



## MEMORANDUM

City of Fort Smith  
*Internal Audit*

**TO:** Jennifer Walker, Deputy of Finance

**FROM:** Tracey Shockley

**DATE:** June 16, 2015

**SUBJECT:** Petty Cash Count

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A petty cash count and a cash drawer count were conducted based upon information provided by the Finance Department. The information was obtained from a spreadsheet and the General Ledger maintained in my.city.corp/gl and was used to identify which City departments had either petty cash or cash drawer monies.

The petty cash custodians maintain a petty cash amount for purchases on behalf of the City that are under \$10 dollars. The employee will make the purchase and provide the receipt to the petty cash custodian. The receipts are attached to a voucher that is completed by the petty cash custodian and signed by the employee. The vouchers are maintained with the receipts until the petty cash needs to be replenished. The vouchers with the receipts are then sent with a request for payment (RFP) to the Finance Department. The petty cash custodians are supposed to maintain the petty cash in a locked area that is not accessible to any other employees or to the public.

The cash drawer custodians utilize the monies for everyday activities within their function. For instance, Collections Department takes payments for water, licenses, etc...and maintains a daily cash drawer of \$400 dollars due to the number of customers.

The following was noted during this review:

Collections Petty Cash 1 – exact

Collections Petty Cash 2 – exact

Collections Drawer 1 – over .10 cents (receipted in the over and under account)

Collections Drawer 2 – exact

Collections Drawer 3 – exact

Collections Drawer 4 – exact

Note: Based upon information received, the parking pass process and box the passes are maintained in were reviewed. The parking pass gatekeeper walked IA through the process and several recommendations were made regarding the spreadsheet the information is maintained in

as support. In addition, IA reviewed the box and noted an envelope under the drawer. The explanation provided was that the money was collected for birthday lunches, coffee, and cards; but that they had not done anything in a number of months. Upon further discussion with the Collections Manager, it was stated that the money was used for the collections drawers. Anytime the money was short or over the money from the envelope was used to make the drawers exact. IA stated that should not be the practice and that the Finance Department would be notified to determine what account the \$50 dollars should be deposited into.

District Court Port 1 Civil/Small Claims – exact  
 District Court Port 3 Civil/Small Claims – exact  
 District Court Port 4 City – exact  
 District Court Port 4 State – exact  
 District Court Port 6 City – exact  
 District Court Port 6 State – exact  
 District Court Port 8 City – exact  
 District Court Port 8 State – exact  
 District Court Port 9 City – exact  
 District Court Port 9 State – exact  
 District Court Cash Bag – exact  
 District Court Cash Box – exact

Engineering Petty Cash – over, due to stamp purchases.

Note: The Engineering Department returned their petty cash because it was hardly utilized and they have the ability to be reimbursed from the Collections Department.

Fire Petty Cash – over by \$0.85

Note: The petty cash is hardly utilized and it was noted the box contained vouchers that were several years old. Therefore, the expenses were not captured in the correct period. IA recommended to the custodian to ensure that the vouchers and receipts are sent along with the RFP to Finance at the end of each year.

Health Department – exact

Police Change – exact

Traffic Petty Cash – over by \$0.05

Transit Coin Machine – over by \$0.75

Transit Petty Cash – exact

Parks/Rec Creekmore Pool – exact

Note: The original spreadsheet amount listed \$100 as the startup; however, a review of the system shows that the amount requested and distributed for 2015 was \$200, and has been since at least 2012.

Utilities Admin Petty Cash – over by \$2.01

Sanitation Drawer 1 – short by \$0.25  
 Sanitation Drawer 2 – exact  
 Sanitation Drawer 3 – short by \$0 .25  
 Sanitation Drawer 4 – over by \$0.05  
 Sanitation Drawer 5 - exact  
 Sanitation Drawer 6 - exact  
 Sanitation Change – short by \$10

Note: Originally, Sanitation maintained only three cash drawers and a Sanitation change drawer, however Internal Audit was made aware during the cash audit that the Sanitation change drawer was lowered and the money used to make three additional cash drawers. This was approved by the Finance Department.

The \$10 shortage was due to change that was needed at the Scale-house. The money was placed with the daily deposit instead of being placed back in the safe. The deposits are sent to the Collections Department for deposit. The Collections Department was contacted so that the \$10 could be returned to the Sanitation Department.

Convention Center Bar Startup –short by \$300  
 Convention Center – returned and deposited  
 Convention Center Ticket Sales – exact  
 Convention Center Petty Cash – over by \$50, returned and deposited

Note: Internal Audit verified the cash and it was noted that one bag was short \$300. The Administrative Assistant and the General Manager were unaware of the shortage. IA reviewed with Finance all deposits and Request For Pays (RFP) into the #1115 account, and the amount the Convention Center should have on hand was correct.

Other Convention Center Accounts were also reviewed to see if the \$300 was possibly deposited into the wrong account and none was noted. IA worked with the Convention Center employees to see if the monies were deposited incorrectly with revenues from shows. Based upon the paperwork provided not all show support could be tied to the deposit because the information was not comprehensible. The event coordinator stated that the form was changed and the bartenders were retrained on how to complete the form. While not all deposits could be tied to the support, the over or under amount did not make up for the shortage of \$300 and therefore it could not be concluded that the \$300 was deposited.

In addition, it was noted on the paperwork that tips were deducted from the cash revenue amount that was to be deposited. The Event Coordinator was questioned regarding the tip notation. It was stated that the credit card tips were paid to the bartenders by using cash revenue from the show so that the Convention Center did not have to pay the contracted company the tip amount at a later time. IA informed management that research would need to be conducted regarding that practice in order to assess what liability and reporting requirements the City would have to the contracted bartenders.

Internal Audit met with the Deputy Finance Director to discuss some of these findings. Included in these findings were that petty cash handling procedures, located in the Purchasing manual

between “Price Purchasing Agreement” and “Disposal of obsolete, scrap or surplus property,” did not contain all areas of handling petty cash. For instance, completing vouchers, securing the petty cash, and who is allowed access to the petty cash. In Addition, the cash count had not been conducted since Oct/Nov of 2013, allowing for misappropriation of monies without it being recognized for more than a year.

IA recommends the following:

- All petty cash custodians and employees with cash drawers need to sign a responsibility form so they are aware of the requirements for handling cash.
- Stronger petty cash policies and procedures should be written and included in the Finance Manual, not the Purchasing Manual.
- Petty Cash and Cash Handling policies and procedures should be distributed electronically with a minimum of a read receipt on an annual basis.
- All petty cash and cash handling accounts for each department should be reviewed and verified in the my.city.corp account and with the department in order to start with the correct amounts.
- Internal Audit should be notified when changes have been made to petty cash or cash drawer within a department.