

Police Department and Public Works- Highway Department Petty Cash Audit



Town of Trumbull



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Office of Internal Audit

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Executive Summary

The Town of Trumbull's Petty Cash account consist of 7 separate locations where funds are maintained by Department's Custodian. The Town's Munis Financial system's petty cash account balance is \$975. Petty cash funds totaling \$1,075 were distributed among 6 departments to pay for small on-demand necessities or make change only.

- The Police Department was given \$300 (\$175 Chief/Administration office; \$75 Sergeant/Lieutenant; \$50 PD Records to make change only).
- The Public Works (PW)-Highway Department was given \$400
- The Trumbull & Fairchild Library were given \$75 and \$25 respectively
- The Health Department was Given \$100 to make change only
- The Senior Center was given \$100 to make change only
- The Town Clerk was given \$75 to make change only

The focus of this audit was the Police and Public Works Highway Departments' petty cash fund, to ensure compliance with the existing petty cash handling policies/procedures and the FY 2022 expenditures were reviewed for completeness, accuracy, authorization, and timeliness.

Internal Audit (IA) conducted both announced and unannounced review of the Petty Cash funds and was able to confirm the existence and accuracy of the petty cash funds for both departments. No significant overages or shortages were noted during the review. Petty cash was used appropriately, as no receipts for improper expenditures were found. Also, the petty cash funds were properly safeguarded and internal controls seemed adequate and being adhered to.

The Police Department submitted 8 request for payment totaling \$976 and the PW-Highway Department had 2 request for payment totaling \$421 to replenish their Petty Cash funds during the period July 1, 2021 to June 30, 2022.

Internal Audit (IA) identified the following areas for improvement during this audit.

- The Town's documented Cash Handling Policy should redistributed to the Town's department managers and petty cash custodians.
- The Munis petty cash account balance should be updated to reflect the total amount of the combined Departments' actual cash on hand.
- Original dated sales receipts should be provided to Finance with the Request for Payment and the reconciliation report.
- Supplies ordered via Amazon and Officer training workshop/conference registration should be processed through the Town's Purchasing Department.
- The Petty Cash reconciliation should be proofed by the department authorizing individual and Finance/Accounts Payable to ensure completeness, accuracy and timeliness so that expenditures are recorded in the proper accounting period.

I would like to express my appreciation to the Finance, Public Works-Highway and Police Department's management, petty cash custodians, and staff for their time, assistance, and cooperation during the course of the audit. Their contributions were essential to the success of this audit.

Authorization

Internal Audit (IA) conducted this audit under the authority of Chapter VII, Section 1C of the Town of Trumbull Charter and in accordance with the Annual Audit Plan approved by the Town of Trumbull Board of Finance.

Background

Petty cash funds are funds of a fixed amount used to make small-authorized cash payments at the departmental level. Petty cash funds are generally used to purchase items on an emergency and infrequent basis where it is not feasible or practical to submit a purchase order. These funds are replenished through periodic requests for payment to the Town of Trumbull's Finance/Accounts Payable Department. Petty cash funds are required to be stored in locked boxes and kept securely in a safe or in a locked storage cabinet.

A Department is initially advanced cash, authorized by Finance, to pay for small business related expenses where a formal purchase order is impractical and inefficient. The advance is the responsibility of a Department Custodian. The department's custodian maintains and periodically reconciles their Petty Cash fund. As the need arises, department employees make purchases of business related items or services, generally with a value of \$50 or less. The sales receipts are submitted to the Custodian and reimbursement is made for the items purchased. The Custodian periodically reconciles the sales receipts and prepares a request for payment to replenish the petty cash fund. The Department Manager reviews the reconciliation report and approves the Request for Payment.

The Custodian submits the sales receipts and authorized reconciliation report to the Town's Finance/Accounts Payable department with the approved request for payment. Accounts Payable reviews the receipts and approves payment to replenish the department's petty cash fund. All receipts are expensed to the appropriate accounts and a check is issued to the Department's Custodian. The Custodian cashes the check and places the cash in the secure petty cash box.

