

17-03 Cash Handling - Part A Petty Cash Audit Follow-up

Status of Corrective Actions in Management Responses
As of December 2017
Original Report Issuance - May 2017
Follow-up result: All findings are closed.



City Auditor's Office
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Parks, Recreation, and Community Services Department

Finding	Recommendation(s)	Management Response	Follow-up Status
Missing Petty Cash			
<p>On two occasions, the cash fund for a separate Parks, Recreation, and Community Services (PRCS) location was short during the unannounced count. One fund was missing \$6.92 of the \$100 issued. One fund was missing \$37 of the \$200 issued (19%).</p>	<p>We recommend the petty cash banks identified be reconciled and the cause for the missing cash be reviewed by management. In addition, we recommend the excess \$100 used as a change fund for the second fund be returned to Finance to eliminate the risk of staff using that fund to supplement shortages in the register drawers. Also, we recommend the overages/shortages be documented on the daily cash paperwork as intended by cash handling procedures.</p>	<p>PRCS will implement the recommendations from the audit. Management has reviewed the recommendations, and compliance will be achieved via the following:</p> <ul style="list-style-type: none"> • It will be clarified that PRCS Admin and Parks Maintenance have actual "petty cash" to be used for purchases. • It will be clarified that the PRCS locations have "cash drawers" to be used for conducting financial transactions (i.e. facility drop-in use, rentals, program registration, etc.). • It will be clarified that a "change fund" is not to be used to reconcile cash drawers. • If change is needed, staff is to exchange money at a financial institution by using the money from the facility's "change fund" for smaller bills. • All staff handling cash directly or managing programs that involve cash transactions must review cash handling policies: City of Reno Management Policies and Procedures #407 – Cash Handling Policy and Parks, Recreation & Community Services – Cash & Deposit Handling Procedures (pursuant to #407) • Training and orientation will also include review of policies as well as daily operations for over/under procedures. <p>The following measures have already been completed:</p> <ul style="list-style-type: none"> • Reduced the bank at one of the locations to \$150. • Overages/shortages are documented on a daily basis. • Review of mistakes is completed with appropriate staff and additional training is conducted as necessary. • The daily cash reports have a specific line for over/short amounts. • All issues should be resolved on the same day, at close of business. <p>Training:</p> <ul style="list-style-type: none"> • Staff will count their drawer bank at the start of their shift. • At the end of the shift, staff will count out the original drawer bank amount. • PRCS will also implement an internal checks and balances. Staff from PRCS Admin will perform quarterly surprise audits on each facility. 	<p>Completed.</p>
Noncompliance with Best Practices and Policies and Procedures - a			
<p>On one occasions, additional cash was on-hand in the supervisor's office in a prenumbered clear bank bag. Maintaining "extra cash" in this manner is not within best practices for cash handling and diminishes the influence of internal cash controls.</p>	<p>We recommend the cash issued to the department and the actual cash on hand be balanced for this location. In addition, the prenumbered clear bank bags should be used for deposits only.</p>	<p>PRCS will implement the recommendations from the audit. Management has reviewed the recommendations, and compliance will be achieved via the following:</p> <ul style="list-style-type: none"> • Clear bank bags will be used for deposits only. • Any "found" money will be reported as an overage on a daily basis and a memo will accompany the daily cash report. • Completed. Measures implemented immediately upon notification from auditor. 	<p>Completed.</p>

