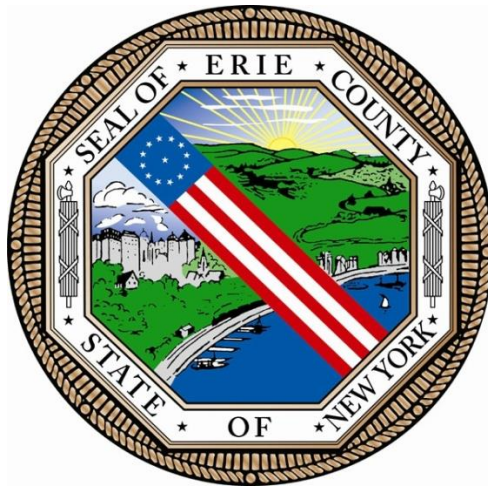


April 2018

**COUNTYWIDE AUDIT OF
PETTY CASH, CHANGE-MAKING, AND IMPREST FUNDS
JANUARY 1, 2016 – DECEMBER 31, 2016**



**HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

**ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**



August 17, 2017

Erie County Legislature
92 Franklin Street 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed a Countywide Audit of Petty Cash, Change-Making, and Imprest Funds for the period January 1, 2016 through December 31, 2016.

Our objectives were to:

- Evaluate the internal controls over the administration of Petty Cash, Change-Making, and Imprest Funds.
- Confirm the balance of each account.
- Verify compliance with Erie County Accounting Policies and Procedures.
- Verify the propriety of the account activity.
- Verify the existence of account reconciliations.
- Evaluate cash handling procedures.
- Recommend account adjustments based on the results of our testing.

We conducted our 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. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Department management is responsible for establishing and maintaining a system of internal control over the disbursement of funds. The objectives of such a system are to provide reasonable, but not absolute assurance, that transactions are executed in accordance with management's authorization.

In our opinion, internal control over the handling of these funds was not adequate. Numerous deficiencies in internal control were found with respect to fund balances due to either impropriety, lack of management oversight, or disregard for policy and procedures.

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BACKGROUND

The County of Erie Accounting Policies, Cash Management – Petty Cash and Change-Making Funds (Policy) detail the processes for the origination, replenishment and closure of petty cash, change-making and imprest funds. Departments are provided specific instructions with respect to establishing, increasing, decreasing, replenishing and closing the funds.

Petty Cash Fund – Used to make payments for purchases that are considered necessary to conduct County business and when the vendor requires payment upon delivery. Petty cash funds should only be used in situations in which it is not possible to issue typical County purchase documents such as Purchase Orders or Department Purchase Orders to secure the needed items.

Change-Making Fund – Is established to provide currency and coin for the purpose of issuing to payers the difference due from a larger denomination of currency or coin (not checks or other negotiable instruments) tendered as payment.

Imprest Fund – Distinct from a Petty Cash Fund, an Imprest Fund is a checking account used to effect immediate cash payments of relatively small amounts for authorized purchases of supplies and non-personal services or in instances where purchase orders are not accepted.

At December 31, 2016, there were 75 different funds totaling \$173,871. On page one of the Policy it states that “petty cash bank statements and petty cash on-hand must be reconciled on a monthly basis by the respective fund custodian using the appropriate forms. The reconciliations must be timely to prevent errors from going undetected. The reconciliation form must be signed and dated by the fund custodian. A copy of the bank statement and the bank statement reconciliation and/or the petty cash reconciliation must be sent to the Comptroller's Office, marked “Attention: Bank Rec.”, on a monthly basis. The Bank Reconciliation unit will notify the department if their review discloses any problems.”

The scope of our audit included a general ledger analysis of the Petty Cash, Change-Making, and Imprest Funds for various departments from January 1, 2016 to December 31, 2016. We traced source documents to verify protocol was followed for reimbursements, that fund balances were in agreement with the General Ledger, and that reconciliations were completed. While funds for the County Attorney, County Clerk, District Attorney, Library and Sheriff were not included in our detailed examination, the balances of these funds were confirmed in writing.

