



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

May 20, 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. 2020-04. 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 the Public Infrastructure Branch.

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.

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.

With appreciation,

Nikki Alvarez-Sowles, Esq.
Clerk & Comptroller

NAS/tc

Office of Nikki Alvarez-Sowles, Esq.

Clerk & Comptroller

Pasco County, Florida

Board of County Commissioners Change Fund Audit

June 16, 2020



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Report No. 2020-04

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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 departments within the Public Infrastructure 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 funds were issued to various departments throughout Pasco County (the County). Each 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.

Utilities Customer Service, Utilities Environmental Lab, Utilities Scalehouse and Landfill, and the Utilities East Pasco Transfer Station locations with change funds collected monies for different types of fees and services. Each department was responsible for reconciling the monies and receipts, preparing cash reports, depositing monies collected and reporting activity to Financial Services.

According to the control forms on file at the time of this audit, the Public Infrastructure Branch had 23 change funds that were divided into 27 change drawers. For security purposes, dollar amounts were excluded from the final report.

Objectives

The audit objectives were to:

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

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 Infrastructure Branch with change funds. There were 23 change funds divided into 27 change drawers issued to Public Infrastructure Branch departments. Unannounced cash counts were conducted on March 10, 2020 and March 11, 2020.

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

| Division | # of Drawers |
|---|---------------------|
| Utilities - East Pasco Transfer Station | 2 |
| Utilities - Landfill | 3 |
| Utilities - Scalehouse | 2 |
| Utilities- Environmental Lab | 1 |
| Utilities Customer Service - DC | 3 |
| Utilities Customer Service - LOL | 7 |
| Utilities Customer Service - NPR | 9 |
| | 27 |

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, and when applicable, updated flowcharts of policies and procedures related to each department's cash handling policies.
- 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

Conclusion

The Department of Inspector General concluded that the change verified 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. Additionally, the control forms were up-to-date with correct information and filed with Financial Services. There were no findings as a result of this audit.

The IG thanks the Public Infrastructure departments for their professionalism and corporation during this audit.

References

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