

# UNANNOUNCED AUDIT OF PETTY CASH AND CHANGE FUNDS

February 2022

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## AUDIT SERVICES

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## EXECUTIVE SUMMARY

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As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's Internal Audit Department and Office of the Inspector General conducted an unannounced continuous audit of Petty Cash and Change Funds. Continuous Audits have narrowly defined scopes, are conducted on a recurring basis to identify risks and test controls, and result in timely notification of gaps and weaknesses.

The audit found that Accounting Policies and Procedures are not consistently being followed throughout the County in regards to:

- Limiting change fund access,
- Ensuring that the Certificate and Receipt of Imprest Funds form is valid,
- Cash management training,
- Deposit procedures, and
- if Library change funds are still necessary.

Non-compliance with Accounting Policies and Procedures results in a higher risk of misappropriation of cash and cash equivalents as well as inadequate records of who is accountable for transactions.



## BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an unannounced continuous audit of the County's Petty Cash and Change Funds. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review compliance with applicable policies and procedures, and reconcile petty cash and change funds.

### ***Background***

Internal Audit completed an unannounced audit of the County's petty cash and change funds in April 2020, identifying six opportunities for improvement. In that audit, a sample of 22 of the 42 change funds totaling \$10,903 in existence at that time was tested for compliance with the Accounting Policies and Procedures, Chapter 17.2 *Petty Cash* and Chapter 9.5 *Change Funds*. Chapter 17.2 *Petty Cash* provides the policy for establishing and making purchases from a petty cash fund. The document indicates that petty cash funds are established for the purpose of handling cash expenditures of a minor nature and are limited to purchases of \$100 or less. Chapter 9.5 *Change Funds* indicates that change funds are established for the purpose of making change where money is collected during transactions of County business.

Unannounced cash counts and cash control evaluations are continuous audits performed by the Internal Audit Department. Accordingly, an unannounced cash count was completed in January 2022, which included 17 of the 34 change funds totaling \$9,778 as of December 2, 2021, located within various departments throughout the County. It was noted that of the 34 funds, there were no petty cash funds issued to custodians at the time of the audit.

### ***Objectives, Scope and Methodology***

In order to assist the County in meeting its stewardship responsibilities for the public assets and resources placed in its trust, an unannounced audit was performed of its petty cash and change funds.

The objectives of this audit were to determine if (1) internal controls over petty cash and change funds are operating effectively, (2) departments are in compliance with the Accounting Policies and Procedures, and (3) reconciled balance of funds agree to the amount recorded on the Certificate and Receipt of Imprest Funds.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained an understanding of the Accounting Policies and Procedures as they relate to petty cash and change funds.
- Performed inquiries of County personnel.
- Evaluated internal controls related to segregation of duties and safeguarding the County's assets, specifically for petty cash and change funds.
- Reconciled a random sample of 17 out of 34 imprest funds, which includes only change funds since there are no petty cash funds open, and compared the balance to the amount recorded on the Certificate and Receipt of Imprest Funds.
- Review Cash Management training records maintained by Human Resources.
- Validated that the electronic document retention system (OnBase) is utilized to archive the approved Certificate and Receipt of Imprest Funds forms.
- Identified Opportunities for Improvement.



## OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

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The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Communicating risk and control information to appropriate areas of the organization, and
- (Standard 2130.A1) The effectiveness of controls related to operations and programs,
- And compliance with policies and procedures.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were six *Opportunities for Improvement* identified as a result of the audit:

1. **Segregation of Duties**
2. **Certificate and Receipt of Imprest Fund**
3. **Cash Management Training**
4. **Necessity of Change Funds**
5. **Receipt for Deposit of County Funds**

## 1. Segregation of Duties.

### Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Funds* state that “only the person designated the custodian is permitted access to the change fund, unless the use of compensating controls are authorized by the Finance Department of the Clerk of Circuit Court and County Comptroller.” A sample of 17 change funds were selected and an unannounced cash count was performed for each one. During the counts, it was noted that 6 funds (35.3% of the sample tested) were accessible to individuals other than the designated custodian (See Appendix A: Segregation of Duties).

Management advised during the prior audit that to account for the department-level operational restrictions in various areas, compensating control procedures had been developed and submitted to the Finance Department for approval.

### Recommendation

To ensure a proper segregation of duties, mandate compliance with the Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*.

### Management Response

Provide management’s response here.

## 2. Certificate and Receipt of Imprest Fund.

### Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Fund* states:

- “Submit the completed Sarasota County Certificate and Receipt of Imprest Funds form to the Director of Finance or the Accounts Payable Manager, to establish and authorize the amount of the change fund. The form must be submitted by the Executive Director and must designate who will be the custodian of the fund.”

During review of the Certificate and Receipt of Imprest Funds form for the 17 sampled funds, the following instances of non-compliance was observed:

- Two Certificate and Receipt of Imprest Fund forms indicated that the custodian took receipt of the funds prior to approval by the department director’s signature.

### Recommendation

To ensure approval of fund custodians by the Departmental Director or Manager occurs prior to transfer of the funds, mandate compliance with the Accounting Policies and Procedures, Chapters 9.5.

### Management Response

Provide management’s response here.



### 3. Cash Management Training.

#### Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Funds* require custodians and their supervisors to attend yearly Cash Management training, which is offered online. Custodians are required to complete the training within 30 days of assuming responsibility of a change fund. Training records reflected that one of fourteen (7.1%) reviewed did not complete the training within the past year.

#### Recommendation

Ensure compliance with the Accounting Policies and Procedures requiring annual Cash Management training and monitor appropriately.

#### Management Response

Provide management's response here.

#### **4. Necessity of Change Funds.**

##### **Observation**

During performance of the unannounced cash count audits, the auditor determined that the Libraries Department have changed their processes regarding the collection of fines, fees, copying and printing. Since around March of 2020, when the COVID pandemic broke out, the department stopped accepting cash at all locations. Change is no longer needed in the copier machines and instead of charging for their use, the new policy allows for each patron to have a limit of pages that can be copied or printed per day. The department has implemented processes so that only electronic payments can be collected from patrons, which has essentially nullified the need for change funds at each Library location.

##### **Recommendation**

The Libraries Department should consider if it is necessary to continue to maintain their change funds at each Library location.

##### **Management Response**

Provide management's response here.

## 5. Receipt for Deposit of County Funds.

### Observation

Accounting Policies and Procedures Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* require that management “prepare a Receipt for Deposit of County Funds no later than the next day”. Chapter 9.2 also requires that a Receipt for Deposit of County Funds form be submitted with a completed bank deposit slip and supporting documentation, such as receipts, cash register tapes, system generated reports, and deposit capture reports, to the Finance Department.

The auditor obtained the prior two weeks of Receipt for Deposit of County Funds forms from the date the unannounced cash count was performed for each sampled change fund. If deposits were not made during the two week time frame, the three most recent Receipt for Deposit of County Funds forms were obtained for review. In total, there were 20 Receipt for Deposit of County Funds forms identified and reviewed related to the 17 sampled changes funds.

During review of the 20 Receipt for Deposit of County Funds forms, the auditor noted:

- 16 instances (80%) where the form was submitted between 3 and 9 business days,
- 6 instances (30%) where the form was submitted to the Finance Department 6 or more business days later,
- 6 instances (30%) where supporting cash receipts were not included with the documentation, and
- 1 instance (5%) where a bank deposit slip was not included with the documentation.

### Recommendation

To ensure compliance with Accounting Policies and Procedures Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, each custodian should prepare a Receipt for Deposit of County Funds form no later than the next day and promptly submit the form, with all required supporting documentation, to the Finance Department.

## **Management Response**

Provide management's response here.



## APPENDIX A: SEGREGATION OF DUTIES

The table below provides the department and location of the 17 petty cash and change funds sampled and counted. The six petty cash and change funds that were accessible by one or more persons other than the designated custodian are highlighted in blue. See page 6, Opportunity for Improvement No. 1, for the detailed observation.

| Department                              | Location                            |
|-----------------------------------------|-------------------------------------|
| Communications                          | 1660 Ringling Blvd, Sarasota        |
| Libraries and Historical Resources      | 7112 Curtiss Ave, Sarasota          |
| Libraries and Historical Resources      | 13800 Tamiami Trail, North Port     |
| Libraries and Historical Resources      | 1331 First St, Sarasota             |
| Libraries and Historical Resources      | 100 Apex Road, Sarasota             |
| Office of Financial Management          | 1001 Sarasota Center Blvd, Sarasota |
| Office of Financial Management          | 1001 Sarasota Center Blvd, Sarasota |
| Office of Financial Management          | 1001 Sarasota Center Blvd, Sarasota |
| Parks, Recreation and Natural Resources | 6700 Clark Rd, Sarasota             |
| Parks, Recreation and Natural Resources | 6700 Clark Rd, Sarasota             |
| Planning and Development Services       | 1001 Sarasota Center Blvd, Sarasota |
| Planning and Development Services       | 4000 S Tamiami Trail, Venice        |
| Public Utilities                        | 4000 S Tamiami Trail, Venice        |
| SCAT                                    | 150 N. Lemon Ave, Sarasota          |
| SCAT                                    | 150 N. Lemon Ave, Sarasota          |
| Solid Waste                             | 8750 Bee Ridge Road, Sarasota       |
| Solid Waste                             | 4000 Knights Trail Road, Nokomis    |

