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Excellence...Always

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

July 20, 2017

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

Dear Chairman Moore and Members of the Board:

Enclosed is Audit Report No. 2017-01-C1, an unannounced audit of the County's change funds. The objective of this audit was to verify the cash funds existed, and were properly secured and accounted for. This audit was limited in scope, and included approximately 7.5% of the petty cash and change fund drawers. The remaining cash funds were scheduled for unannounced audits to take place during the remaining fiscal year.

The internal controls related to the processing, reporting, and safeguarding of change funds required some improvement to be in compliance with applicable policies and procedures, and to reduce the risk of fraud, waste, and abuse of County resources.

The comments were discussed with management and corrective action was taken during the audit. Management responses were included in this report.

The results of the audit were as follows:

Compliance:

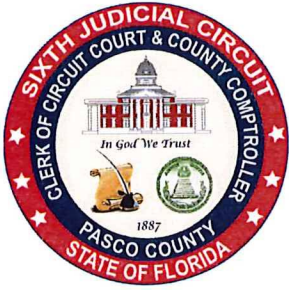
1. A security safe was not locked or secured at the time of the audit.

Control:

2. Department staff did not report a cash overage.
3. The source and purpose of cash stored in a safe was unknown.

Observation:

4. Daily deposits were not consistently submitted to Financial Services on a daily basis.



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Pasco County Board of County Commissioners
July 20, 2017
Page 2

We appreciate the cooperation and professional courtesy received from the County departments during this audit.

Please let us know if you wish to discuss any of the information provided in the report.

We request the Board to receive and file report.

Sincerely,

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

PSO/pm

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

Pasco County Board of County Commissioners

Change Fund Audit

August 15, 2017



Department of Inspector General

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

Josseibel Vázquez-González, MACC, CIGA, CFE
Internal Auditor

Sarah Denney, Auditor I

Report No. 2017-01-C1

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 change funds authorized by the Board of County Commissioners (BCC). This audit included approximately 7.5% of all BCC change fund drawers (cash funds). Change funds were monies kept in a cash drawer, and were used to make change for routine business transactions. The remaining cash funds were scheduled for unannounced audits to take place during the remaining fiscal year. Some cash funds were audited earlier in the fiscal year (report #2017-01A, 2017-01-B1 & 2017-01-B2).

An independent, surprise audit of cash drawers is a key internal control that is preventative, as well as detective in nature. According to the Association of Certified Fraud Examiners' 2016 Report to the Nations on Occupational Fraud and Abuse, the presence of certain controls was associated with smaller losses and quicker fraud detection. The study revealed that, when compared to agencies that did not conduct surprise audits, agencies that conducted surprise audits discovered fraud in half the time, and the loss was 49% less (Report to the Nations on Occupational Fraud and Abuse, 2016, p. 44).

Historically, change funds were issued to various departments throughout Pasco County and were authorized by the BCC prior to being distributed to the requesting departments. Each change fund was assigned to a custodian, who signed 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 stated that the funds were subject to periodic, unannounced audits by the Clerk & Comptroller's Office. For security purposes, dollar amounts were excluded from the final report.

The number of cash fund drawers verified was summarized below:

Department	Location	Number of Cash Drawer(s) Verified
Central Permitting	Dade City	2
Libraries	New River	2
Parks and Recreation	Withlacoochee	<u>1</u>
Total		<u>5</u>

Objective

The overall objective of this audit was to determine that the change funds issued to various BCC departments existed during the unannounced audit. Specifically the objectives were to:

- Determine that cash funds existed and cash receipts in the cash drawer were present and in agreement with the supporting records and documents.

- Determine that cash funds were properly secured at time of unannounced audit.
- Determine that established cash funds were properly accounted for in the general ledger.

Scope and Methodology

The Department of Inspector General conducted a limited scope audit and did not perform a comprehensive evaluation of internal controls over cash handling or perform detailed testing of compliance with the BCC cash handling policies and procedures. The primary focus of this audit was to verify the existence of the cash funds, perform an unannounced count of monies in each cash drawer, and note exceptions and discrepancies. Audit fieldwork was conducted on 2/9/17 and 2/10/17.

Although the audit team exercised due professional care in the performance of this audit, this does not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse was the responsibility of management. Audit procedures alone, even when carried out with professional care, cannot guarantee that fraud or abuse will be detected.

The audit was neither designed nor intended, to be a detailed study of every relevant system, procedure, or transaction. The purpose of this report was to provide an independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management.

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

- Performed unannounced cash counts for cash funds selected, and balanced each drawer to the cash receipts or daily collections to the appropriate system.
- Obtained and verified that the control forms on file in the Clerk & Comptroller's Department of Financial Services accurately reflected the cash fund amount.
- Verified that the total cash fund amount on the control forms agreed to the fund totals in the financial system.
- Identified and documented exceptions and discrepancies.

Statutory and Pasco County Guidelines

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

- 2016 Florida Statute, Title XL VI, Chapter 832, Section 07(2) – Prima facie evidence of intent; identity.
- BCC Check Acceptance Policy, revised August 2008.

