



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

BCC Unannounced Cash Counts
Report No. 2022-03

Department of
Inspector General
12/13/2022

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

December 13, 2022

Michael Carballa
County Administrator
8731 Citizens Drive
New Port Richey, FL 34654

Dear Mr. Carballa,

Enclosed is Audit Report No. 2022-03, BCC Unannounced Cash Counts. The Clerk & Comptroller's Department of Inspector General (IG) conducted an unannounced audit of change funds authorized by the Pasco County Board of County Commissioners. The overall objectives of the audit were to determine whether change funds were present in the correct amount, properly secured, and properly accounted for.

The IG identified two opportunities for improvement and provided recommendations in the report. We appreciate the cooperation, professional courtesy, and responsiveness received from management during this audit. Please let me know if you wish to discuss the information provided in this report.

Respectfully submitted on behalf of Patrice Monaco-McBride, Inspector General/Chief Audit Executive,

Christine Calianno, CFE, CGAP
Inspector General Manager

Cc: Nikki Alvarez-Sowles, Pasco County Clerk & Comptroller
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EXECUTIVE SUMMARY

Background Information

As part of the Department of Inspector General (IG) 2022 Annual Audit Plan, the IG conducted an unannounced audit of a sample of change funds authorized by the Pasco County Board of County Commissioners (BCC). Change funds were established for the purpose of making change where money is collected during transactions of County business. This audit included change funds issued to various departments within the BCC Public Services Branch. Each change fund was assigned to a custodian who signed a control form to accept responsibility and accountability for the fund issued to them. The control form stated that the funds were subject to periodic, unannounced audits by the Clerk & Comptroller's Office.

Independent, surprise audits of cash funds are a key internal control that is preventative, as well as detective in nature. Surprise audits are considered a best practice for deterring and mitigating fraud. According to the Association of Certified Fraud Examiners' *Occupational Fraud 2022: A Report to the Nations*, the presence of certain controls was associated with smaller losses and quicker fraud detection. The study revealed that surprise audits reduced both the median losses and duration of fraud by at least 50% (*Occupational Fraud 2022: A Report to the Nations*, page 35).

Objectives

The audit objectives were to:

- Determine if change funds existed in the correct amount and cash receipts were present and in agreement with supporting documentation.
- Determine if change funds were properly secured.
- Determine if change funds were properly accounted for in the general ledger.
- Determine if change fund control forms were up-to-date and filed with the Clerk & Comptroller's Finance Department (Finance).
- Determine if safes were properly secured.

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 BCC cash handling policies and procedures. The primary focus of this audit was to verify the existence of change funds by performing an unannounced count of monies in each drawer or bag and note any discrepancies.

Testing was limited to change funds that were newly established, recently reopened, or had concerns identified in previous surprise counts. The test sample included 11 change funds which were distributed to a total of 19 secured drawers and bags. The funds were issued to various departments within the Public Services Branch. The IG conducted the cash counts

between June 10, 2022, and July 14, 2022. For security purposes, dollar amounts were excluded from the final report.

The distribution of change funds verified by the IG is summarized below:

Locations	Number of Drawers or Bags
New River Branch Library	1
Centennial Park Branch Library	1
Hudson Regional Library	1
Starkey Ranch Library	1
Wesley Chapel District Park	3
Dade City Armory	1
J. Ben Harrill Recreation Complex	4
SunWest Park	1
Veteran's Memorial Park	4
Veteran's Memorial Pool	1
Animal Services	1
Total	19

Although the IG exercised due professional care in the performance of this audit, this does not mean unreported noncompliance and/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 were 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.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and accordingly, included such tests of records and other auditing procedures as considered necessary in the circumstances. 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 audit procedures included, but were not limited to, the following:

- Performed unannounced cash counts and balanced each drawer or bag to the cash receipts or daily collections.
- Obtained control forms on file with Finance and verified they accurately reflected the change fund amount.
- Verified the total change fund amount on the control forms agreed with the fund totals in the accounting system.

