

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON FIRE DEPARTMENT  
UNANNOUNCED PETTY CASH AUDIT  
ACCOUNT NO. 0061**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

June 7, 2006

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Houston Fire Department  
Unannounced Petty Cash Audit-Account 0061 (Report No. 06-10)

Dear Mayor White:

The City Controller's Office Audit Division has completed an Unannounced Petty Cash Audit of the \$6,000 fund at the Houston Fire Department's Fleet Division (the Division) for the period of July 1, 2005 through May 1, 2006.

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 Division'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 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. Draft copies of the matters contained in the report were provided to Division 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 Division 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  
Phil Boriskie, Fire Chief, Houston Fire Department  
Judy Gray Johnson, Director, Finance and Administration Department

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## PURPOSE AND SCOPE

We have completed an unannounced audit of the \$6,000 Petty Cash Fund Account No. 0061 at the Houston Fire Department Fleet Division (the Division) for the period of July 1, 2005 through May 1, 2006. Our objective was to assess the adequacy of internal controls related to the petty cash process. We also evaluated compliance with Administrative Procedure 5-3 (AP 5-3).

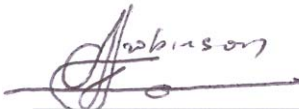
The scope of our work did not constitute an evaluation of the overall internal control structure of the Division. Instead, our examination was designed to evaluate procedures and internal controls related to the petty cash fund, test for compliance therewith and provide recommendations for improvement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

Division management is responsible for establishing and maintaining a system of internal controls to adequately safeguard cash as an integral part of the Division'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 for providing management with reasonable assurance that this fund is properly safeguarded, disbursed and replenished in compliance with AP 5-3. We recommended and the Division agreed to reduce the amount of the fund from \$6,000 to \$4,500.



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



\_\_\_\_\_  
Richard Martinez  
Audit Manager



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Steve Schoonover  
City Auditor

## INTRODUCTION

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.

The Houston Fire Department Fleet Division (the Division) has a \$6,000 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

## AUDIT FINDING AND RECOMMENDATION

### I. PETTY CASH IMPREST AMOUNT

#### BACKGROUND

Prudent cash management practice suggests that cash on hand and/or petty cash amounts should not exceed the current need of the Department. Excessive petty cash fund balances increase the City's exposure to loss through theft or misappropriation

#### FINDING

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 2.14 times during the audit period, which is below a normal turnover rate. The average replenishment was approximately \$4,271. Based on our analysis of the fund, the current petty cash need of the department does warrant an imprest amount of \$6,000.

#### RECOMMENDATION

We recommend that the Division take steps to reduce its petty cash fund balance from \$6,000 to \$4,500.

# EXHIBIT I



**CITY OF HOUSTON**  
Fire Department

**Interoffice**  
Correspondence

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

**From:** Phil Boriskie  
Fire Chief

**Date:** May 23, 2006

**Subject:** HFD Fleet Division Petty Cash Audit

The Controller's Office recently completed an unannounced audit of the \$6,000 Petty Cash Fund Account No. 0061 at the Houston Fire Department (Fleet Division) for the period of July 1, 2005 through May 1, 2006. The results of the audit indicated the following:

- Internal controls over petty cash are adequate for providing management with reasonable assurance that the fund is properly safeguarded, disbursed and replenished in compliance with AP 5-3.
- The petty cash fund is currently replenished approximately once every three months. The fund turned over only 2.14 times during the audit period. The average replenishment was approximately \$4,271.

Based on the current petty cash need of the Fleet Division, it was noted that an imprest amount of \$6,000 was not justified. It was recommended that the Fire Department take steps to reduce its petty cash fund balance from \$6,000 to \$4,500.

The Fire Department agrees with the recommendation of the Controller's Office. After discussion with Chief Dowdy in the Fleet Division, Petty Cash Fund No. 0061 will be reduced to \$3,500, an imprest amount lower than the recommended amount. The reduction in the imprest amount will be completed no later than June 30, 2006.

**Views of Responsible  
Officials**

Handwritten signature of Phil Boriskie in blue ink.

Phil Boriskie  
Fire Chief



**Cc:** Neil DePascal, Deputy Director, Houston Fire Department  
Thomas Dowdy, District Chief, Houston Fire Department

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