
City of Laredo, Texas

Internal Audit Division



Petty Cash Audit/Operations Review Audit
Report: (with Executive Summary)

November 24, 2021

**City of Laredo
Internal Audit Division**

Petty Cash Audit/Operations Review Audit Report: (with Executive Summary)

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EXECUTIVE SUMMARY

In accordance with the Fiscal Year (FY) 2022 Annual Audit Plan, a Petty Cash Audit/Operations Review Audit was conducted of citywide active, petty cash custodians as of November 5, 2021.

The objective of this audit was to review citywide petty cash accounts and determine their necessity and make proper recommendations for those to be closed. Additionally, a review of petty cash vendor activity determined the justifications of expenses for what the petty cash was used for, as well as if funds are being used only when other existing procedures will not satisfy the payment. The City of Laredo's (City) Petty Cash Policy was also used as a reference to ensure policies and procedures were followed by Petty Cash Custodians.

The following areas were noted as part of the audit results.

1. Petty Cash Custodians keep metal boxes containing petty cash funds in a desk drawer, or filing cabinet, which are not secured. The petty cash policy states the box needs to be kept overnight in a vault, safe, or in any secure locked area but does not state the box should be kept locked when not in use.
2. For Fiscal Year 2021, there are four (4) Petty Cash Custodians who have little to no use for their petty cash funds (Vendor #65819, #72375, #10384, #43230).
3. Vendor #27540 did not replenish petty cash at the end of May; the May reimbursement was combined with June's reimbursement.
4. For Fiscal Year 2021, there are nineteen (19) Petty Cash Custodian funds which can be reduced.

Based off of the results noted, the following recommendations were made:

1. That the current Petty Cash Policy be updated to state the metal box needs to be kept in a secure, locked area such as a locked filing cabinet, vault or safe at all times.
2. That the four (4) Petty Cash Custodian funds be closed.
3. That the current Petty Cash Policy be followed, specifically page 5, #4 which states *Custodian must file the petty cash voucher with the remaining funds until the time for reimbursement. Petty cash funds must be replenished monthly at the end of the month regardless of the dollar amount, unless the purchase is less than \$2.00.*
4. That the nineteen (19) Petty Cash Custodian accounts be reduced to the proposed amount specified by Internal Audit.

Department Response to this audit can be found under Appendix A on page 5.

A more extensive report of all the audit results and recommendations can be found in the following report.

INTRODUCTION

In accordance with the Fiscal Year (FY) 2022 Annual Audit Plan, a Petty Cash Audit/Operations Review Audit was conducted of citywide active, petty cash custodians as of November 5, 2021.

AUDIT OBJECTIVES

The objective of this audit was to review citywide petty cash accounts and determine their necessity and make proper recommendations for those to be closed. Additionally, a review of petty cash vendor activity determined the justifications of expenses for what the petty cash was used for, as well as if funds are being used only when other existing procedures will not satisfy the payment. The City of Laredo's (City) Petty Cash Policy was also used as a reference to ensure policies and procedures were followed by Petty Cash Custodians.

AUDIT SCOPE AND METHODOLOGY

The sample time period selected for this review consisted of the Check Inquiry and Vendor Activity Listing maintained from the AS400 for the 2021 fiscal year.

In order to achieve audit objectives, we:

- Obtained an understanding of the City's most current Petty Cash Policy (with any applicable amendments);
- Conducted a review of the following audit support documents for Petty Cash Policy compliance test work and assessment of monitoring internal controls:
 - Most recent Petty Cash Custodian list from the Financial Services Department
 - Petty Cash Custodian's Statement of Responsibility form for each Petty Cash Custodian from the Financial Services Department
 - Check Inquiry from AS400 for Petty Cash Custodians
 - Vendor Activity Listing from AS400

AUDIT RESULTS & RECOMMENDATIONS

Finding #1

Internal Audit has observed instances where Petty Cash Custodians keep metal boxes containing petty cash funds in a desk drawer or filing cabinet, which are not secured. The current petty cash policy states the metal box needs to be kept overnight in a vault, safe, or in any secure locked area but it does not state the box should be kept locked when not in use.

Recommendation(s)

Internal Audit recommends updating the current Petty Cash Policy to state the metal box needs to be kept in a secure, locked area such as a locked filing cabinet, vault or safe at all times. This is to avoid any theft or missing money of the metal boxes containing the funds.

Finding #2

For Fiscal Year 2021, there are four (4) Petty Cash Custodians who have little to no use for their petty cash funds:

- Vendor #65819 (\$100.00) from the Cemetery Department used petty cash twice.
- Vendor #72375 (\$100.00) from City Manager's Office used petty cash three times.
- Vendor #10384 (\$100.00) from Finance used petty cash three times.
- Vendor #43230 (\$50.00) from Parks did not use petty cash.