- Limited to the scope of the audit, verified compliance with cash handling policies and procedures.
- Verified safes were properly secured and noted contents.

Statutory Requirements and Pasco County Guidelines

To conduct this audit, the IG relied on the following authoritative criteria:

- Section 832.07(2), Florida Statutes - *Prima facie evidence of intent; identity.*
- Section 832.075(1), Florida Statutes - *Requiring credit card information for check or draft acceptance prohibited.*
- Section 212.08(6)(a), Florida Statutes - *Sales, rental, use, consumption, distribution, and storage tax; specified exemptions.*
- Section 218.33(3), Florida Statutes – *Local governmental entities; establishment of uniform fiscal years and accounting practices and procedures.*
- Section 219.02, Florida Statutes – *Handling of public money.*
- BCC Policy Number 400-17, *Inbound Financial Transactions Policy*, dated 8/14/2021.

Conclusion

10 of 11 change funds were verified during the IG's unannounced audits. For those funds, cash was properly secured and accounted for. All cash receipts and transactional supporting documentation were present and correct. Control forms were up-to-date, and safes were properly secured.

One change fund was not present at its assigned location. During the IG's unannounced audit at the Wesley Chapel District Park on 6/17/2022, the IG observed an uncashed check (dated 5/3/2022) for the Dade City Armory's change fund in the park's safe. Management explained that the change fund was not in use because the Armory did not have proper connectivity to run the point-of-sale system for processing transactions. The change fund check was cashed on 6/22/2022, but a sufficient signal to run transactions at the Armory wasn't achieved until 8/17/2022. The IG observed and verified the change fund at the Armory on 9/8/2022.

The unannounced cash count at SunWest Park disclosed that the park's change fund was not needed for daily operations, and most employees were unaware of the existence of a change fund.

Recommendations made in this report were offered to strengthen the internal control environment. Opportunities for improvement and recommendations were discussed with management and their verbatim responses were included below.

The IG commends the Public Services Branch on their professionalism, cooperation, and responsiveness during this audit, and was pleased to note the following:

- The IG commends the Library Services department in particular, as the staff was passionate about contributing to the community through their libraries and the programs they offered.
- The finalization of the County’s cash handling policy #400-17 on 8/14/2021 was very beneficial for County staff with cash handling responsibilities, as it replaced outdated administrative directives.
- Findings from the previous cash count of the Public Services Branch (Audit report #2021-02), related to unsecured funds and incorrectly reported discrepancies, were not present during this audit.

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

No.	Description	Page Reference
Control:		
1.	A change fund was not present at its assigned location.	6
2.	A change fund was not needed for daily operations, and staff was unaware of the change fund.	7

OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDATIONS

Control Activities: Listed below were comments that represented opportunities to strengthen the internal controls. For each comment, a recommendation was included.

1. A change fund was not present at its assigned location.

A change fund was established on 4/8/2022 for the Dade City Armory (CF-75). On 6/17/2022, the IG observed a change fund check, dated 5/3/2022 in the safe at the Wesley Chapel District Park. According to the location’s superintendent, the check was for the new change fund for the Dade City Armory. The superintendent stated that transactions could not be processed at the Armory until Wi-Fi and a point-of-sale system were established. The superintendent also indicated that transactions for the Armory were being conducted at the James Irvin Civic Center nearby. The IG verified that the check was cashed on 6/22/2022 (50 days later) and attempted to observe the change fund at the Armory on 6/22/2022, 7/14/2022, and 8/9/2022. However, the change fund was not present at the Armory. The Recreation Leader II advised the IG that the change fund was still secured in the safe at the Wesley Chapel District Park because the point-of-sale system was still not working at the Armory.

Recommendation: Return the cash fund to the Clerk’s office until the Dade City Armory can conduct customer transactions.

