



# Fairfax County Internal Audit Office

Department of Finance  
Countywide Petty Cash Audit  
Final Report

October 2020

*"promoting efficient & effective local government"*

# Introduction

Petty cash is used in selected cases for small purchases whenever the use of a county issued procurement card is not practical such as when the procurement card is inaccessible or not accepted or declined. Petty cash can also be used to reimburse employees for expenses incurred or provided in advance of a purchase, which can include items/services purchased on behalf of clients served by the county. The Department of Finance (DOF) has oversight responsibility of petty cash funds and performing reconciliations of petty cash subsidiary against the treasurer's balance. The actual funds are maintained by county agencies. There were 57 petty cash funds at the time of this audit. Employees are reimbursed with petty cash by submitting an approved Petty Cash Voucher to the custodian of the petty cash fund of the agency in which the employee works.

During the audit period of October 1, 2018 to September 30, 2019, DTA processed approximately 25% of the \$57,000 in reimbursements to employees, with the remainder processed via agency petty cash funds. In addition to reimbursing employees, custodians are responsible for ensuring that petty cash funds are properly safeguarded; performing regular cash counts to account for funds and to identify lost or stolen funds; submitting requests for replenishment of petty cash funds to DOF; and reconciling petty cash funds monthly.

## Executive Summary

In general, we found that agencies' petty cash procedures and controls were adequate over reimbursing requests, safeguarding, replenishing, and reconciling petty cash funds. However, we noted that the petty cash policy and some internal controls over providing oversight and maintaining petty cash funds could be strengthened:

### Department of Finance

- Accounting Technical Bulletin (ATB) 20030, *Petty Cash*, was not revised since April 2008 and still included references to FAMIS instead of FOCUS. Also, in reviewing the *Petty Cash* policy and in discussions with agencies, it was noted that the policy lacked clarity regarding non-local travel and procedures relating to lost/stolen petty cash. DOF has issued an *Interim FPS 225 - Petty Cash Funds* along with *Interim Financial Policy Updates and Guidance* and will complete a finalized *FPS 225 - Petty Cash Funds*.
- The annual analysis of fund usage as well as random audits of funds were not performed during the audit period. DOF will collaborate with Internal Audit on procedures to be included in the Business Process Audits for on-site review of departments with petty cash accounts. DOF also intends to implement an annual accountability certification process whereby the applicable agency Director attests that funds have been reconciled monthly and used for authorized and approved purposes.

- No detailed analysis of the types of transactions being reimbursed was performed during the audit period. With the completion of the *Interim FPS 225 - Petty Cash Funds*, DOF will require agencies to submit petty cash logs to DOF Accounts Payable as part of the petty cash replenishment process.
- The quarterly subsidiary reconciliation was not formally documented and reviewed. DOF will perform quarterly reconciliations of countywide petty cash amounts in FOCUS and will include documentation of sign-offs by the preparer and the reviewer.

## Agencies

- While performing onsite counts of petty cash, we noted that safeguards over petty cash were not adequate at one of 17 locations selected for review. Access is now limited, and the keys, petty cash and log are secured by the program manager and the custodian.
- There were four petty cash funds whose transactions were significantly less than the 200 needed to be considered for a fund and/or the funds' limits were set too high compared to actual usage. Agencies will perform analyses at the end of FY21 and will reduce fund limits. One agency has abolished its petty cash fund.
- Reimbursements were not completed in accordance with policy at six agencies. Exceptions included not using Petty Cash Vouchers, incomplete Petty Cash Logs and incomplete or missing supporting documentation. Agencies will implement controls to ensure that they comply with county policy and do not disburse funds until the transactions are properly documented, supported, and approved.
- Thirteen of 32 transactions selected for review, totaling \$750, potentially could have been expensed via a county procurement card. Custodians could not substantiate why county procurement cards were not used instead of petty cash. Agencies will strengthen controls over the use procurement cards in lieu of petty cash when appropriate. For example, one agency has provided staff with procurement cards for use in lieu of petty cash and one agency abolished its petty cash fund.
- Monthly reconciliations were not performed at three of the eight agencies reviewed; one of these agencies could not locate the supporting documentation. Agencies will strengthen their controls in this area and inform staff that monthly petty cash reconciliation forms need to be submitted to the agency's Financial Office.
- Five of the eight petty cash funds reviewed were not replenished monthly as required. For four of these funds, check stubs were not maintained for all replenishments. Agencies will request replenishments on a monthly basis or work

with DOF to request a formal exemption from the monthly reimbursement requirement. One agency has implemented these items, and another has abolished its petty cash fund.