- Daily Financial Procedure Manual, Issued 10/14/2009.
- Administrative Directive #25 (Revised March 2, 2009) – Policy Concerning Deposit of Funds.
- Administrative Directive #40 (January 27, 1992) – Petty cash/ change Fund/ Personal Check Procedure.
- Administrative Directive #45 (November 17, 1994) – Petty Cash and Change Fund Internal Audit.
- Administrative Directive #53 (November 21, 1997) – Petty Cash and Change Funds.

Conclusion

The internal controls related to the processing, reporting, and safeguarding of change funds required some improvement to be in compliance with applicable policies and procedures, and to reduce the risk of fraud, waste, and abuse of BCC resources. During the course of this audit, management took corrective action to improve the internal controls related to change funds.

The recommendations made in this report were offered to strengthen the control environment. All comments, observations, and recommendations were discussed with management, and their responses were included in this report.

The Clerk & Comptroller and the Department of Inspector General thank the BCC departments for their professionalism and cooperation during this audit.

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

No.	Description	Page Reference
<i>Comment (Compliance):</i>		
1.	A security safe was not locked or secured at the time of the audit.	5
<i>Comments (Control):</i>		
2.	Department staff did not report a cash overage.	5
3.	The source and purpose of cash stored in a safe was unknown.	6
<i>Observation:</i>		
4.	Daily deposits were not consistently submitted to Financial Services on a daily basis.	7

Audit Comments & Recommendations

Compliance: Since compliance with agreements, contracts, laws, rules, regulations, policies and procedures is expected, a recommendation was not provided.

1. A security safe was not locked or secured at the time of the audit.

On 2/9/17, the auditors verified the contents in the Central Permitting department safe and noted the safe was unlocked and located in an unsecured room.

According to Administrative Directive #45, security safes were not to be left unlocked at any time. After authorized personnel removed items needed, they were required to immediately close and lock the safe before leaving the area.

The permitting technicians had not secured the safe at the time of the audit. As a result, the department was not in compliance with Administrative Directive #45.

Management Response:

The employee in question was counseled with a copy of the counseling session placed in their Human Resources file.

Corrective Action Plan:

A work order has been placed with Facilities to replace the lock on the door and the safe will be kept closed and locked at all times.

Target Completion Date:

June 12, 2017.

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

2. Department staff did not report a cash overage.

On 2/9/17, a cash drawer in the Central Permitting department was over \$11,719.96 (\$10.39 in cash and \$11,709.57 in checks). The overage was not reported to Financial Services and the checks were not endorsed.

According to Revised Administrative Directive #25, collections were to be balanced daily, recorded on a daily spreadsheet, and overages or shortages were to be noted. Checks received were required to be immediately endorsed for deposit, depicting the name of the BCC and the bank account number where the check was to be deposited.

A Central Permitting technician accepted cash and checks from a customer but did not process the transaction or endorse the checks. As a result, the department was not in compliance with Administrative Directive #25.

Recommendation:

Establish a policy and/or administrative directive that direct employees in situations where customers leave cash and/or checks with department staff without it being processed.

Central Permitting should also review policies, procedures, and administrative directives with staff to ensure they understand their responsibility.

Management Response:

The employee was disciplined.

Corrective Action Plan:

The employee will be required to sign off on the finance policy, provided by the Clerk and Comptroller's Office, to acknowledge their understanding of the policy. Any additional violations, of the policy, will result in termination. Any overages will be reported to the Clerk and Comptroller's Office on the Over/Short Form.

Target Completion Date:

June 12, 2017.

3. The source and purpose of cash stored in a safe was unknown.

On 2/9/17, the auditors verified the contents in the Central Permitting department safe and noted an unexplained overage of \$7.10. Documentation that indicated the source or purpose of the funds did not exist. Staff was not aware that the funds existed. As a result, the source or intended purpose of the funds was not determined.

To reduce the risk of fraud, waste, and abuse, all funds should be identified and accounted for on a daily basis, or as immediately as practical.

Recommendation:

If the department discovers funds and cannot determine the source or the purpose of the funds, they should be deposited and reported to Financial Services.

Management Response:

We agree with your analysis.

Corrective Action Plan:

Management will ensure that if the department discovers funds that are unaccounted for, and cannot determine what the funds are for, the funds will be deposited and reported to Clerk's Finance Department via the Over/Short Form.

Target Completion Date:

June 8, 2017.

Observation: Listed below is an item we observed during the audit that was outside the scope of the audit, but was worthy of being brought to the attention of management.

4. Daily deposits were not consistently submitted to Financial Services on a daily basis.

On 2/21/2017, the auditors noticed the daily deposit packets from 2/8/2017 through 2/17/2017 were at a Permitting Technician's workstation and had not been submitted to Financial Services.

Daily Financial Procedure Manual, Issued 10/14/2009, stated that Central Permitting staff was to prepare the prior days' work for submission to Financial Services. The delay and accumulation of information to be processed may have caused operational inefficiencies.

Recommendation:

Amend the Daily Financial Procedure Manual to include timeframes and deadlines to submit daily deposit paperwork to Financial Services.

Management Response:

We agree with your analysis.

Corrective Action Plan:

We have adjusted our Standard Operating Procedures to allow the processing of impact fees within 24 hours of receiving the fee at our counter. We will require that impact fee checks be submitted by 12-noon to allow us to process these checks within that 24-hour timeline.

Target Completion Date:

June 12, 2017.

References

Association of Certified Fraud Examiners: *2016 Report to the Nations on Occupational Fraud and Abuse*.