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Excellence...Always

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

January 13, 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

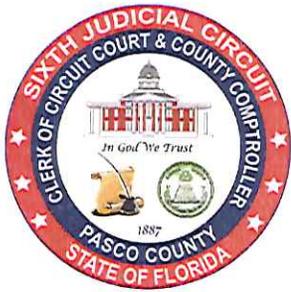
Dear Chairman Moore and Members of the Board:

Enclosed is Audit Report No. 2017-01-A, an unannounced audit of the County's change funds. The objective of this audit was to verify the cash funds existed, and were properly secured and accounted for. This audit was limited in scope, and included approximately 19% of the petty cash and change fund drawers. The remaining cash funds were scheduled for unannounced audits to take place during the remaining fiscal year.

Based on the results on the completed audit, we concluded that the change funds verified existed, reconciled to the supporting documentation, and were properly secured at time of the unannounced audits. However, two concerns were identified that were outside the scope of the audit.

The following was noted:

- At the Central Permitting Office in Land O' Lakes, there were 25 unprocessed checks maintained in a locked drawer that totaled \$231,816.15 (as of 10/19/16). The check dates ranged from 9/14/16 through 10/18/16. The Assistant County Administrator was notified on 10/20/2016.
- In the safe at the Utilities Customer Service in Dade City, there were items with sensitive information left behind by customers. The department staff attempted to contact the customers, and properly secured the items. Although appropriate action was taken, it appeared there was not a procedure in place to dispose of these types of items when customers do not respond in a reasonable time frame.



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Pasco County Board of County Commissioners
January 13, 2017
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We appreciate the cooperation and professional courtesy received from the County departments during this audit. 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/pm

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

Pasco County Board of County Commissioners
Petty Cash and Change Fund Audit

February 7, 2017



Department of Inspector General

Patrice Monaco-McBride, CIG, CIGA, CGFO
Inspector General

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Report No. 2017-01-A

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Executive Summary

Background Information

As part of the Department of Inspector General (IG) annual audit plan, the IG conducted an unannounced audit of the change funds authorized by the Board of County Commissioners (BCC). This audit included approximately 19% of all BCC petty cash and change fund drawers (cash funds). 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. The remaining cash funds were scheduled for unannounced audits to take place during the remaining fiscal year.

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 issued to the requesting department. 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 Drawers Verified
Animal Services	Adoption Center	2
Building Construction Services	Central Permitting- Land O' Lakes	2
Library Services	Hugh Embry Branch	2
Parks, Recreation & Natural Resources	James Irvin Civic Center	1
	Land O'Lakes Community Center	1
Utilities Customer Information & Service	Utilities- Dade City	3
Utilities Solid Waste	East Pasco Transfer Station	<u>2</u>
Total		13

The departments with change funds collected monies for different types of fees and services. The change funds were used to make change when money was collected. The departments were responsible for reconciling the monies collected, preparing cash reports, and depositing the monies collected.

Objective

The objectives were to:

- Determine the established cash funds were properly accounted in the general ledger.
- 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.

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 any exceptions and overages or shortages. Audit fieldwork was conducted between 10/19/2016 and 10/25/2016.

Although the audit team exercised due professional care in the performance of this audit, this did not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse remains the responsibility of management. Audit procedures alone, even when carried out with professional care, did not guarantee that fraud or abuse was 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 management independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management

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

- 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.
- Performed unannounced cash counts for all cash funds, and balanced each drawer to the cash receipts or daily collections to the appropriate system.

Statutory Authority and 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
- Board Check Acceptance Policy, revised August 2008
- 2016 Florida Statute, Title XL VI, Chapter 832: Violations Involving Checks and Drafts
 - 832.07(2)- Prima facie evidence of intent; identity

Conclusion

The Department of Inspector General concluded that the change funds verified existed, reconciled to the supporting documentation, and were properly secured at time of the unannounced audits. However, two concerns were identified that were outside the scope of the audit. The following was noted:

- At the Central Permitting Office in Land O' Lakes, there were 25 unprocessed checks maintained in a locked drawer that totaled \$231,816.15 (as of 10/19/16). The check dates ranged from 9/14/16 through 10/18/16. The Assistant County Administrator was notified on 10/20/2016.
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The Department of Inspector General thanks the various County departments for their professionalism and cooperation during this audit.

References

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