## Scope and Objectives

This audit was performed as part of our fiscal year 2020 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to determine whether:

- Petty cash boxes were properly secured,
- Petty cash monies were not commingled with other cash,
- Proper segregation of duties existed for petty cash transactions,
- Disbursement from petty cash funds was authorized,
- Funds were spent for appropriate expenses,
- Petty cash funds were not being spent in place of a procurement card,
- Petty cash reconciliation and supervisory review was effective.

## Methodology

Our audit approach included reviews of the Petty Cash-related policies and procedures including the *Petty Cash Policy*, *Accounting Technical Bulletin 20030*; the *Procurement Card Policy*, *PTB 12-100*, and the *Travel Policy*, *PM 06-03* were also reviewed for reference purposes. In addition, we performed process walk-throughs, and interviewed the appropriate staff to obtain an understanding of the petty cash processes to determine whether DOF and agencies with petty cash funds had adequate controls over reconciling funds, and processing reimbursement vouchers and replenishment requests of petty cash funds. We also observed how agencies maintained their petty cash and performed cash counts of funds. Additionally, we performed substantive testing on a sample of petty cash funds throughout the county to determine if requests for reimbursements were appropriate, authorized and supported; petty cash was appropriately used in lieu of a county procurement card; replenishments were supported, approved, and were performed timely; and reconciliations were performed and documented.

The Fairfax County Internal Audit Office (IAO) is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors.

# Findings, Recommendations, and Management Response

## Department of Finance

### 1. Petty Cash Policy

- a. Accounting Technical Bulletin (ATB) 20030, *Petty Cash*, has not been revised since April 2008 and still included references to FAMIS instead of FOCUS. Per ATB 20030, DOF is responsible for ensuring that the policy is reviewed and updated periodically.
- b. The Petty Cash Policy lacked clarity on two topics:
  - 1) Non-local travel: Inconsistencies were noted between the petty cash policy and *Travel Policy, PM 06-03*. Petty cash policy states that petty cash must not be used for employee non-local travel; however, the travel policy states that “petty cash may be used to reimburse expenses up to \$100.00 incurred during travel.”

Our review of 60 reimbursements found seven that were for non-local travel expenses:

- i. Neighborhood and Community Services (NCS): Three instances of petty cash being used for non-local travel reimbursement. NCS staff stated that they were following the County’s travel policy. Each was for less than \$100.
  - ii. Fairfax County Police Department (FCPD): All extraditions were non-local travel; two of the three samples were for more than \$100. There was a reimbursement for non-local travel from the Admin Services Bureau fund, also for less than \$100.
- 2) Lost/stolen fund procedures: Procedures for reporting stolen/lost funds were not consistent. On page 19 of the Petty Cash policy, the originating department is to “file a police report and notify *Risk Management Division, DOF,*” whereas, on page 20, it states that “the custodian should immediately notify the police and the *Internal Audit Office.*”

Outdated policies increase the risks of non-compliance with new laws and regulations and could result in inconsistencies and confusion among county staff responsible for petty cash-related activities. Additionally, failure to review and update the petty cash policy on a regular basis increases the risk of inappropriate use of petty cash funds that could go undetected or not be corrected in a timely manner.

According to ATB 20030, DOF is to “ensure this policy is reviewed and updated periodically” and to “provide countywide oversight of petty cash funds.”

Failure to maintain clear guidance increases the risk of inappropriate use of petty cash funds. Inconsistent policies also increase the risks of confusion and inconsistent practice among the agencies.

