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*Excellence...Always*

*Paula S. O'Neil, Ph.D.*  
*Clerk & Comptroller*  
*Pasco County, Florida*

August 16, 2017

The Honorable Mike Moore, Chairman, and  
Members of the Board of County Commissioners  
Pasco County Board of County Commissioners  
8731 Citizens Drive  
New Port Richey, Florida 34654

Dear Chairman Moore and Members of the Board:

Enclosed is Audit Report No. 2017-01-E1 & F1, the final two of six unannounced audits of the County's petty cash and change funds scheduled for fiscal year 2017. Due to the fiscal year end rapidly coming to a close, the Inspector General combined the fifth (E1) and sixth (F1) unannounced audits into one audit report. The objective of the audits was to verify the cash funds existed, and were properly secured and accounted for. The audits were limited in scope, and included approximately 22% of the petty cash and change fund drawers. All other cash funds, included in the series, were audited earlier in the fiscal year.

Based on the results of the completed audits, we concluded that the verified change funds reconciled to the cashing supporting documentation at the time of the unannounced audits. However, there were compliance and internal control issues noted during the audits. The issues resulted in two audit comments and two observations which were identified as follows:

**Audit Comments:**

1. Cash funds were not always secured. As a result, a department was not in compliance with Administrative Directive #45.
2. Cash drawers did not always contain the correct amount. Consequently, a department was not in compliance with their daily operations and the cashier accountability was weakened.

**Observations:**

3. Petty cash was not always reimbursed. Therefore, financial records did not reflect purchases made and there was incorrect vendor information.
4. Change funds were not verified. Consequently, a department was not in compliance with control form requirements and the internal control system was weakened.



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Pasco County Board of County Commissioners  
August 16, 2017  
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The comments and observations were discussed with management and corrective action was taken during the audits. Management responses were included in this report.

We appreciate the cooperation and professional courtesy received from the County departments during the audits.

Please let us know if you wish to discuss any of the information provided in the report.

We request the Board to receive and file report.

Sincerely,

*Paula S. O'Neil, Ph.D.*  
*Clerk & Comptroller*

PSO/sd

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*Office of Paula S. O'Neil*  
*Clerk & Comptroller*  
*Pasco County, Florida*

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**Pasco County Board of County Commissioners**

**Petty Cash and Change Fund Audit**

August 29, 2017



**Department of Inspector General**

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Inspector General

Sarah Denney  
Auditor I

Josseibel Vázquez-González, MACC, CIGA, CFE  
Internal Auditor

Report No. 2017-01-E1 & F1

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## Executive Summary

### Background Information

As part of the Department of Inspector General (IG) annual audit plan, the IG conducted a series of six unannounced audits of the change funds authorized by the Board of County Commissioners (BCC). Due to the fiscal year end rapidly coming to a close, the IG combined the fifth and sixth audits of the series into one audit report. The two audits, 2017-01-E1 and 2017-01-F1, included approximately 22% of all BCC petty cash and change fund drawers (cash funds). Ten percent of BCC petty cash and change funds were coin machines located within the County libraries, and were not intended to be included in the planned audit projects. Petty cash funds were monies used for emergency purchases or other non-routine business transactions. Change funds were monies kept in a cash drawer, and were used to make change for routine business transactions. All other cash funds, included in the series, were audited earlier in the fiscal year (report #2017-01-A, 2017-01-B1, 2017-01-B2, 2017-01-C1, and 2017-01-D1).

Independent, surprise audits of cash drawers is a key internal control that is preventative, as well as detective in nature. According to the Association of Certified Fraud Examiners' 2016 Report to the Nations on Occupational Fraud and Abuse, the presence of certain controls was associated with smaller losses and quicker fraud detection. The study revealed that, when compared to agencies that did not conduct surprise audits, agencies that conducted surprise audits discovered fraud in half the time, and the loss was 49% less (Report to the Nations on Occupational Fraud and Abuse, 2016, p. 44).

