



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

BCC Unannounced Cash Verification
Report No. 2023-02

Department of
Inspector General
August 2, 2023

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

August 2, 2023

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

Re: Report No. 2023-02, BCC Unannounced Cash Verification

Dear Mr. Carballa:

The Clerk & Comptroller's Department of Inspector General (IG) conducted an unannounced audit of change and petty cash funds. The purpose of this audit was to determine whether: the funds were present in the correct amount, the funds were properly secured and accounted for, and the corresponding control forms were up to date.

The IG identified seven opportunities for improvement. Background, objectives, scope, methodology, conclusion, and opportunities for improvement are presented in the report. We appreciate the cooperation, professional courtesy, and responsiveness received from management during this audit.

Respectfully submitted,

Patrice M. McBride

Patrice Monaco-McBride, CIG, CIGA, CGFO, CPM
Inspector General/Chief Audit Executive

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

Background Information

As part of the Department of Inspector General (IG) 2023 Annual Audit Plan, the IG conducted an unannounced audit of change and petty cash 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. Petty cash funds were established to be used for emergency purposes or other non-routine business transactions. This audit included all change and petty cash funds issued to various departments within the BCC.

Change and petty cash funds were 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*, pages 35-37).

Objectives

The audit objectives were to:

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

Scope and Methodology

This was a limited scope audit. This audit was not a comprehensive evaluation of the 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 petty cash and change funds by performing an unannounced count of monies.

The IG conducted the unannounced audits between January 19, 2023, and March 2, 2023. For

security purposes, dollar amounts were excluded from the final report. The distribution of change and petty cash funds was summarized below:

Branch	Department	Number of Locations	Number of Drawers or Bags
County Attorney	County Attorney	1	1
Development Services	Building Construction Services	3	3
Public Infrastructure	Utilities	4	20
	Solid Waste & Resource Recovery	4	4
Public Safety	Corrections	1	1
Public Services	Libraries	6	*12
	Parks, Recreation, and Natural Resources	9	9
	Animal Services	1	1
Totals		29	51

*Includes cash collections for six coin/bill acceptor (CBA) machines

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, waste, and 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.

The 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 procedures included, but were not limited to, the following:

- Conducted unannounced counts of BCC petty cash, change funds, and coin/bill acceptor (CBA) machines.
- Compared cash/checks/credit card amounts to the totals reflected on the cashier's transaction report.
- Compared cash collections from the CBA machines to the cash net sales amount reflected on the IT Cash Reconciliation Report.
- Obtained control forms on file with Financial Services and verified they accurately reflected change or petty cash fund amount.

- Compared the cash fund totals reflected on the control forms to the fund balances recorded in the Munis financial accounting system.
- Verified the custodian of the cash fund agreed with the custodian reflected on the control form.
- Verified the location of the cash fund agreed with the location reflected on the control form.
- Limited to the scope of the audit, verified compliance with cash handling policies and procedures.
- Observed that monies were properly secured and safeguarded.
- Observed that safes were properly secured.
- Observed whether staff requested to see auditor identification.
- Verified checks were properly endorsed with BCC as check payee.

Scope Limitation

A scope limitation is a restriction on an audit that may be caused by the client, issues beyond the control of the audit client, or other events. At the time of the unannounced audit for change fund #CF-74 (SunWest Park), only one staff member was present. Two were required to open the safe. As a result, the cash verification was not performed for that change fund and the conclusions presented in this report may not be representative of the entire population of cash funds.

Statutory Requirements and Pasco County Guidelines

The IG relied on the following criteria:

- 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 August 14, 2021.

Conclusion

Due to the scope limitation documented above, one change fund was not verified. The IG performed unannounced cash verifications for a total of 49 change funds (which included six CBA machines) and one petty cash fund. Forty-eight (48) of 50 cash funds reconciled to the supporting documentation. Two CBA machine cash collections did not reconcile to the supporting documentation and were not significant overages/shortages.

Opportunities for improvement exist for internal controls over physical security of funds. Staff at one location did not request auditor identification. One cash bag key was unsecured. At another location, a reconciled deposit was unsealed and did not have a completed deposit ticket.

All fund totals reflected on the change fund control forms reconciled to the fund balances recorded in the Munis financial accounting system. However, one change fund control form was not updated to reflect the current custodian.