**Recommendation:** We recommend DOF update the petty cash policy to reflect current practices and to align with other county policies. We also recommend that DOF establish and maintain a frequency for reviewing the policy to ensure that the policy is kept current and that agencies are provided with clear and correct instructions on processing petty cash.

**Management Response:** Finance has been working on bringing current the Petty Cash ATB and has made it a priority to update the policy and convert it to our standard Financial Policy Statement (FPS) format. However, changes to this document are interrelated and affect other financial policies that are also in progress of being revised. To ensure that policy differences are resolved, and higher priority changes are made as promptly as possible, we have issued an *Interim FPS 225 - Petty Cash Funds* along with *Interim Financial Policy Updates and Guidance* on September 16, 2020. The finalized *FPS 225 - Petty Cash Funds* should be completed by February 1, 2021.

## 2. Annual Analysis & Audits

An annual analysis of petty cash activities was not performed as required by the Petty Cash policy during the review period of October 1, 2018 to October 31, 2019. In addition, neither random audits nor the review of agency self-audits were performed as required.

Per ATB 20030, DOF is to: “Perform an annual analysis of petty cash activities to determine if a department is better served with a separate petty cash account and make the appropriate recommendation.” In addition, the ATB requires DOF to “perform random audits of petty cash funds or verify self-audits.”

Failure to perform an analysis of fund activity relative to fund limits, increases the risk of inappropriate use of petty cash funds that could go undetected or not be corrected in a timely manner. It also increases the risks of unauthorized/fraudulent activities as well as waste and loss of county money.

**Recommendation:** We recommend DOF perform an annual analysis of fund activity when agencies submit year-end reconciliations along with their self-analyses of the number of transactions and amounts disbursed relative to fund limits. For those funds that did not meet minimum transaction requirements or fund activity does not support the fund limit, DOF should follow up with the agency and request justification and a waiver if the agency does not elect to reduce the fund amount or abolish the fund. We also recommend DOF define and follow such criteria when establishing new funds,

especially when approving fund limits. When a new fund is established, DOF should document the justification for the decision, especially for requests that do not meet defined criteria. Finally, DOF should enhance the monitoring of petty cash operations performed by other departments to ensure compliance with the policy.

**Management Response:** While the overall balance of petty cash funds is not a material amount, DOF recognizes that petty cash is a potential high-risk area subject to fraud. IAO has informed DOF that in the near future it plans to include a review of petty cash in future Business Process Audits. DOF will request copies of the audit reports with petty cash findings and rely on the business process audit procedures for on-site review of departments with petty cash accounts.

DOF has implemented compensating controls that include the requirement for each agency to perform independent monthly petty cash reconciliations, which include a cash count. In addition, similar to requirements for gift funds, as outlined in FPS 450 - Gifts and Donations, DOF intends to implement an annual accountability certification process whereby the applicable agency Director attests that funds have been reconciled monthly and used for authorized and approved purposes. Management anticipates completing these actions by September 1, 2021.

### 3. Transaction Reviews

Per DOF staff, no reviews of petty cash transactions were performed since the analysis that was performed in 2018, which was prior to our audit period. The 2018 analysis categorized the types of transactions that were being reimbursed; however, there was no determination as to whether the types of transactions were in accordance with the Petty Cash policy.

According to ATB 20030, DOF is to “provide countywide oversight of petty cash funds.” DOF should ensure that petty cash funds are being used for transactions that are compliant with county policy.

Failure to perform a detailed review of transactions increases the risk of not identifying inappropriate uses of petty cash in a timely manner. Lack of detailed monitoring could also increase the risk of inadequate review of transactions performed by the agencies.

**Recommendation:** We recommend DOF perform more detailed reviews of transactions as part of the replenishment process. DOF should review replenishment documentation, i.e., petty cash logs, in order to ensure that disbursements were appropriate.

**Management Response:** The Interim FPS 225 - Petty Cash Funds requires agencies to submit petty cash logs to DOF Accounts Payable as part of the petty cash replenishment process. Due to the various unique types of appropriate purchases that agencies may need to utilize petty cash for, the size of supporting documentation, and in certain cases the personal protected information involved, the Interim FPS 225 - Petty Cash Funds directs agencies to retain all supporting documentation on hand, subject to external review and audit.