Historically, change funds were issued to various departments throughout Pasco County and were authorized by the BCC prior to being distributed to the requesting departments. Each change fund was assigned to a custodian, who signed a control form assuming responsibility and accountability for the funds issued. These control forms were maintained by the Clerk & Comptroller's Department of Financial Services. The control forms stated that the funds were subject to periodic, unannounced audits by the Clerk & Comptroller's Office. For security purposes, dollar amounts were excluded from the final report. The number of cash fund drawers verified was summarized below:

Department	Location	Number of Cash Drawer(s) Verified
Library Services	Hudson Regional Branch Library	3
Library Services	Centennial Park Branch Library	2
Library Services	South Holiday Branch Library	2
Parks, Recreation, & Natural Resources	Land O' Lakes Pool	1
Parks, Recreation, & Natural Resources	Veterans Memorial Park Pool	1
Parks, Recreation, & Natural Resources	J. Ben Harrill Recreation Complex	1
Parks, Recreation & Natural Resources	Veterans Memorial Park	1
Utilities - Landfill	Spring Hill	<u>4</u>
<b>Total</b>		<u>15</u>

## Objective

The audit objectives were to:

- Determine that the cash funds existed and cash receipts in the cash drawer were present and in agreement with the supporting records and documents.
- Determine that the cash funds were properly secured at time of unannounced audit.
- Determine the established cash funds were properly accounted for in the general ledger.

## Scope and Methodology

The Department of Inspector General conducted a limited scope audit and did not perform a comprehensive evaluation of internal controls over cash handling or perform detailed testing of compliance with the County's cash handling policies and procedures. The primary focus of this audit was to verify the existence of the cash funds, perform an unannounced count of monies in each cash drawer, and note exceptions and discrepancies. Unannounced cash counts were conducted on 5/4/2017, 5/8/2017, 5/9/2017, 5/31/2017, and 6/22/2017.

Although the audit team exercised due professional care in the performance of this audit, this does not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse was the responsibility of management. Audit procedures alone, even when carried out with professional care, cannot guarantee that fraud, waste, or abuse will be detected.

The audit was neither designed nor intended, to be a detailed study of every relevant system, procedure, or transaction. The purpose of this report was to provide an independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management.

To achieve the objectives, the procedures performed included, but were not limited to, the following:

- Performed unannounced cash counts for cash funds selected, and balanced each drawer to the cash receipts or daily collections to the appropriate system.
- Obtained and verified that the control forms on file in the Clerk & Comptroller's Department of Financial Services accurately reflected the cash fund amount.
- Verified that the total cash fund amount on the control forms agreed to the fund totals in the accounting system.
- Identified and documented exceptions and discrepancies.

**Statutory and Pasco County Guidelines**

To conduct this audit, the Department of Inspector General relied on the following authoritative guidelines to serve as criteria:

- Petty Cash and Change Fund Procedures, dated 8/5/91
- Administrative Directive #40, dated 1/27/92 – Petty cash/ Change Fund/ Personal Check Procedure
- Administrative Directive #45, dated 11/7/94 – Petty Cash and Change Fund Internal Audit
- Administrative Directive #53, dated 11/21/97 – Petty Cash and Change Funds
- Administrative Directive #25, revised 3/2/09 – Policy Concerning Deposit of Funds
- Board Check Acceptance Policy, revised August 2008
- 2016 Florida Statute, Title XL VI, Chapter 832, Section 832.07(2) – Prima facie evidence of intent; identity
- West Pasco Class III Daily Operations

**Conclusion**

The Department of Inspector General (IG) concluded that the verified change funds reconciled to the cashiering supporting documentation at the time of the unannounced audits. However, there were compliance and internal control issues noted during the audit. The noted issues were related to the processing, reporting, security, and reimbursement of change funds and petty cash funds. These areas required some improvement to be in compliance with applicable policies and procedures, and to reduce the risk of fraud, waste, and abuse of the BCC resources.

During the course of this audit, management took corrective action to improve the internal controls related to change funds. The recommendations made in this report were offered to strengthen the control environment. All comments and observations were discussed with management, and their responses were included in this report. The IG thanks the County departments for their professionalism and cooperation during this audit.

Based on the documentation reviewed and audit procedures performed, the IG identified the following opportunities for improvement:

No.	Description	Page Reference
<b>Comments (Compliance):</b>		
1.	Cash funds were not always secured. As a result, a department was not in compliance with Administrative Directive #45.	5

2.	Cash drawers did not always contain the correct amount. Consequently, a department was not in compliance with their daily operations and the cashier accountability was weakened.	6
<b>Observations (Control):</b>		
3.	Petty cash was not always reimbursed. Therefore, financial records did not reflect purchases made and there was incorrect vendor information.	6
4.	Change funds were not verified. Consequently, a department was not in compliance with control form requirements and the internal control system was weakened.	7

### Audit Comments & Recommendations

**Comment (Compliance):** Since compliance with agreements, contracts, laws, rules, regulation, policies, and procedures is expected, a recommendation was not provided.