The IG also observed several items that were outside the scope of the audit but were worthy of being brought to the attention of management. One observation related to workstation safety and one related to intermittent functionality of the point-of-sale (POS) system for processing transactions.

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 all County departments on their professionalism, cooperation, and responsiveness during this audit, and was pleased to note the following:

- Management responses and corrective action plans demonstrate a commitment to training employees.
- Internal policies and procedures over cash handling processes were comprehensive.
- Minor issues identified were communicated to management and were immediately addressed and resolved during the audit.

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

No.	Description	Page Reference
Compliance:		
1.	Auditor identification not requested.	6
2.	Unsealed deposit.	6
3.	Control form not updated after employee separation.	7
Control:		
4.	Two CBA machine cash collections did not reconcile to supporting documentation.	7
5.	Unsecured cash bag key.	8
Observation:		
6.	Unsafe work conditions.	9
7.	Point-of-sale (POS) system did not function.	9

OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDATIONS

Compliance Activities: Compliance is adhering to approved policies and procedures, agreements, contracts, laws, rules, and regulations. Listed below were comments that represent instances of noncompliance with these requirements.

1. Auditor identification not requested.

Staff at Land O' Lakes Central Permitting did not request to see IG team's identification. The BCC Inbound Financial Transactions Policy, #400-17, section II, subsection C, part 5, states visitors to any area where cash is held should be verified by photo ID.

Recommendation:

Since compliance with agreements, contracts, laws, rules, regulations, policies, and procedures are required, a recommendation was not provided.

Management Response:

Management agrees with the recommendations.

Corrective Action Plan:

Management will review the Financial Transaction Policy and review processes and procedures, which will address this audit finding. Upon completion of the review of the Policy the employees handling responsibilities will sign the "Financial Transactions Policy Acknowledgement Form" upon reviewing the procedures. The review and signing of the Financial Transaction Policy will be incorporated into the department's onboarding process for new employees with cash handling responsibilities. All signed receipts will be saved in a department folder.

Target Implementation Date:

June 30, 2023

2. Unsealed deposit.

Deposit procedures were not followed for the January 27, 2023 cash receipts at Veterans Memorial Park. A deposit ticket was not completed, and the plastic deposit bag was not sealed for a reconciled deposit. In accordance with the Parks, Recreation, and Natural Resources (PRNR) Cash Check Receipt Policy, once the daily deposit is reconciled to the cash receipts and General Ledger Detail report, the deposit ticket can be completed, and the deposit sealed in the bank-issued two-pocket plastic deposit bag.

Recommendation:

Since compliance with agreements, contracts, laws, rules, regulations, policies, and procedures are required, a recommendation was not provided.

Management Response:

The two-pocket plastic bag should be sealed after the deposit is reconciled and placed in the dual control key box or locked cabinet under sole control of the depositor until ready to go to the bank.

Corrective Action Plan:

Provide refresher training to the team.

Target Implementation Date:

July 15th, 2023

3. Control form not updated after employee separation.

The control form on file with Financial Services for the Land O' Lakes Heritage Park did not reflect the current custodian at time of the unannounced cash verification on January 23, 2023. The following was noted:

- A. The control form reflected an employee that was separated from service as of November 21, 2022.
- B. An updated control form was completed to reflect the current custodian on January 27, 2023. The IG verified this form was on file with Financial Services.

Recommendation:

Since compliance with agreements, contracts, laws, rules, regulations, policies, and procedures are required, a recommendation was not provided.

Management Response:

Control form was updated when the Fiscal Team was made aware of the change in staffing.

Corrective Action Plan:

Future staffing changes will be brought to the Fiscal Team as soon as they occur when related to Change Fund Control Forms. An interim custodian will be named while the position is to be filled. Once the position is filled a new Change Fund Form will be completed.

Target Implementation Date:

Effective immediately.

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

4. Two CBA machine cash collections did not reconcile to supporting documentation.

Coin Bill Acceptor (CBA) machine collections did not reconcile to the IT Cash Reconciliation Report for New River Branch Library (\$2.80 shortage) and Starkey Ranch Library (\$0.85 overage).

Recommendation:

Enhanced training for staff responsible for CBA machine collection procedures.

