



City of Phoenix

**Mission Statement**

To improve the quality of life in Phoenix through efficient delivery of outstanding public services.

**Project Team**

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**Project Number**

1240044

This report can be made available in alternate format upon request.

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**Aviation Department  
Cash Handling – Public Safety and Security**

**April 23, 2024**

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***Report Highlights***

**Bank Accounts**

*Overall, the internal controls established for the two imprest checking accounts appeared adequate to mitigate the risk of misappropriation of funds. However, the authorized signers list was not updated for the Challenge account.*

**Change Funds**

*The cash receipts reports were correct, authorized, timely, and showed monies were deposited to the proper fund. When the custodian changed, the Notification of Custodian forms for the two funds were not updated.*

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## **Executive Summary**

### **Purpose**

Our purpose was to determine that the City of Phoenix Aviation Department Public Safety and Security Division (Aviation PS&S) is following internal policies, administrative regulations, and federally-mandated procedures related to cash accounts.

### **Background**

Aviation PS&S has two imprest checking accounts and two change funds. The Challenge checking account is used for issuing checks to City and non-city employees for reporting security issues. The Security Badging checking account is used for control fee refunds associated with badging. The two change funds are used to provide change to customers for business transactions.

### **Results in Brief**

**Overall, internal controls established for both imprest checking accounts appeared adequate to mitigate the risk of misappropriation of funds. In addition, monthly reconciliations were completed by Aviation.**

We interviewed staff using the prepared internal control questionnaires. We found proper segregation of duties and safeguarding of checks. We also reviewed reconciliations for two sample months and found them to be complete, properly approved, and supported by adequate documentation. We noted no exceptions on safeguarding checks and the reconciliation process for both imprest accounts.

**The authorized signer's names on the bank signature card were accurate for the Security Badging account, but outdated for the Challenge account.**

*Administrative Regulation 3.15 – Special Purpose Bank Accounts* (A.R. 3.15) stipulates that the business signature card be updated when any change occurs. We tested a sample of issued checks from two sample months to ensure proper signatures. Signatures were examined to ensure checks were signed by an authorized signer. We found that signers were appropriate; however, we found three of the four signers on the Challenge account were no longer with the City. There were no checks over \$2,500 that would have required two signatures per A.R.3.15.

**The cash receipts reports were correct, authorized, and timely. Monies were deposited to the proper fund.**

*Administrative Regulation 3.10 – General Procurement Procedures* (A.R. 3.10) requires that registers be closed out daily, deposits over \$100 be taken to the bank, and deposit slips be dated. We tested five days in February and December 2023 for the two change funds by comparing the daily register summaries, the transaction breakdowns, and the deposit slips, to determine if registers were closed out daily, and if any amount over

\$100 was taken to the bank as required by City policies. In addition, we observed the end-of-day closing procedures. We found that registers were closed out daily, the change fund was taken out, and the deposit slip was prepared. Excess cash and checks were placed in the vault to be taken to the bank the next day by the courier. There were no exceptions noted.

**Notification of Custodian forms for the change funds were not updated and changed in accordance with A.R. 3.10.**

According to A.R. 3.10 a “Notification of Custodian Form” (Custodian Form) must be completed for each fund and filed with the Finance Department Controller when authorized personnel change. We obtained the change fund custodian forms from the Aviation Financial Management Division to ensure compliance. We found that the Custodian forms did not list the current custodian, and staff reported that the custodian had changed in the past few months.

## Department Responses to Recommendations

**Rec. 1.1:** Update the bank authorized signers form for the Challenge imprest account to remove signers who are no longer with the City and to add authorized signers as needed.

**Response:** Public Safety and Security will update and submit the signer form with correct signatures.

**Target Date:**  
6/1/2024

**Rec. 2.1:** Update the Notification of Custodian form to ensure that all designated and alternate custodians are identified in accordance with *A.R. 3.10 – General Procurement Procedures*.

**Response:** Public Safety and Security will update and submit the Notice of Custodian form.

**Target Date:**  
6/1/2024

# **1 – Imprest Checking Accounts**

## **Background**

Policy for the imprest checking accounts is established by *A.R. 3.15 – Special Purpose Bank Accounts*. A.R. 3.15 requires that checking accounts be established with authorized signers, and that accounts be reconciled monthly. Aviation PS&S has two imprest checking accounts:

- SOAR & SAFE Challenge Imprest Checking - This account provides \$35.00 to City and non-city employees for reporting security issues. This account has an imprest balance of \$2,500.
- Security Badging Vas Refunds Imprest Checking – this account provides refunds for the return of badges. This account has an imprest balance of \$20,000.

We reviewed the reconciliation process to determine if payments were accurate and properly reviewed. We tested a sample of expenditures and reimbursements to determine if the checks were supported by adequate documentation, properly authorized, recorded in SAP, and used for the intended purpose.

