

Hon. Elaine Phillips
Nassau County Comptroller



Jeffrey Schoen, Esq.
Deputy Comptroller
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Director of Field Audit

**MEMORANDUM OF THE
OFFICE OF THE NASSAU COUNTY COMPTROLLER**
240 Old Country Road
Mineola, New York 11501
nccomptroller@nassaucountyny.gov

To: Arthur T. Walsh, Chief Deputy County Executive
Cc: David Y. Chiang, County Treasurer

From: Jeffrey Schoen, Deputy Comptroller

Date: October 8, 2024

Re: **Review of Nassau County Petty Cash Accounts and P-Card Implementation**

Summary

The Comptroller's Office conducted a review of all County petty cash accounts. After this review, in conjunction with the Treasurer, a new system for maintaining petty cash was implemented. This new system which utilizes J.P. Morgan purchasing cards (P-cards) more efficiently manages petty cash and strengthens internal controls. Below is a report of this review and implementation.

Background

Prior to the P-card implementation, petty cash funds and transactions were processed in the following manner:

- To set up a petty cash fund, a department first sought permission, by resolution, from the Legislature to establish a petty cash account with a certain dollar amount spending limit. Some of these resolution and spending limits were approved as far back as 1956.
- Once authorized, the County Treasurer delivered a check to the department made out to the department's petty cash fund. The department's petty cash custodian cashed the check at an authorized bank and placed the cash in a cash box.
- Each department was responsible for monitoring its own petty cash purchases, which included performing a monthly reconciliation of purchases made to cash on hand. Individual purchases were limited to \$500 or less, and could only be for items not excluded by the County's Petty Cash Directive and Procurement Policy.
- After employees paid for petty cash purchases, they sought reimbursement through their department's petty cash custodian.
 - The employee completed a Form CO-2519 Petty Cash Voucher, stating the nature/justification for the purchase and attached supporting documents (receipts). This packet was reviewed internally by the department head or other designated employee. If approved, the department head or designated employee signed the form and forwarded it to the custodian, who reimbursed the employee with cash from the petty cash box. Because the County is exempt from Sales tax, it generally was not reimbursed if incurred by the employee, who should have presented the County's Tax-Exempt Certificate at the time of purchase. Form CO-2519 also tracked the department heads' approval of the purchase and the employees' receipt of funds.

MEMORANDUM OF THE OFFICE OF THE COMPTROLLER

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- To replenish the depleted cash given to the employee, the petty cash custodian submitted a department head approved replenishment claim to the Comptroller's Vendor Claims Division.
- The replenishment claim included all supporting documentation justifying the expenditure(s), including the relevant Form CO-2519 Petty Cash Voucher(s).
- If the Comptroller's Office approved the claim, the County Treasurer issued and delivered a check to the department to replenish the account. This check was cashed at an approved bank by the custodian. Unapproved claims, or portions of claims, were rejected and sent back to the department to resolve any issues.

Comptroller's Review of Petty Cash Funds

In May of 2023, the Comptroller's Office Audit Division conducted a review of the County's then 49 petty cash accounts in 33 departments.

The following observations were made during this review.

- 20 departments had less cash than authorized under their resolution.
- 12 departments had more petty cash than authorized under their resolution.
- 12 departments did not have any cash remaining in their petty cash box.
 - As a result of having no cash, the custodian had to request and cash a replenishment check before they could reimburse an employee.
 - Some of these departments reported they preferred not having to manage cash.
- 7 departments had claims in which sales tax was paid.
- 4 departments did not perform monthly reconciliations of their petty cash accounts.
- 3 departments did not properly secure their petty cash.

Additionally, there were many disparate departmental petty cash fund authorization resolutions issued by the legislature over the past 70 years. In many instances, these authorizations were outdated or misaligned with the current needs and/or responsibilities of the departments.