Whenever possible the Petty Cash fund is audited to ensure that the custodians use petty cash for appropriate reasons and properly account for the petty cash on hand. Petty cash audits are conducted randomly and without notice to the department to ensure the Town's assets are safeguarded and accounted for.

Objective

The objective of the audit is to verify the existence and accuracy of the Department's petty cash fund, evaluate the appropriate use and authorization of petty cash fund, and determine if internal control procedures are adequate and adhered to in protecting the Town's assets.

Scope and Methodology

In accordance with the goals set forth in the Town's Annual Audit Plan, IA conducted an audit of the Trumbull Police and PW-Highway Departments' Petty Cash funds. The audit was conducted in conformance with Generally Accepted Government Auditing Standards and the International Standards

for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The standards require that IA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. IA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The scope of the audit was the July 1, 2021 through June 30, 2022 petty cash expenditures and related reconciliations for both the Police Department and the Public Works-Highway division.

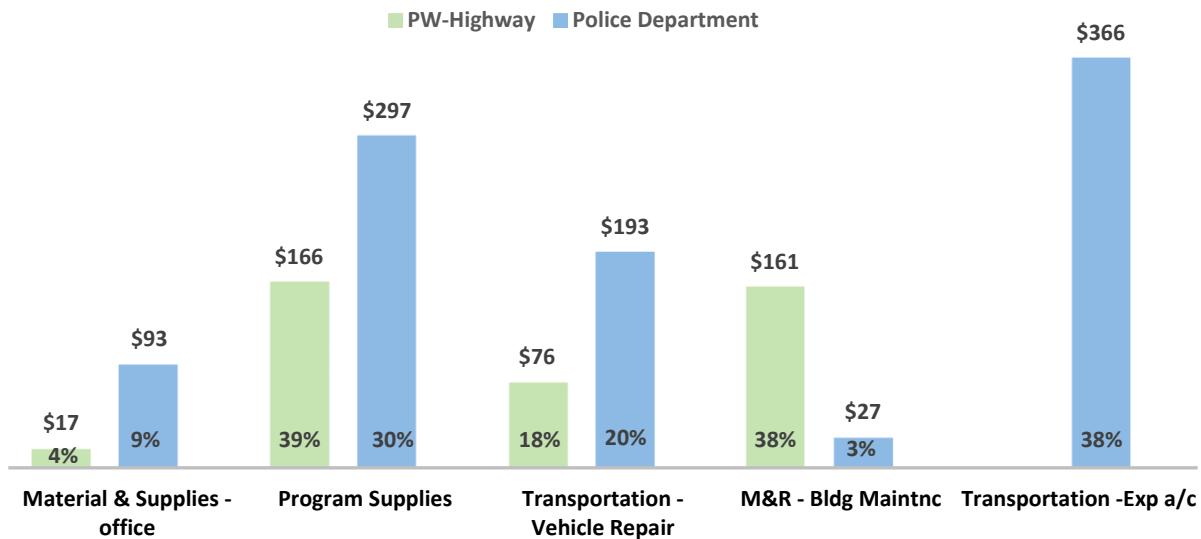
The audit methodologies presented in Table 1 below were to assess the reliability of the Petty Cash reconciliation & replenishment requests produced by both departments.

Table 1 – Audit Methodologies

Methodology	Source
Interviews	Petty Cash Custodians were interviewed to verify who has access to the funds, obtain an understanding of the department's petty cash handling process, and assess compliance with current cash handling policy.
Cash Count	Unannounced cash counts were completed for each department to confirm that the petty cash funds were properly safeguarded, accounted for, and that the expenditures were an appropriate use of petty cash funds.
Documentation Review	Departmental policies and procedures were reviewed to ensure they align with Finance's cash handling policy. Validated that petty cash expense reimbursements were logged to record payments and transactions were appropriately reconciled.
File Review	Petty cash reimbursements were reviewed for authorization, completeness, accuracy, timeliness and in compliance with applicable policies and procedures.
Transaction Data Analysis	Munis data and related documents were analyzed to determine the types of expenditures processed through petty cash and recorded in the proper accounting period.

