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## Division of Inspector General

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### Report No. 2019-10

TO: Megan Ross, Director  
Utilities Department

FROM: Hector Collazo Jr., Inspector General/Chief Audit Executive  
Division of Inspector General 

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Clairetha Harris, Chief Deputy Director, Finance Division  
Jeanette Phillips, Director, Finance Division  
Michelle Milford, Section Manager 2, Water Quality Management Division

SUBJECT: Unannounced Audit of the Utilities Water Quality Management Petty Cash Fund

DATE: May 13, 2019

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Utilities Water Quality Management (Water Quality Management) Petty Cash Fund on April 15, 2019.

The objective of our audit was to reconcile the Water Quality Management Petty Cash Fund and ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.

The Water Quality Management Petty Cash Fund did not reconcile to the authorized amount. The department's internal controls and safeguarding of this fund are adequate; however, there are non-compliance issues related to policies and procedures. These issues are noted below.



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## **1. The Water Quality Management Petty Cash Fund Has An Overage.**

During the announced audit, it was discovered the Water Quality Management Petty Cash Fund (Petty Cash Fund) was over the authorized amount. The process for the unannounced petty cash audit entails counting the funds and reconciling to the authorized amount. The Petty Cash Fund has an authorized amount of \$400. We totaled the petty cash disbursement receipts (employee reimbursements) which amounted to \$254.84. We also counted the cash on hand which totaled \$147.24. The combined total of the receipts and the cash on hand amounted to \$402.08, which reconciled to an overage of \$2.08.

During the audit, we noted there were several disbursement receipts for employee reimbursements, which have not been submitted to Finance for Petty Cash Fund replenishment (see Issue #3). The Petty Cash Custodian frequently disburses petty cash to reimburse employees for approved purchases, including tolls.

In lieu of the Petty Cash Fund, Management should consider using purchasing cards for authorized expenditures and purchasing a SunPass for toll roads. This would help the Petty Cash Fund reconciliation process become more efficient, alleviate frequent depletion of the fund (see Issue #3), and minimize discrepancies, such as the fund overage.

The cause of the Petty Cash Fund overage is unknown. The Petty Cash Fund remains out of balance and cannot be replenished until the overage is reported.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

*"All overages are to be deposited to the appropriate overage revenue account established in each fund. ...."*

A petty cash reconciliation is a formal review of petty cash records. Petty cash overages exist when there is a surplus of funds in excess of the authorized fund amount. Petty cash overages must be reported to replenish the Petty Cash Fund to the authorized amount.

### **We recommend Management:**

- A. Report the Utilities Water Quality Management Petty Cash overage in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.
- B. Utilize petty cash alternatives to streamline the Petty Cash Fund reimbursement and reconciliation process.

### **Management Response:**

- A. **Management Concurs.** The Primary Custodian will report the overage of \$2.08 no later than May 2, 2019.

**B. Management Partially Concurs.** The Primary Custodian stated the Inspector General was advised during the audit that the majority of the Water Quality Division (WQD) fleet now have SunPasses for vehicles that routinely utilize toll roads. This equates to 70% of the fleet. Those that do not have SunPasses do not routinely use toll roads. The Primary Custodian stated she only uses petty cash for small purchases less than \$50 which is in alignment with the Finance Division Petty Cash and Change Fund Policy and Procedures.

## **2. The Water Quality Management Petty Cash Fund Is Not Counted And Balanced Every Month.**

The supervisor of the custodian or another designee does not count and balance the Petty Cash Fund monthly. The Custodian stated the Petty Cash Fund is verified by an Alternate Custodian when reconciliations are completed; however, they are not verified monthly. To ensure proper controls, an independent employee (non-custodial) in the department should verify the Petty Cash Fund monthly. The employee performing the monthly verifications should document completion on a log for proof of performance.

The Finance Division's Petty Cash and Change Fund Policy and Procedures states the following:

*"At a minimum each fund should be counted and balanced monthly by the supervisor of the custodian or other designee."*

Cash fund policies and procedures are controls that are designed to safeguard cash.

The Custodians stated they were not aware of the requirement to count and balance the Petty Cash Fund at least every month. Non-compliance with policies and procedures can increase the risk of misuse of these funds.

**We recommend Management** require the supervisor of the Custodian, or appointed designee, to count and balance the Water Quality Management Petty Cash Fund on a monthly basis to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

### **Management Response:**

**Management Partially Concurs.** The Primary Custodian acknowledged that she was aware of the monthly requirement to balance the Petty Cash Fund, but failed to do so. The Finance Division's Petty Cash and Change Fund Policy and Procedures quote does not indicate a "non-custodial" designee. We identified the Alternate Custodian as the appointed designee, however, the Primary Custodian failed to have the Alternate Custodian verify the Petty Cash Fund monthly. A meeting has been scheduled to reiterate expectations regarding compliance with applicable policies and procedures.

**IG Comment:**

The Finance Division's Petty Cash and Change Fund Policy and Procedures does not specify that a non-custodial employee should count the Petty Cash Fund monthly. However, due to interchangeable use of the fund by the Primary and Alternate Custodians, we encourage Management to appoint a non-custodial employee to count and balance the fund monthly so the Alternate Custodian is not verifying their own work.

**3. The Water Quality Management Petty Cash Fund Was Not Reimbursed In Accordance With Policy And Procedures.**

The Custodian did not request reimbursement for the Petty Cash Fund when the base fund was depleted by 50%. As part of our unannounced audit process, we review the department's controls and compliance with policies and procedures.

The department's Petty Cash Fund is authorized for \$400. As indicated in Issue #1, the Petty Cash Fund had \$254.84 of disbursement receipts for employee reimbursements, which is 64% of the fund expended (\$254.84/\$400). The fund was expended 14% over the 50% required reimbursement threshold as stated in the Finance Division's Petty Cash and Change Fund Policy and Procedures:

*"The fund should be reimbursed when approximately 50% of the base fund has been expended."*

The Petty Cash Custodian did not replenish the fund timely. Potentially, there may not be enough funds to reimburse employees when the Petty Cash Fund is expended by more than 50%. Frequent monitoring of the fund's depletion is necessary to ensure fund availability for allowable disbursements and to allow adequate processing time for replenishment of the Petty Cash Fund.

**We recommend Management** request Petty Cash Fund replenishment when the base fund is approximately 50% depleted. Monitoring of the fund's depletion and timely submissions for reimbursement will ensure compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

**Management Response:**

**Management Concur.** The Primary Custodian acknowledged that she was aware of the requirement to replenish the base fund when it is approximately 50% depleted, but failed to do so. A meeting has been scheduled to reiterate expectations regarding compliance with applicable policies and procedures.

We appreciate your staff's cooperation during this audit.