixed route cash receipts collected by the contractor for the weekend of March 28, 29, and 30, 2003. The count total for all fixed routes was \$4,044.34, but the fare box counts totaled \$4,272.38, which was a shortage of \$228.04. The facility and procedures for the count were very good, with a locked steel door to the counting room, a tape recording camera in the count room, and procedures requiring that two people conduct each count.

Discussions with GTA staff and the contractor indicate that the variance is a recurring problem when buses are pulled in for repairs. The computerized fare box amounts are input into the computer by means of an electronic probe before the actual fare boxes are physically pulled, dumped, and counted. GTA staff indicated this usually straightens itself out over the period of a month, and that the variance is usually a nominal amount of cash over the amount the fare boxes record.

We requested the results of the variance for the month of March 2003 when it became available. GTA staff replied by telephone that the variance was \$314.76 more in funds deposited than the fare boxes had counted for the entire month, a percentage difference of 0.54% of the fare box counts. Apparently fare box funds are dumped and counted before the computer probe records the electronic fare box count as well as vice-versa.

The contractor should be required to work out a procedure with its mechanics to ensure that fare boxes are dumped and counted at the same time the fare boxes are probed and the electronic counts input to the computer.

#### **FUND 551-SOLID WASTE-\***

The Landfill has \$300 in change funds. When originally counted, the fund was short \$9.58. We were unaware at that time that the funds were actually short an additional \$110. When Landfill staff realized they were short by \$110 and didn't have enough cash to make their full deposit, they shorted the cash receipts for that day. The landfill manager requested and received a replenishment of the missing \$120 (\$10 plus \$110) after our count had been done. We returned to recount the cash and could not determine the cause of the discrepancy. Because of a shortage of staff on Mondays, the supervisor frequently has to work from someone else's cash drawer. This second count of the funds after the correction was made indicated a \$0.42 overage in one drawer.

We recommend that the Solid Waste change funds be increased by \$50 to provide funds for a drawer for the supervisor to use on Mondays. Staff should be cautioned not to short deposits in order to maintain cash fund balances. Funds in the drawer were not sufficient to cover the deposit required, and the actions taken are understandable in this instance. The \$0.42 overage should be deposited as a miscellaneous receipt to cashier overage.

#### **FUND 541-PARKING LOTS, FUNDS 542 AND 543-PARKING DECKS-\***

The City/County Parking Lot has \$300 assigned to its coin change machine. At the time of our count, it contained \$26.75 more than the amount indicated in the general ledger.

The Parking Manager is depositing this overage to the cashier overage account.

The following results were obtained from counts at the four parking decks.

- There were small overages in cash drawers at two of the decks.

These overages were deposited to the overage account on daily receipts.

- The extra cash drawer at the Greene Street Deck was short \$25.50, and the coin change machine at the Bellemeade Deck was short \$19.25.

**A check request has been prepared to request replenishment of these shortages.**

- Fifty dollars each had been requested in 2001 to fund extra cash drawers for the Church and Davie Street Decks. These funds could not be located when the count was done. There have been reassignments of employees between the decks, and they are required to take their change drawers with them. In the midst of this change, one of the employees was terminated due to theft of funds. This employee had access to these extra cash drawers and it is assumed may have taken these funds.

**A check request has been prepared to request replenishment of these shortages. The Parking Manager has taken steps to perform surprise audits of cash at all of the decks on a random basis. Each deck supervisor has also been instructed to randomly verify the funds held by each attendant.**

Additionally, we counted one employee's drawer who was assigned fifty dollars, and the drawer was twenty dollars short. As we were completing the count, the employee in question returned with four five dollar bills, stating that a twenty dollar bill was taken home to get change for it at the market. We changed our count, but feel this matter needs closer scrutiny by management.

The Parking Operation locations have cameras pointed at the cash registers twenty-four hours a day, seven days a week, recording employee actions on tape. However, parking attendant's use these drawers all day long to make change and take in cash. In this instance, the removal of funds by an employee from a cash drawer was only discovered by a surprise cash count.

