



Audit of Petty Cash

City of Milwaukee

Internal Audit Division

September 2022

Agenda

- Scope & Objectives
- Procedures
- Conclusion
- Findings
- Next Steps

Audit Scope and Objectives

Audit Scope

Petty cash activities from January 2021 through the audit's surprise petty cash counts for departments subject to Department of Administration oversight. Petty cash activities and funds relating to the Comptroller's Department are excluded for independence purposes.

Audit Objectives

1. Petty cash is properly accounted for, safeguarded, and monitored; and
2. Petty cash users comply with Department of Administration petty cash procedures

Audit Procedures

Audit activities consisted of:

- Understanding Petty Cash Procedures
- Conducting field visits to 22 departments, divisions, and locations to test against Petty Cash Procedures



Audit Conclusions

Internal controls over the petty cash process that are supposed to be performed by the petty cash custodian and approving officer are not operating effectively. In particular, there were custodians who did not count petty cash as part of the annual reporting to Purchasing and there were approving officers who did not witness the annual petty cash count. While internal audit did discover one fund that was “short,” no departments, divisions, or locations appeared to have misappropriation of assets. Additionally, petty cash was used to make purchases that were in accordance with the Petty Cash Procedures.

Audit Finding #1: Annual Cash Counts

- Finding: The custodian did not count cash before reporting the annual cash balance to DoA Purchasing in six departments and divisions audited. The approving officer did not witness the annual cash count in 12 departments and divisions audited.
- Risk: Accurate cash balances may not be reported. Shorts could go undetected.
Risk Rating: Low
- Recommendation: Language should be added to the form used by departments to communicate the annual cash count to DoA Purchasing for custodians to attest to counting the cash at the time of reporting and the approving officer witnessing the cash count.

Audit Finding #2: Accountability

- Finding: Counts are not performed when new custodians assume custodial duty and when responsibilities are handed over from the primary custodian to the alternate custodian to back. Additionally, access to petty cash was not limited to the active custodian in three departments and divisions. Finally, changes to custodians and approving officers are not reported timely to DoA Purchasing.
- Risk: Lack of accountability in the event of a short. *Risk Rating: Low*
- Recommendation: Cash counts at the time of custodian transitions should be added to Petty Cash Procedures. Access to petty cash should be limited to the active custodian. Additionally, departments and divisions should report changes to custodians and approving officers as they occur.

Audit Finding #3: Procedure Awareness

- Finding: Seven custodians were not aware that Petty Cash Procedures exist. Seven custodians did not know the individual transaction reimbursement limit. Two custodians did not understand replenishment to the authorized amount was required every December.
- Risk: Procedures may not be followed because expectations may not be understood.
Risk Rating: Low
- Recommendation: DoA Purchasing should provide training to existing custodians and approving officers and send them the Petty Cash Procedures annually. Additionally, departments and divisions should use the “train the trainer” approach to have custodians train successors and alternates.

Audit Finding #4: Approving Officer Role Assignment

- Finding: The Petty Cash Procedures do not specify guidelines for who can be the approving officer, which has resulted in people at unnecessarily high levels being approving officers and one instance of the approving officer and custodian being the same person.
- Risk: Using the time of department/division heads when a duties could be delegated. Lack of segregation of duties. *Risk Rating: Low*
- Recommendation: Guidelines for who should be the approving officer should be developed and communicated in the Petty Cash Procedures. The approving officer should be separate from the custodian.

Audit Finding #5: Receipts

- Finding: Custodians accept copies of receipts. There was one instance of the same receipt being used for two separate reimbursements. Additionally, four custodians accepted order confirmations.
- Risk: An employee could submit the same expense for reimbursement multiple times. An employee could place an order, get reimbursed based on an order confirmation, and cancel the order. *Risk Rating: Low*
- Recommendation: Custodians should be provided originals of receipts. If an original receipt is not available, the approving officer should sign off on use of a copy of the receipt or order confirmation.

Audit Finding #6: Fund Authorized Amounts

- Finding: Funds with infrequent reimbursements have unnecessarily high balances. Five departments or divisions have authorized amounts greater than \$100 despite no expenditures from 1/1/2021 through the time of the surprise cash count.
- Risk: Unnecessarily high impact in the event of misappropriation of assets. *Risk Rating: Low*
- Recommendation: The annual reporting form should be clarified for departments and divisions to know how to lower authorized amounts when reimbursement activity does not justify current authorized amounts.

Audit Finding #7: DNS Satellite Location

- Finding: DNS has one petty cash fund that is kept in two geographically separated locations.
- Risk: Inaccurate reporting. *Risk Rating: Low*
- Recommendation: DNS should create a subfund for the satellite location and annual reporting should specify information specific to the satellite location.

Audit Finding #8: Fleet Services Short

- Finding: DPW Fleet Services has an authorized petty cash amount of \$700, but had a count of \$396.96, which is a short of \$303.04. Annual counts of cash balances were not performed by the custodian and witnessed by the approving officer. Instead, “Current Petty Cash Amount” reported annually was the authorized amount. Replenishment was not requested at year end as required by the Petty Cash Procedures. Finally, the custodian retired and the invoices related to the last several years of petty cash expenses were not retained after the custodian’s retirement. A custodial handoff with training for the new custodian did not occur due to the custodian only giving two business days’ notice of retirement.
- Risk: Short without accountability. *Risk Rating: Low*
- Recommendation: The custodian should count petty cash annually with the approving officer witnessing the count. The amount reported for “Current Petty Cash Amount” should be the amount that was counted. The Petty Cash fund should be replenished at the end of every year in alignment with the Petty Cash Procedures. New custodians should be trained for the custodial responsibilities including being made aware of the Petty Cash Procedures. DPW Fleet should do a one-time replenishment without the expectation that they submit corresponding receipts to get back to the authorized amount.

Audit Finding #9: Intergovernmental Relations Replenishment

- Finding: Intergovernmental Relations has been reporting a balance of \$74.77 since before the start of the audit period compared to the authorized amount of \$150.
- Risk: Short without accountability. *Risk Rating: Low*
- Recommendation: Intergovernmental Relations should do a one-time replenishment without the expectation that they submit corresponding receipts to get back to the authorized amount.

Audit Finding #10: Tow Lot Fund Usage

- Finding: Tow lot created a petty cash fund for the purpose of supplementing its cash drawers.
- Risk: Treasury-type activity getting funded through Procurement. *Risk Rating: Low*
- Recommendation: Tow lot should request an accounts payable voucher for a check that they could cash to fund their cash drawers instead of using petty cash to supplement their cash drawers.

Next Steps

Phase 1

- Auditees will execute audit finding remediation action plans



Phase 2

- Internal Audit will solicit audit finding remediation progress updates annually



Phase 3

- Internal Audit will report remediation status to the F&P committee annually



Thank You.

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