During the period July 1, 2021 to June 30, 2022 the Police Department submitted 8 petty cash requests for reimbursement totaling \$976 and the PW-Highway Department submitted 2 requests for reimbursement totaling \$420 to replenish their Petty Cash fund. The following chart shows the analytical data for the Police and PW-Highway department's petty cash expenditures:

FY 2022 Petty Cash Expense



Opportunities for Improvement

During the audit, IA identified certain areas for improvement. The audit was not designed or intended to be a detailed study of every transaction, procedure, or relevant system. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

Observations

The Police Department's Custodian is responsible for Chief's Office petty cash fund of \$175. She is the only person with access to these funds. The petty cash is safe guarded in a locked box, locked drawer, and locked office overnight. The funds are for authorized reimbursement of small and infrequent purchases generally not needing a purchase order. Example of items paid using petty cash funds are:

- minimal office supplies
- items purchased for Detective Bureau investigations (cigarettes)
- certified mail
- gas/small parts for vehicles
- vehicle emission fee
- drone registration fee
- officer training workshop/conference registration

There is a \$75 petty cash fund for the Sergeant/Lieutenant's use, generally for after hour prisoner meals. This fund is safe guarded in a locked box stored in a locked closet, accessible only to the shift Sergeant/Lieutenant. A log is maintained to track the Sergeant/Lieutenant's transactions, including the date & name of individuals receiving funds.

The PW-Highway department's Custodian is responsible for the petty cash fund of \$400. The petty cash is safe guarded in a locked box, in a locked cabinet, in a locked office. The building has a security system when not occupied. The funds are accessible only by the custodian for authorized infrequent expenses. There is no log maintained to track transactions. The employee provides the signed receipt detailing the date, type of transaction, and amount expensed. In the rare event that cash is provided in advance to an employee to purchase items, a notation of their name, amount, and date is made on the cash envelope kept in the locked box. Example of items paid using petty cash funds are:

- minimal office/maintenance supplies
- postage stamps
- gas for vehicles
- vehicle emission fee

Periodically throughout the year, both departments reconcile the petty cash fund and submit a payment request to Finance for replenishment of Petty Cash. The reconciliation contains the original receipts, the accounts applicable to the expenses, and the Department Manager's authorization.

IA conducted unannounced onsite visits on 7/6/22 at the Police Department and on 7/27/22 at the PW-Highway department. The onsite visits objective was to ensure the petty cash funds are safe guarded, internal controls are adhered to, to verify the Petty Cash on Hand, and ensure the completeness and accuracy of expenditures paid with petty cash funds.

Observation #1: The Petty cash handling and reconciliation process varied by department. The Departments were not familiar with any limits to dollar amounts other than stating the allowable expenses are to be within reason, generally under \$50 per transaction. The departments did not have a copy of the Finance's current Cash handling process – see Appendix A.

Recommendation: The Cash Handling process on file in Finance should be distributed to the authorized Petty Cash Account holders/custodians in an effort to create a consistent and uniform cash handling process throughout the Town departments, including the established allowable expenses, original receipt requirement, and the \$amount limit for petty cash reimbursement,

Management Response: PW-Highway custodian did not have a copy of the Cash Handling Policy and Procedure nor was she aware that there was a policy. Going forward, the Police department and PW-Custodian will follow the Town's cash handling policy.

Corrective Action Taken: IA provided the Police and PW-Highway petty cash custodian with a copy of the current cash handling process. A copy of the Cash Handling process will be provided to all Town department heads and petty cash custodians.

Observation #2: The Munis Financial system's petty cash account balance was \$975 compared to the Departments' combined total of \$1,075 petty cash funds on hand – a variance of \$100.