AUDIT FINDINGS

I. Funds not in Agreement with General Ledger¹

A. Funds not located

Our examination disclosed that 14 petty cash and 3 change-making funds for the following departments, totaling \$2,435 could not be found. Due to a variety of reasons, we were unable to locate funds for the following accounts. This may have been the result of either changes in department administration, changes in custodians, merging of departments, merging of funds, theft, or depletion of funds without replenishment.

Budget	\$ 25.00	Petty Cash
Comm. on Status of Women	\$ 200.00	Petty Cash
Collections Division	\$ 50.00	Petty Cash
Holding Center	\$ 100.00	Petty Cash
DSS Vital Statistics	\$ 300.00	Petty Cash
DPW Bldg. & Grnds.-Alden	\$ 200.00	Petty Cash
DPW Hwy.-Rath Bldg.	\$ 150.00	Petty Cash
DPW Mach. Fund-Bridge Maint.	\$ 150.00	Petty Cash
DPW Hwy.-Lancaster Sign Shop	\$ 250.00	Petty Cash
Fire Safety	\$ 50.00	Petty Cash
Health-Special Needs	\$ 200.00	Petty Cash
Sheriff Petty Cash	\$ 500.00	Petty Cash
Youth Services (25 Delaware)	\$ 25.00	Petty Cash
Youth Services (463 Grider)	\$ 100.00	Petty Cash
Health-Lackawanna Chg. Fund	\$ 50.00	Change-Making
Health-Westside Change Fund	\$ 50.00	Change-Making
Library Microform Room Change Fund	\$ 35.00	Change-Making

B. Funds with Shortages

During our testing we noted that 11 additional petty cash and change-making funds were not in agreement with the General Ledger due to shortages totaling \$1,540.47. This was a result of lack of oversight by the department and/or custodian, carelessness or theft. Preparation of monthly reconciliations may have caught these errors sooner.

DPW-Commissioner	\$ 30.73	Petty Cash
DPW-Bldgs. & Grnds. Rath Bldg.	\$ 179.59	Petty Cash
DPW Mach Fd.-E. Concord Dist.	\$ 238.86	Petty Cash
DPW Mach Fund-Clarence Dist.	\$ 0.06	Petty Cash
DPW Mach Fund-Hamburg Dist.	\$ 0.03	Petty Cash

¹ Separate letters will be issued to the individual departments and offices as necessary for appropriate, corrective action as described in the Policy.

Central Police Services	\$ 200.00	Petty Cash
Parks	\$ 16.20	Petty Cash
Parks-Grover Cleveland	\$ 150.00	Petty Cash
Library Central Machine	\$ 350.00	Change-Making
Library City Branches	\$ 175.00	Change-Making
Real Property Vault 7	\$ 200.00	Change-Making

C. Funds with Overages

An additional 13 change-making, imprest and petty cash funds contained amounts which exceeded the authorized totals by \$2,473.52. Again, this may have been the result of monthly reconciliations not being done, lack of oversight by the department and/or custodian, carelessness or some other improper action.

Library Secondary Fund	\$ 150.00	Change-Making
Library Circulation Fund	\$ 200.00	Change-Making
Sheriffs Civil Process Fund	\$ 100.00	Change-Making
Health-Downtown Clinic	\$ 25.00	Change-Making
Health-Jesse Nash	\$ 25.00	Change-Making
Senior Services	\$ 25.00	Imprest
Purchasing	\$ 50.00	Imprest
DPW Mach Fund-Lancaster	\$ 27.59	Petty Cash
Youth Services	\$ 125.57	Petty Cash
Probation	\$.28	Petty Cash
Information & Support Services	\$.08	Petty Cash
Sheriffs Professional Fund	\$1,145.00	Petty Cash
Sheriffs – Prisoner Transport	\$ 600.00	Petty Cash

WE RECOMMEND that:

- The departments and offices where funds could not be located take the appropriate steps as outlined in the Policy to replenish missing funds and return them to the Comptroller's Office so that the account can be closed.
- The departments with shortages replenish the missing funds in accordance with the Policy.
- The departments with overages follow the guidelines in the Policy and return the excess funds to the Comptroller's Office.
- Periodic internal reviews should be performed by all departments/offices and take steps necessary to ensure that the Policy is followed and controls are in place for safeguarding these assets.