**1. Cash funds were not always secured. As a result, a department was not in compliance with Administrative Directive #45.**

According to Administrative Directive #45, safes are not to be left unlocked at any time. When opening a safe, authorized personnel were directed to remove only those materials needed, and close and lock the safe immediately before leaving the area. Additionally, according to department policy, change funds not in use were required to remain locked in a safe or filing cabinet.

On 5/31/2017, the change fund at a county facility was maintained in an unlocked cash box that was inside an unlocked filing cabinet. The safe was also open at the time of the audit.

**Management Response:** *The Department’s policy to ensure security safes and change funds are to be locked at all times was not followed. In this instance, the location of the safe makes it difficult to enter during the day; therefore, staff is to keep the change fund within a locked filing cabinet. Also the safe must be locked during the day after the change fund is removed. The change fund custodian has been coached on the process to ensure accountability and proper procedures are followed.*

**Corrective Action Plan:** *The Administrative staff will complete a refresher training for all staff that handles cash.*

**Target Implementation Date:** *Ongoing*

**2. Cash drawers did not always contain the correct amount. Consequently, a department was not in compliance with their department procedures and the cashier accountability was weakened.**

According to department procedures, a county facility was authorized to have an inbound drawer and an outbound drawer. Each scale house operator was responsible for their cash drawer throughout the day.

At the time of the audit (5/8/17), the inbound and outbound drawers at the facility did not contain the correct amounts. The inbound drawer was short \$1.80 and outbound drawer was over \$1.80. The auditors communicated the discrepancy to staff. The facility operator stated he did not know how the discrepancy occurred.

**Management Response:** *The cash drawers contained \$X in the outbound drawer and \$X inbound drawer, at the start of the business day. The inbound drawer normally does not contain loose change, as all normal transactions are full dollar amounts. When the auditors arrived, the scale house team transferred loose coins between the two drawers, so that change was available in the inbound drawer, thus making the outbound drawer available for audit count. When this change transaction occurred, the team miscounted, causing the two drawers to be out of compliance.*

**Corrective Action Plan:** *The scale house team has been directed to maintain change in the inbound drawer as well as the outbound drawer. The Standards Operating Procedures have been updated to reflect this change and ensure compliance with all directives.*

**Target Implementation Date:** *Effective 5/31/17 and added to SOP*

**Observations (Control):** Listed below are items we observed during the audit that was outside the scope of the audit, but were worthy of being brought to the attention of management.

**3. Petty cash was not always reimbursed. Therefore, financial records did not reflect purchases made and there was incorrect vendor information.**

According to department policy, a Petty Cash Request for Reimbursement Form was required to be completed by the custodian with the original receipts attached, and submitted to the Clerk & Comptroller's Accounts Payable Division. Petty cash reimbursements should be submitted to Financial Services in a timely manner.

At the time of the audit (5/9/17), the petty cash fund at a county library was not reimbursed during fiscal year 2017. There were three receipts that totaled \$35.71, and were for purchases made on 7/29/16 and 10/20/16.

**Recommendation:** The necessity of petty cash should be assessed and the vendor information for the petty cash custodian should be corrected in the financial system.

**Management Response:** *The petty cash fund will be closed. The Library Dept. will get a county purchasing card for the one team member who uses the petty cash fund currently.*

**Corrective Action Plan:** *The petty cash fund will be closed.*

**Target Implementation Date:** *June 30, 2017*

**4. Change funds were not verified. Consequently, a department was not in compliance with control form requirements and the internal control system was weakened.**

Cash counts were an important part of internal controls, and should be conducted periodically, on a surprise basis. Each Change Fund Control Forms have the following note:

*The funds are subject to periodic, unannounced audits by the Office of the Clerk of the Circuit Court.*

On 5/31/2017 around 2:20pm, the IG team was at a county library to conduct an unannounced cash count. The branch manager told the IG team that the change funds could not be verified at the time of audit, and instructed the IG team to return on, or after, the day the branch manager was to return from leave, 6/7/2017.

**Recommendation:** Revise policies and/or procedures to ensure the Office of the Clerk & Comptroller can conduct unannounced cash counts at any time during business hours.

**Management Response:** *The Library Dept. had five staff members in the building as mentioned above. Two of those staff members handle cash. In addition to those two members and the Branch Manager as referenced above, the other two members do not handle cash nor have access to the safe. One member is the custodian and the other a shelver.*

**Corrective Action Plan:** *The Library branch supervisor will arrange for one staff member to assist the auditors. All branch supervisors have been trained regarding this procedure.*

**Target Implementation Date:** *Immediately and ongoing.*

## **References**

Association of Certified Fraud Examiners: *2016 Report to the Nations on Occupational Fraud and Abuse*.