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Excellence...Always

Paula S. O'Neil, Ph.D.
Clerk & Comptroller
Pasco County, Florida

September 19, 2016

The Honorable Kathryn Starkey, Chairman, and
Members of the Board of County Commissioners
Pasco County Board of County Commissioners
8731 Citizens Drive
New Port Richey, Florida 34654

Dear Chairman Starkey and Members of the Board:

Enclosed is Audit Report No. 2016-02C, an unannounced audit of the County's change and petty cash funds. The objective of this audit was to assess the internal controls over change funds, and to determine compliance with related policies and procedures.

Based on the results of the completed audit, 13 audit comments and 2 observations were identified. All comments, observations, and recommendations were discussed with management, and their verbatim responses were included in this report.

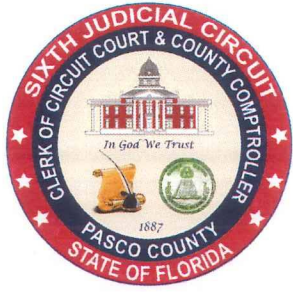
The recommendations made in this report were provided to improve the control environment. During the course of this audit, management implemented some of the Inspector General's (IG) recommendations.

We appreciate the cooperation and professional courtesy received from the County departments during audit. Please let us know if you wish to discuss any of the information provided in the report.

The results of the audit were as follows:

Compliance:

1. Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.
2. Collections were not deposited in accordance with County policy, which increased the risk of funds being misplaced, lost, or stolen.
3. According to Internal Control Questionnaires (ICQ) received, receipts were not always given to customers in accordance with department policy. Consequently, transactions may not have been recorded and funds could have been misappropriated.



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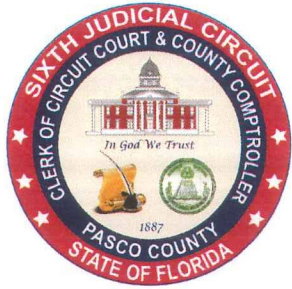
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Pasco County Board of County Commissioners
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4. Cash funds were commingled, and were not being used in accordance with County policy.
5. Checks were not always endorsed when they were received, or did not include the required check identification information. Consequently, checks were not processed in accordance with County policy and prosecution of dishonored checks may have been jeopardized.
6. Cash funds were not always monitored in accordance with County policy, which increased the risk of errors or detection of misuse.
7. Petty cash reimbursement checks were not cashed in a timely manner. Consequently, cashed checks were not always in compliance with County policies, which increased the risk of checks being lost or stolen.
8. A custodian was personally reimbursed for items paid from the petty cash fund. As a result, the purchase was not reimbursed in accordance with County policy, and the fund was misused.

Control Activities:

9. Change funds were shared and/or not verified when there was a change in custody. Consequently, collections were commingled and accountability was not maintained for error detection or discrepancy identification.
10. Access to locked safes and cabinets was not restricted. As a result, there was an increased risk of unauthorized use, and accountability was not maintained for error detection of discrepancy identification.
11. Change funds were not being used, which increased the risk of funds being misused, lost or stolen.
12. ICQ responses received indicated there were no documented policies and procedures for cash funds. Consequently, funds may not have been used or handled properly.
13. Based on ICQ responses received from some departments, the adequacy of some policies and procedures could not be determined. As a result, there may have been a lack of internal controls over the processes to prevent and detect errors, discrepancies, or fraudulent activity.



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Observations:

14. Some customers were not charged for services during the unannounced audit. Consequently, citizens were not charged consistently and there was a loss of revenue to the County.
15. Identification was not always requested from the IG team.

We request the Board to receive and file report.

Sincerely,

Paula S. O'Neil, Ph.D.
Clerk & Comptroller

PSO/eh

Office of Paula S. O'Neil
Clerk & Comptroller
Pasco County, Florida

Pasco County Board of County Commissioners
Change and Petty Cash Audit

September 27, 2016



Department of Inspector General

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

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Report No. 2016-02C

Department of Inspector General
P.O. Box 724
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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 petty cash and change funds authorized by the Board of County Commissioners (BCC). The change funds and petty cash funds were issued to various departments throughout the County. For security purposes, dollar amounts were excluded from the final report.

The cash funds were required to be authorized by the BCC prior to being issued to the requesting department. The custodians of the cash funds were required to sign a control form assuming responsibility and accountability for the funds issued. These control forms were maintained by the Clerk & Comptroller’s Department of Financial Services. The control forms were required to be updated when there were changes in staff or in the cash fund amount.