- The Division of Budget and Management (Budget) work with the departments and offices where necessary to ensure shortages, overages and closings are handled properly.

II. Non-Compliance

- A. The Policy requires that reconciliations be submitted monthly to the Comptroller's Office. Of the 75 funds authorized, only 15 funds had submitted reconciliations. Fifty-eight funds did not have the reconciliations prepared which included the 13 funds not located. Two other funds were combined into a third. It is our opinion that if reconciliations were submitted on a regular basis, there would be more control over these assets.
- B. Per the Policy, no sales tax should be paid and a "Notice to Vendors" form obtained from the Division of Purchase should be presented to the vendor. In our sample of disbursements, 3 departments paid sales tax in 6 different instances from petty cash and were reimbursed in the amount of \$12.30. In some cases this is because vendors require buyer tax exempt status be issued at a corporate level. This takes time and where a resolve for a situation is needed immediately (ex: employee is at the point of sale), it is not always possible to avoid paying sales tax.

WE RECOMMEND that

- Reconciliations for all petty cash, change-making and imprest accounts be forwarded to the Comptroller's Office as required by the Policy.
- The requestor upon asking for approval for any purchase should be given a "Notice to Vendors" form.
- When reimbursement requests are submitted, the approver and Comptroller's Office review for payment of sales tax before processing.
- If there is an issue with a vendor accepting the "Notice to Vendors", it should be brought to the custodian's attention. The custodian should then follow up with purchasing to avoid future issues.

AUDITOR'S COMMENT

Methodology over handling petty cash.

Of the 19 departments examined all had a process in place for custodians and approvers but only four departments had it in written form. Written guidelines serve to help employees better understand and follow the process and avoid miscommunication while providing management with a reasonable degree of assurance that objectives will be met.

WE RECOMMEND that any departmental processes be formally documented to provide appropriate guidance for requesting petty cash, to note what persons are appointed custodians and approvers, and to detail the requirements for fund payouts. This would help insure the propriety of funds when there is a change in administration or custodian.

RESULTS OF EXIT CONFERENCE

An exit conference was held on April 10, 2018 with the Director of Budget and Management (Budget) and a member of his staff. A draft of the audit report was reviewed and they were in general agreement with the findings and recommendations. The written response is included in Appendix B in summary.

The Erie County Comptroller's Office would like to thank Budget and Management and the various Departments and Offices for the courtesy and cooperation extended to us during the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Hon. Mark C. Poloncarz, County Executive
Robert W. Keating, Director of Budget and Management
Erie County Fiscal Stability Authority

APPENDIX A. SUMMARY OF ACCOUNT BALANCES

Business Area	Name	Authorized Amount	Confirmed Amount	Difference	Type
101	COUNTY EXECUTIVE	250.00	250.00	-	Petty Cash
102	BUDGET	25.00	-	25.00	Petty Cash
105	INFORMATION AND SUPPORT SERVICES	75.00	75.08	(0.08)	Petty Cash
106	DSS - PURCHASING	50.00	50.00	-	Petty Cash
106	DSS - PURCHASING IMPREST FUND	10,000.00	10,050.00	(50.00)	Imprest
109	COMMISSION on STATUS OF WOMEN	200.00	-	200.00	Petty Cash
111	REAL PROPERTY (Vault 10)	1,000.00	1,000.00	-	Change-Making
111	REAL PROPERTY (change drawers)	1,000.00	800.00	200.00	Change-Making
112	COLLECTIONS DIVISION	50.00	-	50.00	Petty Cash
112	COMPTROLLER'S OFFICE	50.00	50.00	-	Petty Cash
113	CNTY CLERK - TRANSFER TAX CHG FUND	200.00	200.00	-	Change-making
113	CNTY CLERK - CASHIER CHANGE FUND	1,900.00	1,900.00	-	Change-making
113	AUTO BUREAU - MOBILE UNIT CHG FUND	225.00	225.00	-	Change-making
113	AUTO BUREAU - EZ PASS CHANGE FUND	800.00	800.00	-	Change-making
113	AUTO BUREAU - EASTERN HILLS CHG FUND	1,000.00	1,000.00	-	Change-making
113	AUTO BUREAU - EVANS TOWN HALL CHG FUND	1,000.00	1,000.00	-	Change-making
113	AUTO BUREAU - ECC SOUTH CHG FUND	1,025.00	1,025.00	-	Change-making
113	AUTO BUREAU - NORTH TOWN CHG FUND	2,000.00	2,000.00	-	Change-making
113	AUTO BUREAU - BUFFALO BRANCH CHG FUND	2,750.00	2,750.00	-	Change-making
113	AUTO BUREAU - CHEEKTOWAGA CHG FUND	4,500.00	4,500.00	-	Change-making

