



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

May 5, 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. 2020-03. The Department of Inspector General (IG) conducted an unannounced audit of change funds issued by Pasco County Board of County Commissioners. The objective 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 the Public Services Branch.

The IG concluded that the change and petty cash funds existed and all control forms were up-to-date with correct information. The audit disclosed issues related to policies, procedures, and practices that required improvement.

Based on the results of the completed audit, five opportunities for improvement were identified. All improvement opportunities and recommendations were brought to management's attention, and their verbatim responses were included in this report. Recommendations were provided to management to improve the control environment. Many issues identified were addressed by management prior to the execution of the final report. The results of the audit were as follows:

Compliance:

1. Checks at Animal Services were not processed as described in Administrative Directive #25.
2. Change funds were not secured as described in Administrative Directive #45.

Control:

3. An overage identified during the audit was not reported as described with Administrative Directive #45.
4. The petty cash fund was not reimbursed.

Observation:

5. A credit card receipt was not signed in compliance with an existing standard operating procedure.

We appreciate the cooperation, professional courtesy, and responsiveness received from management 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/s

Office of Nikki Alvarez-Sowles, Esq.

Clerk & Comptroller

Pasco County, Florida

Board of County Commissioners Change and Petty Cash Fund Audit

June 2, 2020



Department of Inspector General

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

Sarah Denney, MBA, CIGA
Auditor I

Erika Hendricks, CIA, CIGA, CFE
Auditor III

Tiffani Colbert
Auditor I

Report No. 2020-03

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

Table of Contents

Executive Summary	3
Background Information	3
Objectives	3
Scope and Methodology	4
Statutory and Pasco County Guidelines	5
Conclusion	5
Audit Comments & Recommendations.....	6
Compliance.....	6
Control.....	8
Observation	10
References	12

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 and petty cash funds authorized by the Board of County Commissioners (BCC). This audit included funds issued to departments within the Public Services Branch.

Independent, surprise audits of cash drawers is a key internal control that is preventative, as well as detective in nature. These surprise audits are considered a best practice for mitigating fraud. According to the Association of Certified Fraud Examiners' 2018 Report to the Nations on Occupational Fraud, Waste, and Abuse, the presence of certain controls was associated with smaller losses and quicker fraud detection. The bi-annual study revealed agencies that conducted surprise audits discovered fraud in half of the time and the loss was 51% less (Report to Nations on Occupational Fraud and Abuse, 2018, pages 28-29).

Change 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 fund issued to them. These control forms stated that the funds were subject to periodic, unannounced audits by the Clerk & Comptroller's Office.

Libraries, Animal Services, and Parks and Recreation locations with change funds collected monies for different types of fees and services. Destination Management and Organization utilized a petty cash fund to tip companies the department hired for tours and other services. Each department was responsible for reconciling the monies and receipts, preparing cash reports, depositing monies collected, reporting activity to Financial Services, and requesting reimbursements as necessary.

According to the control forms on file at the time of this audit, the Public Services Branch was responsible for 23 change funds and one petty cash fund. Prior to the initiation of this audit, six change funds were returned because two libraries (Centennial Park Branch Library and New River Branch Library) were closed for remodel. For security purposes, dollar amounts were excluded from the final report.

Objectives

The audit objectives were to:

- Determine if cash funds existed and cash receipts in the cash drawer were present and in agreement with the supporting records and documents.
- Determine if cash funds were properly secured at time of the unannounced audit.
- Determine if established cash funds were accounted for properly 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.
- Determine that internal controls over the newly issued Destination Management Organization petty cash fund were in place and achieving their purpose.

Scope and Methodology

The IG conducted a limited scope audit. This audit was not a comprehensive evaluation of internal controls over cash handling or a 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 Public Services Branch with change and petty cash funds. There were 23 change funds and one petty cash fund issued to Public Service Branch departments. Of the 24 funds, five change funds (library coin machines) were not included in the scope of this audit. Unannounced cash counts were conducted on January 29, 2020 and January 30, 2020.