The control forms stated that the funds were subject to periodic, unannounced audits by the Clerk & Comptroller’s Office. At time of the audit, there were a total 56 control forms on file. The cash funds included 53 change funds and 3 petty cash funds. Some departments with a change fund had one control form on file, but the fund was split into multiple drawers. The number of cash fund drawers verified was summarized below:

Department	Number of Cash Drawers Verified
Animal Services*	3
Building Construction Services	17
Library Services*	22
Parks, Recreation & Natural Resources*	8
Utilities Customer Service	15
Utilities Environmental Lab	1
Utilities Solid Waste	<u>4</u>
Total	70

*Cash drawer count included a petty cash fund.

The departments with change funds collected monies for different types of fees and services. The change funds were used to make change where money was collected. The departments were responsible for reconciling the monies collected, preparing cash reports, and depositing the monies collected.

The petty cash funds were used by the departments to make emergency purchases. Employees received funds from the petty cash fund prior to the purchase, or made the purchase and were reimbursed by the custodian. The original invoice was required to be submitted for reimbursement.

Objective

The overall objectives of the audit were to evaluate the adequacy of internal controls over the cash funds (change and petty), and determine compliance with internal policies and procedures. Specifically, the objectives were to:

- Determine the cash funds existed, and were accounted for properly in the general ledger.
- Determine compliance with County policies and procedures.
- Determine that adequate controls were in place to prevent potential fraud, waste, and abuse of County funds.

Scope and Methodology

The audit period was from December 1, 2015 through February 12, 2016. The nature and scope of the audit were intended to provide objective and relevant assurance, and to contribute to the effectiveness and efficiency of governance, risk management, and control processes of the cash funds.

Although the audit team exercised due professional care in the performance of this audit, this did not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse remains the responsibility of management. Audit procedures alone, even when carried out with professional care, did not guarantee that fraud or abuse was 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 management independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management.

To achieve our objectives, the procedures performed included, but were not limited to, the following:

- Reviewed and tested internal policies and procedures related to both the change funds and petty cash funds for each department.
- Obtained and verified that the control forms on file in the Clerk & Comptroller's Department of Financial Services accurately reflected the correct custodian and cash fund amount.
- Verified that the total cash fund amount on the control forms agreed to the fund total in FASBE for accounts B001-102000, B102-102000, B104-102000, B401-102000, and B450-102000.
- Evaluated the internal controls over the cash funds through observations and internal control questionnaires (ICQ) completed by management.

- Performed unannounced cash counts for all cash funds, and balanced each drawer to the cash receipts or daily collections to the appropriate system.
- Determined that checks included in the cash drawers at time of unannounced cash counts were properly endorsed and included the required identification information.
- Verified overages or shortages identified during the unannounced cash counts were properly recorded on the daily spreadsheets and properly reported.
- Verified petty cash reimbursement checks excluded sales tax and were cashed in a timely manner.
- Determined if cash funds were inspected by management in December 2015.
- Identified opportunities for improvement.

Statutory Authority and County Guidelines

To conduct this audit, the Department of Inspector General relied on the following authoritative guidelines to serve as criteria:

- Administrative Directive #25, revised 03/02/09- Policy Concerning Deposit of Funds
- Administrative Directive #40, dated 01/27/92- Petty Cash/Change Fund/Personal Check Procedures
- Administrative Directive #45, dated 11/17/94- Petty Cash and Change Fund Internal Audit
- Administrative Directive #53, dated 11/21/97- Petty Cash and Change Funds
- Petty Cash and Change Fund Procedures, dated 08/05/91
- Board Check Acceptance Policy, revised August 2008
- 2015 Florida Statute, Title XL VI, Chapter 832: Violations Involving Checks and Drafts
 - 832.07(2)- Prima facie evidence of intent; identity
- 2015 Florida Statute, Title XIV, Chapter 212: Tax on Sales, Use, and Other Transactions
 - 212.08(6)- Exemptions; Political Subdivisions

Conclusion

The internal controls over the change funds and petty cash funds required some improvement to reduce the risk of funds being lost, stolen, misused, or misappropriated, and to ensure compliance with County policies and procedures. The recommendations made in this report were offered to strengthen the control environment. All comments, observations, and

recommendations were discussed with management in the various departments, and their responses were included in this report.

During the course of this audit, management implemented some of the recommendations. The Clerk & Comptroller and the Department of Inspector General thank the collective County departments for their professionalism and cooperation during this audit.

