

# Audit Alert

March 31, 2011

## Petty Cash Controls

Recently an employee at the *Carl Vinson Institute of Government of the University of Georgia* was indicted for her role in the embezzlement of over **\$219,000** in petty cash funds over approximately five-years<sup>1</sup>. The business manager, a **29 year employee**, allegedly submitted almost 500 fraudulent petty cash reimbursement vouchers and received payments for goods that were never acquired.

These types of frauds are committed and go undetected when the opportunity is created by weak internal controls, poor management oversight, and/or the abuse of one's position and authority. Failure to establish adequate procedures to detect fraudulent activity also increases the opportunities for fraud to occur.

In Cobb County, we processed over \$27,000 in petty cash vouchers for FY2010. In order to ensure that a similar situation does not occur in our petty cash activities, Department managers should ensure that their staff are adhering to the County's petty cash procedures (currently in revision) which should contain these best practices:

### Petty cash custodians and Department managers should ensure:

- Original receipts are attached to each reimbursement voucher.
- Purchases are authorized.
- No split claims to circumvent the \$25 limitation on purchases.
- Original 'Petty Cash Expenditures Request Form' is used.
- Mark receipts as paid when the 'Received of Petty Cash Form' is processed.



### Finance/Accounts Payable personnel should ensure:

- An authorized person approved the reimbursement voucher.
  - ◆ Written approving signatures are present, no initials or signature stamps.
  - ◆ Approving signature matches signature on file.

### In addition to the essential procedures above, Department managers should implement the following steps to further help prevent and detect fraudulent petty cash transactions.

- Conduct periodic unannounced verification of the funds.
- Conduct annual reviews of current department procedures.
- Reduce/close/consolidate under utilized funds.
- Ensure adequate segregation of duties exists. No individual should execute two or more phases of a transaction.

***For additional information, contact the Finance Department or Internal Audit Division.***

<sup>1</sup> Department of Law, State of Georgia Press Advisory, February 9, 2011