

City of
Gainesville

Inter-Office Communication

November 1, 2004

TO: Audit and Finance Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Tony Domenech, Member

FROM: Brent Godshalk, Interim City Auditor

SUBJECT: Petty Cash and Change Fund Counts for Fiscal Year 2003-2004

RECOMMENDATION

The Audit and Finance Committee recommend that the City Commission accept the City Auditor's report.

EXPLANATION

In accordance with our Annual Audit Plan, we performed surprise counts of petty cash and change funds during Fiscal Year 2003-2004. Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures were designed to provide reasonable assurance that adequate policies and procedures over the control of petty cash and change funds are in place and observed. Although individual expenditures from petty cash funds are small and normally less than \$50, the volume of transactions may be moderately high. Assuming all petty cash funds are replenished bi-monthly, estimated annual expenditures from these funds are approximately \$57,000.

There are 61 active petty cash/change funds maintained in General Government and Gainesville Regional Utilities. Our procedures generally consisted of performing surprise test counts on selected funds and reviewing cash, receipts and other records as necessary to determine whether funds were adequately secured, expended for an appropriate public purpose and properly accounted for. The City Auditor's Office advises management of count results and distributes a brochure offering helpful tips to custodians.

SUMMARY OF RESULTS

Petty Cash and Change Funds

During FY 2004, we conducted audits of 12 funds throughout General Government and Gainesville Regional Utilities. We selected six cash funds and six change funds. Results indicate that five funds contained variances (overage or shortage) ranging from under \$1 to \$8. In general, variances resulted from general errors or oversight. All funds were restored with custodians submitting appropriate memos to the respective Finance Department documenting the errors. Custodians were advised of needed improvements in documentation or physical safeguarding of funds and circumstances surrounding the errors were reviewed with appropriate Finance and supervisory staff.

Pool Cash and Concession Stands

During FY 2003, an increased trend in variances between sales reports and cash funds occurred at the City pools and concession stands. We assisted management in evaluating cash handling procedures and made recommendations for improved controls over pool and concession revenues; including revising procedures, developing inventory guidelines, implementing training programs, improving security of cash registers and bank bags and strengthening supervisory review. Our office agreed to monitor progress and assist as necessary.

During FY 2004, a burglary occurred at Westside Pool over the Memorial Day weekend resulting in a loss of approximately \$3,500. The resulting police investigation found no signs of forced entry and reported that the safe combination was kept on top of the safe. We discussed the burglary with Recreation Department management who indicated a drop safe was being installed immediately and access to the combination would be limited. Management also indicated that, excluding the Westside Pool theft, daily variances during the 2004 pool season were reduced from previous years due to the implementation of improved cash handling procedures.

During FY 2005, we will continue to perform surprise counts of petty cash and change funds, including pool and concession funds. We will also continue to assist management in strengthening controls related to cash receipts, as necessary.