



Office of Nikki Alvarez-Sowles, Esq. Pasco County Clerk & Comptroller

January 17, 2020

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, FL 34654

Dear Chairman Moore and Members of the Board:

Enclosed is Audit Report No. 2020-01. The Department of Inspector General (IG) conducted an unannounced audit of change funds issued by Pasco County Board of County Commissioners. The overall objective of this audit was to verify the change funds existed, were properly secured and accounted for, and that the corresponding control forms were up to date. The audit was limited in scope, and included change funds issued to Development Services Branch. The remaining change funds were scheduled for unannounced audits to take place during the remainder of the fiscal year.

The IG concluded that change funds existed and reconciled to supporting documentation, were properly secured, and accounted for in the general ledger. There were no significant findings as a result of this audit. However, some minor issues and recommendations were discussed with Development Services management and have been addressed.

We appreciate the cooperation and professional courtesy received from County staff 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 this report.

Sincerely,

Nikki Alvarez-Sowles, Esq.
Clerk & Comptroller

NAS/pmm

Office of Nikki Alvarez-Sowles, Esq.

Clerk & Comptroller

Pasco County, Florida

Board of County Commissioners Change Fund Audit

February 18, 2020



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Report No. 2020-01

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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 change funds issued to the Central Permitting Department.

As a key aspect of internal controls, which are preventive and detective in nature, independent, surprise audits of cash drawers are considered a best practice for mitigating fraud. According to the Association of Certified Fraud Examiners' 2018 Report to the Nations on Occupational Fraud and Abuse, the presence of certain controls were associated with smaller losses and quicker fraud detection. The bi-annual study revealed that agencies that conducted surprise audits discovered fraud in half the time, and loss due to fraud was 51% less than agencies that did not conduct surprise audits (Report to the Nations on Occupational Fraud and Abuse, 2018, pages 28-29).

Change funds and petty cash funds were issued to various departments throughout Pasco County (the County). Each petty cash and change fund was assigned to a custodian, who signed a control form accepting responsibility and accountability for the funds issued to them. 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.

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

According to the control forms on file at the time of this audit, Central Permitting had three change funds that were divided into 16 cash drawers. The change funds were assigned to the Building Construction Services Director. The Building Construction Services Director was responsible for these funds. For security purposes, dollar amounts were excluded from the final report.

Objectives

The audit objectives were to:

- Determine that change funds existed and cash receipts in the cash drawer were present and in agreement with the supporting records and documents.
- Determine that change funds were properly secured at time of the unannounced audit.
- Determine that established change funds were accounted for properly in the general ledger.
- Determine that control forms were up-to-date with correct information and filed with Financial Services.

Scope and Methodology

The IG 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 discrepancies.

This audit included departments under the Development Services Branch with change funds. There were three change funds issued to the Central Permitting Department. These change funds were divided into 16 cash drawers. Unannounced cash counts were conducted on 11/14/2019 and 11/15/2019.

Although the IG 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 employee abuse was the responsibility of management. The audit procedures alone, even when carried out with professional care, could not guarantee that fraud, waste, or abuse would 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.

The IG planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the conclusion based on the audit objectives. The evidence and documentation obtained during the audit process provided this reasonable basis.

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

- Performed unannounced cash counts for change funds selected, and balanced each drawer to the cash receipts or daily collections.
- Obtained and verified that the control forms on file in the Clerk & Comptroller's Department of Financial Services accurately reflected the change fund amount.
- Verified the total change fund amount on the control forms agreed to the fund totals in the accounting system.
- Identified opportunities for improvement.

Statutory and Pasco County Guidelines

To conduct this audit, the IG relied on the following authoritative guidelines to serve as criteria:

- Section 832.075, Florida Statutes - Violations Involving Checks and Drafts
- Administrative Directive #40, dated 1/27/1992- Petty cash/ Change Fund/ Personal Check Procedure

- Administrative Directive #45, dated 11/17/1994- Petty Cash and Change Fund Internal Audit
- Administrative Directive #53, dated 11/21/1997- Petty Cash and Change Funds
- Administrative Directive #25, revised 3/2/2009- Policy Concerning Deposit of Funds
- Board Check Acceptance Policy, revised August, 2008
- Petty Cash-Change Fund Procedures, dated 8/5/1991
- Accela End of Day Closing, dated 4/8/2019

Conclusion

The Department of Inspector General concluded that change funds existed and reconciled to the supporting documentation at time of the unannounced audits. The change funds were properly secured and accounted for in the general ledger. In addition, the control forms were up-to-date with correct information and filed with Financial Services. There were no significant findings as a result this audit. However, some minor issues and recommendations were discussed with Development Services management and have been addressed.

The cooperation and responsiveness the Inspector General team received on the part of Development Services during this audit was greatly appreciated.

References

Association of Certified Fraud Examiners: *2018 Report to the Nations on Occupational Fraud and Abuse*.