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

No.	Description	Page Reference
Comments (compliance)		
1.	Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.	7
2.	Collections were not deposited in accordance with County policy, which increased the risk of funds being misplaced, lost, or stolen.	8
3.	According to Internal Control Questionnaires (ICQ) received, receipts were not always given to customers in accordance with department policy. Consequently, transactions may not have been recorded and funds could have been misappropriated.	9
4.	Cash funds were commingled, and were not being used in accordance with County policy.	10
5.	Checks were not always endorsed when they were received or did not include the required check identification information. Consequently, checks were not processed in accordance with County policy and prosecution of dishonored checks may have been jeopardized.	11
6.	Cash funds were not always monitored in accordance with County policy, which increased the risk of errors detection of misuse.	12
7.	Petty cash reimbursement checks were not cashed in a timely manner. Consequently, cashed checks were not always in compliance with County policies, which increased the risk of checks being lost or stolen.	13
8.	A custodian was personally reimbursed for items paid from the petty cash fund. As a result, the purchase was not reimbursed in accordance with County policy, and the fund was misused.	14
Comments (control activities):		
9.	Change funds were shared and/or not verified when there was a change in custody. Consequently, collections were commingled and accountability was not maintained for error detection or discrepancy identification.	14
10.	Access to locked safes and cabinets was not restricted. As a result, there was an increased risk of unauthorized use, and accountability was not maintained for error detection or discrepancy identification.	15

No.	Description	Page Reference
11.	Change funds were not being used, and increased the risk of funds being misused, lost or stolen.	17
12.	ICQ responses received indicated there were no documented policies and procedures for cash funds. Consequently, funds may not have been used or handled properly.	18
13.	Based on ICQ responses received from some departments, the adequacy of some policies and procedures could not be determined. As a result, there may have been a lack of internal controls over the processes to prevent and detect errors, discrepancies, or fraudulent activity.	18
Observations:		
14.	Some customers were not charged for services during the unannounced audit. Consequently, citizens were not charged consistently and there was a loss of revenue to the County.	20
15.	Identification was not always requested from the IG team.	21

Audit Comments & Recommendations

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

1. Control forms were not updated in accordance with County policy. Consequently, information on file was not accurate and custodian accountability was weakened.

According to Administrative Directives #53, control forms on file in Accounts Payable were required to be kept current and were the responsibility of the immediate supervisor of the fund custodian. The following discrepancies were noted:

- 31 (55%) out of the 56 control forms on file did not accurately reflect the custodian and/or department head responsible for the fund.

Note: During the audit, one department was in the process of updating control forms to reflect the new director.

- The change fund amounts listed on the control forms for two department locations did not agree the amounts verified during the cash counts.
- The account numbers reflected on the control forms for three department locations did not agree to the accounts numbers recorded in FASBE.

Management Response:

Management concurs with the #1 Audit Finding.

Development Services Branch

Control Forms are in the process of being updated. Funds are now going to be kept within each office separately and under control of each office supervisor; verification of the funds are assigned to each office and under each supervisor.

Public Services Branch

The control forms at New River & South Holiday Branch Library have been updated.

All Parks, Recreation, and Natural Resource's Dept. control forms have been updated and submitted to Finance as of 5/9/16.

Utility Services Branch

Utilities Services Branch reported to the Board on 8/15/2016 that all their control forms have been updated.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Change and Petty Cash Funds control forms, the draft policy states petty cash and change funds are provided as a service to operating units that require such operating funds. Control Forms are required to show the responsible party (custodian) of both Petty Cash and Change Funds. To ensure all Control Forms are current and updated regularly, twice a year each Branch's Fiscal Group will inspect said Control Forms, retain a record of the inspections and revise said forms accordingly if found to be in need of correction.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

2. Collections were not deposited in accordance with County policy, which increased the risk of funds being misplaced, lost, or stolen.

According to Administrative Directive 25B (revised), deposits were required to be made on the day in which the total receipts/collections (cash and/or checks) totaled \$100 or more, or weekly, whichever was more frequent. All collections were required to be deposited prior to the weekend, regardless of the amount collected.

Collections received at five (19%) of the 26 department locations at time of audit were not deposited in accordance with the policy, and were held between one and six business days. At one location, the money was not receipted for when it was received from the customers. The OD receipts were created by department staff at time of the audit. In addition, the line dancing session sheet was not completely filled out and did not reflect the payment for all attendees.

Based on the ICQ responses received from one department, it was not determined if funds deposited were in compliance. It appeared that the department made deposits every two to three days.

Management Response:

Management concurs with the #2 Audit Finding.