These observations led to the conclusion that:

- There was a need for a comprehensive, single resolution updating and properly aligning all departmental petty cash fund authorizations to their current needs and duties; and
- The petty cash account management processes needed strengthening and enhancement; the County needed to develop a petty cash system that used contemporary technology, eliminated cash boxes, and improved internal controls.

The primary method to accomplish these goals was to implement a cashless system for petty cash purchases utilizing purchasing cards (Petty Cash P-Cards). The Government Finance Officers Association (GFOA) recommended purchasing cards as an efficient method for managing petty cash transactions and provided guidelines for development of internal controls and policies for P-card usage. Furthermore, the Nassau County Legislature had previously authorized the use of P-cards for petty cash transactions, pursuant to a resolution passed on September 12, 2018.

MEMORANDUM OF THE OFFICE OF THE COMPTROLLER

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Petty Cash P-Cards Implementation

Given Legislative authority and utilizing GFOA guidelines for best practices, the Comptroller’s Office, with agreement from the County Executive’s Office and in collaboration with the County Treasurer, implemented a Petty Cash P-Card system.

The implementation of this Petty Cash P-Card system began with a pilot period in the Comptroller’s Office. During this pilot period, the Comptroller’s and Treasurer’s Offices were able to develop relevant policies, procedures, and controls. This culminated in the issuance of a new County Petty Cash Directive and Petty Cash P-Card Guidelines & Procedures, which now govern petty cash fund usage.

In addition, the County Legislature passed a resolution which consolidated 38 departmental petty cash fund authorizations into one resolution (see Attachment 1). This resolution updated and properly aligned departments authorized petty cash fund amounts with departmental needs and responsibilities.

With the pilot complete and a consolidated resolution passed, Petty Cash P-Card were issued to departmental petty cash custodians. There are currently 34 departments issued Petty Cash P-Cards, 22 with a single card and 12 with multiple cards, for a total of 62 cards (see chart to the right). Although legislatively authorized, 4 of the 38 departments decided to not use petty cash at this time.

Prior to issuance of the Petty Cash P-Card, departments were required to reconcile their existing account and return any cash to the Treasurer’s Office.

As a result, with a few exceptions, instead of cash the County is utilizing J.P. Morgan Petty Cash P-Cards for petty cash purchases. Purchases are managed though J.P. Morgan’s secure web-based PaymentNet system.

This cashless petty cash system has eliminated the need for:

- cash boxes,
- employees to spend their own money and wait for reimbursement,
- custodians need to process reimbursement to employees,
- the Treasurer to issue and deliver checks, and
- custodians to receive the checks, cash them at the bank and then replenish petty cash.

DEPARTMENTS	
with one card:	# of P-Cards
Assessment	1
Civil Service	1
Clerk of Legislature	1
Comptroller	1
Consumer Affairs	1
County Executive	1
Crime Victims Advocate	1
Emergency Management	1
Fire Commission	1
Hispanic Affairs	1
Human Resources	1
Human Rights	1
Information Technology	1
Inspector General	1
Labor Relations	1
Medical Examiner	1
Minority Affairs	1
Public Administrator	1
Shared Services	1
Traffic Violations Agency (TPVA)	1
Treasurer	1
Veteran Service	1
subtotal	22
with multiple cards:	# of P-Cards
Board of Elections	2
Corrections	6
County Attorney	2
District Attorney	5
Health	2
Human Services	5
Legislature	2
Parks	3
Probation	4
Public Works	4
Sheriff	3
Social Services	2
subtotal	40
TOTAL	62

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The following is the new petty cash account management process.

- The Comptroller's Office Vendor Claims Division, together with the Treasurer's Office, oversees the program.
- Petty Cash P-Cards are maintained through Payment Net, a secure web-based system.
- To be issued a Petty Cash P-Card, a department head identifies and authorizes a P-Card custodian, who must sign a Petty Cash P-Card Custodian Agreement and Certification.
- This information is sent to the Comptroller's Vendor Claim's Division to enroll the department and request a card.
- If approved, the Vendor Claims Division instructs J.P. Morgan to issue a Petty Cash P-Card to the department. The credit limit is set for the department based on the consolidated petty cash resolution. The Petty Cash P-Card is sent by J.P. Morgan to the Treasurer's Office for the Treasurer to issue to the department.
- Petty cash purchases are made utilizing the Petty Cash P-Card. Single petty cash purchases are limited to \$500. Individuals in each department, who signed a Petty Cash P-Card User Agreement and Certification, are authorized as Users to make such purchases.
- The overall monthly petty cash spending limit for all purchases for each department is limited to the Legislatively authorized petty cash spending limit.
- As in the past, each petty cash purchase must be documented and approved by the department head before it is made, using form CO-2519.
- Each department's petty cash custodian must upload all receipts to the PaymentNet System; attaching the scanned electronic version of a receipts to PaymentNet's record of each purchase. Ideally this is done within a few business days after the purchase occurs.
- The Comptroller's Office receives a consolidated (for all departments) Petty Cash P-Card bill each month. The Vendor Claims Division creates a claim to authorize the Treasurer to pay this invoice.
- Within 2 days of the last business day of each monthly Petty Cash P-Card billing cycle, the department's petty cash custodian must submit a Petty Cash Reconciliation Voucher to the Vendor Claims Division for all purchases that month.
- Each department's limit on the Petty Cash P-Card refreshes each billing cycle when the County's Petty Cash P-Card bill is paid in full.
- If a department does not submit a reconciliation claim, the Vendor Claims Division will lower the credit limit on the Petty Cash P-Card using the PaymentNet system, so that the department cannot exceed their petty cash spending limit, or if necessary will lower the limit to zero to effectively cutting off the department's use of petty cash until the department submits their reconciliation voucher.

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This new system provides the following control benefits.

- **Each department's petty cash custodian can control the use of the purchasing card.** The custodian maintains control and possession of the card and gives the card to authorized employees to make purchases. This gives the custodian control over approving purchases before they are made.
- **Petty Cash P-card spending limits for each department are based on the amount set forth in the consolidated petty cash resolution.** This ensures that spending limits are adhered to.
- **Purchases are limited by commodity codes.** The Petty Cash P-Card limits what purchases can be made using commodity codes, giving the County more control to ensure only permissible purchases are made.
- **Purchasing cards are embossed with a "tax exempt" stamp.** This gives the County more assurance that sale tax will not be paid.
- **The County monitors the use of the card.** The PaymentNet system enables the County to see in real time when purchases are being made.
- **The County controls the use of the card.** If a department fails to reconcile its previous month's petty cash expenses, the County reduces the amount that can be spent on the Petty Cash P-Card or even freezes the use of the Petty Cash P-Card. The result is that petty cash accounts are regularly reconciled, which protects against misuse.

Conclusion

With the use of Petty Cash P-Cards and new petty cash account procedures, the Comptroller's Office has eliminated departments' use of cash and cash boxes (with a few exceptions), implemented modern technology for making petty cash purchases, and improved internal controls.

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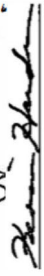
Attachment 1

120/90

RESOLUTION NO. 90 - 2024

A RESOLUTION AUTHORIZING THE COUNTY TREASURER TO FURNISH VARIOUS COUNTY OFFICES AND DEPARTMENTS WITH A PETTY CASH FUND IN SPECIFIED AMOUNTS.

