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

June 7, 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-D1, an unannounced audit of the County's petty cash and 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 23% 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 existed, reconciled to the cashiering supporting documentation, and were properly secured at time of the unannounced audits. However, two audit comments were identified as follows:

Compliance:

1. Checks were not always processed in accordance with County policy. As a result, there was a delay in processing information that may have caused operational inefficiencies.
2. Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.

The comments were discussed with management and corrective action was taken during the audit. Management responses were included in this report.

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.



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Pasco County Board of County Commissioners
June 7, 2017
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We request the Board to receive and file report.

Sincerely,

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

PSO/eh

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

Pasco County Board of County Commissioners

Petty Cash and Change Fund Audit

June 20, 2017



Department of Inspector General

Patrice Monaco-McBride, CIG, CIGA, CGFO
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Report No. 2017-01-D1

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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 23% 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. Some cash funds were audited earlier in the fiscal year (report #2017-01-A, 2017-01-B1, 2017-01-B2, 2017-01-C1).

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
Utilities Customer Information & Services	New Port Richey Office	12
Utilities Solid Waste/Resource Recovery	Resource Recovery Scalehouse	1
Library Services	Land O' Lakes Branch	2
Parks, Recreation & Natural Resources	Land O' Lakes Recreation Complex	1
Building Construction Services	Building Inspections- New Port Richey	<u>1</u>
Total		17

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 3/22/2017 and 3/24/2017.

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 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.

Conclusion

The Department of Inspector General (IG) concluded that the change funds verified existed, reconciled to the cashiering supporting documentation, and were properly secured at time of the unannounced audits. However, there were compliance issues noted during the audit that related to unprocessed checks and accountability over the change funds.

All comments 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
<i>Comment (Compliance):</i>		
1.	Checks were not always processed in accordance with County policy. As a result, there was a delay in processing information that may have caused operational inefficiencies.	5
2.	Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.	5

Audit Comments & Recommendations

Compliance: Since compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, recommendations were not provided.

1. Checks were not always processed in accordance with County policy. As a result, there was a delay in processing information that may have caused operational inefficiencies.

According to the revised Administrative Directive #25, checks received were required to be immediately endorsed for deposit only. Deposits were required to be made daily or weekly (whichever was more frequent) when collections totaled \$100 or more.

At time of the audit (3/22/17), there were two checks that were not endorsed or processed maintained inside a locked safe at Utilities Customer Services in New Port Richey. The checks totaled \$27,353, and were received or dated between 3/6/2017 and 3/13/2017.

Management Response:

Checks are required to be stamped received and stamped with the BCC endorsement upon receipt. In this scenario, we were awaiting additional information from the customer before we could open their account. However, staff should have endorsed the check, and noted why it was being held when they placed it in the safe.

Corrective Action Plan:

All CI&S Team members have been informed again about the correct process. And, this is now also part of the require procedures to be discussed during each applicable CI&S Team member's quarterly progress report. The Management Team will continue its unannounced self-audits at least once quarterly.

Target Completion Date:

Immediately - if staff receives a check for the wrong amount, or we are missing application information from the customer, staff will contact the customer immediately and give them 3 (three) business days to provide us the correct information /check amount. If the customer fails to do so, Team members must completed the dual control log, and return the check to the customer.

2. Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.

Administrative Directive #53, control forms on file in Accounts Payable were required to be kept current, and were the responsibility of the immediate supervisors of the fund custodians.

The control form on file for Building Inspections did not reflect the correct department, location, department head, or check payee.

Management Response:

Management is updating the control form and will submit the document once completed.

Corrective Action Plan:

Correct form and submit to Clerk & Comptroller. Keep Change Control Form available in shared drive and review quarterly.

Target Completion Date:

Updated Control Form to be submitted by Friday, April 28, 2017.

References

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