



# CONTINUOUS AUDITING OF CASH FUNDS

Citywide



## OBJECTIVE

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

## BACKGROUND

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### Benefits of the Continuous Approach to Cash Audits

The following are some key benefits of continuously auditing cash funds throughout the year:

- Errors and irregularities are more likely to be detected and addressed in a timely manner, which reduces the potential impact of losses.
- We are better able to evaluate the consistency of compliance with cash handling policies and procedures. The higher turnover typically associated with cash handling jobs can lead to inconsistent compliance and a breakdown of internal controls.
- More frequent interactions create opportunities to build productive working relationships between auditors and other City staff members. As a result, employees are much more likely to ask questions, share concerns, and engage in open dialogue with auditors, who can often help them find solutions.

### Types of Funds

There are two types of cash funds Citywide: change funds and petty cash funds. Change funds are used to conduct cash transactions with City customers and petty cash funds are used to reimburse employees for authorized small purchases or for personal vehicle mileage driven for City business. Citywide there are 35 change funds and 4 petty cash funds. Change funds should never be expended or depleted for any reason and should always be equal to their established values. Change funds range from \$50 to \$8,800, depending on the needs of the departments; and it is essential that strong cash handling controls be in place to help prevent and/or detect losses. The total volume of petty cash transactions has decreased significantly in recent years, due to the increased use of procurement cards; however, there are still some types of transactions, for which petty cash remains the most efficient payment method.

## CONCLUSION

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In our opinion, internal controls are in place and operating effectively to safeguard cash and cash equivalents throughout the City.

## SCOPE

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The scope of the audit was July 1, 2022, through June 30, 2023.

## METHODOLOGY

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To accomplish our objective, we performed the following:

- Conducted unannounced site visits to test change and petty cash funds.
- Tested compliance with City and departmental cash handling policies.
- Examined petty cash fund replenishments and change fund over/short reports.
- Verified cash handlers complied with cash handling training requirements.

## AUDIT STANDARDS

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



*The City Auditor's office provides audit, consulting, and investigative services to identify and minimize risk, maximize efficiencies, improve internal controls, and strengthen accountability to Mesa's citizens. We serve as an independent resource to City Management and the City Council, to provide them with timely, accurate, and objective information, assurances, and recommendations pertaining to City of Mesa programs and activities.*

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