



Continuous Auditing of Cash Funds

Citywide



OBJECTIVE

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

BACKGROUND

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 used within the City: 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. Across the City there are 32 change funds and 4 petty cash funds. 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

In our opinion, internal controls are in place and operating effectively to safeguard cash funds throughout the City. However, controls within Library Services should be further improved to ensure employees complete the training within the required timeframe. For additional details, please see the attached Issue and Action Plan.

ISSUE AND ACTION PLAN

Cash handling training is not always completed within the required timeframes

What We Found

Two cash handlers at Library Services did not complete their biennial cash handling training while handling cash transactions.

What It Should Be

According to Management Policy 210, *Cash Handling*, employees shall receive cash handling training at least every two years. In addition, all employees who handle cash must take the cash handling training within 90 days of beginning their cash handling duties.

Why Does It Matter

Without proper training, public funds associated with the collection, receipt, physical security and recording of cash and cash equivalents may be put at risk.

What We Recommend and Management's Action Plan

Recommendation #1-1: Library Services should implement a control to ensure that all cash handlers complete training within the required time frames and that only individuals who have completed the training are handling cash.

Action Plan #1-1: The department will develop and implement an updated policy and procedure to include the Administrative Support Assistant III (ASA III) monitoring the monthly cash handler's list to monitor staff compliance. In addition, staff will be required to complete the training annually and provide evidence to their direct supervisor and the ASA III and failure by staff to complete the training may result in corrective action and disciplinary measures.

Individual or Position Responsible: ASA III

Estimated Completion Date: 5/20/2025

SCOPE

The scope of the audit was July 1, 2023 through June 30, 2025.

METHODOLOGY

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

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.

Audit Team

Ron Doba, Internal Auditor
Sherry Thomas, Internal Auditor
Karen Newman, Sr. Internal Auditor, CPA, CIA, CFE

City Auditor

Joseph Lisitano, CPA, CIA

Mesa City Auditor's Office

Phone: 480-644-5059

Email: auditor.info@mesaaz.gov

Website: <https://www.mesaaz.gov/government/city-auditor>

Copies of our audit reports are available at:
