



TEXAS

The University of Texas at Austin

Petty Cash Controls

Accounting and Financial Management

November 2022

Office of Internal Audits

UT Austin's Agents of Change



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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Executive Summary

Petty Cash Controls

Accounting and Financial Management
Project Number: 22.039

Audit Objective

The objectives of the audit were to determine whether Colleges, Schools, and Units (CSUs) have established proper cash controls, whether their procedures comply with the University's cash handling requirements, and to determine whether Accounting and Financial Management is monitoring petty cash reconciliations and conducting annual confirmations.

Conclusion

Overall, CSUs are partially compliant with petty cash control requirements, and there are opportunities for Accounting and Financial Management to enhance petty cash monitoring.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Petty Cash Monitoring	Medium	March 2023

Engagement Team

Mr. Jason Boone, Auditor III
Mr. Conner Gilbert, Audit Operations Coordinator
Ms. Andrea Rios, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Detailed Audit Results

Observation #1 Petty Cash Monitoring

CSUs with petty cash funds do not consistently complete monthly reconciliations and submit them to the Cash Management team in Accounting and Financial Management as required. A majority of units (54 of 80) did not submit any reconciliations through June of fiscal year 2022. Petty cash custodians are not fully aware of the requirement to complete and submit monthly reconciliations, and Cash Management does not conduct follow-up procedures for late or unsubmitted reconciliations. Performing petty cash reconciliations is an important control to identify balance discrepancies or possible theft.

Recommendation: Cash Management should implement procedures to inform and remind petty cash custodians of reconciliation requirements and should follow-up with custodians when reconciliations are not submitted timely.

Management’s Corrective Action Plan: We agree with the recommendation. Cash Management will implement an updated process to review and verify receipt of petty cash reconciliations on a monthly basis. Accounting and Financial Management will review petty cash account levels and determine a potential risk-based review process and update the Handbook of Business Procedures Section 6.6.D, *Petty Cash Maintenance Requirements*, if appropriate.

Responsible Person: Finance Manager, Cash Management

Planned Implementation Date: March 1, 2023

Conclusion

Overall, CSUs are partially compliant with petty cash control requirements, and there are opportunities for Accounting and Financial Management to enhance petty cash monitoring.

Table: Controls Assessment

Audit Objective	Controls Assessment
Determine whether CSUs have established proper cash controls and whether their procedures comply with the University’s cash handling requirements.	Limited effectiveness with medium risk opportunities.
Determine whether Accounting and Financial Management is monitoring petty cash reconciliations and conducting annual confirmations.	Limited effectiveness with medium risk opportunities.

A sample of petty cash control and compliance activities were selected for testing as part of this audit. Below is a summary of activities for each sampled unit.



Table: Department Audit Results

Reviewed Area	Texas Union	Housing and Dining	Athletics Ticket Office	Bursar's Office	Blanton Admissions	Bass Concert Hall
Physical Safeguards	Y ¹	Y	N/A	Y	Y	Y ¹
Cashier Training	P	Y	P	Y	P	P
Daily Cash Counts	Y	Y	N/A	Y	N	N
Timely Cash Deposits	N	Y	N/A	Y	Y	N
Monthly Petty Cash Reconciliations	Y	P	N/A	N	P	P
Petty Cash Annual Confirmations	Y	Y	N/A	Y	Y	Y

Individual results were communicated to each unit.

Key

Y – Compliant, no observations or improvement opportunities identified

Y¹ – Compliant, with control improvement opportunities

P – Partially compliant, with compliance and/or control opportunities

N – Non-compliant

N/A – Not Applicable. Athletics Ticketing is a cashless operation and no longer maintains a petty cash fund.

Background

Given significant changes across campus the past few years (e.g., remote or hybrid work environment, staffing turnover and shortages, return to campus), the risk of control failures is increased. Specifically, the return of students and employees to campus has resulted in increased financial transactions and exchanging of funds. At the commencement of this project, there were 80 approved petty cash funds, with an aggregate value exceeding \$500,000.

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and meet the independence requirements for internal auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this review included fiscal year 2022 and the following campus units:



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- Texas Union
- University Housing and Dining
- Intercollegiate Athletics Ticket Office
- Bursar (Cashier) Services
- Blanton Museum of Art Admissions
- Bass Concert Hall

Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.

Table: Objectives and Methodology

Audit Objective	Methodology
Determine whether CSUs have established proper cash controls and whether their procedures comply with the University’s cash handling requirements.	<ul style="list-style-type: none"> • Performed cash counts and observed cash processing areas • Interviewed petty cash custodians regarding cash handling procedures • Tested deposits, reconciliations and annual confirmations for control effectiveness and compliance with policies. • Reviewed cashier training completion
Determine whether Accounting and Financial Management is monitoring petty cash reconciliations and conducting annual confirmations.	<ul style="list-style-type: none"> • Interviewed Cash Management regarding annual petty cash confirmations and monthly reconciliations. • Reviewed annual confirmation and monthly reconciliation tracking documentation

Criteria

Handbook of Business Procedures, Section 6.6.D, *Petty Cash Maintenance Requirements* (excerpt): Monthly reconciliations for all petty cash accounts are required and must be submitted to the Cash Management section of Accounting and Financial Management.

Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.



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High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Submission

We appreciate the courtesies and cooperation extended throughout the audit.

Respectfully Submitted,

Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

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