

Audit Report

Petty Cash Fund

June 2019



Department of Audit and Control

Barbara Miller-Williams
Comptroller

Kevin J. Kaufman, CPA
City Auditor

Audit Summary

Petty Cash Fund



What we did

Verified the existence and accuracy of the petty cash funds. Evaluated the appropriate use and departmental need for the funds. Verified internal control procedures are adequate and adhered to.

How we did it

Interviewed petty cash custodians and counted petty cash and receipts on hand to verify existence and completeness. Verified that the use of petty cash funds is appropriate and in accordance with city policies and procedures.

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Background

The City of Buffalo (COB) Petty Cash consists of 19 separate locations where funds are maintained by a custodian. The custodian is given a petty cash balance between \$100 and \$5,000 depending on need. The total petty cash balance is \$8,250. There were 76 petty cash reimbursements totaling \$11,923 during the period January 1, 2018 to December 31, 2018.

What we found

Petty Cash Balances are Accurate – The existence and accuracy of petty cash funds was confirmed. All 19 funds had cash and receipts totaling their approved balance.

Petty Cash is being used Appropriately – No receipts for improper expenditures were noted.

Minimal Activity with some Petty Cash Funds – 3 of 19 funds had no activity. These departments appear to have no need for a petty cash fund.

Internal Control Procedures are Adequate and Adhered to – The internal control procedures in place are adequate and being adhered to. Each of the 19 custodians maintained their fund in accordance with COB petty cash policies and procedures.

What we recommended

Close Petty Cash Funds that are Not Utilized – Departments not utilizing their petty cash funds should evaluate closing the fund.

Custodians should Continue to follow Petty Cash Procedures – Based on testing performed, petty cash policies and procedures are being followed. We would like to thank all of the custodians for adhering to the petty cash policies and procedures and safeguarding the COB petty cash.

Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted an audit of the COB Petty Cash fund. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

Background

The City Charter, Chapter 16 – 18 authorizes the Comptroller to advance petty cash funds and indicates the funds are subject to audit by the City Auditor. Departments are advanced cash to pay for small business related expenses where a formal purchase order is impractical and inefficient. The advance is the responsibility of a custodian. As the need arises, purchases of a business related item or service with a value of \$50 or less are made. The receipts are submitted to the custodian and reimbursement is made for the item purchased. When needed the custodian prepares a purchase order to replenish the petty cash fund. The custodian submits the receipts to The Department of Audit and Control (DAC) with a copy of the purchase order. The DAC reviews the receipts and approves payment to replenish the petty cash fund. A check is issued to the custodian and all receipts are expensed to the appropriate accounts. The custodian cashes the check and places the cash in the secure petty cash box.

Audit Objectives

The objectives of the audit are to verify the existence and accuracy of the petty cash funds, evaluate the appropriate use of petty cash funds and determine if internal control procedures are adequate and adhered to.

To achieve the objectives, auditors:

- Interviewed each of the 19 petty cash custodians and went through the petty cash internal control questionnaire.
- Counted cash and receipts to verify total agreed to general ledger/MUNIS (COB financial reporting system).
- Verified all paid receipts are for allowable expenses.
- Verified that sales tax was not paid out of petty cash funds.
- Verified that a signature of the purchaser was noted for each purchase.
- Obtained representation in form of signature from each custodian that they agree with the count performed by DAC and funds/receipts were returned to the custodian.

Audit Findings

No Activity in Three Petty Cash Funds

3 of the 19 petty cash funds had no activity during the last year. These departments appear to have no need for a petty cash fund.

Petty Cash Exists and Balances are Accurate

The existence and accuracy of petty cash funds was confirmed. All 19 funds were found to be in balance and maintained proper supporting documentation.

Internal Control Procedures are Adequate and Adhered to

Based on testing performed the internal control procedures in place are adequate and being adhered to. Each of the 19 custodians maintained their fund in accordance with COB petty cash policies and procedures.

Petty Cash is being used Appropriately

All expenditures appear proper per review of supporting documentation detailing expense incurred.

Audit Recommendations

Close Petty Cash Funds that are Not Utilized

We recommend closing the following petty cash funds: Division of Treasury, Division of Accounting and Traffic Violations Bureau. All three of these petty cash funds had no activity during the last year. The recommendation is subject to Department Head Approval.

Continue Following Procedures

Petty cash custodians are to be commended for following procedures and safeguarding COB petty cash. Continued vigilance in adhering to COB policies and procedures is recommended.