Recommendation(s)

Internal Audit recommends closing the petty cash boxes listed above. There is little to no necessity for the Petty Cash Custodians which are listed above, or the Custodians are using other existing procedures to satisfy payments, when needed. The total amount to be closed is \$350.

Finding #3

Internal Audit found Vendor #27540 did not replenish petty cash at the end of May; the May reimbursement, which was \$39.70 was combined with June's reimbursement of \$12.23 to be reimbursed in July for a total of \$51.93.

Recommendation(s)

Internal Audit recommends the Petty Cash Policy be followed, specifically Page 5, #4 which states *Custodian must file the petty cash voucher with the remaining funds until the time for reimbursement. Petty cash funds must be replenished monthly at the end of the month regardless of the dollar amount, unless the purchase is less than \$2.00.*

Finding #4

Internal Audit found several instances where Petty Cash Custodian's funds can be reduced. In reviewing a 12-month period, we found the highest dollar amount spent did not reach the petty cash fund amount allotted to the Custodian. Below is the table to reflect the proposed amount for each custodian and their respective department.

Vendor #	Department	Current Amount	Proposed Amount	Difference
27540	City Secretary	\$ 200.00	\$ 100.00	\$ 100.00
73613	Fire	\$ 500.00	\$ 400.00	\$ 100.00
50804	PAC	\$ 150.00	\$ 100.00	\$ 50.00
19235	IST	\$ 350.00	\$ 250.00	\$ 100.00
69275	Municipal Court	\$ 150.00	\$ 100.00	\$ 50.00
29687	Planning	\$ 100.00	\$ 50.00	\$ 50.00
22657	Public Works	\$ 300.00	\$ 200.00	\$ 100.00
29497	Tax	\$ 250.00	\$ 100.00	\$ 150.00
72622	Traffic	\$ 200.00	\$ 100.00	\$ 100.00
50243	Health	\$ 300.00	\$ 150.00	\$ 150.00
50573	Health	\$ 300.00	\$ 200.00	\$ 100.00
74082	Airport	\$ 300.00	\$ 200.00	\$ 100.00
26102	CVB	\$ 500.00	\$ 300.00	\$ 200.00
61658	Parking	\$ 200.00	\$ 150.00	\$ 50.00
69580	Municipal Housing	\$ 200.00	\$ 100.00	\$ 100.00
74553	Waterworks	\$ 100.00	\$ 50.00	\$ 50.00
11043	El Metro	\$ 200.00	\$ 150.00	\$ 50.00
3236	Sewer	\$ 300.00	\$ 150.00	\$ 150.00
71240	Fleet	\$ 400.00	\$ 300.00	\$ 100.00
			Total	\$ 1,850.00

Recommendation(s)

Internal Audit recommends the Financial Services Department review the above-mentioned petty cash accounts, and reduce the funds to the proposed amount specified by Internal Audit. In the event a Petty Cash Custodian requires additional funds, an increase can be requested from the Financial Services Department, or another existing procedure can be used, such as a credit card, reimbursement, or purchase order. The total amount to be reduced from the overall petty cash accounts including the closing of the boxes mentioned in Finding 2 is \$2,200.00, which reduces the total petty cash fund by 14.83%.

Appendix A –
Department Response

INTEROFFICE MEMORANDUM

TO: TINA O. RODRIGUEZ, INTERNAL AUDITOR
FROM: JOSE F. CASTILLO, ACTING FINANCE DIRECTOR *Castillo*
SUBJECT: PETTY CASH AUDIT / OPERATIONS REVIEW AUDIT
DATE: 12/2/2021
CC: ROSARIO C. CABELLO, DEPUTY CITY MANAGER

We are in receipt of your audit report dated November 24, 2021 and we agree with your findings and recommendations.

Finding #1 related to the recommendation to update Petty Cash Policy to include that the box must be lock and kept in a secure locked area when not in use.

Finding #2 related to custodians that have little to no use of their petty cash funds. We will work with the affected departments and request that they close or reduce the amount of petty cash assigned to their respective departments.

Finding #3 related to custodian not replenishing their petty cash on a timely basis. We will work with the Department to remind them of the requirements of the petty cash policy.

Finding #4 related to the amounts of petty cash funds. We will work with Department to reduce their petty cash to the recommended levels.

As stated above we will work with Departments to implement your recommendations. We should be addressing all the finding by the end of next week and hope to implement your recommendations by the end of the month.



Appendix B – Internal Audit Staff Acknowledgment

APPENDIX B
INTERNAL AUDIT STAFF ACKNOWLEDGMENT

Tina O. Rodriguez, Internal Auditor

Bianca V. Medellin, Auditor I