IA verified the petty cash amount initially distributed to each department and compared it to the Munis system's petty cash account balance. IA determined the Departments' combined initial petty cash

distribution was \$1,075. The Munis Financial system had a balance of \$975 in the Petty Cash account, resulting in \$100 more distributed to the Departments than recorded in the Munis system.

Recommendation: The Petty Cash account in Munis should be adjusted to reflect the actual petty cash amount initially distributed to the Town Departments.

Management Response: The Assistant Finance Director will update the Munis petty cash account to reflect the actual petty cash amount initially given to the Town Departments.

Observation #3: Original dated sales receipts for reimbursed expenses should be provided to Finance/Accounts Payable with the Reconciliation report and Request for Payment.

IA conducted a review of all FY2022 requests for payment and was able to determine that original expense receipts were not provided for 4 transactions totaling \$21, instead copies of the receipts were provided to Finance. Additionally, payments for 13 of 15 local Officer training workshop/conference registration fees paid using petty cash funds did not contain a payment confirmation receipt. The 13 payments totaling \$260 did contain a copy of the conference flyer with the officer names, date of conferences, and cost of attendance (\$20 each).

Recommendation: Petty Cash expense transactions should include the original sales receipts with the reconciliation and request for payment sent to Finance/Accounts Payable. In the event of a rare instance where a receipt cannot be obtained or provided due to lost or damage, the employee requesting reimbursement should submit in writing the reason the sales receipt is missing. Additionally, the written notification should include the type of transaction, reason for reimbursement, date of transaction, and a copy of the bank/or credit card statement showing the expense payment if paid by other non-cash means.

Management Response: At times during Covid sales receipts were sent via email to the Police Department for reimbursement. As the pandemic rules were relaxed, the original receipts were provided for transactions. The Police Department's custodian has received the Auditor's email request for the missing email/confirmation receipts for the Officer's conference registration and is working on providing them soon.

Observation #4: Amazon supply purchases and Officer training workshop/conference registration fees were reimbursed using petty cash funds.

IA found that 15 local Officer training workshops/conferences registration fees totaling \$300 were paid using petty cash funds during the FY 2022. Additionally, there were 3 petty cash reimbursements for Amazon purchases totaling \$118 for small vehicle parts/attachments and maintenance supplies.

Recommendation: Professional Development workshop/conference registration fees and Amazon purchases should follow the Town's Purchasing Policy and be processed via the Town's Purchasing Department.

Management Response: The Chief's office petty cash fund contains a line item to be used at the discretion of the Chief. Finance instructed the petty custodian to apply the Chief's minimal expenses to

this line item. The training workshop/conference registration fee was minimal @ \$20 each and expensed to this line item.

Observation #5: The Petty Cash reconciliation reports and request for payment should be reviewed/proofed by employees creating, receiving, and authorizing the reports sent to Finance to ensure accuracy, completeness and timeliness of submitted reconciliation reports and payment requests.

IA recreated the Departments' reconciliation reports to verify the accuracy of the report, that the report authorization was evident, and to determine if the fiscal year end reports were submitted in timely manner.

The final FY2021 PW-Highway's expenses were submitted to Finance after the fiscal year end 2021 closed. As a result, the expenditures totaling \$213.94 were applied against the PW-Highway department's budget for the following fiscal year – FY2022. Due to a spreadsheet formula error on the same reconciliation report, there was a variance of \$5.73 that was not accounted for in the request for payment. IA was unable to determine whether the report's cash on hand was manually adjusted to correct the variance or if it was the actual cash on hand.

One of the Police Department's reconciliation report had a discrepancy of \$120. IA later determined it belonged to an expense reimbursement for an investigation the Detective Bureau conducted. The discrepancy was not detailed on the report submitted to Finance and IA was unable to recreate the reconciliation.

