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

January 31, 2018

The Honorable Mike Wells, 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 Wells and Members of the Board:

Enclosed is Audit Report No. 2018-01-A, the first unannounced audit of the County's petty cash and change funds scheduled for fiscal year 2018. The objective of the audit was to verify the cash funds existed, and were properly secured and accounted for. The 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 remainder of the fiscal year.

Based on the results of the completed audit, the IG team concluded that the change funds existed, reconciled to the cashiering supporting documentation, and were properly secured at the time of the unannounced audits. However, there was one compliance observation identified as follows:

1. Control forms on file did not always reflect the correct information. As a result, the department was not in compliance with Administrative Directive #53.

The observation was discussed with management and corrective action was taken to address the issue during the course of the audit. 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 the report.

Sincerely,

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

PSO/sd

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

Pasco County Board of County Commissioners

Petty Cash and Change Fund Audit

February 20, 2018



Department of Inspector General

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Report No. 2018-01-A1

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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). The remaining cash funds were scheduled for unannounced audits to take place during the remainder of the 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 distributed to the requesting departments. Each change fund was assigned to a custodian, who signed a control form accepting 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)
Central Permitting	Dade City	2
Library Services	Hugh Embry Library	2
Library Services	New River Library	2
Parks, Recreation, & Natural Resources	James Irvin Civic Center	1
Parks, Recreation, & Natural Resources	Withlacoochee River Park	1
Utilities - Solid Waste	Dade City	2
Utilities Customer Service	Dade City	<u>3</u>
Total		<u>13</u>

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 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 the 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 11/29/2017, 11/30/2017, and 12/01/2017.

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:

- Fair and Accurate Credit Transactions Act 2003 (FACTA)
- 2017 Florida Statute, Chapter 832, Section 832.07(2) – Prima facie evidence of intent; identity
- 2017 Florida Statute, Chapter 212, Section 212.08 – Tax on Sales, Use, and Other Transactions
- 2017 Florida Statute, Chapter 832, Section 832.075 – Violations Involving Checks and Drafts
- 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

Conclusion

The Department of Inspector General (IG) concluded that the change funds existed, reconciled to the cashiering supporting documentation, and were properly secured at the time of the unannounced audits. However, there was a compliance issue noted during the audit regarding the accountability over the change funds. This area 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. According to management, the corrective action to address the issue was implemented before this report was finalized.

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
Observations (Compliance):		
1.	Control forms on file did not always reflect the correct information. As a result, the department was not in compliance with Administrative Directive #53.	5

Audit Comments & Recommendations

Observations (Compliance): 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.

1. Control forms on file for Central Permitting did not always reflect the correct information. As a result, the department was not in compliance with Administrative Directive #53.

- The department head (director/building official) was incorrect.
- The mailing address for reimbursement checks was not included.
- A notation at the bottom of each control form stating the funds were subject to periodic, unannounced audits by the Office of the Clerk of the Circuit Court was not included.

Management Response: We have addressed the issue and updated Control Form.

Corrective Action Plan: Form will be updated every 6 months per Administrative Directive 53. Updated Control Form will be sent to the Clerk’s Financial Office.

Target Implementation Date: January 2nd, 2018.

References

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