



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

BCC Unannounced Cash Verification
Report No. 2024-01

Department of
Inspector General
June 25, 2024

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

June 25, 2024

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

Re: Report No. 2024-01, BCC Unannounced Cash Verification

Dear Mr. Carballa:

The Clerk & Comptroller's Department of Inspector General (IG) conducted an unannounced audit of change funds. The purpose of this audit was to determine if change funds were properly accounted for, safeguarded, and documented on a change fund control form.

This report describes two opportunities for improvement that were identified during the audit and recommendations for strengthening internal controls. The IG appreciates the cooperation, professional courtesy, and responsiveness received from management during this audit.

Respectfully submitted,

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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Matthew Lazar, Financial Services Director, Office of Clerk & Comptroller

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EXECUTIVE SUMMARY

Background Information

As part of the Department of Inspector General (IG) 2024 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.

Each change fund was assigned to a custodian, who signed a control form to accept responsibility and accountability for the change 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 2024: 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 2024: A Report to the Nations*, page 39).

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 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 change funds by performing an unannounced count of monies. Testing was limited to change funds that were newly established, recently reopened, or had concerns identified in previous unannounced cash verifications.

The IG conducted the unannounced audits between April 12, 2024, and April 25, 2024. The test sample included 20 change funds as reflected below:

Branch	Department	Division	Number of Funds Tested
Development Services	Building Construction Services	[REDACTED]	1
Public Infrastructure	Solid Waste & Resource Recovery	[REDACTED]	2
Public Safety	Corrections	[REDACTED]	1
	Fire Rescue	[REDACTED]	1
Public Services	Libraries	[REDACTED]	2
		[REDACTED]	1
	Parks, Recreation, & Natural Resources	[REDACTED]	6
Total			20

*The Division and location of the funds tested were redacted from the final report for security purposes.

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, or abuse is the responsibility of management. Audit procedures alone cannot guarantee that fraud, waste, or abuse will be detected.

The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. This report provided 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 procedures performed included, but were not limited to, the following:

- Conducted unannounced counts of BCC 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 reflected the proper custodian, location, and change fund amount.
- Compared the totals reflected on the control forms to the fund balances recorded in the Munis financial accounting system.
- 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.

Scope Limitation

Scope limitations can happen when the auditor is not allowed to perform a necessary procedure, or when events or conditions prevent them from doing so. At one location, staff with authorization to open the safe were not available. Therefore, the contents of the safe could not be inspected.

Authority

To conduct this audit, the IG relied on the following authoritative guideline to serve as 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.
- BCC Policy Number 400-17, *Inbound Financial Transactions Policy Forms*
- Financial Services' *BCC Change Fund Control Form*, revised March 2023

Conclusion

Of the 20 change funds included for testing, only one change fund did not reconcile to the supporting documentation, which resulted in an immaterial overage. All change funds and safes were properly secured at the time of unannounced cash verification. All control forms reflected the proper custodian, location, and change fund amount.

Change fund amounts reflected on the control forms agreed to the fund balances recorded in the Munis financial accounting system. One change fund did not have an updated control form on file with Financial Services.

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

- Solid Waste and Resource Recovery Department management was immediately responsive to an observation identified during the audit. In addition, management provided the IG with a detailed update on the actions taken to improve cash handling controls.
- Parks, Recreation, and Natural Resources Department management provided comprehensive responses dedicated to improving their internal controls over cash handling.
- Staff were committed to workplace safety. The auditors' identification was requested and verified prior to entry at all unannounced cash verification locations.

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

Opportunities for Improvement		
	Control	Page
1.	Improving the internal controls over daily accounting of cash overages or shortages.	5
2.	Procedures for submitting new or updated control forms to the Financial Services, General Ledger Division (GL).	6

OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDATIONS

Control Activities: The primary purpose of controls is to help safeguard an organization and further its objectives. Internal controls function to minimize risks and protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, regulations, and laws. Listed below were comments that represented opportunities to strengthen the internal controls. For each comment, a recommendation was included.