Process controls include separation of duties between the petty cash custodian (receiver of the replenishment funds) and agency approval. Other controls will include department completion of an annual certification submitted to DOF and potential Business Process Audits conducted by IAO as noted in Item 2 above. Management anticipates completing these actions by September 1, 2021.

#### **4. Petty Cash General Ledger Reconciliation**

Quarterly reconciliations of the petty cash totals in FOCUS to the DOF master petty cash spreadsheet were performed by DOF, but the preparation was not formally documented and there was no indication of a supervisory review. The only review of the reconciliation occurs annually prior to submission of the listing of general ledger balances to the external auditor and is not a detailed, documented review.

Per ATB 20030, it is the responsibility of DOF to “perform reconciliation of petty cash subsidiary against the treasurer’s fund balance.”

Failure to review quarterly reconciliations increases the risk of petty cash funds not being properly accounted for. It also increases the risks of accounting discrepancies not being detected in a timely manner.

**Recommendation:** We recommend DOF document the quarterly reconciliation of the petty cash totals in FOCUS, including sign-offs from both the preparer and the reviewer.

**Management Response:** DOF will perform quarterly reconciliations of countywide petty cash amounts in FOCUS and will include documentation of sign-offs by the preparer and the reviewer. Management anticipates completing these actions by October 31, 2020.

### Agencies

#### **1. Inadequate Safeguards Over Petty Cash**

Safeguards over petty cash were not adequate at one of 17 locations selected for review. The Community Service Board (CSB) Crisis Care access to the petty cash lockbox was not restricted to relevant staff; all employees of the program (over 20 employees) had access to the funds. The amount of the fund was \$300.

Per ATB 20030, department management must “secure and limit access to the cash box.” Also, county department responsibilities include safeguarding “all County assets including petty cash maintained onsite and report(ing) all irregularities.”

Failure to maintain proper physical safeguards over petty cash increases the risks of unauthorized access to funds and the fraudulent use of funds.

**Recommendation:** We recommend that CSB safeguard their funds in accordance with the policy. CSB should develop methods of enhancing internal controls so that access to petty cash is restricted only to staff with custodial functions. DOF should be notified of any difficulties in properly safeguarding petty cash funds to discuss options for securing the money.

**Management Response:** CSB has changed the process and access has been limited. The keys, petty cash and log are secured by the program manager and the custodian.

**Note:** Management has stated that this item was implemented as of September 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these controls have been implemented

## 2. Fund Limits

Petty cash fund limits were not supported by adequate transaction volumes and total dollar value of activity for the year for five funds. These funds did not have at least 200 transactions during the audit period:

- a. Fairfax County Park Authority (FCPA): There were 79 reimbursements, totaling \$2,255. The fund's limit was \$5,000.
- b. Health Department (HD): There were 16 reimbursements, totaling \$498. The fund's limit was \$1,000.
- c. Neighborhood and Community Services (NCS): There were 38 reimbursements totaling \$1501. The fund's limit was \$750.
- d. Fairfax County Police Department (FCPD): Operational Emergency Fund: There were no reimbursements. The fund's limit was \$5,000. It is used no more than twice a year, and only used when state assessors come.

According to ATB 20030, agencies are to "evaluate department requirements for a separate petty cash account and an onsite petty cash box." "Generally, departments with 200 or more petty cash transactions annually may request establishment of a department petty cash account and maintain a petty cash box onsite."

Failure to perform an analysis of fund activity relative to fund limits increases the risks of inappropriate use of petty cash and the funds being stolen or lost.

**Recommendation:** We recommend that agencies provide an analysis of fund usage, including the number of reimbursements and the total dollar amount of the reimbursements, along with the year-end reconciliation. If the agency does not meet minimum requirements or does not have activity that justifies the fund limit, they should provide justification for keeping the fund and the limit amount to DOF.

