



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

LAURA L. DOUD, CPA  
City Auditor

FOR RELEASE:  
Wednesday, February 28, 2007

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## **CITY AUDITOR ABOLISHES PETTY CASH FUND**

### *Action Taken in Response to Audit Findings*

City Auditor Laura L. Doud announced today that effective Thursday, March 1, 2007, the City Auditor's office will no longer maintain an imprest cash fund in the office. An imprest cash fund is commonly known as a petty cash fund.

As part of the audit review of the City Auditor's office recently conducted by the independent auditing firm of Sjoberg-Evashenk Consulting, Inc., it was noted that there were questionable expenses that had been reimbursed from the petty cash fund. Upon further review, it was discovered that there were no policies or procedures in place governing the use of the fund. This lack of policy allowed for expenses to be paid by bypassing the normal process of proper authorizations.

As the City has policies and procedures in place for reimbursement of appropriate expenses, City Auditor Doud strongly believes there is no need for a petty cash fund and/or a petty cash checking account in the office.

"Effective March 1, all expenditures made through the City Auditor's office regardless of the amount or nature of the expenditure, will be reimbursed utilizing either the direct payment or purchase order processes," stated City Auditor Laura Doud.

"There is no reason that expenses paid out of a petty cash fund cannot be paid through the standard reimbursement process. The elimination of this fund will

prevent the possibility of potential abuses in the future and is commensurate with appropriate financial management operations.”

City Auditor Doud restated her commitment to operating the Auditor’s office at the highest professional level. Many of the recommendations of the independent audit are providing a blueprint for future success and are currently being implemented.

Attached is a copy of the memorandum sent today from City Auditor Doud to Mayor Foster and the City Council advising them of this matter.

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Attachment



**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