



**SOLANO COUNTY GRAND JURY
2011-12**

PETTY CASH FUNDS

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2011-12 Solano County Grand Jury

I. SUMMARY

Solano County petty cash funds are rarely used due to implementation of the County's purchase/credit card program. As a result, approximately \$10,000 could be returned to the Treasury and reallocated by the Board of Supervisors.

II. INTRODUCTION

A petty cash fund is a small amount of discretionary money set aside and used by many companies and government entities to make minor, unanticipated purchases, normally for office supplies. In general, an employee will make a purchase, submit an itemized receipt to the petty cash custodian, and obtain reimbursement. Petty cash custodians have sole responsibility for maintaining and safeguarding the funds, and are normally designated by written document.

The size of a petty cash fund is established at a specific dollar value, and at any given time cash on hand plus receipts must equal the established value of the fund. Petty cash funds must be kept separate from funds used to make change, cash drawers, personal funds, and any other collected revenue. When the petty cash fund is low, the custodian submits the accumulated receipts to the Controller for reimbursement.

Oversight of cash (or cash equivalents) is essential due to the potential for misuse. Misuse of cash is detected and discouraged by frequent (at least quarterly) random audits performed by the custodian's supervisor or an internal auditor.

Petty cash serves the same purpose as the purchase/credit cards used by Solano County departments and offices. Specifically, petty cash "enables departments to make small purchases in a cost effective manner."¹ In theory, County implementation of a purchase/credit card program in 1999 rendered County petty cash funds obsolete.

The 2011-12 Solano County Grand Jury elected to conduct a review to determine the reason for continued use of petty cash by County departments, how much petty cash was in use, and whether the cash was accurately and properly administered.

III. METHODOLOGY

- Obtained and analyzed Solano County Auditor-Controller petty cash records

¹ Solano County Auditor-Controller Policies and Procedures dated 2/22/05. Subject: Change/Imprest/Petty Cash Funds.

- Reviewed Solano County Auditor-Controller Policies and Procedures titled *Change/Imprest/Petty Cash Funds*
- Developed and distributed to department and office heads, a petty cash questionnaire
- Reviewed and analyzed responses to the petty cash questionnaire
- Reviewed Solano County Board of Supervisors' resolutions regarding petty cash

IV. STATEMENT OF FACTS

On February 8, 2005 the Board of Supervisors authorized the Auditor-Controller to establish or increase petty cash funds within County departments. The meeting minutes state, "Authorized the Auditor-Controller to establish and/or increase existing petty cash/change funds for County departments as long as the total amount of the department's petty cash and change funds to (sic) not exceed \$3,000." The resolution implies, and the County policy specifically states, that funds in excess of \$3,000 must be approved by the Board of Supervisors.

At the time of Grand Jury review, County records indicated approximately 30 petty cash funds in twelve departments/offices totaling \$11,320. The results of a questionnaire sent to the twelve department and office heads, identified petty cash funds with an overall value of \$9,870. Discrepancies in fund values were found in four Departments (shown as **bold** below). In each case the fund was less than the amount reflected in County records. The variances ranged from \$25 to \$650. In addition, the Grand Jury was unable to find a Board of Supervisors' resolution that authorized the petty cash funds in one department to exceed the \$3,000 threshold.

PETTY CASH DISTRIBUTION		
DEPARTMENT	COUNTY AMOUNT RECORDED	DEPARTMENT AMOUNT REPORTED
Agriculture	\$ 200	\$ 200
Auditor-Controller	\$ 50	\$ 50
County Administrator	\$ 300	\$ 300
District Attorney	\$ 1,750	\$ 1,200
General Services	\$ 350	\$ 350
Health & Social Services	\$ 3,900	\$ 3,250
Information Technology	\$ 225	\$ 200
Library	\$ 750	\$ 750
Probation	\$ 2,000	\$ 2,000
Resource Management	\$ 500	\$ 500
Sheriff	\$ 675	\$ 450
Workforce Investment Board	\$ 620	\$ 620
TOTAL	\$ 11,320	\$ 9,870

When asked how often petty cash funds were used, department and office heads reported that many funds had little or no use. One department/office head stated, "In the past [petty cash] was ... used to pay for small purchases. Small purchases are now made with a County credit card." Other responses indicated:

- One fund was not in use because the office had been closed
- One fund had not been used in 12 years
- One fund was last replenished in 2008
- One fund was no longer used to make purchases but instead was used to make change
- One fund was used "rarely"
- Nine funds were used "about once per year"
- Seven funds were used between two and four times per year

County policy states, "If/when there is a change in the petty cash custodian ... the Department must submit an official request"² to the Auditor-Controller. In several cases the Grand Jury identified a petty cash custodian who differed from the custodian recorded in County records.

The Grand Jury's examination also found:

- Petty cash was used to pay for postage, keys, refreshments, holiday décor, office supplies, cleaning supplies, batteries, and bridge tolls³
- Six of twelve departments/office heads reported that petty cash custodians had completed the Auditor-Controller suggested self-assessment on cash controls
- The Auditor-Controller had not audited petty cash for at least three years

V. FINDINGS AND RECOMMENDATIONS

Finding 1 – County petty cash records were not accurate. Specifically, County records showed petty cash valued at \$11,320, whereas the Grand Jury identified \$9,870. In addition, the Grand Jury identified several petty cash custodians who differed from the custodian of record.

Recommendation 1 – Auditor-Controller identify and correct errors or discrepancies within County petty cash records.

² Solano County Auditor-Controller Policies and Procedures dated 2/22/05. Subject: Change/Imprest/Petty Cash Funds.

³ The Grand Jury did not determine if items purchased were in compliance with County procurement policy. However, one department head stated that petty cash purchases did not comply with departmental procurement policy and that corrective action was being taken.

Finding 2 – Petty cash funds within the Department of Health and Social Services exceeded \$3,000 without the required approval by the Board of Supervisors.

Recommendation 2 – County Administrator either obtain approval by the Board of Supervisors for the petty cash funds in the Department of Health and Social Services or direct the department head to reduce the value of the funds to bring them in compliance with County policy.

Finding 3 – The County had approximately \$10,000 in petty cash funds that, in large part, was not used and was sitting idle.

Recommendation 3 – County Administrator direct heads of Departments and Offices with little or no petty cash activity to coordinate with the Auditor-Controller to reduce or abolish the fund(s) and return the cash to the Treasury.

Finding 4 – Not all petty cash custodians had completed the Auditor-Controller’s self-assessment for cash controls. Specifically, 6 of 12 department/office heads reported that the self-assessment had not been accomplished.

Recommendation 4 – Auditor-Controller require that the self-assessment for cash controls be completed by all departments/offices with petty cash funds.

Finding 5 – Petty cash funds had not been audited in at least three years.

Recommendation 5 – Auditor-Controller develop and apply an audit program designed to oversee all County petty cash funds.

COMMENTS

The Grand Jury thanks County department/office heads for their patience and candor. This review could not have been completed without their assistance.

REQUIRED RESPONSES

Solano County Administrative Officer (Findings 2 and 3)
Solano County Auditor-Controller (Findings 1, 4, and 5)
Solano County Board of Supervisors

COURTESY COPIES

Solano County Agricultural Commissioner
Solano County Chief Information Officer
Solano County Chief Probation Officer
Solano County District Attorney
Solano County Sheriff-Coroner

Director, Solano County General Services Department
Director, Solano County Health and Social Services Department
Director, Solano County Library
Director, Solano County Resource Management Department
Director, Solano County Workforce Investment Board