



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

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August 29, 2019

The Honorable Ron Oakley, Chairman, and  
Members of the Board of County Commissioners  
Pasco County Board of County Commissioners  
8731 Citizens Drive  
New Port Richey, FL 34654

Dear Chairman Oakley and Members of the Board:

Enclosed is Audit Report No. 2019-01-CA, an audit of the County Attorney's petty cash handling operations. The objectives of this audit were to determine if the Board of County Commissioner issued petty cash fund existed, was secured, and was accounted for properly in the general ledger. In addition, audit procedures were performed to verify if internal controls were adequate to safeguard the petty cash fund and that policies and procedures were being followed.

Based on the results of the completed audit, one audit comment and one observation were identified. Recommendations were provided to the County Attorney to improve the control environment over their petty cash handling operations. The comment, observation, and recommendations were discussed with management at an exit conference.

The audit comment was an internal control issue where existing policy and procedures over petty cash required additional steps to address certain transactions. The details of this audit comment, recommendation, and the County Attorney's verbatim response were included in the final audit report. Before completion of the audit process, the County Attorney implemented the recommended corrective action that resolved this internal control weakness.

The observation addressed the need of petty cash because it had not been utilized since August 27, 2015. It was recommended that due to the long-term non-usage, the petty cash be returned to the Board of County Commissioners, and they utilize the department purchasing card or a purchase order for procurement in the future. The County Attorney did not agree with the recommendation because the petty cash fund was needed to make purchases that could not be made with a purchasing card or purchase order.

We appreciate the cooperation and professional courtesy received from the County Attorney's Office during this audit. Please let us know if you wish to discuss any information provided in the report.

We request the Board of County Commissioners to receive and file this report.

Sincerely,



Nikki Alvarez-Sowles, Esq.  
Clerk and Comptroller

NAS/sd

**Office of Nikki Alvarez-Sowles, Esq.**

**Clerk & Comptroller**

**Pasco County, Florida**

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**Pasco County Attorney's Office**

**Petty Cash Audit**

September 18, 2019



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Report No. 2019-01-CA

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## Executive Summary

### Background Information

As part of the Fiscal Year 2018-2019 Annual Audit Plan, the Department of Inspector General (IG) conducted an audit of the cash handling operations of the petty cash and change funds authorized and issued by the Board of County Commissioners (BCC). Change funds and petty cash funds were issued to various departments throughout Pasco County (the County). Each petty cash and 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.

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 were associated with smaller losses and quicker fraud detection. The bi-annual study revealed that agencies that conducted surprise audits discovered fraud in half the time, and loss due to fraud was 51% less than agencies that did not conduct surprise audits. (Report to the Nations on Occupational Fraud and Abuse, 2018, pages 28-29).

According to the control form on file at the time of this audit, the County Attorney's Office had a petty cash fund. The petty cash fund assigned to the County Attorney's Office was used for purpose of paying small obligations of an emergency nature for which the issuance of a formal purchase order would cause negative consequences due to processing time. The County Attorney was in possession and responsible for this fund. For security purposes, dollar amounts were excluded from the final report.

### Objectives

The audit objectives were to:

- **Objective No. 1:** Determine if cash funds existed and cash receipts in the cash drawer were present, and in agreement with the supporting records and documents.
- **Objective No. 2:** Determine if cash funds were properly secured at time of the count.
- **Objective No. 3:** Determine if established cash funds were accounted for properly in the general ledger.
- **Objective No. 4:** Determine that County policies and procedures were being followed.
- **Objective No. 5:** Determine that adequate controls were in place to prevent potential fraud, waste, and abuse of County funds.

## Scope and Methodology

The Department of Inspector General conducted a full scope audit of the cash handling operations. The primary focus of this audit was to verify and document the existence of cash funds and cash receipt activity, as well as the compliance with Standard Operating Procedures (SOP), and other external criteria. The County Attorney's petty cash fund was verified on 01/16/2019.

