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

July 12, 2018

The Honorable Mike Wells, 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 Wells and Members of the Board:

Enclosed is Audit Report No. 2018-01-C1. The Department of Inspector General (IG) conducted the third unannounced audit of the County's petty cash and change funds scheduled for fiscal year 2018. The objective of the audit was to verify the cash funds existed, were properly secured and accounted, and that corresponding control forms were up-to-date.

The audit was limited in scope, and included approximately 24% of the petty cash and change fund drawers. The remaining cash funds were scheduled for unannounced audits to take place during the remainder of the fiscal year.

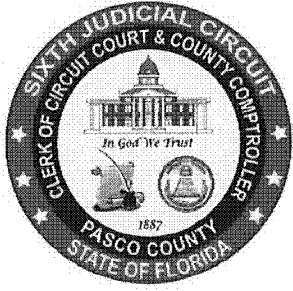
The IG concluded that the majority of the change funds verified existed, reconciled to the supporting documentation, and were properly secured and accounted. Overall, there were proper controls in place to ensure cash funds were properly secured and accounted.

Two audit comments related to compliance with internal policies and procedures were identified as follows:

Compliance:

1. One check was not processed in accordance with County policies and procedures. As a result, there was a delay in processing information that may have caused operational inefficiencies.
2. A shortage was not reported in accordance with County policies and procedures. Consequently, this increased the risk of the change fund being misused, or funds being misappropriated.

All comments were discussed with management. We commend management for taking corrective action during the audit to address the issues noted in the audit. Management responses were included in the report.



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Pasco County Board of County Commissioners
July 12, 2018
Page 2

We appreciate the cooperation and the professional courtesy received from the County departments. 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 the report.

Sincerely,

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

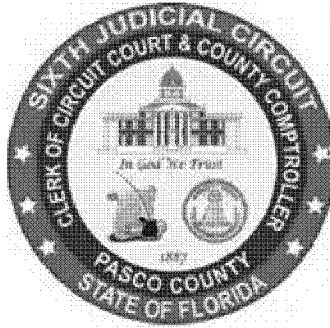
PSO/pmm

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

Pasco County Board of County Commissioners

Petty Cash and Change Fund Audit

August 7, 2018



Department of Inspector General

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

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Auditor I

Report No. 2018-01-C1

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Table of Contents

Executive Summary	2
Background Information	2
Objectives	2
Scope and Methodology	3
Statutory and Pasco County Guidelines	3
Conclusion	4
Audit Comments & Recommendations	5
Compliance:	5
References	7

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 24% of all BCC petty cash and change fund drawers (cash funds). The remaining cash funds were scheduled for unannounced audits to take place during the remainder of the fiscal year.

Independent, surprise audits 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' 2018 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 51% less (Report to the Nations on Occupational Fraud and Abuse, 2018, pages 28-29).

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 accepting 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	Division	Number of Cash Drawer(s) Verified
Building Construction Services	Central Permitting- New Port Richey	12
Building Construction Services	Contractor Licensing	1
Library Services	Regency Park Branch Library	2
Utilities Administration & Support Services	Environmental Lab	1
Total		16

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

Objectives

The audit objectives were to:

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

- Determine that the cash funds were properly secured at time of the unannounced audit.
- Determine the established cash funds were properly accounted in the general ledger.
- Determine if Change Fund/Petty Cash Fund control forms were up to date with correct information, and filed with Financial Services.

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 County's 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. Unannounced cash counts were conducted on 3/26/2018.

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, 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. 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 accounting 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:

- 2017 Florida Statutes, Chapter 832, Section 832.07(2) – Prima facie evidence of intent; identity

- 2017 Florida Statutes, Chapter 832, Section 832.075 – Violations Involving Checks and Drafts
- Administrative Directive #40, dated 1/27/92 – Petty cash/ Change Fund/ Personal Check Procedure
- Administrative Directive #45, dated 11/7/94 – Petty Cash and Change Fund Internal Audit
- Administrative Directive #53, dated 11/21/97 – Petty Cash and Change Funds
- Administrative Directive #25, revised 3/2/09 – Policy Concerning Deposit of Funds
- Board Check Acceptance Policy, revised August 2008
- Petty Cash and Change Fund Procedures, dated 8/5/91

Conclusion

The Department of Inspector General (IG) concluded that the majority of the change funds existed and reconciled to the cashiering supporting documentation at the time of the unannounced audits. Overall, there proper controls in place to ensure cash funds were properly secured and accounted.

There were two issues noted during the audit that related to compliance with County policies and procedures. All comments were discussed with management, and their responses were included in this report. The IG thanks the County departments for their professionalism and corporation during this audit.

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

No.	Description	Page Reference
Audit Comments (Compliance):		
1.	One check was not processed in accordance with County policies and procedures. As a result, there was a delay in processing information that may have caused operational inefficiencies.	5
2.	A shortage was not reported in accordance with County policies and procedures. Consequently, this increased the risk of the change fund being misused, or funds being misappropriated.	5

Audit Comments & Recommendations

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

- 1. One check was not processed in accordance with County policies and procedures. As a result, there was a delay in processing information that may have caused operational inefficiencies.**

According to the Board Acceptance Policy and revised Administrative Directive #25, checks were required to be endorsed immediately endorsed for deposit only. The revised Administrative Directive #25 also stated that all collections were required to be deposited prior to the weekend, regardless of the amount collected.

At the time of the audit (03/26/18), there was one unprocessed check, totaling \$30, maintained in the safe at Central Permitting in New Port Richey. The check was received two business days prior (03/22/18), and was not endorsed. According to staff, they were waiting to receive additional funds from the customer before they could process the check.

Management Response:

The \$30.00 check was for an impact fee research that could not be performed by Central Permitting. The form submitted with the check did not have all the information required in order to perform the research. The check was placed in the safe while we contacted the customer. After daily attempts we finally made contact on March 27, 2018. It was determined that impact research was not required. The customer asked that we return the check in the self-addressed envelope he provided.

Corrective Action Plan:

Accounting staff was providing customer service by holding the check until we reached the customer. This process typically takes more than 24 hours allowed in the current policy. We will be asking for a re-evaluation of this process allowing 72 hours (3 working days). Until the policy is updated we will direct staff to hold no checks longer than 24 hours.

Target Implementation Date:

Immediately.

- 2. A shortage was not reported in accordance with County policies and procedures. Consequently, this increased the risk of the change fund being misused, or funds being misappropriated.**

According to the revised Administrative Directive #25, collections should be balanced daily, recorded on a daily spreadsheet noting any overages or shortages.

At the time of the audit (03/26/18), the change fund at the Environmental Lab was short \$1. The shortage was not reported on the daily spreadsheet sent to Clerk & Comptroller's Department of Financial Services.

Management Response:

Processes were not adhered to.

Corrective Action Plan:

Two individuals run a tape of the change fund – once in the morning and once in the afternoon. The tape is initialed by both employees. These are not the same employees that are at the cash drawer.

Target Implementation Date:

March 28, 2018.

References

Association of Certified Fraud Examiners: *2018 Report to the Nations on Occupational Fraud and Abuse*.