



Audit Report Number 2006-16

**City of Richmond
Commonwealth Attorney's Office
Audit of Travel, Petty Cash, and
Disbursements**

January 1, 2005 through December 31, 2005

**Prepared by
CITY AUDITOR
Richmond, Virginia**

**Submitted to
The Honorable Members of City Council
May 11, 2006**

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The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

The former Commonwealth Attorney requested a due diligence audit of his office due to the change in administration effective January 1, 2006. In conjunction with a scheduled audit of the Commonwealth Attorney's Office, we added additional procedures to comply with the request. We audited the travel, petty cash and disbursements records of the Commonwealth Attorney's Office for the twelve month-period ended December 31, 2005 for compliance with City policies. We reviewed and evaluated the system of internal controls in place during the same period to the extent considered necessary.

OBJECTIVES

Our audit objectives were to:

- Determine if petty cash levels were maintained in accordance with Section 42-8 of the City Code and City Policy; to determine if petty cash expenditures were proper; to ensure whether internal controls were adequate for the petty cash process;
- To ascertain if travel expenditures were in accordance with City Policy; and
- Determine if the disbursement transactions were executed in accordance with City policies and procedures.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated management controls, and performed other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

CONCLUSIONS

- The petty cash levels were maintained in accordance with Section 42-8 of the City Code and City Policy; all petty cash expenditures were appropriate; the internal controls for the petty cash process were appropriate. However, the Commonwealth Attorney's Office did not always follow applicable policies and procedures.
- The travel expenditures were appropriate. However, the Commonwealth Attorney's Office did not settle in a timely manner.
- The Commonwealth Attorney's Office adhered to City-wide disbursements policies and procedures. However, the timeliness of the payments needs improvement.

The management of the City of Richmond, Virginia, is responsible for maintaining financial records. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

We discussed the attached comments and recommendations with management throughout the audit and formally on May 4, 2006; we have included management responses from the responsible officials.

We would like to thank the Departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee, the City and Departmental management of the City; it is a matter of public record.

Respectfully submitted,

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Interim City Auditor

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March 17, 2006

Executive Summary

Background

Our Office received a request to perform a due diligence audit of the Commonwealth Attorney's Office due to the transition effective January 1, 2006. Since our Office intended to perform an audit of the Commonwealth Attorney's Office during FY 06, the request was honored and the timing of the audit was merely shifted.

The Commonwealth Attorney's Office is located in the John Marshall Courts Building at 400 North 9th Street. The Commonwealth's Attorney is an elected official whose office is responsible for prosecuting all criminal felony cases and certain criminal misdemeanor cases in the City of Richmond. The Office also manages the Victim Witness Assistance Program, which provides services that support the victims and witnesses in cases prosecuted by the Commonwealth Attorney.

The adopted and the actual budgets for the Commonwealth Attorney's Office for FY 05 totaled \$3,940,112 and \$3,866,306, respectively¹.

Summary of Recommendations

In order to improve operations and better achieve the Department's objectives, we made recommendations for management's consideration.

1. Ensure adherence to the Procurement Services Petty Cash Policy.
2. Reinforce adherence to the Department of Finance Travel Policy (ensure staff submits travel settlements to Finance within the prescribed time).
3. Adhere to the Prompt Payment Act.

¹ Source of data:

Adopted Biennial Fiscal Plan - 06 and 07.

Proposed amendments to the Biennial Fiscal Plan for FY 07

FINDINGS AND RECOMMENDATIONS

1. Ensure Adherence to the Procurement Services Petty Cash Policy

The Commonwealth Attorney's Office operates two petty cash accounts; one for the Office and one for the Victim Witness Assistance Program. During calendar year 2005, petty cash expenditures for the two accounts totaled \$620.04 and 426.21, respectively.

Pursuant to Procurement Services Petty Cash Policy:

- Petty cash funds are limited to small incidental purchases.
- Individual purchases from the fund are limited to \$150 except for emergency purchases which are limited to \$250.
- Petty cash authorization forms/slips are required to be completed, following the Department's internal policy and procedures, prior to making purchases².
- The petty cash custodian must cancel receipts remitted for reimbursement.
- The City is tax-exempt and is not charged sales tax on most purchases. Procurement Services should be contacted to obtain a tax-exempt certificate prior to making petty cash purchases.