Business Area	Name	Authorized Amount	Confirmed Amount	Difference	Type
114	DISTRICT ATTORNEY - DEPT CASH	500.00	500.00	-	Imprest
114	DISTRICT ATTORNEY-SECRET FUND	5,000.00	5,000.00	-	Petty Cash
114	DISTRICT ATTORNEY - Witness	6,000.00	6,000.00	-	Petty Cash
115	SHERIFF CHANGE FUND-CIVIL PROC	200.00	300.00	(100.00)	Change-making
115	SHERIFF - PETTY CASH	500.00	-	500.00	Petty Cash
115	SHERIFF SECRET PROFESS FUND	10,000.00	11,145.00	(1,145.00)	Petty Cash
116	HOLDING CENTER	100.00	-	100.00	Petty Cash
116	SHERIFF - PRISONER TRANSPORT	3,900.00	4,500.00	(600.00)	Petty Cash
120	DSS VITAL STATS CHECKING ACCT	300.00	-	300.00	Petty Cash
120	DSS IMPREST FUND	50,000.00	50,000.00	-	Imprest
122	DPW - COMMISSIONER	70.00	39.27	30.73	Petty Cash
122	DPW - BLDGS & GRNDS - RATH BLD	400.00	220.41	179.59	Petty Cash
122	DPW - WGTS & MEASURES	700.00	700.00	-	Petty Cash
122	DPW - BLDGS & GRNDS - ALDEN	200.00	-	200.00	Petty Cash
123	DPW HWYS - RATH BLDG	150.00	-	150.00	Petty Cash
123	DPW MACH FUND - BRIDGE MAINT	150.00	-	150.00	Petty Cash
123	DPW HWYS - LANCASTER SIGN SHOP	250.00	-	250.00	Petty Cash
123	DPW MACH FUND - CLARENCE DIST	500.00	499.94	0.06	Petty Cash
123	DPW MACH FUND - E AURORA DIST	500.00	500.00	-	Petty Cash
123	DPW MACH FUND - E CONCORD DIST	500.00	261.14	238.86	Petty Cash