## **Results**

**Overall, internal controls established for both imprest checking accounts appeared adequate to mitigate the risk of misappropriation of funds. In addition, monthly reconciliations were completed by Aviation as required by A.R. 3.15.**

We interviewed staff using the prepared internal control questionnaires. We found proper segregation of duties and safeguarding of checks. We also reviewed reconciliations for two sample months and found them to be complete, properly approved, and supported by adequate documentation. We noted no exceptions on safeguarding checks and the reconciliation process for both imprest accounts.

**Expenditures and reimbursements were properly supported and approved.**

We examined a sample of expenditures and reimbursements for both accounts and found that:

- Funds were used for the purpose intended.
- Supporting documentation was available.
- Disbursements were properly approved.
- Expenditures were recorded in SAP.

No exceptions were noted.

**The authorized signers form was accurate for the Security Badging account, but was not updated for the Challenge account.**

A.R. 3.15 requires that the authorized signers form be updated when any change occurs. We tested a sample of issued checks from two sample months to ensure proper signatures. Signatures were examined to ensure checks were signed by an authorized signer. We found that signers were appropriate; however, three of the four signers on the Challenge account were no longer with the City. There were no checks over \$2,500 that would have required two signatures per A.R.3.15.

**Recommendation**

- 1.1 Update the bank authorized signers form for the Challenge imprest account to remove signers who are no longer with the City and add authorized signers as needed.

## **2 – Change Funds**

### **Background**

*Administrative Regulation 3.10 – General Procurement Procedures* (A.R. 3.10) and *A.R. 3.14 – Cash Overage/Shortage* (A.R. 3.14) provide guidance on managing change funds. We reviewed the Finance Department’s records and found two change funds in the Aviation PS&S Division. These change funds are used as a starting till in the on-site cash registers and for making change for Badging Office activities. The Security Badging change funds total \$400 and consist of two cash register drawers of \$200 each.

We conducted cash counts, observed end-of-day closing procedures, and discussed controls over the funds with staff who have custody of the change funds. We verified that:

- Cash is kept in a secure place.
- Cash and expenditures reconcile to the authorized balance.
- Transactions are administered in compliance with the City A.R.s.

In addition, we reviewed prior audit recommendations to confirm they were completed. The recommendations were to:

- Establish a written policy for supervisors with petty cash or change fund accounts.
- Establish a policy for assigning custodians and alternates to petty cash or change fund accounts.

### **Results**

#### ***Notification of Custodian Forms for the change funds were not updated and changed in accordance with A.R. 3.10.***

According to A.R. 3.10 a Notification of Custodian Form must be completed for each fund and filed with the Finance Department Controller when authorized personnel change. We obtained the change fund custodian forms from the Aviation Financial Management Division. We found that the custodian forms were outdated, as the primary custodian listed had changed roles a few months earlier.

#### ***The cash receipts reports tested were correct, authorized, and timely. Monies were deposited in the proper fund.***

A.R. 3.10 requires that registers be closed out daily, deposits over \$100 be taken to the bank, and deposit slips be dated. We tested five days in February and December 2023 for the two change funds by comparing the daily register summaries, the transaction breakdowns, and the deposit slips. We determined if registers were closed out daily, and if any amount over \$100 was taken to the bank as required by City policies. In

addition, we observed the end-of-day closing procedures. We found that registers were closed out daily, the change fund taken out, and the deposit slip was prepared for the excess cash and check and placed in the vault to be taken to the bank the next day by the courier. There were no exceptions noted.

**Aviation created the policy and procedures guiding petty and change funds, but had not distributed it to the custodians.**

A.R. 3.10 provides guidance on the change fund and custodians. Custodians reported that they did not have documented procedures. The Aviation Financial Management Division provided the policies and procedures, and subsequently distributed them to the Badging office.

## **Recommendation**

- 2.1 Update the Notification of Custodian form to ensure that all designated and alternate custodians are identified in accordance with *A.R. 3.10 – General Procurement Procedures*.



## **Scope, Methods, and Standards**

### **Scope**

We audited the Aviation Department Public Safety and Security Division change funds and imprest checking accounts. Our scope was Calendar Year 2023 (January 1, 2023 through December 31, 2023).

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Environment
  - Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Risk Assessment
  - Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- Control Activities
  - Management should implement control activities through policies.

### **Methods**

We used the following methods to complete this audit:

- Reviewed City policies and cash handling procedures.
- Used the City's financial management system, SAP, to identify cash and revenue accounts.
- Interviewed appropriate staff regarding cash handling processes.
- Observed cash control procedures.
- Conducted surprise cash counts of the change funds.
- Reviewed change fund custodian forms and the City of Phoenix Cash Handling Self-Assessment Questionnaire.
- Tested check register and bank reconciliations to ensure accounts are being used for intended purposes.
- Ensured compliance with *A.R.3.10 – General Procurement Procedures* and *A.R. 3.15 – Special Purpose Bank Accounts*.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

## **Data Reliability**

Our data source was the City's financial management system, SAP. The SAP data we used was previously determined to be reliable through an independent audit review.

## **Standards**

We conducted this performance audit 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. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.