Our petty cash testing revealed:

A. Commonwealth Attorney's Office Petty Cash Reimbursements:

- 14 out of 18 requests were not approved by the Director/Deputy
- 18 out of 18 receipts were not cancelled
- 5 out of 18 receipts included sales taxes totaling \$10.84

B. Victim Witness Assistance Program Petty Cash:

- 11 out of 16 requests were not approved
- 16 out of 16 receipts were not cancelled
- 7 out of 16 receipts included sales taxes totaling \$7.82

RECOMMENDATION

We recommend that management follow City Policy to ensure that the petty cash process is administered properly. This can be done by (1) reiterating the policy to staff and (2) monitoring reimbursement requests for policy compliance.

² The Department's internal policy requires the Director or Deputy Director to approve petty cash purchases.

MANAGEMENT RESPONSE

Corrective action taken. City Policy reviewed and being followed. Reimbursement requests are being monitored to ensure compliance with Policy.

Effective Date Immediately.



2. Reinforce Adherence to the Department of Finance Travel Policy

The City's Finance Department is responsible for administering the City's Travel Policy. The Policy covers trips outside of the City of Richmond for conferences, conventions, workshops, seminars, educational and training courses, etc. The travel disbursements for the Commonwealth Attorney's Office during our audit scope totaled approximately \$9,700.

We observed the Commonwealth Attorney's Office did not submit 63% (10 out of 16) of their travel settlements to Finance within 10 working days. According to the Department's Travel Policy, "a travel authorization and expense invoice will be submitted to the Finance Department within ten (10) working days after return from travel." Timely settlement reduces the risk of misplacing supporting documents.

Below is a summary of the delayed settlements³.

Date Returned from Travel	Date Settled	Number of Days to Settle
March 22, 2005	July 6, 2005	74 days
March 23, 2005	June 17, 2005	60 days
August 7, 2005	October 11, 2005	46 days
March 21, 2005	April 21, 2005	22 days
March 21, 2005	April 18, 2005	19 days
March 21, 2005,	April 18, 2005	19 days
March 11, 2005	April 1, 2005	14 days
March 11, 2005	April 1, 2005	14 days
February 11, 2005	March 3, 2005	14 days
February 11, 2005	March 5, 2005	13 days

RECOMMENDATION

³ The number of days to settle represent working days minus City holidays.

We recommend that management reiterate the provisions of the Finance's Travel Policy and provide training as necessary.

MANAGEMENT RESPONSE

Corrective action taken. The Travel settlement requirement is being reiterated to all Personnel traveling each time they travel. Also Management is immediately made aware of any individual out of compliance with "travel settlement" requirement.

Effective Immediately.



3. Adhere to the Prompt Payment Act

Our sample revealed that the Commonwealth Attorney's Office did not pay 7 out of 65 (11%) invoices by their due dates. The number of days past the due dates ranged from 7 days to 142 days. According to the Prompt Payment Act, Article 2.2 – 4352, Code of Virginia, "every department of local government that acquires goods or services or conducts any other type of contractual business with a nongovernmental, privately owned enterprise, shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date shall be either:

- the date on which payment is due under the terms of the contract for the provision of goods or services, and
- if a date is not established by contract, not more than forty-five days after the goods or services are received or not more than forty-five days after the invoice is rendered, whichever is later."

Because the Commonwealth Attorney's Office did not submit the invoices to Finance in a timely manner, payments were issued late. If invoices are not paid in a timely manner, the City could risk forfeiting discounts; incurring late fees, penalties and interest; and developing negative working relationships with vendors.

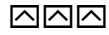
RECOMMENDATION

We recommend that management monitor compliance with the Prompt Payment Act and inform the staff about the importance of timely invoice payments.

MANAGEMENT RESPONSE

Corrective action taken. Discussed compliance with the Prompt Payment Act and importance of timely invoice payment with the appropriate personnel.

Effective immediately.





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Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (Optional): _____

Thanks for taking the time to help us.

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