## Management Responses:

- a. Fairfax County Park Authority: Analysis will be performed at Fiscal Year 2021 Year-End and justification will be sent to DOF if minimum criteria are not met. Management anticipates completing these actions by September 30, 2021.
- b. Health Department: **Note:** *During the audit, the Health Department performed an analysis and as a result, abolished the petty cash fund. IAO verified that the Health Department abolished their petty cash fund, therefore, no management response was required, and no follow-up will be performed for this item.*
- c. Neighborhood and Community Services: In FY 2020, the Office for Children division was transferred from the Department of Family Services (DFS) to NCS, which more than quadrupled the number of staff in NCS. Given that the testing period did not cover the entirety of FY 2020, NCS would like the opportunity to gauge the impact of the increase in staff on the utilization of the fund before making a determination about whether the fund should be reduced. Additionally, the onset of the COVID-19 pandemic greatly impacted operations in the latter part of FY 2020, most likely reducing the number of requests that would have been received in FY 2020. NCS will conduct a usage analysis at the completion of FY 2021.
- d. Fairfax County Police Department: Operational Emergency Fund: FCPD will be reducing this petty cash from \$5,000 to \$2,000. This fund is used to support the accessors that visit the FCPD in order to aid in the various tests that the SWORN officers take in order to get promoted, reimbursing each accessor's meals. After review, FCPD will keep this Petty cash for this purpose. Management anticipates completing this action by November 30, 2020.

### 3. Reimbursement Documentation

Reimbursements were not completed in accordance with policy in the following agencies and in the following instances:

- a. Community Service Board
  - 1) For 31 of 32 reimbursements reviewed, Petty Cash Vouchers were not used by CSB, therefore, the "Voucher No." column on the Petty Cash Log did not contain a voucher number. It was either blank or had an incomplete employee name.
  - 2) For 32 of 32 reimbursements reviewed, there was no evidence of approval on the Receipt Log.
  - 3) Receipts and vouchers were not marked "Paid".

b. Fairfax County Park Authority

- 1) For two of three disbursements selected for review, voucher numbers were not noted in the "Voucher No." column.
- 2) For three of three, the "Date" column on Petty Cash Log posted the replenishment date for all disbursements, not the date of the reimbursement.

c. Health Department: Supporting documentation for three of three reimbursements could not be located.

d. Juvenile and Domestic Relations District Court (JDRDC): Six of six reimbursed vouchers or receipts tested were not stamped "PAID."

e. Neighborhood and Community Services

- 1) For three of three reimbursements, the "Voucher #" column on Petty Cash Log was populated with the same replenishment GL description for all disbursements instead of the voucher number for each disbursement.
- 2) For three of three reimbursements, neither the voucher nor the receipts were marked "PAID."

f. Fairfax County Police Department

- 1) Two of three extradition travel reimbursements were for more than \$100, exceeding the limit set forth in the petty cash policy. *Petty Cash Fund Exceptions Request/Report Forms* were not completed for these transactions. *Note: FCPD stated that they discussed this issue with DOF in November 2019, after our audit period, and changed their reimbursement process to include completion of the Exceptions Forms when reimbursements exceed \$100.*
- 2) One reimbursement in the Admin Services Bureau was for airport parking as part of non-local travel. It was excluded from the travel voucher/package.
- 3) For three of three extradition travel reimbursements, neither the Voucher nor the receipts were marked "PAID."

According to ATB 20030:

- "Vouchers must be numbered sequentially by each department and recorded on the *Petty Cash Log*.
- Custodians are to "mark paid original receipts as "PAID" to prevent inadvertent resubmission."
- "The total amount may not exceed \$100."

The risk of duplicate reimbursement increases if vouchers/receipts are not marked "PAID" and if the vouchers are not properly numbered and recorded on the logs. Processing reimbursements for more than \$100 increases the risk of fraud and misappropriation of funds.

**Recommendation:** Agencies with petty cash funds should properly comply with county policy. Custodians should not disburse funds until the transactions are properly documented, supported, and approved. In addition, agencies should notify and work with DOF for exceptions to policy and request exemptions as appropriate.

