

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 randomly selected 15 of the 91 authorized petty cash funds for detail testing. This review established general compliance with petty cash guidelines. However, we noted the following findings that require management attention to improve compliance with City policy.

- ◆ Public Integrity noted seven checks, totaling \$147.00, held in the Information Technology, Records Management petty cash fund, not immediately endorsed upon receipt and not deposited in accordance with City policy.
- ◆ The location and the fund custodian of the South Avenue Recreation Center petty cash fund did not agree to Bureau of Treasury records.
- ◆ We noted a petty cash reimbursement for a coffee purchase of \$23.98 for a City employee staff meeting in the Department of Recreation and Youth Services, Cemeteries.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity periodically conducts surprise petty cash fund counts. Public Integrity examined 15 of the 91 authorized petty cash funds for detail testing. We conducted these counts between February 25, 2008 and March 13, 2008.

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 alleviates 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 2007. 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. Custodians have 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 22, 2008, there were 91 PCO's on file in the Bureau of Treasury representing a total value of \$26,870.00. The average PCO was \$295.00. The largest individual funds include the Law Department and the Public Library (\$3,000.00 each), and the smallest funds include the Department of Information Technology, Records Management (\$25.00) and the Department of Environmental Services, Architectural Services (\$40.00). The following is a summary of the size and frequency distribution of all PCO's:

Petty Cash Orders Outstanding
As of February 22, 2008

<u>PCO Amount</u>	<u>Number of Funds</u>	<u>%</u>	<u>Value of Funds</u>	<u>%</u>
\$ 0-50	13	14%	\$ 615	2%
51-100	21	23	1,890	7
101-150	4	4	565	2
151-200	11	12	2,200	8
201-250	6	7	1,500	6
251-300	15	16	4,500	17
301-350	2	2	700	3
351-400	6	7	2,400	9
401-450	1	1	450	2
451-500	6	7	3,000	11
501-550	-	-	-	-
551-600	1	1	600	2
601+	<u>5</u>	<u>6</u>	<u>8,450</u>	<u>31</u>
	<u>91</u>	<u>100%</u>	<u>\$ 26,870</u>	<u>100%</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

This review assesses the adequacy of procedures used by selected custodians and determines compliance with approved City policies. The scope included an unannounced count of 15 randomly selected 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>Fund Custodian</u>	<u>Fund Location</u>	<u>Fund Amount</u>
	Mayor/Human Resource	\$ 250.00
	DES/Water	400.00
	DES/Street Lighting	100.00
	DES/Equip. Services	500.00
	City Council/Clerk	100.00
	Library/Monroe Ave.	140.00
	Library/Central	650.00
	Library/Maplewood	75.00
	Library/Charlotte	100.00
	DCD/Contract Services	500.00
	DRYS/Cemeteries	200.00
	DRYS/South Ave.	300.00
	Info. Technology/Records Mgmt.	50.00
	Finance/Treasury	200.00
	DES/Operations	400.00
	Total	<u>\$3,965.00</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.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

In general, the custodians of petty cash funds reviewed appear to comply with the City's Petty Cash Policy. However, we noted several findings that require management attention to improve compliance with the policy. The following chart summarizes each fund examined by Public Integrity, and the findings noted.

Review of Selected Petty Cash Funds
Summary of Audit Findings

<u>Name</u>	<u>Department/Bureau</u>	<u>Number of Purchases Examined</u>	<u>Fund Balance Over/Under</u>	<u>Improper Check Handling</u>	<u>Unrestricted Funds</u>	<u>Unallowable Expenditures Number</u>	<u>Amount</u>
	Mayor/Human Resources	29					
	DES/Water	68	0.05				
	DES/Street Lighting	3					
	DES/Equipment Services	94	6.21				
	City Council/Clerk	32					
	Library/Monroe Ave. *	0					
	Library/Central *	0	0.30				
	Library/Maplewood *	0	0.95				
	Library/Charlotte*	0					
	DCD/Contract Services	18					
	DRYS/Cemeteries	18	0.00			1	\$23.98
	DRYS/South Ave.	66	0.00		X		
	Info. Technology/Records Mgmt.*	0	(6.41)	X			
	Finance/Treasury	9					
	DES/Operations	37	0.61				