The number of drawers verified for each department was summarized below:

Division	# of Drawers
Animal Services	2
Libraries	10
Parks and Recreation	6
Destination Management Organization	1
Total	19

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 due 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 and petty cash funds, 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.
- Reviewed the Destination Management Organization's policies and procedures related to the newly established petty cash fund.
- 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 #25, revised March 2,2009- Policy Concerning Deposit of Funds
- Administrative Directive #40, dated January 27, 1992- Petty cash/ Change Fund/ Personal Check Procedure
- Administrative Directive #45, dated November 17, 1994- Petty Cash and Change Fund Internal Audit
- Administrative Directive #53, dated November 21,1997- Petty Cash and Change Funds
- Board Check Acceptance Policy, revised August, 2008
- Petty Cash-Change Fund Procedures, dated August 5, 1991
- Libraries Electronic Payment Procedures (December, 2015)

Conclusion

The Department of Inspector General concluded that the change and petty cash funds verified existed and reconciled to the supporting documentation. Additionally, the change funds were properly accounted for in the general ledger and all control forms were up-to-date with correct information and filed with Financial Services. However, the audit disclosed instances of noncompliance and some policies, procedures, and practices that could be improved.

The recommendations made in this report were offered to strengthen the control environment. The opportunities for improvement and recommendations in this report were discussed with management, and their verbatim responses were included in this report. The IG thanks the Public Services' departments for their professionalism and corporation during this audit.

Based on the documentation reviewed and audit procedures performed, the IG identified five opportunities for improvement:

No.	Description	Page Reference
Compliance:		
1.	Checks at Animal Services were not processed as described in Administrative Directive #25.	6
2.	Change funds were not secured as described in Administrative Directive #45.	7
Control:		
3.	An overage identified during the audit was not reported as described with the Administrative Directive.	8
4.	The petty cash fund was not reimbursed.	9
Observation:		
5.	A credit card receipt was not signed in compliance with an existing standard operating procedure	10

Audit Comments & Recommendations

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

1. Checks at Animal Services were not processed as described in Administrative Directive #25.

On January 30, 2020, at the Animal Services Administration Building, 14 receipted checks were not endorsed in accordance with Administrative Directive #25. This directive required all checks to be immediately endorsed for “deposit only,” depicting the Board of County Commissioners and the bank account the check will be deposited.

Management Response:

Pasco County Animal Services (PCAS) takes seriously all issues with money handling and will work swiftly to ensure the above-mentioned error/issue is corrected. In the PCAS ‘Internal Controls Money Handling Procedure’ SOP, it states the following under Section 1.2 (Checks/Money Orders):

“Checks and money orders are to be endorsed immediately. Stamp endorsements are located in the pullout drawer behind the adoption counter. All checks are to be stamped with “Pay to the Order of Pasco County BOCC” regardless of what has been written on the check. All checks taken over the counter are to have legal photo identification information written onto the back by the staff member accepting them. In the Adoption Center, the stamp with the required additional information prompts is in the second drawer in the center of the adoption counter. In the Administration Building, the stamp with the required information is present on the desk of staff.

In the event a customer fails/refuses to provide photo identification for this purpose, the check cannot be accepted.”

Corrective Action Plan:

Pasco County Animal Services leadership and specifically the Shelter Supervisor, Field Services Supervisor and Pet Services Supervisor will work together to ensure all team members handling money receive this information and have access to additional training and coaching on money handling procedures. The Internal Control Money Handling Procedure has been recently updated by the Shelter Supervisor and this document is readily accessible for all team members.

Additionally, PCAS will implement quarterly money handling trainings for all team members who handle cash, checks, etc. These will be administered by the members of the leadership team.

And finally, a series of random internal audits by division supervisors will be implemented to ensure accuracy in cash handling at all times. This includes endorsement of checks.

Target Implementation Date:

Internal Controls Money Handling Policy was again distributed to all PCAS team members (not only those handling cash) on 2/25/2020.

Quarterly money handling trainings by the Customer Services Specialist III (Licensing) will begin in April of 2020.

