

**OFFICE OF THE CITY CONTROLLER**



**PUBLIC WORKS & ENGINEERING DEPARTMENT**

**CODE ENFORCEMENT GROUP**

**UNANNOUNCED PETTY CASH AUDIT  
ACCOUNT NO. 0142**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

August 25, 2005

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Public Works and Engineering Department-Code Enforcement Group  
Unannounced Petty Cash Audit – Account 0142 (Report No. 05-25)

Dear Mayor White:

The City Controller's Office Audit Division has completed an Unannounced Petty Cash Audit of the \$1,000 petty cash fund (Account No.0142) at the Public Works and Engineering Department's Code Enforcement Group for the period of July 1, 2004 through May 31, 2005.

The audit's objective was to assist management with the assessment of the adequacy of internal controls related to the overall petty cash process. Additionally, the audit evaluated the Department's compliance with Administrative Procedure (AP) 5-3.

The report, attached for your review, concludes that the internal controls over the petty cash fund are adequate to provide management with reasonable assurance that the fund is properly safeguarded, disbursed and replenished in compliance with AP 5-3, except for the finding presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of responsible officials as to actions being taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker  
City Controller

xc: City Council Members  
Anthony Hall, Chief Administrative Officer  
Michael Moore, Chief of Staff, Mayor's Office  
Michael S. Marcotte, Director, Public Works and Engineering Department.  
Judy Gray Johnson, Director, Finance and Administration Department

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## SCOPE AND PURPOSE

We have completed an unannounced audit of the \$1,000 Petty Cash Fund Account No. 142 at the Public Works & Engineering Department (Code Enforcement Group) for the period of July 1, 2004 through May 31, 2005. Our objective was to assist management with the assessment of the adequacy of internal controls related to the petty cash process. Additionally, the audit evaluated compliance with Administrative Procedure 5-3 (AP 5-3).


The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate procedures and internal controls related to the petty cash fund, test for compliance therewith and provide recommendations for improvement where appropriate. This audit was executed in accordance with Generally Accepted Government Auditing Standards.

Department management is responsible for establishing and maintaining a system of internal controls to adequately safeguard cash as an integral part of the Department's overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that cash is safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

## CONCLUSION

Based on the results of our audit, we conclude that internal controls over petty cash are adequate to provide management with reasonable assurance that this fund is properly safeguarded, disbursed and replenished in compliance with AP 5-3, except for the finding presented in the body of the report.



\_\_\_\_\_  
Ebenezer Robinson  
Auditor-in-charge



\_\_\_\_\_  
Kenneth Teer  
Audit Manager



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Steve Schoonover  
City Auditor

## INTRODUCTION

The Public Works & Engineering Department (Code Enforcement Group) has a \$1,000 Petty Cash Fund. According to AP 5-3, the fund should be used for payments of City business-related expenditures not exceeding the Petty Cash purchase limit of \$100. The Division's Approving Authority designates a Custodian to be responsible for managing and controlling the petty cash fund in accordance with AP 5-3. The Custodian's Responsibilities, as listed in AP 5-3, include the following:

- Maintaining Cash Receipts and Disbursements Journal accurately
- Processing authorized disbursements
- Initiating requests to replenish and/or increase the fund
- Maintaining adequate security over the petty cash fund
- Replacing any shortages not reported in a police report or resolved through disciplinary actions against another employee
- Reporting losses or thefts through the Approving Authority to the City Controller

Administrative Procedure No. 5-3 (AP 5-3), entitled Petty Cash Fund Policy & Procedures was last revised on May 25, 1995. AP 5-3 established policies for creating or increasing a petty cash fund, disbursing from and replenishing the fund, changing the fund custodian or transferring the fund to backup custodian, reconciling the fund balance, and closing out the petty cash fund.

## AUDIT FINDING AND RECOMMENDATION

### I. PETTY CASH IMPREST AMOUNT

#### BACKGROUND

Prudent cash management practice suggests that cash on hand and/or petty cash fund should not exceed the current need of the department.

#### FINDING

Excessive petty cash fund balances increase the City's exposure to loss through theft or misappropriation. Our analysis of the petty cash replenishment history for the audit scope period indicated that the petty cash fund is currently replenished approximately once every three months. The fund turned over only 0.68 times during the audit period, which is below a normal turnover rate. The average replenishment was approximately \$226. Based on our analysis of the fund, the current petty cash need of the department does not justify an imprest amount of \$1,000. The Department should be able to meet its petty cash needs with an imprest amount of \$500.

#### RECOMMENDATION

We recommend that the Department take steps to reduce its petty cash fund balance from \$1,000 to \$500.

# EXHIBIT I



## CITY OF HOUSTON

Public Works and Engineering  
Department

## Interoffice

Correspondence

**To:** Annise D. Parker,  
City Controller

**From:** Director  
Public Works & Engineering Department

**Date:** August 2, 2005

**Subject:** UNANNOUNCED PETTY CASH AUDIT  
ACCOUNT NO. 0142-CODE ENFORCEMENT

We have completed our response to your unannounced audit of the Department's Petty Cash Fund (Account No. 0142) for the period July 1, 2004 through May 31, 2005. We appreciate the following recommendation made by your auditors:

### PETTY CASH IMPREST AMOUNT

#### Recommendation:

The Department should take steps to reduce its petty cash fund balance from \$1,000 to \$500.

#### Response:

We agree with the recommendation that the petty cash fund balance be reduced. On July 8, 2005, the petty cash fund was reduced from \$1,000 to \$500 as recommended. Completed documentation to reduce the fund, including \$500 deposit receipt as required by AP 5-3, paragraph 17.4 was forwarded to the Controller's Office. While section 17.4 deals with closing out a petty cash fund, AP 5-3 does not establish procedures for reducing fund. It is assumed the same general procedures will apply to a fund reduction as to a fund closeout.

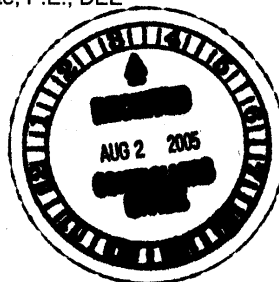
Our Internal Review staff will continue to analyze the quarterly cash replenishment history to determine an appropriate amount that meets Code Enforcement's petty cash needs. The petty cash custodian is also scheduled to attend an in-house petty cash training to bring her to standard with other PWE petty cash custodians.

If you have any further questions, please contact Waynette Chan (713) 837-7128 or Godwin Okoro (713) 837-0347.

  
Michael S. Marcotte, P.E., DEE

MSM:GO:grh

c: Paul R. Nelson  
Waynette Chan  
Susan Luycx  
Godwin Okoro



*Views of Responsible  
Officials*