1. Improving the internal controls over daily accounting of cash overages or shortages.

The overage amount reported on the daily close out documentation did not agree with the overage amount identified by IG on April 23, 2024.

Recommendation:

- Review the Countywide Inbound Financial Transactions Policy (#400-17) with all staff that handle cash at this location.
- Examine the process for reporting overages and shortages to identify how the overage noted above was inaccurately reported.

Management Response:

We acknowledge the findings outlined in the statement of condition regarding the overage identified in change fund [REDACTED] on April 23, 2024. We take these concerns seriously and are committed to ensuring the accuracy and integrity of our financial records.

Corrective Action Plan:

PRNR will conduct a comprehensive review of the Countywide Inbound Financial Transactions Policy (#400-17) with all staff responsible for handling cash at the [REDACTED]. Ensuring all personnel are fully informed and compliant with the policy's guidelines and procedures to prevent discrepancies in cash handling. Further training and review of the Countywide Inbound Financial Transactions Policy (#400-17) will be provided to the [REDACTED], and all staff who handle cash at the facility on Wednesday, June 12th.

In addition, we will exam our existing processes for reporting overages and shortages to identify any deficiencies that may have contributed to the inaccurate reporting of the overage mentioned in the statement of condition. Based on our findings, we will implement corrective measures to enhance the accuracy and reliability of our reporting processes, including revisions to documentation procedures, additional training initiatives, and strengthened oversight controls.

Finally, we will assign responsibility for overseeing the implementation of these actions to the Food and Beverage Director or designee within our department to ensure accountability and follow-through.

Target Implementation Date:

Wednesday, June 12th 2024

2. Procedures for submitting new or updated control forms to the Financial Services, General Ledger Division (GL).

An outdated version of the BCC Change Fund Control Form was used to reopen a change fund. As a result, the updated control form was not on file in GL.

Recommendation:

- Update departmental cash handling procedures to provide guidance for submitting new or updated control forms to General Ledger in a timely manner.
- Update Inbound Financial Transaction Policy (#400-17) to provide a time frame for submitting an updated control form to General Ledger.
- Ensure the most recent revision of the BCC control form template is used.

Management Response:

The form PRNR used was obtained from the County's Intranet, Team Pasco, under Policies and Forms > Finance > Associated Items > Inbound Financial Transactions Policy Forms A-G (PDF) which I have attached a copy. After a search for the updated form from records dating back to March 2023 PRNR and Public Services Fiscal were unable to locate where the form was provided to the Board of County Commissioners' Fiscal Teams. PRNR did not have prior access or knowledge of the updated form as of March 2023 and continued to utilize the one that is posted on the Intranet.

Corrective Action Plan:

PRNR reached out to the Pasco County Clerk & Comptroller's Office to obtain a copy of the updated form on 5/24/24 and provided it to Public Services Fiscal to update the Team Pasco Website and remove the outdated form. Advised the Accountant I to submit all control forms to General Ledger when received by our division within 5 business days for their records.

Target Implementation Date:

Completed as of 5/24/24.

Management's Attachment

RESET



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

PASCO COUNTY CLERK & COMPTROLLER CHANGE FUND CONTROL FORM

Control #: CF-

Date:

To: Pasco County Clerk & Comptroller, Accounts Payable Supervisor

Please consider the following request for change fund:

Department:

Account Number:

Action: New (BCC Approved) or Revised Supersedes

Location of Fund:

Custodian of Funds:

As custodian of the change fund, I hereby accept full responsibility and am aware that I will be held accountable for the forementioned fund.

Custodian Signature and Typed Name:

The Custodian of Funds may designate a check payee. Checks to establish the change fund should be payable to:

Check Payee Signature and Typed Name:

Mailing Address of Check:

Note: The funds associated with this control form are subject to periodic, unannounced audits by the Office of the Clerk & Comptroller.

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For additional information contact the Public Records Liaison.

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

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