



## **SALT LAKE COUNTY AUDITOR'S OFFICE**

**SEAN THOMAS**

September 19, 2005

Darrin Casper  
Chief Financial Officer  
Salt Lake County  
2001 S. State Street  
Salt Lake City, Utah 84190

Re: Mayor's Petty Cash and Change Fund Audit

Dear Darrin:

We recently completed an audit of the Petty Cash and Imprest accounts in the Salt Lake County Mayor's Administration Office (Administration) and Mayor's Operations Office (Operations). Our audit criteria encompassed standards and guidelines for the use of Petty Cash Accounts within Salt Lake County found in Countywide Policy #1203, "Petty Cash and Other Imprest Funds." We examined petty cash logs and reimbursement requests for compliance with provisions in this policy.

In accordance with the areas examined during our audit, we first summarize our findings and then divide the letter into the following sections reflecting individual divisions or offices where the petty cash account was reviewed: 1) Mayor's Administration, 2) Mayor's Operations, and 3) Archives Cash Count. Administration consists of the Mayor, his deputies, and staff. Operations consists of upper management of Community Services, Human Services, Public Works and Administrative Services. Also in Operations are Records Management & Archives (Archives), Printing and the Real Estate Division. Our examination of Mayor's Operations was limited to the petty cash fund and the Archives change fund.

### **INTRODUCTION**

The funds under control of Administration consist of an imprest checking account at the authorized amount of \$1,500, and a \$500 petty cash account. The custodian for both of these funds is one of the secretaries in the Mayor's office. In Operations, there are two accounts: a petty cash account for \$2,000, with the administrative coordinator as custodian, and a change fund of \$25, with the archive technician as custodian. We conducted unannounced counts of each fund and reviewed documents relating to their use. We reviewed the requirements covering each of the accounts to determine if they were used appropriately. Our review covered the years 2003 through 2005. Additionally, we reviewed the Operations petty cash check register back to December 1998. We also looked at the use

of the funds in relation to Countywide Policies #1062, "Management of Public Funds," and #1020, "County Meals."

We discovered that the petty cash fund in Mayor's Operations comprised both a checking account and currency in a cash box. We met with the Auditor's Office Accounts Payable Supervisor and Accounts Payable Specialist in charge of petty cash and other imprest accounts to determine if there was a problem with the funds being split in this manner. Operations had set up their own checking account in which to deposit a portion of its petty cash fund. The fund is recorded in the Auditor's Office as strictly a cash fund and not a checking account. The Accounts Payable Supervisor told us that due to the convenience of paying some requests by checks, the funds of several agencies are split in this matter. The critical finding was that expenditures were proper and the amount expended per voucher was less than the \$200 maximum allowed in Policy #1203.

### **MAYOR'S ADMINISTRATION**

The Petty Cash account in the Mayor's office exceeded its authorized limit by \$1. The secretary explained that the fund was over by this amount when she became custodian in November 2004. Policy #1203, Section 3.10, states, "*An amount of unresolved overage shall be brought to the Auditor's Office and will be recorded as miscellaneous revenue using a cash receipt.*" In reviewing vouchers, we found receipts on file for all requests. Receipts showed that no tax had been charged. In addition, each voucher contained two signatures, as required. The imprest checking account balanced to its authorized limit of \$1,500, the check register was maintained with a current running balance, and copies of receipts were kept on file. During our audit we found:

- **Two Meal Reimbursement Forms had only one signature - that of the elected official requesting the reimbursement - rather than the required two signatures.**

**Two Meal Reimbursement Forms had only one signature - that of the elected official requesting the reimbursement - rather than the required two signatures.** The Meal Reimbursement Form requires two signatures, one by the requesting individual and an approving signature by the elected official or department director. On two of the forms the only signature recorded was that of the elected official who was requesting the reimbursement. Without the second signature, funds could more easily be spent for unauthorized purposes. The authoritative nature of the elected official's signature likely created an impression among staff that no other signature was necessary. However, the second signature serves to prevent any one person from carelessly spending funds on food. The Meal Reimbursement Form is shown in Attachment A.

### **ACTION TAKEN**

*The accounts in Administration were recently reviewed by the Fiscal Administrator and the custodian now uses vouchers for all disbursements from the checking account. The vouchers require two signatures and will serve the purpose of two individuals approving meal reimbursement.*

## **MAYOR'S OPERATIONS**

We met with the petty cash custodian and counted the fund. The cash box total was \$246.75, and the checking account total was \$356.04. We found a reimbursement request to the Auditor's Office (not yet sent) for \$1,401.38, and vouchers in the cash box totaling \$57.58. The total of these four items was \$2,061.75. Therefore, petty cash exceeded its authorized limit by \$61.75. The custodian counted the money in the cash box in July and found that it was short by \$50, so she added \$50 of her own money to make up the difference. Subsequently, a \$50 receipt was found, resulting in a \$50 overage. Adding one's personal funds to the account is not the correct method to make up for a shortage. Policy #1203, Section 3.9, states, "*Any shortages not resolved immediately shall be explained in a letter to the Mayor. The Auditor will reimburse requests to replenish accounts resulting from shortages if authorized by the Mayor through this procedure.*"

We reviewed the bank statement corresponding to the petty cash checking account and found an ending balance of \$356.04. The previously stated check register total of \$301.69 and the bank statement total of \$356.04 were unreconciled amounts that had been carried on petty cash records since December 2002. We reviewed the check register from December 1998 through December 2002 and were unable to determine the reason for the discrepancy between the two balances. There was no documentation to show that any bank reconciliations had been completed on this account since December 1998 when records were on file. No checks were written on the account after December 2002, and all checks have cleared the bank.