* Change fund only

A. Non-compliance With City Cash Collection Policies

City Cash Collection Policies requires that personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100.00, whichever occurs first. These policies also require personnel to restrictively endorse checks immediately upon receipt. OPI noted seven checks, totaling \$147.00, that the fund custodian received and held in the petty cash fund at Records Management. The custodian had not deposited them in accordance with Cash Collection Policies. Additionally, the custodian had not restrictively endorsed any of them. The following table summarizes the delinquent deposits.

Information Technology – Records Management
Analysis of Delinquent Deposits

<u>Elapsed Business Days for Delinquent Deposits</u>	<u>Number of Delinquent Deposits</u>	<u>Amount of Delinquent Deposits</u>
1	1	\$ 11.00
7	1	11.00
17	2	66.00
23	1	11.00
30 + days	<u>2</u>	<u>48.00</u>
	Total: <u>7</u>	<u>\$147.00</u>

Timely deposits of cash and immediate endorsement of checks are important to reduce the risks of theft or diversion. Additionally, checks received in payment may be good upon receipt, but not at a later point in time. Undeposited cash is idle cash and is not contributing to the best possible utilization of City resources.

◆ Recommendation

The Records Management custodian should deposit all cash collections in accordance with City policy.

B. Unrestricted Access To Fund

OPI noted that the location and the fund custodian of the South Avenue Recreation Center petty cash fund did not agree to Treasury records. The petty cash fund assigned to the Center Director at the South Avenue Recreation Center was securely stored at the Field Street Center and maintained by the Recreation Supervisor at that location. Each of these employees have access to the fund. The City's Petty Cash Policy states that the petty cash custodian is directly responsible for the maintenance and operation of the fund to ensure the security of the City's cash assets. The custodian should be the only person with access to the petty cash fund. Additionally, any changes to the fund require a replacement PCO. There is a potential for misuse of funds and a lack of accountability when more than one person has access to the funds.

◆ Recommendation

The custodian of record should maintain and operate the fund at the location on record with Treasury, or request a transfer of the fund to a new custodian.

C. Personal Employee Expenses

The Petty Cash Policy disallows the reimbursement with petty cash funds of personal employee expenses. An example of personal expenses as stated in the policy is food for staff meetings that only City personnel attend. Additionally, the City's Refreshment/M meal Expense Policy states that "City funds are not to be used to provide refreshments or meals for City employees during the conduct of City business" except for certain circumstances stated in the policy or with advanced written approval from the Mayor.

OPI evaluated compliance with these policies for the funds examined in this review. For the fund assigned to DRYS/Cemeteries, we noted an unallowable expense for a coffee purchase totaling \$23.98. This purchase was for a DRYS management staff meeting conducted at a City facility and attended by only City employees.

◆ Recommendation

Custodians should comply with the Petty Cash Policy and not reimburse employees for unallowed expenditures.

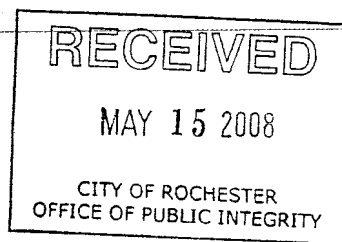
IV. DEPARTMENTAL RESPONSE

Departmental responses to findings in this report follow.



City of Rochester

Department of Recreation and Youth Services
City Hall Room 222B, 30 Church Street
Rochester, New York 14614-1277
www.cityofrochester.gov



Charles Reaves
Commissioner

Memorandum

TO: Kara Makley
From: Charles Reaves 
Date: May 13, 2008
Re: Petty Cash Audit
CC: JL. McAvinney, R. Vega, Luis Burgos, C.Russo

Please find my response to your audit of DPRYS Petty Cash Audit.