### **Management Responses:**

- a. Community Service Board: The CSB will comply with county policy and will not disburse funds until the transactions are properly documented, supported and approved. If exceptions are needed, the CSB will work with DOF. Management anticipates completing these actions by November 1, 2020.
- b. Fairfax County Park Authority: FCPA will modify their process to include sequential voucher numbers on all petty cash log entries. FCPA will include the reimbursement date on the petty cash log rather than the replenishment date. Management anticipates completing these actions by January 31, 2021.
- c. Health Department: **Note:** *During the audit, IAO verified that the Health Department abolished their petty cash fund, therefore, no management response was required, and no follow-up will be performed for this item.*
- d. Juvenile and Domestic Relations District Court: The JDRDC will change the petty cash policy to reflect that "paid" needs to be marked on original receipts to verify that they have been paid. The agency will purchase stamps for staff to mark original receipts as paid. Checking reimbursements are marked as paid will become part of the monthly reconciliation process by the petty cash custodians as well as by the JDRDC's Financial Office. Notification will be sent out to all petty cash custodians and unit directors whose units possess petty cash boxes (Foundations, Juvenile Detention Center, Shelter Care, and Stepping Stones). Management anticipates completing these actions by November 1, 2020.
- e. Neighborhood and Community Services: Since the commencement of the petty cash log requirement, NCS has submitted the logs to DOF with each petty cash fund replenishment. The submitted logs were never rejected nor disputed by DOF, nor has NCS been advised by DOF up to this point that they have been filled out incorrectly. However, in order to comply with ATB 20030, NCS began assigning individual voucher numbers for each reimbursement request and populating them on both the voucher and the log in June of 2020. NCS makes every effort to collect original receipts, which would prevent them from being resubmitted, and the claimant signs and dates the voucher indicating that the money has been received/paid at the time the cash is disbursed. However, as a result of this audit

process, NCS began to mark receipts as “Paid” as part of petty cash request process. This step was implemented beginning in June of 2020.

**Note:** Management has stated that these items were implemented as of July 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these processes are consistently applied.

- f. Fairfax County Police Department: FCPD will ensure that petty cash will not be used for non-local travel. FCPD will implement the process of stamping all petty cash invoices “PAID”. FCPD will work with Finance for any appropriate exceptions that may be needed. Management anticipates completing these actions by October 1, 2020.

**Note:** Management has stated that these items were implemented as of October 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these processes are consistently applied.

#### 4. Petty Cash Usage

Thirteen of 32 transactions selected for review, totaling \$703, potentially could have been expensed via a county procurement card. Custodians could not substantiate why the procurement card was not used instead.

- a. Community Service Board Crisis Care: For three out of three transactions, petty cash was used instead of a procurement card. Per CSB staff, the decision to use petty cash may have been determined by the number of procurement card transactions they had left for the remainder of that cycle.
- b. Fairfax County Park Authority: Three out of three transactions. IAO was told that they may have been emergency purchases where the procurement card might not have been available for use.
- c. Health Department: Three out of three transactions. IAO was told that some of the new employees made purchases without first checking with the finance team.
- d. Juvenile and Domestic Relations District Court: One out of three transactions. IAO was told that staff most likely was not available as outings typically occur in the evening or on weekends. However, this outing occurred during business hours.
- e. Fairfax County Police Department: Three out of three transactions. IAO was told that detectives might use cash if cards were not accepted, or as a safety precaution.

Per ATB 20030, “The County supports the use of petty cash funds for small purchases whenever the use of a County issued procurement card is not practical.”

Processing purchases via petty cash in lieu of a procurement card prevents the county from maximizing financial incentives from use of the procurement card. Additionally, storing cash on location in petty cash funds should be minimized to reduce the risk of theft.

**Recommendation:** We recommend that agencies and programs with petty cash funds require the usage of a county procurement card for those expenses that can be paid for via procurement card. If petty cash was used instead of a procurement card, a business justification for not using the procurement card should be documented on the petty cash log.