Random internal audits from division supervisors will begin immediately and continue indefinitely.

2. Change funds were not secured as described in Administrative Directive #45.

On January 30, 2020, the change fund issued to J. Ben Harrill Recreation Complex was maintained in an unlocked cash box. The cash box was maintained in an unlocked file cabinet that was located in a back office. The back office was also unlocked at the time of the audit.

According to Administrative Directive #45, security safes were not to be left unlocked at any time. Authorized personnel must remember to open a safe, remove only those materials needed, and close and lock the safe immediately before leaving the area.

Management Response:

The filing cabinet and/or safe will always remain locked as per the Parks, Recreation, and Natural Resources Change Fund Policy and Administrative Directive #45. Disciplinary action will be taken on the employee.

Corrective Action Plan:

Staff member will have Cash Handling Procedure Training on Thursday, March 12, 2020.

Target Implementation Date:

Effective immediately.

Control: Listed below are comments that represent opportunities to strengthen the internal controls. For each comment, a recommendation has been included.

3. An overage identified during the audit was not reported as described with the Administrative Directive.

At the time of the audit (January 30, 2020), one cash drawer was over by \$0.10. This drawer was recounted due to the overage identified. The branch manager was present during the unannounced cash count and was in agreement that the draw was over. The lead auditor and the branch manager both signed the count sheet attesting to the drawer's balance that reflected the overage.

However, the South Holiday Library did not report the overage in accordance with the departmental standard operating procedures or Administrative Directive #45. The IG confirmed that this overage was not reflected on the "Library Services Cash Receipts Summary" that was prepared at the close of business and provided to General Ledger.

According to management, "the drawer was in balance at the start of and closing of the day" and that "an overage was not evident" at the end-of-day reconciliation. Although \$.10 is a small amount, all overages and shortages must be properly addressed. Having an overage/shortage during a certain time of day and not having an overage/shortage at the end of the day without justification as to how the overage/shortage was addressed is a concern.

This is a recurring concern that was documented during a prior year audit of South Holiday library (#2019-01), where management did not report a shortage that was documented during the audit.

Recommendation:

Update existing policies and procedures, and train staff to ensure that if, for any reason, an overage or shortage is discovered throughout the day, it is reported upon discovery. If an additional overage or shortage occurred throughout the remainder of that day, it would also be reported at the end of business that day, regardless if the separate occasion made the drawer balance on the end of day reconciliation.

Management Response:

Libraries Branch reporting of overage or shortage information at time of reconciliation was inconsistent with the provided guidance of Administrative Directive #45 dated November 1994. Libraries departmental policy on Money and Banking lacks clarity on immediate reporting, meaning that multiple overages and shortages occurring on the same date may result in a reporting of no overage or shortage when items net to zero and the drawer balances at time of reconciliation. Libraries has reviewed the guidance associated with the County's Administrative Directive, the Department's Money and Banking Policy, and is prepared to amend the Department document and associated reporting forms to log overage and shortages discovered throughout the day.

Corrective Action Plan:

Libraries will update the Cash Receipts Summary Form to include an Over/Short Detail section in addition to the Over/Short summary lines. The Money and Banking Policy will also be

updated to include instruction on immediate reporting of over/short findings utilizing this section of the Cash Receipts Summary Form. Department Fiscal Staff will provide training that introduces this new requirement and reviews policies regarding cash handling and reporting to all branches, beginning with South Holiday. Training at the South Holiday Branch will include special sessions for the Circulation Supervisor and Branch Manager as well as front-line team members assigned cash handling duties. All parties will be required to acknowledge receipt of training. Fiscal Staff will continue to track Over/Short information daily, now utilizing the detail section rather than the summary lines noted above.

Target Implementation Date:

Libraries will update the Cash Receipts Summary Form and Money and Banking Policy prior to April 5, 2020. Training sessions will follow as soon as possible after this date with a target completion date of April 30, 2020.

4. The petty cash fund was not reimbursed.

On January 30, 2020, at the Destination Management Organization (DMO) office, there were two petty cash receipts dating back to July and August of 2019 (the prior fiscal year) that required reimbursement. The amount of these two receipts totaled \$280.00.