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Noncompliance with Best Practices and Policies and Procedures - b			
<p>On one occasion, all cash was not locked-up when the unannounced cash count occurred.</p>	<p>We recommend cash be safeguarded as stated in policies and the employees working at the location identified be reminded of proper cash handling procedures.</p>	<p>PRCS will implement the recommendations from the audit. Management has reviewed the recommendations, and compliance will be achieved via the following:</p> <ul style="list-style-type: none"> • Training will be conducted with all staff to ensure cash will be safeguarded appropriately as per policies and procedures. • Staff was made aware and instructed to take due care and follow proper cash handling procedures. 	<p>Completed.</p>
Tracking and Monitoring Controls Can Be Strengthened			
<p>One PRCS employee is listed as the responsible employee of petty cash for all sixteen locations assigned to the PRCS Department. The employee does not work at six of the active locations nor does the employee provide managerial oversight of the staff handling the cash funds.</p>	<p>We recommend PRCS management identify staff that is most appropriate for the cash custodian designation for the PRCS petty cash locations. In addition, the updated cash custodians should be communicated to Finance for updates to the Petty Cash tracking spreadsheet.</p>	<p>PRCS will implement the recommendations from the audit. Management has reviewed the recommendations, and compliance will be achieved via the following:</p> <ul style="list-style-type: none"> • Identify staff at specific site locations to be the cash custodian. • Send a memo to Finance that communicates the designated cash custodians. • Staff will complete an annual review and an updated memo will be sent to Finance as necessary. 	<p>Completed. Latest update memo sent to Finance in September 2017.</p>

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Tracking and Monitoring Controls Can Be Strengthened			
On two occasions, the amount of petty cash documented by the department providing oversight to cash funds was not accurate.	We recommend the petty cash tracking spreadsheet be reconciled to reflect current funds on hand as identified.	Procedures were followed and the petty cash tracking spreadsheet was reconciled between the general ledger and petty cash balance confirmations at June 30, 2016 showing no funds were missing. The difference was between the classification of cash on hand for petty cash and cashier drawers. When departments returned petty cash confirmations two departments indicated the mix of petty cash and cashier drawer funds needed to be adjusted without altering the overall cash balance. Appropriate training will be given to Finance Department staff so balances are more clearly listed on the internal petty cash tracking spreadsheet. Appropriate training has already been given to Finance Department staff to correct the issue in the future. The Accounting Manager will review the reconciliation as part of the annual external audit.	Per the Management Response, petty cash amounts between cash on hand and cashier drawers were amended to show the differences between fund types. The internal document created by finance to monitor petty cash had been consistently updated through out the year and ties to petty cash confirmations received for June 30, 2017.
	Also, the process to verify the funds at the end of each fiscal year should be altered to a blind-review, that is, the department should self-report the amount of the cash fund on hand rather than signing a form with the amount already filled-in by the oversight department.	Petty cash balance confirmation will be altered to reflect the suggested blind-review positive confirmation. Petty cash balance confirmation forms will be altered to reflect the suggested blind-review positive confirmation beginning with those to confirm balances at June 30, 2017. The petty cash confirmation will be reviewed annually to determine if additional language should be included in the future and if existing language is sufficient.	Per the Management Response, petty cash confirmations were sent out for June 30, 2017 in the requested blind-review format. Any differences resulting from the confirmations were noted, reconciled and adjusted.
	In addition, we recommend once the verification process is complete (all verification letters with notations remitted and the any changes updated on the Petty Cash tracking spreadsheet) that a supervisory review be performed and documented to reduce the likelihood of clerical errors and maintain the integrity of the document used to identify distributed City cash.	The Accounting Manager will review the petty cash reconciliation as part of the annual external audit. The review will occur as part of the annual external audit. The Accounting Manager will continue to monitor existing controls.	Per the Management Response, as part of the annual CAFR preparation and reconciliation of accounts, the Accounting Manager reviewed the petty cash reconciliation and any adjustments necessary.
Petty Cash Issuance and Use			
Noted a petty cash fund issued to one department is greater than the need for quick access to cash per a review of the department's transactional history.	We recommend the petty cash be reduced to no more than \$300 for the location.	Petty cash for that department will be reduced to \$300. When audit report is finalized, the Finance Department will take the necessary steps to ensure funds are returned the City's general cash balance.	Per the Management Response, petty cash was reduced to \$300 for the department. The excess petty cash was deposited at Central Cashiering on August 2, 2017. Finance has updated the petty cash spreadsheet.