**Management Responses:**

- a. Community Service Board: The CSB will continue to encourage programs to use procurement cards in lieu of petty cash when appropriate. The CSB will assess all program procurement cards to determine appropriate levels. Management anticipates completing these actions by November 1, 2020.
- b. Fairfax County Park Authority: FCPA will encourage the use of P-Cards when possible. In cases where petty cash is used instead of a P-Card, justification will be included with the reimbursement backup. Management anticipates completing these actions by January 31, 2021.
- c. Health Department: **Note:** *During the audit, IAO verified that the Health Department abolished their petty cash fund, therefore, no management response was required, and no follow-up will be performed for this item.*
- d. Juvenile and Domestic Relations District Court: The JDRDC will change the petty cash policy to reflect that items that can be purchased with the p-card must be purchased with the p-card first. Units with petty cash (Foundations, Juvenile Detention Center, Shelter Care, and Stepping Stones) will be informed of this change and direction will be put out to the agency. Financial Office staff will monitor petty cash logs submitted to the office to see if there were items or services that were purchased with petty cash that could have been purchased using the p-card during the monthly petty cash audit. Management anticipates completing these actions by November 1, 2020.
- e. Fairfax County Police Department: All extradition detectives now have their own credit cards. The petty cash account has been reduced to \$2,000 in January 2020 and cash will only be used in those cases where the extradition detectives have no other option when travelling. FCPD will log a justification in these situations. All detectives have been advised that the p-cards should be used instead of cash.  
**Note:** *Management has stated that these items were implemented as of September 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these processes are consistently applied.*

**5. Reconciliation Performance and Documentation**

Monthly reconciliations were not consistently performed and/or documented at three of the eight agencies reviewed.

a. Health Department

- 1) Supporting documentation for three reconciliations that occurred in FY19 - December 2018, February 2019, and June 2019 could not be provided. The signed Petty Cash Fund Reconciliation Forms were not saved in FOCUS or as hard copies by the Health Department for these months.
- 2) No reconciliation was performed for August 2019 and the next reconciliation was not completed until January 2020.
- 3) For January 2020, the reconciliation form was not used and there was no indication that totals agreed to FOCUS. However, per the staff, the custodian performed the count and reconciled the cash box as the Administrative Assistant IV processed the reimbursement. The reconciliation form was missing the signature of the witness or the supervisor.

b. Juvenile and Domestic Relations District Court: A monthly reconciliation was not performed for December 2018, February 2019 and August 2019.

c. Neighborhood and Community Services: A monthly reconciliation for December 2018 and February 2019 was not performed.

According to ATB 20030 Petty Cash Appendix B, "Departments must reconcile each petty cash fund on a monthly basis, maintain the files, and make it available for audits."

Failure to ensure that reconciliations are completed and documented in accordance with the Petty Cash Policy, increases the risk of inappropriate use of petty cash funds that could go undetected or not be corrected in a timely manner. It also increases the risks of unauthorized/fraudulent activities as well as waste and loss of county money.

**Recommendation:** In compliance with county policy, custodians should ensure that reconciliations are completed monthly and that proper supporting documentation is maintained. Agencies should work with DOF for any exceptions to policy to determine if an exemption is justifiable and obtain documented approval.

**Management Responses:**

- a. Health Department: **Note:** *During the audit, IAO verified that the Health Department abolished their petty cash fund, therefore, no management response was required, and no follow-up will be performed for this item.*
- b. Juvenile and Domestic Relations District Court: Boys Probations House (now referred to as "Stepping Stones") will be informed that monthly petty cash reconciliation forms need to be submitted to the JDRDC Financial Office. The remaining units (Foundations, Juvenile Detention Center, and Shelter Care) who have petty cash boxes will be reminded to continue to submit monthly petty cash

reconciliations monthly to the JDRDC Financial Office. Management anticipates completing these actions by November 1, 2020.

