



**Date:** February 28, 2007  
**To:** Honorable Mayor & Members of the City Council  
**From:** Laura L. Doud, City Auditor *ld*  
**Subject:** ELIMINATION OF IMPREST CASH FUND IN AUDITOR'S OFFICE

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In response to the recent audit report(s) issued by Sjoberg Evashenk Consulting regarding their performance review of the Office of the City Auditor, we have begun the process of implementing a number of the specific recommendations made. The recommendations made in Phase II of the audit report provide a blueprint for preparing our office to pass a peer review within the next three years, and we are committed to adopting these recommendations as part of our ongoing operations.

As part of the review, the audit revealed that there were inappropriate and questionable expenses that were run through the imprest cash (commonly known as the petty cash) fund. Upon further review, we found that over the past 11 years nearly \$200,000 of expenses were paid through this account. While many of these expenses may have been appropriate, they should have been paid through the normal process, thereby ensuring proper authorization and checks and balances.

As a result of these findings, and based on our commitment to operate at the highest professional level, we are eliminating the petty cash fund for our office effective March 1, 2007. The Office of the City Auditor will no longer maintain cash on hand nor a petty cash checking account in the office and both such accounts will be closed. All expenditures made through the City Auditor's office, regardless of amount or nature of the expenditure, will utilize either the direct payment or purchase order processes.

The elimination of this fund will prevent the possibility of potential abuses in the future and is commensurate with appropriate financial management operations. Any additional administrative work this may entail outweighs the risk of misuse of taxpayer dollars.

We recommend that City Manager departments review Administrative Regulation 23-4 Procedures for Authorization, Advancement, Reimbursement, Expenditures and Control of Imprest Cash Funds and adhere to the regulations as established. We also recommend that elective offices and other independent offices and departments of the City also comply with these procedures in the interest of administrative uniformity.

Further, we recommend that each City department conduct cash counts on its petty cash fund periodically and investigate and reconcile discrepancies in a timely manner. Any irregularities should be reported to the City Auditor's Office immediately.

cc: Gerald R. Miller, City Manager  
Robert E. Shannon, City Attorney