



MEMORANDUM

To: Audit Committee

From: Mary Hom *MH*
Chief Risk Officer

Date: November 18, 2024

Re: Internal Audit Report

Since the last report to the Audit Committee on September 24, 2024, one internal audit project was completed – Petty Cash.

2024 Petty Cash (assurance)

Objective:

The objectives were to determine whether adequate controls exist to ensure that: (1) the cash asset was safeguarded and maintained in the proper amount; (2) petty cash disbursements were in compliance with HDC policies and procedures; and (3) the Imprest Fund was properly authorized, processed, and reconciled.

Results:

We found HDC guidelines to be effective and found no matters involving internal controls that we consider to be material weaknesses. We established that: (1) the petty cash disbursements were in compliance with HDC policies and procedures; (2) the petty cash on hand was kept in a secured lockbox and maintained in the proper amount; and (3) all expenditures were properly authorized, processed, and reconciled.

***NOTE:** The Petty Cash audit is required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.*

PETTY CASH AUDIT 2024



Objective:

To determine whether adequate internal controls exist to ensure that:

- (1) the cash asset was safeguarded and maintained in the proper amount;
- (2) petty cash disbursements were in compliance with the Corporation's policies and procedures; and
- (3) the Imprest Fund was properly authorized, processed and reconciled.

Scope & Methodology:

This audit period covered transactions from October 19th, 2023, to October 23rd, 2024.

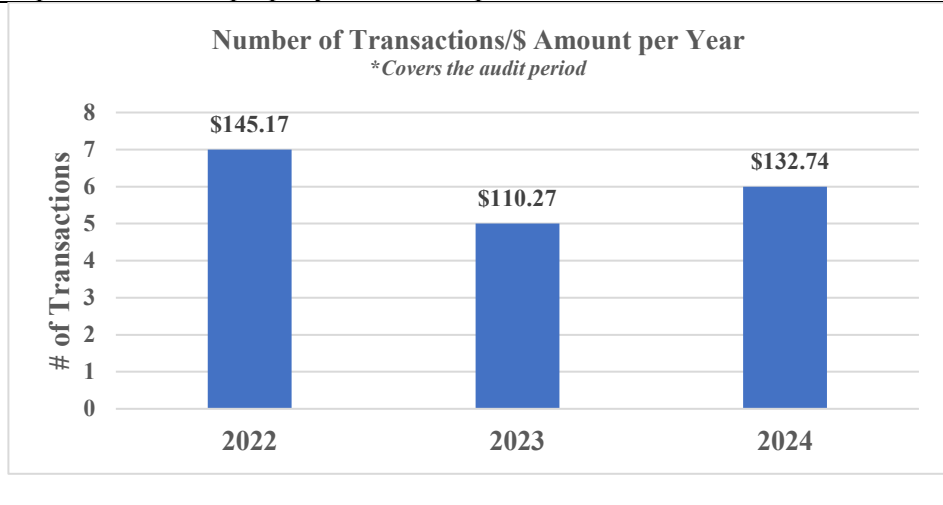
In conducting this audit, we were guided by our objectives. As part of our evaluation to determine adequate internal controls, we conducted a count of petty cash, reconciled receipts with documentation, and reviewed petty cash disbursements to ensure they were business related and under \$50 per transaction.

Background:

The Corporation has an in-house Petty Cash Fund with a maximum balance of \$700.00 that is used for reimbursement of minor expenses incurred in daily business operations and is periodically replenished. The Chief of Office & Facilities Management serves as the petty cash custodian. The custodian is responsible for safeguarding, disbursing, and replenishing the Petty Cash Fund. The Petty Cash Fund is replenished periodically from the Imprest Fund checking account held at Flagstar Bank. This account was established to cover minor miscellaneous/petty cash expenses and to replenish the Petty Cash Fund. Disbursements from this account generally follow Accounts Payable procedures established by the Cash Management division.

Results:

We found the Corporation’s guidelines to be effective and found no matters involving internal controls that we consider to be material weaknesses. We established that: (1) the petty cash disbursements were in compliance with policies and procedures; (2) the petty cash on hand was kept in a secured lockbox and maintained in the proper amount; and (3) all expenditures were properly authorized, processed, and reconciled.



- Internal Controls**
- ✓ HDC Petty Cash policy & procedures.
 - ✓ Segregation of duties.
 - ✓ Retained in a fire-proof safe box.
 - ✓ Unannounced petty cash count.
 - ✓ Maximum balance of \$700.
 - ✓ Maximum reimbursement from petty cash is \$50 per transaction.
 - ✓ Reimbursements to the Petty Cash Custodian must be approved by another HDC officer.
 - ✓ All money disbursed and received must be recorded on the Summary of Petty Cash Report.