



Mailing Addresses:

Dade City:
38053 Live Oak Avenue
Dade City, FL 33523-3894

New Port Richey:
P.O. Box 338
New Port Richey, FL 34656-0338

Office Locations:

Robert D. Sumner Judicial Center
38053 Live Oak Avenue, Suite 205
Dade City, FL 33523-3894

West Pasco Judicial Center
7530 Little Road, Suite 106
New Port Richey, FL 34654

East Pasco Government Center
14236 Sixth Street, Suite 201
Dade City, FL 33523

West Pasco Government Center
8731 Citizens Drive, Suite 220
New Port Richey, FL 34654

East Pasco Records Center
38319 McDonald Street
Dade City, FL 33525

West Pasco Records Center
Jack Albert Records Retention Center
8901 Government Drive
New Port Richey, FL 34654

Phone: (727) 847-8199

Fax: (727) 847-8121

www.pascoclerk.com

poneil@pascoclerk.com

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

February 8, 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-B2, 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 existed, reconciled to the cashing supporting documentation and were properly secured at time of the unannounced audits. However, one audit comment was identified.

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

The results of the audit were as follows:

Compliance:

1. Control forms were not always updated in accordance with policies and procedures. As a result, the control forms were not accurate, and account balances in the general ledger were incorrect.

We appreciate the cooperation and professional courtesy received from the County departments during this audit, and commend the Central Permitting Office in New Port Richey for implementing new procedures for securing and safeguarding the cash drawers.

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
February 8, 2017
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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 21, 2017



Department of Inspector General

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

Erika Hendricks, CIA, CIGA, CFE, Senior Auditor

Report No. 2017-01-B2

Department of Inspector General
P.O. Box 724
Dade City, FL 33523-3894
www.pascoclerk.com

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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 |
|---|-------------------------------------|---------------------------------|
| Building Construction Services | Central Permitting- New Port Richey | 12 |
| Library Services | Regency Park Branch | 2 |
| Utilities Administration & Support Services | Environmental Lab | 1 |
| Total | | 15 |

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 exceptions and discrepancies. Audit fieldwork was conducted on 12/7/2016.

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 cashiering supporting documentation, and were properly secured at time of the unannounced audits. However, the information reflected on the control forms and in the accounting system was not always accurate.

All comments, and recommendations were discussed with management, and their responses were included in this report.

The Department of Inspector General thanks the various County departments for their professionalism and cooperation during this audit, and commends the Central Permitting Office in New Port Richey for implementing new procedures for securing and safeguarding the cash drawers. Each cashier was provided the key to his or her locked money bag, and a key bracelet. The key to the money bag and desk drawer were maintained on the bracelet, and worn by the cashier to prevent unauthorized access.

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

| No. | Description | Page Reference |
|------------------------------|--|----------------|
| Comments (compliance) | | |
| 1. | Control forms were not always updated in accordance with policies and procedures. As a result, the control forms were not accurate, and account balances in the general ledger were incorrect. | 5 |

Audit Comments & Recommendations

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

1. **Control forms were not always updated in accordance with policies and procedures. As a result, the control forms were not accurate, and account balances in the general ledger were incorrect.**

According to Administrative Directive #53, control forms on file in Accounts Payable were required to be kept current and were the responsibility of the immediate supervisor of the fund custodian. The following was noted:

- The change fund amount listed on the control form (\$520) for Central Permitting- New Port Richey did not agree to the amount verified during the cash counts (\$571).
- The account numbers reflected on the control forms (#B104) for Central Permitting- Dade City and Land O' Lakes did not agree to the general ledger (#B102/2102).
- Management was notified of these issues during prior audits, and did not update the control forms as of the end of fieldwork (12/15/16).

Management Response:

The variance noted in the change fund was the result of the following:

There was an additional \$1.00 which was included in the change bag. Per the auditors direction, the \$1.00 was deposited into the bank on 12/7/2016 and memo CP17-013 was submitted to Finance.

The additional \$50.00 noted in the New Port Richey office was due to the relocation of a Permitting Technician. This Central Permitting employee was previously located in Dade City and moved to New Port Richey in between the cash audits for the offices.

Corrective Action Plan:

Central Permitting will continue to audit the change bag daily and after each use to ensure its contents contain the exact amount noted for the bag.

Central Permitting will update the CHANGE FUND CONTROL FORM immediately and in the future when the office totals deviate.

Target Completion Date:

The additional \$1.00 was deposited in the bank on 12/7/2016.

By December 23, 2016 the updated CHANGE FUND CONTROL FORM should be on file with the Clerk's Accounts Payable department.

References

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