1. RE: South Ave Petty Cash fund assigned to South Ave. but located at Field Street with more than one individual with access to it.

We will maintain and operate the fund solely at South Avenue utilizing the custodian on the Treasury record. If any changes need to be made then we will follow the proper procedure.

2. RE: Unallowable expense for refreshments for a management meeting:

Normally there is a coffee fund for such meetings. The cemetery meeting was an unusual circumstance due to location at the Gate House. We will continue to comply with Petty Cash policy adhering to reimbursable expenditures.

If you have any questions you may reach me at 428-6749.





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MAY 12 2008

CITY OF ROCHESTER
OFFICE OF PUBLIC INTEGRITY

To: Kara Makely, Office of Public Integrity

From: Lionel Bittner, CIO, Information Technology

CC: Rich Vega; Kumar Thavakumar

Date: May 9, 2008

Subject: Records Management Petty Cash Delinquent Audit Finding

Introduction:

With the transition of the Finance Records Management department into the Information Technology department, the Custodian responsibility for Petty Cash was not properly transitioned from the City Historian to the Assistant Records Management Coordinator in July 2007. Due to this improper transition, the Petty Cash procedures were not properly understood within Records Management. This was identified during Public Integrity's audit of petty cash procedures and the Cash Collection policy was mailed to Records Management on March 15, 2008. Now that we fully understand roles and responsibilities within the Records Management span-of-control our organization will adhere to the policy from this date forward. We are though requesting key changes to this policy due to its manual, time consuming and inefficient method of implementation by the City of Rochester as noted below.

Current Environment:

At this time, the Records Management unit collects cash based on the following transactions:

- 1) From the City Website, citizens requiring a copy of the Marriage Licenses are instructed to send an \$11.00 check. Once received, Records Management personnel research the information and mail a copy of the requested Marriage License to the requestor. This check is deposited in the petty cash box.
- 2) The public also has the ability to visit Records Management and pay in cash for:
 - a. A copy of a Marriage Licenses (payment of \$11.00).
 - b. Copies of various records through the FOIL process based on directions from Communications to visit Records Management to obtain these copies (\$.25/copy page).

The volume of Marriage Licenses and FOIL copies varies month to month. Our records show a monthly run rate between \$50 to \$75 requiring minimally 1 to 2 trips based on the \$50 petty cash fund amount dictated to Records Management in the policy.

With Records Management being remotely located to City Hall our Custodian is required to:

- Use her personal car to travel to City Hall to deposit the money by standing in line with the rest of the public at the Treasury Cashier's cage.
- Find a parking space on city streets while at City Hall since we do not have access to the City Hall parking lot.

Considering the salary of the employee, reimbursing for personal mileage, one trip will cost the City more than the amount to be deposited with the Treasury Cashiers.

Recommendations:



- 1) We will relinquish the \$25 Petty Cash fund at the Records Management area for their use in purchasing supplies on an adhoc basis. Any needs they have will be handled through the IT Department's main office at 185 Exchange Blvd \$25 Petty Cash fund.
- 2) For the \$50 Petty Cash fund to service Citizens / Customers at Andrews Street IT will use a courier that transports records between the Public Safety Building and Andrews Street to transport any cash per Petty Cash procedures to ITD at PSB. This will then be delivered to City Hall the next day.
- 3) Public Integrity should work with Treasury Department to:
 - a. allow outside custodians to efficiently deposit the money at City Hall without standing in line at the Treasury Cashier's cage (e.g., provide a secure cash bags to these custodians so that they can drop it in a safe lock box at City Hall without delay).
- 4) Public Integrity and Treasury should make provisions for Custodians to park in a designated area for a quick turnaround.

If you have any questions or concerns, please contact myself or Kumar Thavakumar of the Information Technology department.