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*Excellence...Always*

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

March 9, 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-B1, the second 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 39% 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 and reconciled to the cashing supporting documentation at the time of the unannounced audits. However, there were compliance and control issues noted during the audit related to the processing, accountability, and security of the change funds. Those issues were as follows:

*Compliance:*

1. At a Central Permitting location, a check was not endorsed.
2. Control forms on file for the South Holiday Library did not always reflect the correct information.
3. At the Utilities Customer Service Office, a check was not processed or endorsed.
4. Control forms on file for Utilities Customer Service did not always reflect the correct information.

*Control:*

5. The IG team could not verify one (1) change fund at a Utilities Customer Service location.

All comments were 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.



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Pasco County Board of County Commissioners

March 9, 2018

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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

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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**

March 27, 2017



**Department of Inspector General**

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

Sarah Denney  
Auditor I

Josseibel Vázquez-González, MACC, CFE  
Auditor II

Report No. 2018-01-B1

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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 39% 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                     | Land O' Lakes                       | 3                        |
| Library Services                       | Centennial Park Library             | 2                        |
| Library Services                       | South Holiday Library               | 2                        |
| Parks, Recreation, & Natural Resources | J. Ben Harrill Recreational Complex | 1                        |
| Parks, Recreation, & Natural Resources | Land O' Lakes Community Park        | 1                        |
| Utilities - Solid Waste                | Spring Hill                         | 4                        |
| Animal Services                        | Land O' Lakes                       | 2                        |
| Utilities Customer Service             | New Port Richey                     | 12                       |
| <b>Total</b>                           |                                     | <b><u>27</u></b>         |

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.

## Objectives

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.
- Determine if Change Fund/Petty Cash Fund control forms were up to date with correct information, and filed with Financial Services.

## 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 01/25/2018, 01/26/2018, and 01/30/2018.

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 and reconciled to the cashiering supporting documentation at the time of the unannounced audits. However, there were compliance and control issues noted during the audit related to the processing, accountability, and security of the change 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. According to management, some corrective actions to address the issues were 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 |
|-------------------------------------|--|----------------|
| <b>Audit Comments (Compliance):</b> |  |                |
| 1.                                  | At a Central Permitting location, a check was not endorsed.                                | 5              |
| 2.                                  | Control forms on file did not always reflect the correct information.                      | 5              |
| 3.                                  | At the Utilities Customer Service office, a check was not processed or endorsed.           | 6              |
| 4.                                  | Control forms on file did not always reflect the correct information.                      | 6              |
| <b>Audit Comments (Control):</b>    |  |                |
| 5.                                  | The IG team could not verify one (1) change fund at a Utilities Customer Service location. | 7              |

**Audit Comments & Recommendations**

**Audit Comments (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. **At the Central Permitting office in Land O’ Lakes, a check was not endorsed.**
  - One cashier maintained a check that was not endorsed inside their locked change bag.

**Management Response:** *On February 2<sup>nd</sup>, 2018 a large amount of impact checks were dropped off at the Land O Lakes Office. The Permit Technician was inputting the checks in between customers. That was the last check remaining to be processed.*

**Corrective Action Plan:** *Permit Technician has been instructed to have all checks applied and endorsed prior to putting into money bag per directive #25.*

**Target Implementation Date:** *This was corrected and implemented immediately.*

2. **Control forms on file did not always reflect the correct information.**
  - The check payee on all South Holiday Library control forms reflected a former employee.

**Management Response:** *The Department's practice is to update and record Control Forms at the time of personnel changes. In this instance, the Department reassigned the Check Payee based upon the planned employment separation of the former designee. While identification of the newly assigned party was made and forms circulated to applicable Department personnel, the Department did not copy Pasco Clerk Accounts Payable. The Department has remedied the release of these documents and also reviewed distribution protocol with Department personnel to avoid future transmission delays.*

**Corrective Action Plan:** *Updated and current Control Forms have been provided to Accounts Payable via email at [accts.payable@pascoclerk.com](mailto:accts.payable@pascoclerk.com) with originals transmitted via courier to the attention of Pasco Clerk Accounts Payable at 38053 Live Oak Avenue, Dade City, Florida.*

**Target Implementation Date:** *Email distributed 2/5/2018; Documents released to Courier 2/5/2018.*

**3. At the Utilities Customer Service office in New Port Richey, a check was not processed or endorsed.**

- On 01/25/2018, the IG team observed a check maintained inside a locked safe that was not processed or endorsed. The check in the amount of \$237.00 and was received 01/17/2018.
- This was a recurring issue. The same office maintained unprocessed checks in their safe during the 2017-01-D Unannounced Cash Count audit.

**Management Response:** *Upon receipt of this Pasco Clerk & Comptroller Department of Inspector General Fieldwork Audit Comment Inquiry paperwork a meeting was held among the Customer Service Manager, Administrative Services Manager and the Customer Service Supervisor, who is in charge of the Utilities CI&S front counter locations. The requirement to adhere to the policy was reiterated the Customer Service Supervisor. Because this was a second offense it will result in a documented Warning being placed in the Customer Service Supervisors (CSS) file.*

**Corrective Action Plan:** *The policies regulating the exception have not changed from the response on 2017-01-D. Spot audits will continue quarterly or sooner and will be conducted by a member of the Management Team or the Administrative Services Manager. These spot audits will be documented going forward.*

**Target Implementation Date:** *Communicated with Team Members verbally, and in writing, of the Department's policy on 02/16/2018. Additionally, the Cash Handling Policy is currently under complete review and the final document will shared with Team Members.*

**4. Control forms on file did not always reflect the correct information.**

- The location of the fund on all New Port Richey Utilities Customer Service was incorrect. The Utilities Customer Service office was not in the West Pasco Government Center.

**Management Response:** *We were instructed to list the West Pasco Government Center (Complex) as our address during our renovation (causing two different locations to house Utilities Customer Service). When we moved back to our remodeled location the address should have been corrected, but the form was not revised.*

**Corrective Action Plan:** *Update and submit corrected forms. This should not be an issue going forward as we are back in our permanent location.*

**Target Implementation Date:** *Completed 2/16/2018.*

**Audit Comments (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.

5. The IG team could not verify one (1) change fund at the New Port Richey Utilities Customer Service location.
- On 01/25/2018, the auditors were unable to count and verify one (1) change fund. The auditors left and returned on 01/30/2018 to count and verify the change fund.

**Management Response:** *When a change fund is active and in the sole possession of a CSS II (during the business day) the Supervisor should not have sole access – this conflicts with maintaining dual access standards. The onsite Supervisor (and/or his/her designee) should only receive the keys under dual control to access the change fund.*

**Corrective Action Plan:** *A dual control key box (key box with two different locks) has been purchased for the NPR office. Keys will be distributed so that it will require two Team Members to access this box. The Supervisor and his/her designee will receive the key to one lock and several of the CSS IIs will receive a key to the other lock. This process will allow the Change funds to stay secure and also accessible by dual control.*

**Target Implementation Date:** *Key Box was delivered 02/16/2018. Work order generated for Facilities to handle installation. Keys will be logged and assigned once box is permanently installed. Completion date should be prior to 02/23/2018.*

## **References**

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