OCALA

September 12, 2024

To: Emory Roberts Jr., Director Finance & Customer Service

From: Randall Bridgeman, Internal City Auditor

Re: Unannounced Cash Counts Audit- Project No. 2024-04

We have conducted the Fiscal Year (FY) 2024 Unannounced Cash Counts Audit. The objective of the audit was to verify the physical security and accuracy of fund balances. In addition, we evaluated the appropriate use of funds, determined if the internal control procedures were adequate and adhered to by cash custodians.

For the FY 2024 there were twenty-seven (27) cash funds issued by the Finance Department to the departments listed below:

- City Manager's Office (1)
- Customer Service (15)
- Electric (1)
- Growth Management (1)
- Building (1)
- Procurement (1)
- Ocala Police Department (3)
- Recreation and Parks (4)

To achieve the objectives, we performed the following:

- Audited cash funds issued by the Finance Department for FY 2024.
- Interviewed each custodian as to the security and use of the fund.
- Observed the security of the cash drawers.
- Counted cash and receipts with the cash custodians to verify that the amount agreed to the beginning balance.
- Paid receipts submitted as supporting documentation for purchases were for allowable expenses.
- Obtained evidence that each cash custodian agreed to the cash count performed by Internal Audit and funds were returned intact.

Audit Conclusion

Based upon the audit work performed, we conclude that there were no issues identified concerning the physical security of the cash funds audited. There were three issues related to the accuracy of the cash funds listed on the Monthly Status Report and procedures were not being followed. Although the accuracy issues are not material, controls related to the accuracy of tested cash funds could be improved.

We appreciate the cooperation and assistance provided by the city staff contacted during our audit.

CC: Ocala City Council Members
Peter Lee, City Manager
Janice Mitchell, Assistant City Manager, Chief Financial Officer
Ken Whitehead, Assistant City Manager
Christopher Watt, Chief of Staff/Support Service

Background:
The Finance Department provides cash funds to departments for small business-related expenditures and to enable cash custodians to make change for cash payments received from citizens. There are two types of funds issued to a department: (1) Petty Cash and/or a (2) Change Fund. Departments are provided petty cash and change funds ranging from $100 to $800, depending on their specific needs. There is one fund of $5,000 for Emergencies that is retained in the vault located in Finance. For FY 2024, there were twenty-seven (27) cash funds issued by the Finance Department totaling $10,467.42.

There were no issues related to the physical security or the use of the cash drawers or petty cash.

There were three issues noted related to the procedures being followed and the accuracy of reported cash funds.

1. The total of the Petty Cash/Change funds per the Monthly Status Report provided by Finance was inaccurate. Finance reported that $30,715.74 as being issued in Petty Cash and Change funds. The actual amount of funds issued was $10,467.42 creating a variance of $20,248.32. The variance was due to the total amount per the Finance Department report being manually entered on their report.
2. Reporting Requirement of the Petty Cash/Cash Drawer Procedures states that "Custodian must submit the Monthly Status Report by the 10th of every month regardless of the level of activity in the fund". In January and February 2024, custodians of fourteen (14) drawers had not reported to Finance their monthly status and balances. In March 2024, none of the custodians reported any audits. From January to April of 2024 most custodians were more than 60 days delinquent in reporting drawer counts.
3. The reported balance for one department had a $50.00 variance from the amount that Finance had listed on the Monthly Status Report. The Fund Custodian verified that the starting balance of the petty cash fund was $160.00 and not $110.00 that was recorded on the Monthly Status Report.

Opportunities for Improvement:
There are opportunities for improvement noted during the audit.

1. Finance should follow policy and procedures and reconcile the Monthly Status Report monthly.
2. Finance should ensure that departmental surprise audits and self-reporting are timely and accurate.
3. Finance should follow up with departments when there is a change form (amounts/custodians) submitted.

Although there is room for improvement, the cash custodians are to be commended for adequately safeguarding the City of Ocala's cash funds.