Management Response: *The check was received by the Parks, Recreation, and Natural Resources, Department’s Administrative Office on 5/9/22. An email was sent by Arthur Greif, Accountant I, to Dennis Andrews on 5/10/22 alerting him the change fund check had been issued and is at the PRNR Admin Office in Land O’Lakes ready to be picked up. On 5/17/22,*

5/24/22, 6/2/22, and 6/9/22 subsequent attempts were made by Arthur Greif to have Dennis pick up the check. On 6/9/22 Dennis replied he was out of the office.

On 6/21/22 Dennis returned to work and attempted to cash the check at the Chase Bank located in Zephyrhills where they refused the transaction based on the fact Dennis was not a signer on the account. At that time, Dennis contacted Louise Anderson, Parks & Recreation Manager – Admin, to alert her of the situation. Louise Anderson then contacted the Clerk’s Office General Ledger Department to obtain some assistance on how to proceed. On 6/22/22 Dennis was able to cash the check at the Chase Bank located in Land O’Lakes.

Management was not aware the change fund was not in use. Since receiving ML1.1 the Department’s Assistant Director contacted IT to assist in trouble shooting the WiFi connectivity issues with the team’s MiFi unit. It was determined the signal from Verizon was not strong enough to run transactions at the Dade City Armory, but the signal from AT&T was sufficient. The County’s IT Department quickly deployed a MiFi unit powered by AT&T. On 8/16/22 the team confirmed receipt of the unit and on 8/17/22 the team confirmed the new MiFi has sufficient signal to conduct transactions at the Dade City Armory.

Corrective Action Plan: *Provided ample WiFi connectivity to the site to process daily transactions at the Dade City Armory location.*

Target Implementation Date: *Implementation occurred 8/17/22.*

Additional IG Comment:

The IG returned to the Armory on September 8, 2022 and verified the change fund was present, and for the correct amount.

2. A change fund was not needed for daily operations, and staff was unaware of the change fund.

Change fund CF-74 was established for the SunWest Park. However, employees were unaware that the location had a change fund. At the time of the audit, park staff contacted the Park Operator (via phone) to determine where the fund was secured. The Park Operator stated the cash fund was not used in daily operations and was only for large park events that required overflow parking. The change fund had only been used once since it was issued on 2/1/2022.

Recommendation: Return the cash fund to the Clerk’s office and set up pay stations for the overflow parking lot(s). If an upcoming event requires a cash fund, request a cash fund for the duration that it is needed.

Management Response: *The change fund will be returned to the Clerk’s Office per County Policy 400-17.*

The overflow parking lot is an open field and not properly developed to set up a pay station at this time.

The need for the change fund is typically in the winter and spring months when there are events at the park. Some vendors will require Parks, Recreation, and Natural Resources Department to collect the parking fees, and some do not. It is difficult for the Department to project when the change fund will be utilized until the event coordinator schedules the event. The timeframe to request a change fund for each event may not be ample with the Board of County

Commissioner's (BCC) agenda deadlines coming before an event may be scheduled. The Management Team has discussed taking an agenda item before the BCC to approve PRNR to re-establish a change fund on a case-by-case basis for specific events by Fiscal Year (FY). If the BCC approves, the approved Agenda Memo will be included with the change fund request to the Clerk's Office each time a change fund is needed throughout the FY.

Corrective Action Plan: *Return the change fund to the Clerk's Office and request approval from the BCC on an annual basis to re-establish a change fund each time an event is to take place at County Parks.*

Target Implementation Date: *August 26, 2022, to return the change fund to the Clerk's Office. November 1, 2022, to obtain BCC approval to re-establish the change fund on a case-by-case basis by FY.*

Additional IG Comment:

On December 5, 2022, the IG confirmed with a SunWest staff member via phone the change fund was no longer present at that location. The IG then ran a trial balance of the Board general fund and verified that on August 25, 2022, the correct fund amount was credited to the account.



For additional information contact the Communications Office.

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