Recommendation: The Departments' petty cash custodians should manually proof the spreadsheet calculation to ensure the accuracy of the reconciliation and payment request. The Department managers and Finance staff should verify the accuracy of the reports received from the petty cash custodians.

Management Response: PW-Highway concurs with the timeliness of FY2021, and acknowledges the expense was absorbed in the following fiscal year's budget. Going forward, expenditures will be submitted prior to the closing of the fiscal year end. Additionally, PW-Highway made the correction for the \$5.73 variance in the recently submitted FYE 2022 petty cash reconciliation report and request for payment.

The Police Department was aware of the reconciliation report not showing the \$120 authorized reimbursement to the Detective Bureau and made the necessary corrections to the report on 11/14/21. However, it appears a copy of the corrected report was not forwarded to Finance for their records. A copy was emailed to the Auditor on 7/8/22 as requested.

IA has confirmed receipt of the corrected reconciliation report and successfully recreated the reconciliation. Finance/Accounts Payable received a hardcopy for their file.

Appendix

Appendix A – Cash Handling Process

Policy and Procedures Cash Handling

Custodial Responsibilities

Any Town employee, who receives Town cash in the normal scope and course of his/her duties, shall be responsible for that Town cash until it is placed in the vault for safekeeping, transferred to the Finance Department for deposit, or deposited with the Town's bank.

Cash Handlers should have an individual cash drawer or locked box for which they are solely responsible. This reduces the risk of being out of balance. If this is not possible, access to the drawer or box must be limited. Lock all cash and coins not in use in a safe, the cash drawer, or in another secure location.

Drawer or box should never be left unattended. Locked drawer or box should be kept in a secure location.

Cash Receipts:

1. Collection Process

- All checks must be immediately restrictively endorsed "For Deposit Only".
- Always provide your customer with a receipt, whether handwritten from a receipt book, electronically generated or from a cash register. Keep a copy for balancing the drawer or box.

2. Deposit Process

- Funds should be deposited on an as needed basis. Receipts totaling less than \$500 can be held, but not for longer than 7 calendar days. Once the \$500 threshold is achieved, funds should be deposited within one business day.
- A "Report of Collections" is to be prepared for each deposit. This report provides amounts to be posted to each general ledger account and any notes or descriptions to be used as ledger identifiers. Report total will equal bank deposit total.
- Cash is to be deposited into the appropriate Town account. A validated deposit slip is to be attached to the Report of Collections and sent to the Town Finance Department in a timely manner.

Petty Cash:

Petty Cash is not money received by customers; it is a purchasing method. Employees from time to time ask for reimbursement for small out of pocket expenses for Town-related business from their Department/Division Petty Cash Custodians. As with cash receipts, drawer or box must not be left unattended. Funds should be secure at all times with limited accessibility to others. An authorized and trained backup custodian should be available as necessary.

1. Purchasing Guidelines

- The Petty Cash method of reimbursement is used for emergency, small dollar purchases, when other methods of purchasing are not available. All purchases must be supported with a sales receipt or other documentation.
- Some items that should not be purchased through petty cash funds include:
 - Gifts
 - Social or travel club dues
 - Traffic citations
 - Interest charges
 - Personal expenses
 - Mileage

2. Balancing petty cash:

- Petty cash funds are “imprest accounts” which means the fund total never changes, it is the composition of the total that changes.
- If money is advanced to an employee, a Petty Cash Fund Control Slip will be prepared and kept in the box until a receipt is presented.
- At any point in time, cash plus receipts plus Control Slips should equal the approved petty cash fund balance.

3. Lost or stolen petty cash:

Report any lost or stolen petty cash monies immediately to your department head, who in turn will contact the Finance Department. Management will determine what further steps to take depending on the circumstances involved in the incident.

4. Replenishing Petty Cash:

- Complete a Check Requisition form, with authorized signature(s) and account coding, attach receipts, and forward to the Finance Department.
- Overages/Shortages should be identified on the Request for Payment form and must be expensed back to the original program number.