

AUDIT REPORT

CITY AUDITOR

Report Date:	June 30, 2022
Department:	Citywide
Subject:	Continuous Auditing of Cash Funds
Lead Auditor:	Karen Newman, Sr. Internal Auditor

OBJECTIVE

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

SCOPE & METHODOLOGY

The scope of the audit was July 1, 2021 through June 30, 2022. To accomplish our objective, we:

- 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 were in compliance with cash handling training requirements.

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.

BACKGROUND & DISCUSSION

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.

Change Funds

Citywide there are 27 change funds used to conduct cash transactions with customers. These 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; however, they are used in the processing of roughly a million dollars in cash transactions per year, so it is essential that strong cash handling controls be in place to help prevent and/or detect losses. Each change fund has one or more designated custodians responsible for ensuring the fund is managed in accordance with City and departmental policies.

Petty Cash Funds

There are 7 petty cash funds, which are used to reimburse employees (up to \$100 per transaction) for authorized small purchases made with personal funds, or for personal vehicle mileage driven for City business. The total volume of petty cash transactions processed each year has decreased significantly in recent years, due to the increased use of procurement cards; however, there are still some types of transactions, such as mileage reimbursements, for which petty cash remains the most efficient payment method. Petty Cash funds are established and monitored by the City's Accounting Division to ensure compliance with Internal Revenue Service regulations and applicable City of Mesa policies and procedures.

CONCLUSION

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