

CITY OF ROCHESTER  
REVIEW OF SELECTED PETTY CASH FUNDS

Office of Public Integrity  
Date: August 27, 2014

## 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 74 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. However, we noted the following findings that require management attention to improve compliance with City policy.

- ◆ OPI noted two occurrences of split purchases. The total of each occurrence exceeded the \$40 petty cash limit and these purchases were split to circumvent petty cash policy.

## 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 July 7, 2014 and July 30, 2014.

### 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 July 25, 2014 there were 74 PCOs on file in the Bureau of Treasury representing a total value of \$24,072.00. The average PCO was \$325.00. The largest individual funds include the Law Department and the Public Library (\$3,000.00 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 July 25, 2014

<u>PCO Amount</u>	<u>Number of Funds</u>	<u>%</u>	<u>Value of Funds</u>	<u>%</u>
\$ 1-50	11	14.8%	\$ 525.00	2.2%
51-100	27	36.5	2,600.00	10.8
101-150	5	6.8	715.00	2.9
151-200	9	12.1	1,800.00	7.5
201-250	2	2.7	500.00	2.0
251-300	6	8.1	1,800.00	7.5
301-350	1	1.4	350.00	1.5
351-400	2	2.7	800.00	3.3
401-450	1	1.4	430.00	1.8
451-500	1	1.4	500.00	2.1
501+	<u>9</u>	<u>12.1</u>	<u>14,052.00</u>	<u>58.4</u>
Total	<u>74</u>	<u>100.0%</u>	<u>\$24,072.00</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>
	DES/Water	\$ 400.00
	Library/Lyell	60.00
	Library/Sully	80.00
	Library/Maplewood	100.00
	Library/Monroe	140.00
	Library/Arnett	100.00
	DES/Cemeteries/Riverside	100.00
	DRYS/Public Market	150.00
	DES/Cemeteries/Riverside	80.00
	DRYS/GVP & Rec Athletics & Aquatics	500.00
	DRYS/GVP (Change fund)	250.00
	DRYS/Commissioner's Office	50.00
	DRYS/South Ave. Community Center	100.00
	DES/Engineering	100.00
	DRYS/Admin/Biz Kids	200.00
	DRYS/Ryan Center	200.00
	DRYS/Youth Services	150.00
	DES/Building Services	200.00
	Mayor/Communications	100.00
	DRYS/ David F. Gantt Community Center	<u>200.00</u>
		<u>\$3,260.00</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 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>	Number of <u>Purchases</u> <u>Examined</u>	<u>Fund Balance</u>		<u>Split</u> <u>Purchases</u> <u>Made</u>
			<u>Over</u>	<u>Short</u>	
	DES/Water	59		-0.72	
	Library/Lyell	*		-0.20	
	Library/Sully	*	0.94		
	Library/Maplewood	*		-1.20	
	Library/Monroe	*			No findings noted
	Library/Arnett	*		-3.55	
	DES/Cemeteries/Riverside	23	0.90		
	DRYS/Public Market	20		-0.10	
	DES/Cemeteries/Riverside	*			No findings noted
	DRYS/GVP	47	0.57		X
	DRYS/GVP	*			No findings noted
	DRYS/ Commissioner's Office	33	1.20		
	DRYS/South Ave.	23	0.73		X
	DES/Engineering	15			No findings noted
	DRYS/Admin/Biz Kids	42			No findings noted
	DRYS/Ryan Center	36			No findings noted
	DRYS/Youth Services	25	0.16		
	DES/Building Services	21			No findings noted
	Mayor/Communications	5			No findings noted
	DRYS/David F. Gantt Center	6		-1.80	

\* Change fund only, not used for purchases

**A. Split Purchases Made**

The Petty Cash Policy expressly prohibits breaking down purchases into more than one receipt (split purchases) to stay below the petty cash limit. City policy requires departments to follow normal purchasing and payment procedures for purchases exceeding the \$40.00 limitation. Allowing custodians to reimburse larger amounts through petty cash funds creates the potential for abusing the purchasing system.

OPI noted one occurrence of a split purchase in the fund assigned to the Department of Recreation and Youth Services (DRYS), Genesee Valley Park (GVP) and one occurrence in the fund assigned to DRYS, South

Avenue Community Center. The total of each occurrence exceeded the \$40 petty cash limit and these purchases were split to circumvent petty cash policy. These include:

1. A purchase in the fund assigned to Genesee Valley Park totaling \$59.40 that was split into two separate payment receipts of \$29.80 and \$29.60. Both transactions occurred on the same day with consecutive receipt numbers.
2. A purchase in the fund assigned to the South Avenue Community Center totaling \$53.81 that was split into two separate payment receipts of \$38.81 and \$15.00. Both transactions occurred on the same cash register within one minute of each other.

◆ Recommendation

Custodians at Genesee Valley Park and the South Avenue Community Center should comply with Petty Cash Policy and limit purchase amounts to the maximum permitted by the policy.

IV. DEPARTMENTAL RESPONSE

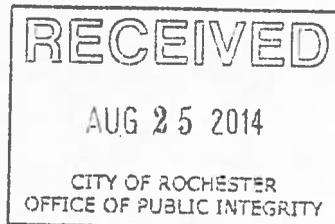
The response of the Department of Recreation and Youth Services to findings in this report begins on the next page.



# City of Rochester

Department of Recreation and Youth Services  
400 Dewey Avenue  
Rochester, New York 14613-2513  
www.cityofrochester.gov

Marisol O. Ramos-Lopez  
Commissioner



To: Daniel Mastrella, Internal Audit/Office of Public Integrity

From: Marisol O. Ramos-Lopez, Commissioner of DRYS 

Date: August 21, 2014

Subject: GVP Response to Petty Cash Audit- Bureau of Recreation and Youth Services

**Findings:** Limited purchase amounts to maximum permitted by policy

City Cash Collection Policies expressly prohibits breaking down purchases into more than one receipt (split purchases) to stay below the petty cash limit. City policy requires departments to follow normal purchasing and payment procedures for purchases exceeding the \$40.00 limitation. Allowing custodians to reimburse larger amounts through petty cash funds creates the potential for abusing the purchasing system.

**Response:** I have reviewed the audit report of the selected petty cash funds and I concur with the findings relative to the Genesee Valley Park petty cash transactions made on February 11, 2014. The petty cash custodian will ensure that all receipts turned in are in accordance with the petty cash policy requiring split purchases and to follow City Petty Cash Policy provisions and will reiterate with employees that turn in receipts. My expectation is that there will be full adherence to the policy going forward.

cc: Eric Rose  
John Picone





## City of Rochester

Department of Recreation and Youth Services  
400 Dewey Avenue  
Rochester, New York 14613-2513  
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**Marisol O. Ramos-Lopez**  
Commissioner

**To:** Daniel Mastrella, Manager of Internal Audit, Office of Public Integrity

**From:** Marisol O. Ramos-Lopez, Commissioner, DRYS

**Date:** August 22, 2014

**Subject:** Response to Petty Cash Audit- Bureau of Recreation (South Ave. R Center)

I have reviewed the draft audit report from the selected petty cash funds, and I concur with the findings relative to Bureau of Recreation's petty cash transactions.

The petty cash custodian has been counseled concerning the violations noted in the audit and has been instructed to follow the City's Petty Cash Policy provisions. My expectation is that there will be full adherence to the policy going forward.

Thank you for your continued work to improve department operations.

**cc:** Eric Rose, Assistant Commissioner  
James Farr, Assistant Director of Recreation  
Shannon Grieve, Area Coordinator