**We recommend that the extra change drawers be more closely monitored and that the parking deck supervisors be assigned accountability for them. Access to the coin changer(s) should be assigned to a limited number of employees to ensure accountability for those funds. The Parking Operations Manager should develop written standard operating procedures in order to appropriately deal with employees who remove cash funds from drawers for any purpose other than to make change for a customer. This procedures document should be provided to all parking employees.**

**The Parking Operations Manager should conduct a few surprise cash counts at irregular intervals as a deterrent to theft and to remind employees of their responsibility toward city cash. Our last recommendation is that cash deposits should not be shorted to cover any shortages in change funds; Accounting should be contacted to replenish shortages. Overages should be deposited daily through the daily cash receipts process.**

#### **FUND 531 BRYAN PARK-\***

This fund showed a credit of \$40 in the general ledger. This net overage should have been credited to the cashier overage account when the account was closed. Bryan Park, LLC now manages Bryan Park, so the petty cash fund amount should be \$0.

**Accounting is processing a journal entry to transfer the credit balance in the petty cash account to the cashier overage account to leave a zero balance for this fund's petty cash amount.**

**FUND 521 WAR MEMORIAL COLISEUM-\***

As of 3/28/03, the War Memorial Coliseum's petty cash total recorded in the general ledger was \$64,980, but the Coliseum vault records showed a total of \$65,000. The vault paperwork had not been adjusted for \$20 that was credited to the Petty Cash account on 3/19/03 to correct a bank deposit error.

We counted a total of \$63, 716.59 in all of the vaults located on the Coliseum property. The remaining \$1,400 was assigned at the Bryan Park Enrichment Center per Coliseum records and was counted and verified later. Taking into account the total funds located at both sites, there was a net overage of \$136.59.

**The Coliseum needs to deposit this \$136.59 into their cashier overage account.**

Six hundred dollars of the funds at Bryan Park were for the cash bars at the Enrichment Center and were assigned to a Coliseum employee who had been terminated the week prior to our cash count. Further, the contractor managing the facility also has access to these funds because this facility is in the midst of making the transition to the new company.

**We think that the \$600 for the cash bar should have been kept in the Coliseum's vault since it was not assigned to an active employee.**

When we counted the cash at Bryan Park, we found that \$800 assigned to the grill had been "sold" to the new management as of March 1, 2003. When we counted these funds on 3/28/03, the funds were intact, but Bryan Park LLC had not yet been billed for these funds. Also, when we counted the funds at Bryan Park, there was an additional \$354 deposit in a sealed, tamperproof bag from an event held on March 8, 2003. Signature Catering had not yet made the bank deposit for these funds.

**The Coliseum needs to bill Bryan Park, LLC for the \$800 they received to fund their petty cash needs. Further, the Coliseum needs to make sure that any events held at the Bryan Park facility for which they are responsible have the funds deposited promptly. Receipts are required to be deposited the next day once they reach a \$500 total per specific Greensboro ordinance. Coliseum staff has indicated that the \$354 has now been deposited to revenue.**

**FUND 501 WATER RESOURCES-\***

The general ledger shows the fund has \$150. The fund was short \$9.50 when counted.

**Water Resources should request replenishment for the \$9.50 to bring the fund up to its recorded level. The employee(s) assigned to administer the fund need to monitor it more closely to assure accountability of funds.**

**FUND 212 HOUSING AND COMMUNITY DEVELOPMENT-\***

The general ledger shows the fund has \$250. The fund was \$0.10 over when counted.

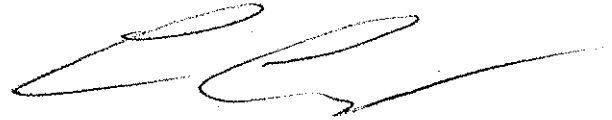
**Housing and Community Development should deposit the overage to return the fund to its assigned amount.**

Accounting has been appraised of these results and all over and under conditions that exist for these petty cash funds based on our counts. Accounting has indicated that the necessary journal entries are being prepared to correct the general ledger. They are also working with the departments to assure they have correctly resolved the overage or shortage situations in their respective areas.

We would like to thank the various departments reviewed for their courtesy and cooperation shown us during the audit. We request a response to this audit from the department and division heads affected by May 30, 2003. If there are any questions or comments concerning the details of this audit, please contact us at 373-2230.



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