

**OFFICE OF THE CITY CONTROLLER**



**LIBRARY DEPARTMENT**

**UNANNOUNCED PETTY CASH AUDIT  
ACCOUNT NO. 0093**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

December 17, 2004

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Library Department  
Unannounced Petty Cash Audit—Account 0093 (Report No. 05-05)

Dear Mayor White:

The City Controller's Office Audit Division has completed an Unannounced Petty Cash Audit of the \$1,935 fund at the Library Department (Department) for the period of July 1, 2003 through September 15, 2004. 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 controls over the petty cash fund at the Department are adequate to provide management with reasonable assurance that the fund is adequately 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 matter 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  
Michael Moore, Chief of Staff, Mayor's Office  
Anthony Hall, Chief Administrative Officer  
Barbara Gubbin, Director, Library Department  
Judy Gray Johnson, Director, Finance and Administration Department

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## SCOPE AND PURPOSE

We have completed an unannounced audit of the \$1,935 Petty Cash Fund (Account No. 0093) at the Library Department located at 500 McKinney Street, Houston, Texas for the period of July 1, 2003 through September 15, 2004. 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 AP 5-3.

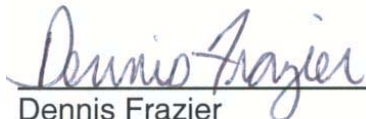
The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test compliance with procedures and internal controls related to the petty cash fund. This audit was executed in accordance with Generally Accepted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

Departmental 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 petty cash is used in accordance with administrative procedures and is safeguarded against loss.

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 concluded that internal controls over petty cash at the Library Department are adequate to provide management with reasonable assurance that this fund is adequately safeguarded, disbursed and replenished in compliance with AP 5-3, except for the finding presented in the body of the report.

  
\_\_\_\_\_  
Dennis Frazier  
Auditor-in-charge

  
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Kenneth Teer  
Audit Manager

  
\_\_\_\_\_  
Steve Schoonover  
City Auditor

## INTRODUCTION

The Library Department has a \$1,935 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

The 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

### NO SIGNATURE AUTHORIZATION SHEET

#### FINDING

The Petty Cash Fund Custodian does not have a signature authorization sheet to help verify the authorized signatures of an employee on the PC-7 Form (Petty Cash Advance/Reimbursement Transaction Form) before a disbursement is made from the fund. Although, AP 5-3 does not require signature authorization forms to be retained by the Custodian, we believe controls would be enhanced if the Custodian had an authorized signature to compare to Transaction Request Forms.

#### RECOMMENDATION

We recommend that the Department identify the authorized approving authorities and develop a signature authorization sheet showing the employees who are authorized to make disbursements from the petty cash fund.

# EXHIBIT I



**CITY OF HOUSTON**  
Library Department

**Interoffice**  
Correspondence

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

**From:** Barbara Gubbin, Director

**Date:** December 7, 2004

**Subject:** HPL's Response to Unannounced Petty Cash Audit

This is the Library's official response confirming our review and acceptance of the draft report regarding the Unannounced Petty Cash Audit dated December 1, 2004.

Additionally, we acknowledge the recommendation for the Library to develop a signature authorization sheet showing the supervisors/managers who are authorized to make disbursements from the petty cash fund. While the Library is compliant with administrative Procedure No. 5-3 (AP 5-3), entitled Petty Cash Fund Policy & Procedures (revised May 1995), we will implement the recommendation as a means of improving the internal controls for our Petty Cash Fund disbursements.

The Library appreciates the support and assistance given to us during this audit and reporting process. Should you have additional questions regarding our response, please don't hesitate to contact Sahira J. Abdool, Deputy Director of Library Administration at 832.393.1327.

  
Barbara A.B. Gubbin, Director

**Cc:** Steve Schoonover, City Auditor  
Kenneth Teer, Audit Manager, City Controller's Office  
Sahira J. Abdool, Deputy Director of Library Administration

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**Views of Responsible Officials**