

Final Audit Follow Up

As of March 31, 2005



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City Auditor

“City Imprest Funds – Petty Cash and TPD Operations”

(Report #0417, Issued September 21, 2004)

Report #0525

June 28, 2005

Summary

Applicable City departments and offices have completed all thirty-five action plan steps developed to address issues identified in audit report #0417, City Imprest Funds – Petty Cash and TPD Operations.

In audit report #0417, issued September 21, 2004, we found that, overall, the City's imprest funds established for petty cash disbursements and Tallahassee Police Department (TPD) operations were adequately accounted for and safeguarded, and the related disbursements were adequately documented, properly recorded, and for authorized City business. However, we identified issues that indicated improvements were needed in administering and managing those funds.

During our fieldwork for the initial audit, the Treasurer-Clerk's Revenue Division had authorized eight imprest funds within four City departments (Aviation, Electric Utility, Water Utility, and TPD) for disbursement activities. The disbursement activities for TPD pertained to confidential and undercover operations. For the remaining three departments, the funds were primarily used to reimburse employees for minor out-of-pocket expenses incurred on behalf of the City.

A total of 35 action plan steps were established to address the issues identified during the audit. All 35 of those action plan steps have been completed.

Scope, Objectives, and Methodology

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Report #0417

The scope of report #0417 included a review of all City imprest funds authorized by City Treasurer-Clerk's Revenue Division that are used in disbursement activities. Our audit focused on the accounting for and safeguarding of imprest funds and the accounting for and purpose of the related disbursements. We also reviewed procedures and transactions for compliance with written procedures established by the City Treasurer-Clerk for petty cash operations. Transactions and activity during the 13½-month period April 1, 2003, through May 18, 2004, and some activity prior to that period, were reviewed. In total, we reviewed eight imprest funds. Six of those funds were set in amounts of \$200 or less. The two remaining imprest funds at the Tallahassee Police Department (TPD) were in the amounts of \$20,000 and \$30,000.

The objectives of this audit were to determine if:

- Imprest funds used in City operations for petty cash disbursements and confidential and undercover TPD operations were authorized and adequately accounted for;
- Related disbursements were properly approved and for authorized City business; and
- Controls over imprest funds and related disbursements were in place and operating effectively.

Report #0525

The purpose of this follow up is to report on the progress and status of efforts by applicable City departments and offices to complete action plan steps due for completion during the period October 1, 2004, through March 31, 2005. This is our first and final follow up on action plan steps identified in audit report #0417. To obtain information, we conducted interviews, made observations, and reviewed relevant documentation.

Background

Imprest funds are used in various City operations. These funds represent cash amounts authorized and established by the Treasurer-Clerk's Revenue Division for two primary purposes: (1) petty cash or other disbursements and (2) cashing operations. Our initial audit addressed only those imprest funds used for petty cash and other disbursements. The amounts of the individual imprest funds used in the City's disbursement activities vary depending on the needs for and purposes of the funds. For example, funds used for petty cash disbursements, which typically involve reimbursement to City employees for small out-of-pocket expenses incurred in connection with their City employment, are generally established at no more than two hundred dollars. In contrast, imprest funds maintained by TPD to facilitate investigations (e.g., paying an informant for information) and for undercover operations (e.g., drug buys in a sting operation) are established at a larger amount (i.e., \$20,000 or higher).

During the FY 2004, the Treasurer-Clerk's Revenue Division authorized eight imprest funds for petty cash and other disbursements within four City departments (Aviation, Electric Utility, Water Utility, and TPD). The authorized amounts for all eight funds totaled \$51,050.

Previous Conditions and Current Status

In report #0417, we identified several issues that indicated actions were needed to:

- Maintain documentation that adequately demonstrates the City business served, the employees making the purchase and reimbursed, and management approval;
- Properly replenish funds through the City's Accounts Payable Office;
- Change the payee on replenishment checks to facilitate the cashing of those checks for replenishment purposes;
- Mark or deface original receipts to reduce the risk of unauthorized duplicate reimbursements;
- Perform independent inspections and reconciliations by supervisors/managers;
- Correctly code expenditures;
- Develop and document internal procedures; and
- Encourage use of City purchase cards or other City procurement processes to help reduce instances where state sales taxes are paid.

In addition, our review disclosed an issue involving an employee funds bank account. The action plan steps identified in audit report #0417 to address these issues and their current status are addressed below in Table 1.

