

CITY OF ROCHESTER  
REVIEW OF SELECTED PETTY CASH FUNDS

Office of Public Integrity  
Date: March 30, 2015

## I. EXECUTIVE SUMMARY

In this review, we assessed the adequacy of petty cash procedures used by selected custodians and determined the extent of compliance with approved City policy. The Office of Public Integrity (OPI) selected 20 of the 75 authorized petty cash funds for detail testing. We selected the sample from funds within various City departments. This review established general compliance with petty cash guidelines.

## II. BACKGROUND, OBJECTIVES AND SCOPE

### A. Assignment

The Office of Public Integrity periodically conducts unannounced petty cash fund counts. The work plan for the current fiscal year includes the examination of 20 funds. OPI conducted these counts between January 20, 2015 and February 27, 2015.

### B. Background

Petty cash funds provide a cash reserve for relatively small purchases of items of an essential, but nonrecurring nature. Petty cash purchases are not intended for quantity purchases that departments should process through normal purchasing procedures. However, when properly utilized, a petty cash fund reduces the need for the Bureau of Purchasing to issue purchase orders for unanticipated, inexpensive items.

The Department of Finance issued the most recent City policy outlining petty cash guidelines in May 2014. To establish a petty cash fund these guidelines require the completion of a Petty Cash Order (PCO). The appropriate department head must approve the PCO and the employee designated as the fund custodian must endorse it. Each custodian has direct responsibility for the maintenance and operation of their fund and compliance with City policy.

If a custodian transfers or leaves the employ of the City, department and administrative bureau heads are responsible for ensuring that the custodian returns the fund intact, that the custodian balances the fund, and that the Bureau of Treasury reissues the PCO to a new custodian. Any permanent changes in either fund amount or custodian require the completion of a new PCO. The Bureau of Treasury retains the PCO as the official record of the cash assigned to each custodian.

As of February 20, 2015 there were 75 PCOs on file in the Bureau of Treasury representing a total value of \$24,442. The average PCO was \$326. The largest individual funds include the Law Department and the Public Library (\$3,000 each), and the smallest fund is Information Technology, Municipal Archives (\$25.00). The following is a summary of the size and frequency distribution of all PCOs:

Petty Cash Orders Outstanding  
As of February 20, 2015

<u>PCO Amount</u>	<u>Number of Funds</u>	<u>%</u>	<u>Value of Funds</u>	<u>%</u>
\$ 1-50	12	16.0%	\$ 575	2.4%
51-100	27	36.0	2,620	10.7
101-150	5	6.7	715	2.9
151-200	8	10.7	1,600	6.6
201-250	2	2.7	500	2.0
251-300	6	8.0	1,800	7.4
301-350	1	1.3	350	1.4
351-400	3	4.0	1,200	4.9
401-450	1	1.3	430	1.8
451-500	1	1.3	500	2.0
501+	<u>9</u>	<u>12.0</u>	<u>14,152</u>	<u>57.9</u>
Total	<u>75</u>	<u>100.0%</u>	<u>\$24,442</u>	<u>100.0%</u>

Although a petty cash fund is minor in relation to the budget and assets of a department, certain procedures of internal control must be observed to ensure the integrity of the City's liquid cash assets. This principle is the basis for conducting this review.

C. Objectives and Scope

The objectives of the review were to assess the adequacy of procedures used by selected custodians and determine compliance with approved City policies. The scope included an unannounced count of 20 petty cash funds, as well as an examination of documentation supporting expenditures for propriety. Public Integrity selected the following petty cash funds for detail testing:

Petty Cash Funds Selected for Examination

<u>Custodian Name</u>	<u>Department/Bureau</u>	<u>Amount</u>
	Library/Central	\$ 750
	Library/Charlotte	100
	DES/Water	200
	Rundel/Business	3,000
	Parking/Sister Cities Garage	1,177
	Parking/Court Street	1,177
	Parking/Washington Square	430
	Law	3,000
	IT/Municipal Archives	50
	IT/Municipal Archives	25
	Police/Property Clerk	50
	Law	50
	Fire/Chief's Office	100
	DRYS/Recreation/Flint Street	100
	Fire/Training	100
	DRYS/Recreation/Carter Street	100
	NBD/Administration/Finance	250
	DES/Engineering	100
	DRYS/Youth Services	150
	DES/Cemeteries/Mt. Hope	80
		<u>\$10,989</u>

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate

because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### III. RESULTS OF REVIEW

In general, the custodians of petty cash funds reviewed appear to comply with the City's Petty Cash Policy. We did not note any adverse findings during this review. Based on these results, OPI does not anticipate any additional audit procedures.