APPROVED AS TO FORM



Deputy County Attorney

Passed by Nassau County Legislature on
6/24/24 **A voice vote was taken with**
Legislators present.
Voting: aye 8, nay 0, abstained 0, recused 0
Became a resolution on 7/1/2024
With the approval of the Deputy County
Executive acting for the County Executive

WHEREAS, pursuant to Section 1-4.2 of the Nassau County Administrative Code, the County Legislature may authorize the County Treasurer to furnish any officer or department of the County with a petty cash fund, in such amount as the County Legislature may specify by resolution; and

WHEREAS, the County Legislature, by numerous resolutions, has authorized such petty cash funds to various offices and departments over the past seventy years; and

WHEREAS, over those seventy years, many offices and departments have been reorganized, established, eliminated, merged and/or divided; and

WHEREAS, the established petty cash funds for many offices and departments are out-of-date or misaligned with the current responsibilities and duties of those offices and departments; and

WHEREAS, certain offices and departments no longer require a petty cash fund; and

97

MEMORANDUM OF THE OFFICE OF THE COMPTROLLER

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WHEREAS, it is necessary for petty cash funds to be used solely by the offices and departments for which they are established; now, therefore be it

RESOLVED, that the Treasurer of the County of Nassau be, and hereby is, authorized and directed to establish petty cash funds for the offices and departments listed in Appendix A to this Resolution, and in the amounts specified therein; and be it further

RESOLVED, that petty cash funds are not required for the Office of Housing/Community Development and the Office of Management and Budget; and be it further

RESOLVED, that all previous petty cash resolutions pertaining to the offices and departments listed in Appendix A to this Resolution are hereby rescinded.

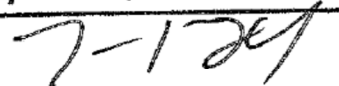
APPROVED



County Executive

ARTHUR T. WALSH

Date Chief Deputy County Executive



98

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APPENDIX A

99

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Department	Amount
Asian American Affairs	\$1,500
Department of Assessment	\$1,500
Assessment Review Commission	\$1,500
Board of Elections-Administration 1	\$1,500
Board of Elections-Administration 2	\$1,500
Civil Service	\$1,500
Consumer Affairs	\$1,500
County Attorney-Imprest Subpoena	\$4,000
County Attorney-General	\$1,500
County Clerk	\$4,650
County Comptroller	\$1,500
County Executive	\$1,500
County Legislature-Majority	\$250 per district
County Legislature-Minority	\$4,750 total
Clerk of the Legislature	\$1,500
Inspector General	\$1,500
Office of Legislative Budget Review	\$1,500
Office of Crime Victim Advocate	\$1,500
County Treasurer	\$1,500
Department of Labor	\$1,500
District Attorney-General	\$7,500
District Attorney-Imprest Subpoena	\$250,000
Emergency Management	\$1,500
Fire Commission	\$1,500
Health Department	\$1,500
Office of Hispanic Affairs	\$1,500
Human Resources	\$1,500
Human Rights	\$1,500
Human Services-Aging	\$1,500
Human Services-Chemical Dependency	\$1,500
Human Services-Mental Health	\$1,500
Human Services-Youth Services	\$1,500
Information Technology	\$1,500
Office of Labor Relations	\$1,500
Medical Examiner	\$1,500
Minority Affairs	\$1,500
Parks-Eisenhower Parks Administration	\$10,000
Parks-Various Parks Change Draws	\$22,800

100

MEMORANDUM OF THE OFFICE OF THE COMPTROLLER

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Probation-General	\$2,000
Probation-Extradition	\$8,000
Public Administrator	\$1,500
Public Works-Financial Services	\$2,000
Public Works-Facilities	\$1,500
Public Works-Road Maintenance	\$1,500
Public Works-Fleet	\$1,500
Office of Shared Services	\$1,500
Sheriff's Department-Civil Unit	\$1,500
Sheriff's Department-Enforcement Division (HQ)	\$1,500
Sheriff's Department-Family Court Unit	\$1,500
Sheriff's Department-Transportation	\$6,000
Social Services-Administration	\$1,500
Social Services-Hearings	\$1,500
Social Services-Housing	\$1,500
Social Services-Vital Records	\$1,500
Social Services-Imprest-Emergency Assistance	\$220,000
Traffic and Parking Violations Agency	\$1,500
Veterans Services	\$1,500

101