**Table 1
Action Plan Steps from Report #0417 and Current Status**

Action Plan Steps	Current Status
<i>ELECTRIC UTILITY – PURDOM POWER PLANT</i>	
<ul style="list-style-type: none"> • Records will be established and maintained showing for each petty cash disbursement the employee reimbursed and the purpose of the related expense. 	<ul style="list-style-type: none"> ✓ Management closed the Purdom Plant petty cash fund on March 30, 2005, and returned the total fund amount to the Treasurer-Clerk's Revenue Division on April 5, 2005. Any future reimbursements for Purdom employee-incurred cash expenses will be made from the Electric Operations petty cash fund. Those instances should be minimal. Appropriate records will be maintained.
<ul style="list-style-type: none"> • Petty cash reimbursement requests will be made through check requests submitted to the Accounts Payable section. 	<ul style="list-style-type: none"> ✓ As noted above, the Purdom Plant petty cash fund has been closed.
<ul style="list-style-type: none"> • The petty cash fund custodian will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ As noted above, the Purdom Plant petty cash fund has been closed.

<ul style="list-style-type: none"> • Petty cash disbursements will be coded to the correct expenditure categories. 	<ul style="list-style-type: none"> ✓ As noted above, the Purdom Plant petty cash fund has been closed. Any subsequent petty cash disbursements (which should be minimal) reimbursed from the Electric Operations petty cash fund will be coded correctly.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City's exemption from state sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged to use their City purchase cards or other City procurement process when reasonable under the circumstances. 	<ul style="list-style-type: none"> ✓ As noted above, the Purdom Plant petty cash fund has been closed. Any future reimbursements for Purdom employee-incurred cash expenses will be made from the Electric Operations petty cash fund. Purdom employees have been encouraged to use their City purchase cards or other procurement methods and to notify vendors of the City's sales tax exemption status.
<p>ELECTRIC UTILITY – HOPKINS POWER PLANT</p>	
<ul style="list-style-type: none"> • Managerial approval will be documented for all petty cash disbursements. 	<ul style="list-style-type: none"> ✓ Management closed the Hopkins Plant petty cash fund on April 8, 2005, and returned the total fund amount to the Treasurer-Clerk's Revenue Division on April 11, 2005. Any future reimbursements for Hopkins employee-incurred cash expenses will be made from the Electric Operations petty cash fund. These instances should be minimal. A standard form is available for use that requires supervisory approval.
<ul style="list-style-type: none"> • Petty cash reimbursement requests will be made through check requests submitted to the City's Accounts Payable section. 	<ul style="list-style-type: none"> ✓ As noted above, the Hopkins Plant petty cash fund has been closed.
<ul style="list-style-type: none"> • The petty cash fund custodian will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ As noted above, the Hopkins Plant petty cash fund has been closed.
<ul style="list-style-type: none"> • Independent supervisory staff will periodically inspect the petty cash fund's records, count the cash on hand (in the presence of the custodian), and reconcile to the established fund balance. Those verifications/reconciliations will be documented. 	<ul style="list-style-type: none"> ✓ As noted above, the Hopkins Plant petty cash fund has been closed.
<ul style="list-style-type: none"> • Petty cash disbursements will be coded to the correct expenditure categories. 	<ul style="list-style-type: none"> ✓ As noted above, the Hopkins Plant petty cash fund has been closed. Any subsequent petty cash disbursements (which should be minimal) reimbursed from the Electric Operations petty cash fund will be coded correctly.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City's exemption from state sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged to use their City purchase cards or other City procurement process when reasonable under the circumstances. 	<ul style="list-style-type: none"> ✓ As noted above, the Hopkins Plant petty cash fund has been closed. Any future reimbursements for Hopkins employee-incurred cash expenses will be made from the Electric Operations petty cash fund. Hopkins employees have been encouraged to use their City purchase cards or other procurement methods and to notify vendors of the City's sales tax exemption status.
<p>ELECTRIC OPERATIONS</p>	