Public Services Branch

Animal Services staff has been instructed to make deposits every day with the exception being Saturday as it is not a regular business day. The deposit will be made on the following Monday or next business day the bank is open.

The Parks, Recreation, and Natural Resource's Dept.'s policy is being updated to site specific issues concerning deposits held over 24 hours. The policy will be reinforced to ensure compliance with Administrative Directive 25B (revised) for all other park sites.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Deposit Preparation, the draft Policy states that deposits totaling \$100 or more must be deposited the same day, or at a minimum on the following business day. If not, an explanatory note forwarded to the supervisor. Deposits must be validated and prepared under dual custody at all times in a safe and secure area. The validation and preparation of cash deposits must not be visible outside of the deposit handling area. The total of \$100 may be adjusted prior to adoption of the Cash handling Policy.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

- 3. According to Internal Control Questionnaires (ICQ) received, receipts were not always given to customers in accordance with department policy. Consequently, transactions may not have been recorded and funds could have been misappropriated.**

The Change Fund Policy for Parks, Recreation & Natural Resources stated that one receipt should be prepared for each payment received, excluding fees collected for special events or group classes.

The ICQ responses received from staff at one location stated that the customers were not provided a receipt unless they requested it. This did not apply to payments received by mail.

Management Response:

Management concurs with the #3 Audit Finding.

Public Services Branch

The Parks, Recreation, and Natural Resource's Dept.'s policy will be revised and will include issuance of receipt books for all cash collecting sites. All customers will be provided a receipt. Each receipt book will be reconciled monthly by the Administrative Fiscal staff.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Receipts, the draft Policy states that an official County cash receipt shall be recorded for each collection with a unique number generated automatically (where possible). A copy of the receipt shall be provided to payers making an in-person payment and to payers making currency and coin payments through the mail if requested. Voids and refunds must be supported by all copies of the document involved, explained, and approved in writing by the cashier's supervisor at the time of occurrence where practical, but no later than the end of the day.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

4. Cash funds were commingled, and were not being used in accordance with County policy.

Administrative Directive #45 stated that no commingling was allowed of change funds, petty cash funds, or any combination of the two.

Of the 26 department locations, a total of three (12%) had a portion of their funds commingled with other change funds authorized by the Board or used the petty cash fund as a change fund to make change for customers.

During the audit, management un-commingled the fund at one location, and created two separate change drawers to make change.

Management Response:

Management concurs with the #4 Audit Finding.

Development Services Branch

All offices within the department will now have each individual funds segregated in accordance county cash handling policies- with no co-mingling of funds allowed

Public Services Branch

At the Parks, Recreation, and Natural Resource's Dept. the practice of providing change to customers from the Petty Cash Fund has been stopped. Additionally, upon completion of outstanding Petty Cash transactions, the fund will be permanently dissolved and returned to Clerk of the Court, per direction from Finance.

Utility Services Branch

As discussed during the April 5th site visit, this item will addressed with a minor modification to our Standard Operating Procedure (SOP) which will address cash handling in cash draws.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to the co-mingling of cash and petty cash funds, the draft policy states the following: Petty Cash and Change Funds are separate entities and should never be comingled. Regarding Petty Cash, Reimbursement Checks should be cashed within 1 business day. Petty Cash Funds should never be comingled with private funds or any other source of cash equivalents. Where possible, petty cash funds should be returned to the Clerk's office in favor of P-Card usage. Regarding Change Funds, The balance of change funds should remain unchanged throughout the course of business and any discrepancy at the end of the business day should be reported as Over/Short on the Department's daily deposit sheet. Where possible, change funds should be returned to the Clerk's Office if not currently in regular use.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

5. Checks were not always endorsed when they were received or did not include the required check identification information. Consequently, checks were not processed in accordance with County policy and prosecution of dishonored checks may have been jeopardized.

According to Administrative Directive #40, all checks received directly from customers were required to be immediately endorsed and the required identification information recorded. In addition, the Check Acceptance Policy stated that when filling out the check ID stamp, cashiers were required to make sure that all the necessary information was entered. The use of "n/a" or dashes "-" was not acceptable and the endorsement stamp was required to be placed on the back of the check. When a check cashing card or a copy of driver's license was on file, the cashier was required to write "card on file" on the back of the check, and to sign his/her name, verifying that the check writer had a driver's license copy or a check cashing card on file.

During the audit, the IG team identified sixteen checks receipted that did not have the endorsement stamp for deposit only, the pay to the order of line was blank, and/or the check ID stamp was not filled out correctly. On the majority of these checks, there was no indication that a check card was on file or that the payment was received through the mail. The check cashing number was written on the back of some checks instead of noting "card on file" and the cashier's signature.

According to the ICQ responses received from one department location, checks received through the mail were not endorsed until the end of the day during the daily close out procedure.

Management Response:

Management concurs with the #5 Audit Finding.

Development Services Branch

Staff was consequently trained on cash-handling procedures regarding processing checks. A standard operating procedure is currently being created and implemented to address these concerns within the department.

Public Services Branch

At the Parks, Recreation, and Natural Resource's Dept. the check acceptance policy will be strictly enforced and additional staff training will be delegated to supervisors and managers. The

check endorsement policy will be reinforced to ensure compliance with Administrative Directive #40. Additional training will be delegated to supervisors and managers.

The Animal Services Dept. is currently drafting a new Cash Handling Protocols which will address the “immediate” endorsement of checks whether received over the counter at AS or through the mail. Staff has been directed to immediately comply with Administrative Directive #40 until the new Cash Handling procedure is in place.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Collections with Checks, the draft Policy states that Checks, including Money Orders, Travelers Checks and Certified Checks must be made payable to Pasco County BOCC (Pasco County Utilities for Utilities). Checks should have all relevant information from the issuer’s Identification including Driver’s License Number, Birth Date, and Address (if not matching check). Immediately upon receipt, checks must be restrictively endorsed “for deposit only” and each Cashier must be provided an official endorsement stamp. Checks, money orders, travelers checks, cashier checks should not be accepted if: (1) They are older than 180 days prior to the date of acceptance (unless a shorter time period is clearly marked on the face of the check) and no later than the date of acceptance (two years for cashier’s checks); (2) The payment amount is not readable, or the numerical amount does not match the written-out amount, or the amount has been altered with money orders, travelers checks and cashier’s checks; (3) The check is signed by someone other than the holder of the account; and (4) The check is stamped or otherwise identified as “Payable/Paid in Full” (if so, the check must be returned to the presenter, and must not be deposited). Under no circumstances will checks be routed to other offices to obtain recording information. When the proper account(s) to which a check should be credited cannot be readily determined, a copy of the check (in lieu of the check) will be distributed to appropriate departments for reference to determine the account distribution.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

6. Cash funds were not always monitored in accordance with County policy, which increased the risk of errors and detection of misuse.

According to Administrative Directive #53, supervisors were required to inspect cash funds twice a year in the months of December and July to ensure that all policies were followed properly, and documentation of the inspections was maintained.

Of the 26 department locations, a total of three (12%) did not inspect their cash drawers in accordance with the policy or documentation of the last inspection was not provided to the IG team.

Management Response:

Management concurs with the #6 Audit Finding.

Development Services Branch

The department will be reinstating regular inspection of cash drawers in accordance with county cash handling policies.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to inspection of all matters related to the handling of cash and cash equivalents, twice a year each Branch's Fiscal Group will inspect cash funds and retain a record of the inspections.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

7. Petty cash reimbursement checks were not cashed in a timely manner. Consequently, cashed checks were not always in compliance with County policies, which increased the risk of checks being lost or stolen.

According to Administrative Directives #40, #45, and #53, all petty cash reimbursement checks were required to be cashed by the custodian, and funds replenished within one business day of receipt of the check.

Of the three department locations with petty cash funds, two (67%) did not always cash replenishment checks in a timely manner. Six replenishment checks were cashed between 6 and 24 business days after the check was issued.

Management Response:

Management concurs with the #7 Audit Finding.

Public Services Branch

At the Animal Services Dept. it was a Petty Cash reimbursement check made out to the Director however he was unable to make it to a bank for several days. This will no longer be a problem as Animal Service's Petty Cash fund has been dissolved.

At the Parks, Recreation, and Natural Resource's Dept. until such time as the Petty Cash Fund is dissolved, reimbursement checks will be cashed within one business day of receipt of the check in accordance with Directives #40, #45, and #53.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Petty Cash reimbursement checks, the Draft states that all Reimbursement checks should be cashed within 1 business day.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

8. A Custodian was personally reimbursed for items paid from the petty cash fund. As a result, the purchase was not reimbursed in accordance with County policy, and the fund was misused.

One petty cash fund was short at time of the audit. According to department staff, the previous custodian was personally reimbursed for items that were paid from the petty cash fund. The fund was not verified when there was a change of custody in February 2014, and the shortage was not properly reported when it was later discovered by management. In addition, there were no written policies and procedures for handling and using the petty cash fund.

Note: Subsequent to the audit, the petty cash fund was turned in.

Management Response:

Management concurs with the #8 Audit Finding.

Public Services Branch

At the Animal Services Dept., the previous custodian had submitted a personal claim for reimbursement in Feb 2014. He later resigned and left Pasco County for a new position. He was not reimbursed until August of 2015. In addition, no change of custody form was prepared and submitted to Finance at the time of his departure. The shortage was later documented and fund was reimbursed. The fund was then dissolved as it is no longer necessary at the shelter.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Clarification on cutting checks made out to individuals is being sought from the Clerk's Accounts Payable Office and this clarified guidance will be incorporated into the Cash Policy and Procedures specifically relating to Petty Cash Reimbursement.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

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

9. Change funds were shared and/or not verified when there was a change in custody. Consequently, collections were commingled and accountability was not maintained for error detection or discrepancy identification.

The change fund drawers at 10 (38%) of the 26 department locations were shared, and the funds were not verified when there was a change of custody.

Based on the ICQ response received from one department location, it could not be determined if the employees shared register drawers at that branch.

Note: During the audit, the change fund at one location was divided into two drawers for the inbound and outbound windows. Management also updated the policies and procedures to include that each scalehouse operator was responsible for their cash drawer throughout the day.

Recommendation:

Implement policies and procedures that require drawers to be balanced and verified every time custody changes or for cashiers to be assigned their own drawers to ensure accountability is maintained.

Management Response:

Management concurs with the #9 Audit Finding.

Public Services Branch

The Program Administrator for Public Services will be conducting a review of the current process including interviews with staff. Until this process is completed, the Library Leadership Team believes that the risk is minimal and is willing to accept the risk.

The Parks, Recreation, and Natural Resource's Dept. is in the process of amending its cash receipting policy and will be enforcing segregation of duties as well as providing individual cash boxes to each staff member responsible for receiving money. A copy of the revised policy will be submitted upon completion.

Utility Services Branch

West Pasco Class III Landfill will be addressed with a minor modification to our Standard Operating Procedure (SOP) as discussed during the April 5th site visit. The Utilities Environmental Lab will ensure that change funds are counted and verified when a change of custody occurs.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Petty Cash Funds, the draft Policy states that Petty Cash Funds should never be comingled with private funds or any other source of cash equivalents. Where possible, petty cash funds should be returned to the Clerk's office in favor of P-Card usage.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

10. Access to locked safes and cabinets was not restricted. As a result, there was an increased risk of unauthorized use, and accountability was not maintained for error detection or discrepancy identification.

At 15 (58%) of the 26 department locations, numerous employees had access to the safes or locked cabinets where the change funds were kept when they were not being used.

Recommendation:

To prevent monetary loss and unauthorized access to cash funds, review access to safes and locked cabinets to ensure that only minimal essential staff has access to them. The safe combination or key should be restricted to as few employees as possible. Written safe combinations and keys should also be kept in a secure location.

Management Response:

Management concurs with the #10 Audit Finding.

Public Services Branch

The Program Administrator for Public Services will be conducting a review of the current process including interviews with staff. Until this process is completed, the Library Leadership Team believes that the risk is minimal and is willing to accept the risk.

The Parks, Recreation, and Natural Resource's Dept. is in the process of amending its cash receipting policy and will be enforcing segregation of duties and other restrictions. Access to keys, safes, and locked cabinets will be strictly regulated.

Utility Services Branch

The Utilities Environmental Lab will restrict the number of employees that have access to the locked file cabinet.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Security, the Draft states that at the close of business, all cash must be secured. Cash and cash equivalents must be locked in a secure receptacle or safe at all times except when signed out by a cashier for working cash. The safe's combination must be given only to supervisory and authorized personnel who must then commit the combination to memory. A record of the combination, sealed and opened only under double-custody to prevent undetected access, must be maintained away from the safe area. A safe must be opened in such a way that other persons do not view the combination. To the maximum extent practical, a safe must be locked between uses during business hours. A safe's combination must be changed whenever a person who knows the combination terminates County employment, is transferred to another department, or is removed from cash handling functions. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes. Each cashier must be provided with a separate lockable compartment/bag in the safe to which only that cashier has access. Duplicate keys must be safely stored away from the safe and be retrieved only under dual control. Keys should be marked "do not duplicate". Funds or property not related to the operation of the County must not be stored in the safe/vault. Deposits must be adequately protected from loss while in transit. A courier service should be used when the security of the deposit warrants additional expense. The physical setup of all cashiering stations should be such to ensure that appropriate physical security is provided. As a general guideline, the work area should be protected by doors and windows and surveillance cameras that capture action in all areas of the Cashiering Station. Payment drop boxes should be in inside within view of employees when practical. Payments should be removed and processed at least once a day. Visitors to any area where cash is held should be verified by photo ID.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

11. Change funds were not being used, and increased the risk of funds being misused, lost or stolen.

Some of the change funds at two locations were not being used and staff did not know they existed or their location at time of the audit. According to the custodians reflected on the control forms, the change funds existed. The IG team conducted a second unannounced cash count at each location and verified the existence of the change funds.

