



City of Greensboro

Date: September 14, 2009
To: Rick Lusk, Director of Financial & Administrative Services
From: Internal Audit Division
Subject: Petty Cash Review – Graphic Services (Mail Center)

Generally, Petty Cash Funds may be used to reimburse employees for out-of-pocket expenses for minor expenditures incurred on behalf of the City. Purchases from these funds are limited to \$50 (excluding sales tax) and must be accompanied by a valid receipt at time of purchase. Purchases cannot be split on multiple tickets for the purpose of keeping the reimbursement below this limit. Purchases greater than \$50 should be processed through the purchase order, procurement card, or check order system. Petty Cash is only to be used when purchasing items and supplies for immediate use that could not be purchased or obtained using the aforementioned methods. Traditionally, the Petty Cash Fund is replenished by presenting an authorized check order (with documentation of expenditures attached) to Accounts Payable for payment.

However, the \$300 Petty Cash Fund maintained by the Mail Center operates differently from the fund described above. Disbursements made from this fund are solely for the purchase of postal stamps for resale, which makes it a self-replenishing fund.

The objectives of our review were to determine whether:

- Controls over Petty Cash exist.
- Disbursements from the fund are properly documented.
- An adequate segregation of duties exists over the Petty Cash Fund.

On June 16, 2009, we began our review by verifying the contents of the Mail Center's Petty Cash drawer. We verified they had currency of \$159.20 and 16 sheets of stamps (20 stamps per sheet) valued at \$140.80; which totaled the fund's balance.

Next, we requested documentation supporting disbursements and the sale of stamps from August 12, 2008 – May 8, 2008. The Mail Center staff provided us with copies of their internal *Petty Cash Daily Report*, *Petty Cash Individual Transactions Report*, and *Cash-out Receipts* for the period requested.

At the close of each workday, Mail Center personnel count the value of stamps and currency on hand in the Petty Cash drawer; and record the results on a Petty Cash form

categorized by stamps, currency, and coins. Totals (currency and value of the stamps) are transferred to the *Petty Cash Daily Report*. During our review of this report for the period under review, we noted that the ending daily balances were recorded at \$293.43 as far back as August 1, 2007, resulting in a \$6.57 shortage. An additional \$2.29 shortage was reported, resulting in a total shortage of \$8.86. Under a prior Petty Cash custodian, the fund continued to operate with the shortage. On August 8, 2008, a check order was prepared to replenish the fund; and check #200956 for \$8.86 was issued by Accounts Payable to bring the fund back to its \$300 balance. Also, a new Petty Cash fund custodian was appointed.

Under the current Petty Cash custodian, the Mail Center recognized a need for better control over the fund and more detailed recordkeeping by developing:

- Written Petty Cash procedures (updated on June 16, 2009).
- The *Petty Cash Individual Transactions Report*, which records the cash received from the sale of stamps, the value of the stamps purchased, and the change returned to the purchaser.
- The *Cash-out Receipt* form, which records the date and amount removed from the Petty Cash drawer for the purchase of stamps.
- Dual verification procedures for amounts posted to the *Petty Cash Daily Report*, which records the value of stamps, currency on hand, and the total fund balance at the end of the workday.

Although each Mail Center employee is granted key access to the Petty Cash fund, written procedures require each employee to initial or sign each transaction handled. Since the implementation of these procedures, the fund has remained in balance at \$300. We feel these procedures have proven adequate and applaud the Mail Center for recognizing its deficiencies; and initiating corrective action.

We would like to thank the Mail Center staff for their courtesy and cooperation shown during this review. If you would like to make a response to our review, please do so by Monday, September 25, 2009. Any questions or concerns will be gladly addressed by contacting us at 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Interim City Manager
Andy Scott, Interim Assistant City Manager for Economic Development