- c. Neighborhood and Community Services: NCS has historically conducted formal reconciliations annually and according to the specific circumstances and events described on pages 10 -11 of ATB 20030 such as a change in fund custodianship. Additionally, each month the petty cash custodian and the supervisor have conducted an assessment of the till balance and the status of vouchers received during the month. Staff believed in good faith that this met the reconciliation requirements for petty cash funds. Oversight of this fund has always been conducted with all judiciousness. This petty cash account has always balanced with no overages, shortages, or losses due to the strict monitoring and verification processes that are followed by staff in administering the fund. In order to comply with the monthly reconciliation requirement identified during this audit process, a formalized reconciliation of the petty cash fund has now been added to the NCS monthly reconciliation process.

**Note:** Management has stated that these items were implemented as of July 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these processes are consistently applied.

## 6. Replenishment Performance and Documentation

- 1) Five of the eight petty cash funds reviewed were not replenished monthly; funds were replenished as needed by the following agencies:
  - a. Department of Public Works and Environmental Services – Stormwater Management Division
  - b. Fairfax County Park Authority
  - c. Health Department
  - d. Neighborhood and Community Services
  - e. Fairfax County Police Department
- 2) Copies of check stubs were not maintained for eight of 32 replenishments.
  - a. Department of Public Works and Environmental Services did not keep the copy of the check stub for one replenishment.
  - b. Health Department could not provide supporting documentation for three of three replenishments; they were not located.
  - c. Juvenile and Domestic Relations District Court did not maintain one of the check stubs.
  - d. Neighborhood and Community Services did not provide check stubs for three of three replenishments selected for review; custodian during the audit period did not know that they needed to be retained.

Per ATB 20030 Appendix B, "...a petty cash fund should be replenished at least once a month to ensure that expenditures are recorded in the month of occurrence."

Additionally, each department must, "File the copy of the direct pay voucher document with the check stub attached and retain for audit purposes."

Not submitting replenishments on a monthly basis increases the risk of funds not being able to support significant and unexpected expenses that need to be reimbursed with petty cash and of expenses not being recorded in a timely manner. Not maintaining adequate supporting documentation for a petty cash replenishment increases the risk of fraud or error.

**Recommendation:** Custodians should ensure that funds are replenished monthly and that all required supporting documentation is maintained. Agencies should notify DOF of any exceptions to policy and request exemptions, so long as exemptions are justifiable, and replenishments are performed with effective controls.

### **Management Responses:**

- a. Department of Public Works and Environmental Services – Stormwater Management Division: The Department will coordinate with DOF to request an exemption from the monthly reimbursement requirement and propose a dollar value of \$500 or more be replenished. Given the amount of staff time needed to pick up the replenishment check at the Government Center, DOF suite and go to the bank, the hourly rate of personnel versus replenishment is not the most efficient use of County resources. In addition, any replenishment under \$500 is not a material amount in a petty cash account valued at \$5,000. Management anticipates completing this action by November 1, 2020.
- b. Fairfax County Park Authority: Replenishments will be requested on a monthly basis. If any exceptions are required, DOF will be notified and backup of the communication will be included with the monthly petty cash reconciliation. Management anticipates completing these actions by January 31, 2021.
- c. Health Department: **Note:** *During the audit, IAO verified that the Health Department abolished their petty cash fund, therefore, no management response was required, and no follow-up will be performed for this item.*
- d. Juvenile and Domestic Relations District Court: The JDRDC will check for these items during the monthly petty cash reconciliation process. Management anticipates completing these actions by November 1, 2020.
- e. Neighborhood and Community Services: During the audit period the financial management staff had two vacancies, making it difficult to replenish the fund monthly. Since filling both positions, monthly replenishment has been included as part of the Department's procedures for petty cash. When custodianship of the fund was transferred from the previous custodian, the new custodian began keeping the check stubs in November 2019 along with the backup for the replenishments as part of the process.

**Note:** Management has stated that these items were implemented as of December 1, 2019 and July 1, 2020. IAO will follow up after a sufficient amount of time has passed to determine that these processes are consistently applied.

- f. Fairfax County Police Department: FCPD has implemented monthly replenishment in some areas and will have all areas in compliance moving forward. Management anticipates completing these actions by October 30, 2020.