Recommendation:

The necessity of the change funds should be assessed. Any change funds that were not being used or were not needed should be turned in.

Management Response:

Management concurs with the #11 Audit Finding.

Public Services Branch

At the Animal Services Dept. not all employees know of the two cash funds and the Animal Services Director was not at the shelter during the first audit. The primary cash fund of \$100 is used in Building A for daily operations. The second cash fund of \$100 was previously used in Building C. It was retained to be used in Building B to handle cash payments for animal licenses. It is true that AS could have turned in the 2nd cash fund during the period the fund was not used in Building C, however this would have required AS to subsequently request the establishment of the fund again for Building B. In the interim time it was locked in the safe in Building A. Public Services Fiscal had conducted audits on all cash accounts on 1/2015, 8/2015 and 1/2016, and nothing out of order was discovered.

We have additionally reached out to our Program Administrator and Fiscal Services Manager to help us map out our cash handling procedures and develop a more comprehensive cash handling policy. Our goal, with them, is to develop something that all Public Services could use.

The Parks, Recreation, and Natural Resource's Dept. intends to provide additional staff for receipting money at Jay B. Starkey Wilderness Park in FY 17, however, if budgeting is denied, the change fund will be dissolved.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Change Funds, the Draft states that the balance of change funds should remain unchanged throughout the course of business and any discrepancy at the end of the business day should be reported as Over/Short on the Department's daily deposit sheet. Where possible, change funds should be returned to the Clerk's Office if not currently in regular use.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

12. ICQ responses received indicated there were no documented policies and procedures for cash funds. Consequently, funds may not have been used or handled properly.

According to the ICQ responses received from three (12%) of the 26 department locations, written policies and procedures were not in place for either handling and reconciling change funds, or handling and using petty cash.

Note: Subsequent to the audit, one location turned in a petty cash fund.

Recommendation:

Develop policies and procedures for handling and reconciling the change funds. Policies and procedures should be explained and distributed to staff to ensure the funds are handled properly and to facilitate any future transfer of responsibility to another person.

Management Response:

Management concurs with the #12 Audit Finding.

Public Services Branch

The Animal Services Dept. is currently working with our PDA and Fiscal Services Manager to map out present cash handling procedures and develop a more comprehensive cash handling policy. Our goal, with them, is to develop something that all Public Services could use.

Utility Services Branch

Utilities Customer Service and the Utilities Environmental Lab staff is currently updating all departmental policies and procedures, cash fund will be included in the process.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

With regards to cash handling procedures, the draft policy states that each department will be responsible for creating and documenting all procedures related to cash handling, these procedures will be required to be up to date and presented upon request.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See exhibit A.

13. Based on ICQ responses received from some departments, the adequacy of policies and procedures could not be determined. As a result, there may have been a lack of internal controls over the processes to prevent and detect errors, discrepancies, or fraudulent activity.

Based on the ICQ responses received from 18 (69%) of the 26 department locations, the adequacy of the controls over the following processes could not be determined:

- Voided receipts
- Reported overages and shortages
- Reported lost or stolen funds

- Checks received by mail
 - In some instances, the same person who opened the mail also receipted for the payment. Proper segregation of duties did not exist.

Recommendations:

- Review policies and procedures to ensure that there are adequate controls in place for voiding receipts, cash and checks received through the mail, and that they address administrative code requirements for reporting overages, shortages, and lost or stolen funds.
- All voided transactions or receipts should be reviewed and approved by the immediate supervisor.
- Mail should be opened under dual control by two employees, and there should be segregation of duties between the individuals opening the mail and receipting for payment.

Management Response:

Management concurs with the #13 Audit Finding.

Development Services Branch

Development Services Branch is increasing our personnel training to ensure consistency of procedures within our department. We have a Training Officer whose position is to evaluate, update, and distribute standard operating procedures specific to the roles and duties within our department. These SOPs are also being made available in a shared drive for easy access to our personnel. In addition, our department is developing and administering training sessions for hands-on tutorials of proper procedures and policies. Finally, we are utilizing mapping to gain an overall understanding of specific duties and workflow to ensure process improvement and consistency.