All vouchers in the current reimbursement request had two signatures and no sales tax was reimbursed to employees. We reviewed check stubs for the checking account back to December 29, 1998 to determine the propriety of expenditures. We found checks written for cell phone bills, subscription renewals, and one water bill from Salt Lake City Corporation. Although in the past these types of bills were paid through the petty cash fund, they are currently paid using the Countywide purchasing system through the Auditor's Office. We noted one finding as follows:

- **Authorization for use of petty cash to pay for refreshments at retirement parties was not clearly stated in Countywide Policy.**

**Authorization for use of petty cash to pay for refreshments at retirement parties was not clearly stated in Countywide Policy.** We questioned the propriety of one of the vouchers in the last reimbursement request: Voucher 2392, dated April 13, 2005 for \$131.93, with a meal reimbursement form attached. The event was a Countywide party for the County Mental Health Director, who was retiring. Attached to the voucher was a memorandum asking that funds from petty cash be used to pay for the food, relying on Personnel Policy and Procedure #5430, Section 3.5, which states "*The Personnel Division, in coordination with the Administration will be responsible for all arrangements for any retirement award ceremonies held.*" There is no mention of allowance for food cost recovery in the Policy.

Obtaining the money from petty cash seems to be contrary to Policy #1203. Under "Prohibited Transactions," Section 6.5 of this policy states, "*Items of a personal nature to reward, compensate or express sympathy to a County employee, employee's family members or volunteer.*" Later conversations with the Fiscal Administrator revealed that Operations took the position that the food was not for reward or compensation for the retiree and therefore, was proper. Moreover, the policy does provide ample latitude to the Department Director or Elected Official, in authorizing petty cash for food at County functions as deemed appropriate. Policy #1020 states in the purpose, "*If meals, refreshments or other food are served at functions where only employees attend, the food should not be provided at County expense unless specifically approved by the Elected Official or as authorized by the Department Director.*" Therefore, using petty cash for retirement party refreshments, though not inappropriate, should be revisited in policy to set appropriate guidelines.

### **RECOMMENDATION**

***We recommend that Mayor's Operations present to the Steering Committee a position on use of petty cash to cover refreshments at retirement parties, and that the position so adopted be included in "Countywide Policy on County Meals," #1020.***

### **ARCHIVES CASH COUNT**

Archives has a \$25 authorized changed fund, which we counted. Deposits are made every three days because the custodian works only Tuesday, Wednesday and Thursday. Little risk is involved in holding such small amounts for that length of time because collections are minimal. The Fiscal Administrator is preparing to ask for an exception to the three-day rule for deposits from Archives. The custodian correctly uses an over/short log for discrepancies in deposit totals.

In closing we express appreciation to the staff of the Mayor's Offices for the cooperation and assistance they gave to us during our audit. The staff was both friendly and helpful in completing the project. We are confident that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over cash handling activities. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA  
Director, Internal Audit Division

cc: Doug Willmore  
Greg Folta  
Javaid Majid  
Karen Lowe  
Earlene Pitt

DATE OF MEETING \_\_\_\_\_ LOCATION \_\_\_\_\_  
 TYPE OF MEETING: BREAKFAST \_\_\_\_\_ LUNCH \_\_\_\_\_ SNACK \_\_\_\_\_ DINNER \_\_\_\_\_

PURPOSE OF MEETING \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

ATTENDEES \_\_\_\_\_ Employees \_\_\_\_\_ Others \_\_\_\_\_  
 (Number) (Number)

I, \_\_\_\_\_, CERTIFY THAT THE PURPOSE OF THIS MEETING WAS APPROVED COUNTY BUSINESS.

TOTAL NUMBER OF ATTENDEES \_\_\_\_\_

REQUESTED REIMBURSEMENT AMOUNT (INVOICE TOTAL): \_\_\_\_\_

(Cost per person: total divided by attendees= \_\_\_\_\_ )

\_\_\_\_\_  
 SIGNATURE OF EMPLOYEE CERTIFYING REQUEST REIMBURSEMENT DATE

\_\_\_\_\_  
 Elected Official, Division or Department Director DATE APPROVED

**NOTE: PLEASE ATTACH BILLS OR RECEIPTS. THIS FORM MUST ACCOMPANY ALL REQUESTS FOR MEAL COST REIMBURSEMENT OR PAYMENT.**