The minimum balance of the fund required by the policies and procedures (\$200.00) was too low. Additionally, the policy did not provide a time period in which reimbursements were required to be requested. Since the fund was not replenished, petty cash receipts were not recorded in the accounting system in the proper fiscal year. As of 04/15/2020, DMO had not submitted a reimbursement request for the receipts dated July and August 2019.

Recommendation:

Create and implement a policy over the petty cash fund that require the petty cash fund to be replenished once it reaches \$300.00 or the receipts reach 30 days old – whichever occurs first.

Reassess the petty cash fund amount to determine if the current amount assigned (\$500) is still appropriate and necessary.

Management Response:

The DMO will update the current DMO Petty Cash Procedures to incorporate the Audit Recommendation to replenish the DMO Petty Cash fund once the balance in the fund depletes to \$300.00 or the outstanding receipts reach thirty (30) days old.

The DMO will analyze and reassess the Petty Cash Fund current amount of \$500.00 to determine if the amount assigned is still appropriate and necessary per Audit Recommendations.

Corrective Action Plan:

Updates to the DMO Petty Cash Procedures will be completed and submitted to both Public Services Fiscal Services and the Pasco Clerk & Comptroller Department of Inspector General Department of Audit by April 1, 2020.

The DMO will meet with Public Services Fiscal Services prior to the end of FY2019/2020 (September 30, 2020) to review the DMO Petty Cash Fund Amount assigned of \$500.00 to determine if the amount is still appropriate and necessary.

Target Implementation Date:

May 1, 2020 is the target date for implementation of the Audit recommendation of replenishing the Petty Cash Fund once the balance is depleted to a \$300.00 balance or the outstanding receipts reach thirty (30) days old, assuming the updates to the procedures are approved by both Public Services Fiscal Services and the Department of Inspector General.

The DMO will make any necessary change to the current amount assigned to the Petty Cash Fund (\$500.00) as recommended by Pasco Clerk & Comptroller Department of Inspector General Department by October 1, 2020.

Observation: Listed below are items observed during the audit that were outside the scope of the audit, but were worthy of being brought to the attention of management.

5. A credit card receipt was not signed in compliance with an existing standard operating procedure.

On January 29, 2020 at the Land O' Lakes Library, an unsigned credit card receipt, in the amount of \$22.75, from the 10th of January was maintained in the safe.

According to the branch manager at the time of the audit, this had not yet been reported to management and staff was unaware of any policies or procedures for how to handle such an occurrence. The branch manager stated that they were attempting to contact the cardholder to remedy the situation.

According to the Director of Grants & Fiscal Services, the credit card charge was included in a deposit submitted to Financial Services for processing. In addition, contact has been attempted via the telephone, and a note has been added to the customer's account in an effort to address the unsigned receipt.

Recommendation:

Although compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, the IG recommends the following:

- Continue to attempt to obtain signature from the customer.
- Revise the existing standard operating procedure to provide guidance for what action(s) to take in an unforeseen circumstance in which a receipt was not signed.

Management Response:

Signature requirements for credit card processing are outlined in Libraries Electronic Payment Procedures (rev. December 2015). Specifically, Electronic Payment Acceptance and Processing, Credit Card Processing, item no. 8, instructs cashier when to present receipt for signature and verification. Further, this procedure also addresses storage of electronic

payment paperwork under Financial Paperwork Processing Procedure, page 3. Libraries Fiscal Services was made aware of the compliance issue by Branch Manager on the date of audit and instruction was provided to review and follow the Electronic Payment Procedure as outlined.

Corrective Action Plan:

The Electronic Payment Procedure will be revised to include guidance for handling unforeseen circumstances. Fiscal Services will review the updated procedure with the location Branch Manager and Regional Branch Managers for all locations to address the update. Branch Management did review the current procedure and events with the branch Circulation Supervisor as well as the staff member that did not collect the signature.

Target Implementation Date:

January 29, 2020 - April 30, 2020

References

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