<ul style="list-style-type: none"> • Check requests for petty cash replenishments will specify the reimbursement checks should be made payable to the department’s petty cash custodian and read as follows “custodian’s name - cash custodian, City of Tallahassee Electric Utility Operations.” 	<ul style="list-style-type: none"> ✓ Procedures were revised such that reimbursement checks are now made payable to the applicable individual (i.e., Electric Operations petty cash custodian), as cash custodian of the Electric Utility.
<ul style="list-style-type: none"> • The petty cash fund custodian will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ Electric Operations is now marking all original receipts, vendor invoices, and employee petty cash reimbursement forms with a “PAID” stamp at the time the applicable employee receives his/her petty cash reimbursement.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City’s exemption from state sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged to use their City purchase cards or other City procurement process when reasonable under the circumstances. 	<ul style="list-style-type: none"> ✓ Supervisors were reminded to instruct employees to request that vendors exempt City purchases from state sales taxes; and, to encourage the use of City purchase cards (which contain the City’s sales tax exemption number) and other City procurement processes when reasonable. In addition, the utility’s standard petty cash reimbursement form has been modified to document the employee’s efforts to have vendors exempt the purchases from state sales taxes.
<p>WATER UTILITY – GEMINI BUILDING</p>	
<ul style="list-style-type: none"> • Petty cash reimbursement requests will be made through check requests submitted to the City’s Accounts Payable section. 	<ul style="list-style-type: none"> ✓ In October 2004, the Water Utility petty cash funds at the Gemini Building and the Dupree Street locations were consolidated and transferred to the Lake Bradford location. The petty cash custodian at the Lake Bradford location is submitting reimbursement requests to the City’s Accounts Payable section.
<ul style="list-style-type: none"> • The petty cash fund custodians will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ As noted above, the Water Utility petty cash funds were consolidated and transferred to the Lake Bradford location. The petty cash custodian at Lake Bradford is marking all original receipts and vendor invoices with a stamp marked “PAID” at the time the applicable employees are reimbursed from the funds for authorized expenses.
<ul style="list-style-type: none"> • Independent supervisory staff will periodically inspect the petty cash funds’ records, count the cash on hand (in the presence of the custodians), and reconcile to the authorized fund amount. Those verifications/reconciliations will be documented. 	<ul style="list-style-type: none"> ✓ A Water Utility employee independent of the petty cash function now performs periodic inspections and reconciliations of the petty cash funds. Those inspections/reconciliations are documented. Internal written procedures were revised to require these periodic reviews.
<ul style="list-style-type: none"> • Petty cash disbursements will be coded to the correct expenditure categories. 	<ul style="list-style-type: none"> ✓ The petty cash custodian for Water Utility is coding all petty cash disbursements to the correct expenditure categories.
<ul style="list-style-type: none"> • Written procedures will be prepared to document the internal processes and procedures for operating and administering the petty cash funds. 	<ul style="list-style-type: none"> ✓ The written procedures for the “Receipt and Processing of Cash Collections (including petty cash)” were prepared and approved by Water Utility Management in October 2004.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City’s exemption from state 	<ul style="list-style-type: none"> ✓ Water Utility management sent an e-mail reminding employees to notify vendors of the City’s sales tax exemption status and encouraging the use of City purchase cards whenever possible.

<p>sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged to use their City purchase cards or other City procurement process when reasonable under the circumstances.</p>	
<p>WATER UTILITY – DUPREE STREET</p>	
<ul style="list-style-type: none"> • Managerial approval will be documented for all petty cash disbursements. 	<ul style="list-style-type: none"> ✓ In October 2004, the Water Utility petty cash funds at the Gemini Building and the Dupree Street locations were consolidated and transferred to the Lake Bradford location. Managerial approval is being documented for petty cash fund disbursements made from the Lake Bradford location.
<ul style="list-style-type: none"> • Documentation will be maintained to show the individuals/employees on whose behalf food was purchased and the purpose of those purchases. 	<ul style="list-style-type: none"> ✓ The names of the individual/employees for which food/meals are purchased, as well as the purpose of those purchases, are now documented for applicable petty cash disbursements.
<ul style="list-style-type: none"> • Petty cash reimbursement requests will be made through check requests submitted to the City's Accounts Payable section. 	<ul style="list-style-type: none"> ✓ In October 2004, the Water Utility petty cash funds at the Gemini Building and the Dupree Street locations were consolidated and transferred to the Lake Bradford location. The petty cash custodian at the Lake Bradford location is submitting reimbursement requests to the City's Accounts Payable section.
<ul style="list-style-type: none"> • The petty cash fund custodians will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ As noted above, the Water Utility petty cash funds were consolidated and transferred to the Lake Bradford location. The petty cash custodian at Lake Bradford is marking all original receipts and vendor invoices with a stamp marked "PAID" at the time the applicable employees are reimbursed from the funds for authorized expenses.
<ul style="list-style-type: none"> • Independent supervisory staff will periodically inspect the petty cash funds' records, count the cash on hand (in the presence of the custodian), and reconcile to the established fund balances. Those verifications/reconciliations will be documented. 	<ul style="list-style-type: none"> ✓ A Water Utility employee independent of the petty cash function now performs periodic inspections and reconciliations of the petty cash funds. Those inspections/reconciliations are documented. Internal written procedures were revised to require these periodic reviews.
<ul style="list-style-type: none"> • Petty cash disbursements will be coded to the correct expenditure categories. 	<ul style="list-style-type: none"> ✓ The petty cash custodian at the Lake Bradford location is coding all petty cash disbursements for Water Utility to the correct expenditure categories.
<ul style="list-style-type: none"> • Written procedures will be prepared to document the internal processes and procedures for operating and administering the petty cash funds. 	<ul style="list-style-type: none"> ✓ The written procedures for the "Receipt and Processing of Cash Collections (including petty cash)" were prepared and approved by Water Utility Management in October 2004.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City's exemption from state sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged 	<ul style="list-style-type: none"> ✓ Water Utility management sent an e-mail reminding employees to notify vendors of the City's sales tax exemption status and encouraging the use of City purchase cards whenever possible.

