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AUDIT REPORT

CITY AUDITOR

Reporting Period:	Fiscal Year 2016
Department:	Citywide
Subject:	Continuous Auditing of Petty Cash & Change Funds
Lead Auditor:	Kate Witek

OBJECTIVES

This audit was conducted to determine whether adequate internal controls are in place and operating effectively to safeguard cash funds throughout the City.

SCOPE & METHODOLOGY

To accomplish our objective, we:

- Conducted unannounced cash counts of 23 change funds
- Conducted unannounced cash counts of 6 petty cash funds
- Evaluated controls for security procedures and policy compliance
- Interviewed staff members responsible for cash handling
- Examined custodial agreements on file in Accounting Services

Ongoing Oversight

Previous audits of Petty Cash Funds, Change Funds, and Cash Handling have shown that compliance with cash-related City policies is difficult for many departments to maintain, due to high turnover and other challenges. As a result, starting in fiscal year 2016, the City Auditor's Office implemented a continuous auditing process, with the hope that the interaction between auditors and cash custodians, as well as the timely detection and mitigation of discrepancies, would result in improved compliance and a stronger control environment.

Change Funds

There are 23 change funds used by various City enterprises to make change during cash transactions with customers. Change funds should never be expended or depleted for any reason, and each fund should be equal to its established value at all times. While most of the funds are maintained with small balances, the total amount of cash that passes through them each year is over \$1 million. Each fund has one or more designated custodian(s) responsible for ensuring the fund is managed in accordance with City and departmental policies.

Petty Cash Funds

There are 15 petty cash funds, which are used for small expenditures (less than \$100) when no other procurement method is available or practical. The total amount of cash and vouchers in each petty cash fund should be equal to the fund's established value at all times. These funds are replenished as funds are depleted.

CONCLUSION

During the 2016 fiscal year, no material discrepancies were identified in cash fund balances, and compliance with the majority of policy requirements has improved significantly.

However, we found 4 instances in which departments did not notify Accounting of changes in fund custodians due to retirements and other staffing changes. This is an important step because the established process of formally assigning a new custodian includes specific steps to ensure the new custodian is aware of and understands the applicable policies and procedures. However, City policies do not specify a time frame in which this notification must take place. Therefore, we have recommended that an appropriate time frame for notification be added to the Petty Cash and Change Fund policies.