Business Area	Name	Authorized Amount	Confirmed Amount	Difference	Type
123	DPW MACH FUND - HAMBURG DIST	500.00	499.97	0.03	Petty Cash
123	DPW MACH FUND - LANCASTER DIST	500.00	527.59	(27.59)	Petty Cash
124	MENTAL HEALTH ADMIN.	50.00	50.00	-	Petty Cash
125	DETENTION 25 Del Lunch Tokens	25.00	-	25.00	Petty Cash
125	DETENTION 462 Grider	100.00	-	100.00	Petty Cash
125	YOUTH DETENTION 810 E FERRY	975.00	1,100.57	(125.57)	Petty Cash
126	PROBATION	300.00	300.28	(0.28)	Petty Cash
127	HEALTH-DOWNTOWN CLINICS CHG Fund	50.00	75.00	(25.00)	Change making
127	HEALTH-JESSE NASH CHANGE FUND	50.00	75.00	(25.00)	Change making
127	HEALTH-LACKAWANNA CHANGE FUND	50.00	-	50.00	Change making
127	HEALTH-WESTSIDE CHANGE FUND	50.00	-	50.00	Change making
127	HEALTH CHANGE FUND	100.00	100.00	-	Change making
127	HEALTH-OUTER EASTSIDE CHG FUND	100.00	100.00	-	Change making
127	HEALTH	150.00	150.00	-	Petty Cash
127	HEALTH-SPECIAL NEEDS-PETTY CSH	200.00	-	200.00	Petty Cash
160	RISK RETENTION	50,000.00	50,000.00	-	Imprest
162	ENVIR & PLAN-CASH FUND #1 RATH	100.00	100.00	-	Petty Cash
163	OFFICE OF THE AGING-ADMIN	200.00	225.00	(25.00)	Imprest
164	RECREATION	150.00	150.00	-	Petty Cash
164	PARKS - ELMA MEADOWS	400.00	400.00	-	Petty Cash

Business Area	Name	Authorized Amount	Confirmed Amount	Difference	Type
164	PARKS - GROVER CLEVELAND	500.00	350.00	150.00	Petty Cash
164	PARKS	700.00	683.80	16.20	Petty Cash
165	CENTRAL POLICE SERVICES	400.00	200.00	200.00	Petty Cash
167	FIRE SAFETY	50.00	-	50.00	Petty Cash
181	SD - 1, 4, & 5	200.00	200.00	-	Imprest
182	SD - 2	200.00	200.00	-	Imprest
183	SOUTHTOWNS / SD 3	500.00	500.00	-	Imprest
420	MICROFORM ROOM CHANGE FUND	35.00	-	35.00	Change-making
420	SECONDARY CHANGE FUND	300.00	450.00	(150.00)	Change-making
420	CITY BRANCHES CHANGE FUND	375.00	200.00	175.00	Change-making
420	CIRCULATION CHANGE FUND	441.00	641.00	(200.00)	Change-making
420	PETTY CASH - REGULAR	500.00	500.00	-	Petty Cash
420	CHANGE MACHINE - CENTRAL	600.00	250.00	350.00	Change-making
420	IMPREST FUND - BOOK PURCHASES	2,000.00	2,000.00	-	Petty Cash
420	PETTY CASH CHECKING - TRAVEL	5,000.00	5,000.00	-	Petty Cash
	TOTALS	173,871.00	156,424.05	17,446.95	

APPENDIX B. SUMMARY OF AUDIT RESPONSE

The following is a summarization of the audit response provided by Robert Keating, the Director of Budget and Management.

1. Regarding our opinion on page 2, we stated that there were numerous deficiencies in internal control with respect to fund balances. Budget was of the opinion that numerous is an over statement when looking at it from a dollar perspective. However, our opinion was driven by the fact that 54% of the accounts (41 of 75) were not in agreement with the general ledger and thus numerous is appropriate as was originally worded. Secondly, Budget objected to our use of the word “negligence” which we changed to “disregard”.
2. Budget thanked us for the individual department letters noted in footnote 1 on page 5. In audit finding I.A. on page 5, Budget suggested that we change the wording in the second sentence from “This was a result” to “This may be the result” and we concurred to change to “This may have been”. Then in audit finding I.B., Budget again suggested that we change “was” to “may be the result” but we did not concur with their suggestion.
3. On page 6, audit finding I.C., Budget again suggested changing “was” to “may be the result” and we changed the wording to “this may have been”. Budget stated that per the recommendation, they anticipate closing out a number of accounts in accordance with the policy and look forward to the individual department notices. They will also reiterate the policy to all departments who have open accounts.
4. On page 7, under Non-Compliance regarding the Policy and reconciliations and sales tax, Budget will ensure that each department is aware of the Policy and will endeavor that they comply. Further, Budget stated that they will require that each department that handles petty cash document both the custodians and approvers and detail requirements for the fund payouts.
5. Budget closed with a thank you for our attention to the points being raised with respect to our draft report.