<p>to use their City purchase cards or other City procurement process when reasonable under the circumstances.</p>	
AVIATION	
<ul style="list-style-type: none"> • Check requests for petty cash replenishments will specify the reimbursement checks should be made payable to the “custodian’s name - cash custodian, City of Tallahassee Aviation Department.” 	<ul style="list-style-type: none"> ✓ Procedures were revised such that reimbursement checks are now made payable to the applicable individual (i.e., department petty cash custodian), as cash custodian of the Aviation Department.
<ul style="list-style-type: none"> • The petty cash fund custodian will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ The Aviation department is now marking all original receipts and vendor invoices with a “PAID” stamp at the time the applicable employees are reimbursed from petty cash.
<ul style="list-style-type: none"> • Employees acquiring goods and services from their personal funds and subsequently reimbursed from petty cash will be reminded to notify vendors of the City’s exemption from state sales taxes. To limit instances where state sales taxes are paid/reimbursed for minor petty cash purchases, employees will be encouraged to use their City purchase cards or other City procurement process when reasonable under the circumstances. 	<ul style="list-style-type: none"> ✓ The Aviation Department’s written procedures for handling petty cash were revised, effective August 24, 2004, to encourage employees to use their City purchase card or other City procurement process when reasonable; and, to notify vendors of the City’s state sales tax exemption at the time of purchase. Those revised procedures were distributed to employees.
REVENUE DIVISION	
<ul style="list-style-type: none"> • APM 614 will be revised to require that checks for petty cash replenishments be made payable to the “custodian’s name – cash custodian, name of City department/office.” 	<ul style="list-style-type: none"> ✓ APM 614 was amended on October 1, 2004, by the City Treasurer-Clerk’s Revenue Division in accordance with this action step.
<ul style="list-style-type: none"> • APM 614 will be revised to require each City department/office operating an imprest fund to document the internal procedures for the operation and administration of the fund. 	<ul style="list-style-type: none"> ✓ APM 614 was amended on October 1, 2004, by the City Treasurer-Clerk’s Revenue Division in accordance with this action step.
TPD OPERATIONS	
<ul style="list-style-type: none"> • The petty cash fund custodian will mark or deface original receipts (e.g., vendor receipts/invoices) at the time the applicable employees are reimbursed from the funds for authorized expenses. 	<ul style="list-style-type: none"> ✓ TPD is now marking all original receipts and vendor invoices with a “PAID” stamp at the time the employee receives his/her petty cash reimbursement.
PUBLIC WORKS – STREETS AND DRAINAGE	
<ul style="list-style-type: none"> • Necessary actions will be taken to have the bank rename the employee activity account such that there is no inference that it is a City of Tallahassee bank account. 	<ul style="list-style-type: none"> ✓ The bank account name was changed to reflect an employee activity account such that there is no inference that it is a City of Tallahassee bank account.

Table Legend:

- Issue addressed in the original audit

- ✓ Issue addressed and resolved

Conclusion

Management of applicable City departments and offices has been responsive in addressing issues identified in audit report #0417. All action plan steps have been successfully completed. We appreciate the response and assistance provided by applicable City staff during this follow up.

Response from Appointed Officials

City Manager:

I'm pleased at the results of this follow-up. Full implementation of agreed upon action plans reflects management's commitment to internal controls.

City Treasurer-Clerk:

I have reviewed the audit of "City Imprest Funds - Petty Cash and TPD Operations". I am pleased that we have implemented the action plan steps pertaining to the Treasurer-Clerk's Office. I also appreciate the manner in which you and your staff conducted the audit and believe the recommendations made will enhance control over, and operation of, the City's imprest petty cash funds.

Copies of this Final Audit Follow Up or audit report #0417 may be obtained from the City Auditor's website (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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