Management Response:

Following the IG branch visits, Library Services worked with the CBA equipment and software vendor to:

- *Verify server settings*
- *Conduct daily cash counts for a 5-day period utilizing equipment located at South Holiday Library*
- *Identify inconsistencies in report to collection values*
- *Analyze count results for corrective actions specific to machine and/or software*

Additionally, Library Services reviewed department procedures and policies associated with CBA Collections plus Money and Banking.

Corrective Action Plan:

Vendor equipment and software review resulted in a determination of replacement to both bill acceptor and coin acceptor components of the CBA unit. Following installation of replacement components at South Holiday Library, the department monitored reconciliation status over a four-week period. Study findings confirmed the corrective action plan of replacing bill acceptor and coin acceptor components in all CBA units systemwide.

Review of procedures and policies prompted systemwide communications to Branch Managers and Circulation Supervisors regarding definitions for reports listed in both the CBA Collection and Money and Banking documents. Direction was provided to these parties to conduct staff reviews of these documents. Additionally, department fiscal representatives and training staff collaborated on a refresh of department training documents targeting cash handling procedures.

Target Implementation Date:

Receipt of replacement CBA components from vendor remains pending. Receipt and installation are forecast to occur no later than August 31, 2023.

Library branch staff reviews of applicable procedure and policy were completed in location specific staff meetings by February 28, 2023.

Systemwide trainings for cash handling practices have been calendared for August 8-9 and 15-16, 2023.

5. Unsecured cash bag key.

The staff member at Land O'Lakes Heritage Park could not locate the key to unlock the bank cash bag that secured the park's change fund. The key was located by the IG auditor in a vacant unoccupied desk drawer, unsecured and unmarked.

Recommendation:

Proper access controls ensure safeguarding of public assets. Physical security of keys to cash assets must be protected at all times.

Management Response:

At the time of this Unannounced Cash Verification the Senior Recreation Specialist had not been trained on the location of where the key was stored. Since then, the team at Land O'Lakes Heritage Park is aware of the location of the key and is following the Department's process. This was observed during an internal audit completed on April 25th, 2023, by the Accountant I, Arthur Greif, Jr.

Corrective Action Plan:

Ensure proper training to new employees on the first day at their new facility.

Target Implementation Date:

Effective immediately.

Observations: Observations were items observed during the audit that were outside the scope of the audit but were worthy of being brought to the attention of management.

6. Unsafe work conditions.

Cashiers need to stand on a box to reach the drawer at the Utilities (Land O'Lakes) customer drive-thru window.

Recommendation:

Management may consider working with Facilities to resolve challenges of the drive-thru window configuration to reduce the risk of falls and to ensure the safety of staff.

Management Response:

CI&S Director is working with Facilities to have the inside drive-through counter modified to allow Team members the ability to readily access the customer service drawer.

Corrective Action Plan:

CI&S Director has submitted a Work Order to Facilities, confirmation number CKQX562, requesting for the counter area to be modified. We also removed the existing box the Team members were standing on and instructed them to no longer stand on that, or any box. Additionally, we are providing Team members with a "hand tool" to enable them to reach items in the drawer.

Target Implementation Date:

1.) Remove unsafe box – completed. 2.) Submitted Facilities Work Order 06/28/2023 and asked for it to be escalated to be modified as soon as possible. We will routinely check status until completed. Copy of Work Order attached to email response.

7. Point-of-sale (POS) system did not function.

The point-of-sale (POS) system for accepting payments at the Dade City Armory did not function. However, a change fund was still maintained at that location.

Recommendation:

Consider alternative solutions that will allow payment processing at the Dade City Armory location.

Management Response:

Parks, Recreation, and Natural Resources completed an internal audit of the change fund at the Dade City Armory on April 25th, 2023. Mr. Greif, Accountant I for PRNR, did not observe the change fund to be in consistent use and recommended the team return the change fund to the Clerk's Office. The team agreed and the change fund was returned on May 11th, 2023.

Corrective Action Plan:

The County will require transactions to be made online by patrons prior to classes/events so that they are not faced with the inconvenience of the current POS and WiFi at this facility.

Target Implementation Date:

July 15th, 2023.



For additional information contact the Public Records Liaison.

publicrecordsrequest@pascoclerk.com

(352) 523-2411 or (727) 847-2411; ask for the Public Records Liaison

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