Public Services Branch

The Libraries Dept. & Animal Services Dept. staff has been trained on the correct procedures for checks received by mail. Specifically, they have been instructed to ensure that there must be a segregation of duties between the staff member opening the mail and the staff member receipting for payment. We are also in the process of working with our Program Administrator and Fiscal Services Manager to map out our cash handling procedures and develop a more comprehensive cash handling policy.

The Parks, Recreation, and Natural Resource's Dept. procedures for voiding checks, reporting overages and shortages, and the processing of checks received by mail will be addressed in the policy, procedure, and segregation of duty revisions.

Utility Services Branch

Utilities Customer Service is in the final stages of the Process Improvement Team (PIT) action. SOPs will be revised once PIT has been finalized. The Utilities Environmental Lab will address processes for voiding receipts, overages and shortages, and reporting loss or stolen funds in the SOP for the lab. These processes were noted that they were not verified by the auditors. The Environmental Lab reports that the processes for opening of the mail and the recording of the payments are and will be segregated by different employees.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

The intent of this policy to provide more uniform and easily accessible guidance on all matters related to the handling of cash and cash equivalents. The implementation of this policy hinges on the follow up training that will be provided to all applicable staff in order to more effectively broadcast the key tenets mentioned in this audit finding. Training and revision of the policy will be ongoing on an annual basis to ensure it is kept up to date and effective.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

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

14. Some customers were not charged for services during the unannounced audit. Consequently, citizens were not charged consistently and there was a loss of revenue to the County.

While the audit was being conducted at one department location, the IG team observed customers that were not charged dumping fees. The employees did not charge all of the customers that were required to pay dumping fees because we were counting the register drawer, and it was busy. The root cause of this issue was that the employees shared one change fund drawer, which made it difficult to charge customers during an audit or cash count.

Note: An additional change drawer was added and this issue was corrected during the audit.

Recommendation:

Establish policies and procedures that address charging customers while unannounced audits are being conducted and during the required twice yearly inspections pursuant to Administrative Directive #53.

Management Response:

Management concurs with the #14 Audit Finding.

Utility Services Branch

Auditor may not be aware that residential customers are allowed to dump up to 10 bags of garbage per day as part of their County wide solid waste assessment. Furthermore, Utilities has since added an additional register so that any auditing or accounting of funds will not impact the ability to deliver and charge for services in the future.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to non-collection of fees, the Draft states that waiving fees without specific BCC action permitting this activity will be treated as a violation of the Conflict of Interest Policy and a Group 2 Offense of Violating a Department Policy.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

15. Identification was not always requested from the IG team.

Of the 28 department locations, a total of 15 (54%) did not request the IG team to provide identification to verify they were authorized personnel prior to allowing entrance and/or counting the cash funds and/or entrance. Some departments were closed to the public at time of audit, and the IG team was able to enter through the back door without being questioned.

Recommendation:

For security purposes, update the policies and procedures to require that all staff request identification from staff or visitors that need to access the cash funds or building.

Management Response:

Management concurs with the #15 Audit Finding.

Development Services Branch

Security procedures are currently being evaluated to assure proper security for staff and cash-handling personnel. We have requested to have magnetic key access as entry for the New Port Richey Central Permitting Office.

Public Services Branch

During the initial Animal Services visit, on the first day of their audit, they identified themselves to the Assistant Manager and they were wearing their I.D. badges. On the second visit they were not challenged as they were known, with the exception of an intern they had with them. Staff has been directed to obtain proper identification and this will be put into the cash handling procedures that are to be written.

In the Libraries Dept. the procedures for both Change Funds and Petty Cash have been updated to include obtaining proper identification prior to allowing entry into the building.

Utility Services Branch

Utilities Staff will be reminded to request and verify identification from staff and visitors requesting access to restricted work areas. SOP will also be updated to ensure on-going compliance.

Corrective Action Plan:

The BCC has drafted an updated county-wide policy and procedure for Cash Handling. A copy of that draft will be provided for IG review and comment based on the timeline attached. This is a comprehensive and uniform county-wide policy.

Specific to Security, the Draft states that visitors to any area where cash is held should be verified by photo ID.

Target Completion Date:

Attached please find the timeline for completion, adoption and execution of the just mentioned Change and Petty Cash county-wide Cash Handling Policy. See Appendix A.

Appendix A Countywide Cash Handling Policy Timeline