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 employee abuse was the responsibility of management. The audit procedures alone, even when carried out with professional care, could not guarantee that fraud, waste, or abuse would 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:

- Physically counted the petty cash fund to verify its existence.
- Verified the change funds were inspected by the department supervisors in July and December of 2018.
- Obtained the control form on file and verified it was up to date and in accordance with applicable policies, procedures, processes, and administrative directives.
- Verified the total petty cash amount that was physically counted, the control form amount, and the general ledger all agreed with one another.
- Performed a detailed review of the County Attorney's cash handling policies and procedures. The procedures that existed were transcribed into a flowchart. The flowcharted procedures were approved by the County Attorney by signature.
- Verified petty cash reimbursement checks excluded sales tax and were cashed in a timely manner.
- Identified opportunities for improvement.

## Statutory and Pasco County Guidelines

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

- 2018 Florida Statute 212.08(6)(a) – Tax on sales, use, and other transactions
- 2018 Florida Statute 219 – County Public Money, Handling by State and County
- Petty Cash Instructions/Information, updated 07/15/2016

## Subsequent Event

On April 26, 2019, Governor DeSantis signed Senate Bill 7014, making it effective July 1, 2019. Included in Section 14 of this bill were revisions to Florida Statute 218.33. Specifically, the statute was amended to include:

*(3) Each local governmental entity shall establish and maintain internal controls designed to:*

- a) Prevent and detect fraud, waste, and abuse as defined in s.11.45(1).*
- b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.*
- c) Support economical and efficient operations.*
- d) Ensure reliability of financial records and reports.*
- e) Safeguard assets*

## Conclusion

The IG concluded that the petty cash fund verified existed, reconciled to the supporting documentation, and was properly secured at the time of the unannounced audit. However, the petty cash fund had not been used for almost four years. In an effort to better safeguard the cash fund, the IG recommended the County Attorney's office return the petty cash fund, and rely on a purchasing card. The County Attorney disagreed, and stated that the fund was necessary because the petty cash was held for purchases that could not be made through purchasing cards or a purchase order.

The documented procedures required improvement to promote consistency of transactions and adequate control over the petty cash fund issued to the office. The internal procedures for the County Attorney's petty cash handling process did not provide detailed guidance for the following:

- Full execution of a petty cash transaction.
- Processing a shortage caused by an error.

Clearly stated and documented policies and procedures were critical to ensure all staff understood what was expected and ensured consistency in all petty cash transactions. Documented policies and procedures were a foundation for internal controls that safeguard public assets. The County Attorney implemented the recommendations for improving their policies and procedures. The revised policies and procedures were provided to the IG prior to the finalization of this report.

Based on the documentation reviewed and audit procedures performed, the IG identified one opportunity for improvement.

## Audit Comments & Recommendations

**Control Activities:** Listed below was a comment that represented an opportunity to strengthen internal controls. For the control comment, a recommendation was included.

**1. Statement of Condition:** Procedures lacked specific detail for the following processes:

- A documented policy or procedure that provided instructions and guidance for how to fully execute a transaction using the County Attorney's petty cash fund did not exist.
- A documented policy or procedure that provided guidance for how to handle a shortage caused by error did not exist.
  - According to Internal Control Questionnaire responses provided by the Legal Office Manager of the County Attorney's Office, "*if there is a shortage, it is immediately reported to the County Attorney. An accounting of the funds will be conducted to determine the cause of the shortage.*"

**Criteria:** Policies and procedures should reflect all current practices and be clearly stated in writing to:

- Ensure assets were properly safeguarded.
- Provide clarity and consistency of operations.
- Provide criteria for training new personnel.

**Cause:** Documented policies and procedures related to the County Attorney's petty cash fund were last updated 07/15/2016.

**Effect of Condition:** At the time fieldwork was conducted, the documented policy and procedure was incomplete because it neither provided guidance for executing transactions nor did it address shortages as a result of an error.

**Recommendation:** Revise, update, and create policies and procedures to provide guidance and instructions for how to:

- Execute a transaction using the petty cash fund.
- Handle a shortage not related to loss or theft.

Communicate updated procedures to staff and conduct training sessions when necessary to ensure staff was aware of current operational processes.

**Management Response:** *There have been no shortages or overages in the Petty Cash. However, based on the Inspector General's concern, the policies and procedures have been updated to provide guidance for executing transactions and addressing shortages as a result of an error.*

**Corrective Action Plan:** *The revision to the previous Petty Cash Policy will be implemented.*

**Target Implementation Date:** *Immediately*



### **References**

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