

UNANNOUNCED AUDIT OF PETTY CASH AND CHANGE FUNDS

November 2016



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EXECUTIVE SUMMARY

OPPORTUNITIES FOR IMPROVEMENT

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 independent 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.
- As of September 21, 2016, the County had 49 petty cash and change funds totaling \$12,673.
- Internal Audit randomly selected a sample of 25 of the 49 petty cash and change funds for testing.
- Internal Audit validated sampled fund balances by performing an unannounced cash count.
- Internal Audit reviewed Accounting Policies and Procedures pertaining to petty cash and change funds.
- Previously, an audit of petty cash and change funds was completed in May 2016 where five Opportunities for Improvement were identified related to: segregation of duties, year-end audits, management training, timely deposits, and the use of sealed deposit bags. Two of the five *Opportunities for Improvement* continue to be issues.

Compliance

- Of the 25 sampled petty cash and change fund accounts sampled, 8 were accessible by individuals other than the designated custodian.
- One change fund location had five days worth of revenue that had not been placed in sealed deposit bags.



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 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 internal controls, 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 May 2016, identifying five opportunities for improvement. In that audit, a sample of 24 of the 48 petty cash and change funds totaling \$12,573 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 Internal Audit. Accordingly, an unannounced cash count was completed in November 2016, which included 25 of the 49 petty cash and change funds totaling \$12,673 as of September 21, 2016, located within various departments throughout the County. Testing indicated that two of the five issues observed in the May 2015 audit still exist. See *Opportunities for Improvement: 1 and 2*.

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 compliant 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 sample of one petty cash funds and 24 change funds and compared the balance to the amount recorded on the Certificate and Receipt of Imprest Funds.
- Reviewed 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.

Overall Results

Testing indicated that management has appropriately addressed three of the five Opportunities for Improvement identified in the previous audit. Although one of the 25 custodians in the sample was observed as having not completed the required annual Cash Management training, overall the procedures implemented appear to be effective.

Based on the audit procedures performed, the County appears to have instances of non-compliance with the Accounting Policies and Procedures. These areas are detailed in the *Opportunities for Improvement* section of this report.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

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 two *Opportunities for Improvement*, both related to compliance with Accounting Policies and Procedures identified as a result of the audit:

1. **Segregation of duties requirement.**
2. **Revenue placed in sealed deposit bags on a daily basis.**

1. Segregation of duties requirement

Observation

Accounting Policies and Procedures Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* 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 & County Comptroller.”* A sample of 25 change and petty cash funds were selected and an unannounced cash count was performed. During the count, it was noted that 8 funds were accessible to individuals other than the designated custodian.

Management advised during the prior audit that compensating controls would be developed and presented to the Comptroller for review and approval. Testing in the current audit showed that this has not occurred.

Recommendation

To ensure a proper segregation of duties, mandate compliance with the Accounting Policies and Procedures, Chapters 9.5 and 17.2.

Management Response

To account for the department level operational restrictions, compensating control procedures are being reviewed and/or developed and will be presented to the Finance Department for review and approval. We are currently awaiting approval of a department level draft from the Finance Department. Once approved, the remaining applicable department levels drafts will be submitted to Finance Department for review and approval.

2. Revenue placed in sealed deposit bags on a daily basis

Observation

Accounting Policies and Procedures Chapter 9.2 *Business center Receipt, Balance, and Deposit of Cash* require that all revenue be placed in sealed deposit bags on a daily basis. During the unannounced cash count, it was noted that one location had five days worth of revenue that, although separated, was not placed in the sealed deposit bags.

Recommendation

To ensure proper safeguarding of county assets, revenue should be placed in the sealed deposit bags on a daily basis at all locations.

Management Response

Finance Department approved changes were made to Section 9.2 in order to ensure proper understanding of the policy mandate. We will continue to communicate the sealed deposit bag requirement in order to achieve and maintain ongoing compliance with policies and procedures.



APPENDIX A: OPPORTUNITIES FOR IMPROVEMENT BY LOCATION

The highlighted items on the table below provide the department and location of the 8 petty cash and change funds that did not have a proper segregation of duties. See Opportunity for Improvement #1.

| Department | Location |
|--|----------------------------------|
| Planning and Development Services | 1001 Sarasota Ctr Blvd, Sarasota |
| Office of Financial Management | 1001 Sarasota Ctr Blvd, Sarasota |
| Libraries and Historical Resources | 7112 Curtiss Ave, Sarasota |
| UF/IFAS Extension | 6700 Clark Road, Sarasota |
| Parks, Recreation, and Natural Resources | 3445 Rustic Rd, Nokomis |
| Health and Human Services | 2200 Ringling Blvd, Sarasota |
| Planning and Development Services | 1001 Sarasota Ctr Blvd, Sarasota |
| Parks, Recreation, and Natural Resources | 5300 Colonial Oaks Blvd, Sarsota |
| Parks, Recreation, and Natural Resources | 509 Collins Rd, Nokomis |
| Planning and Development Services | 1001 Sarasota Ctr Blvd, Sarasota |
| Planning and Development Services | 1001 Sarasota Ctr Blvd, Sarasota |
| Parks, Recreation, and Natural Resources | 6050 Longwood Run Blvd, Sarasota |
| Parks, Recreation, and Natural Resources | 6700 Clark Road, Sarasota |
| Libraries and Historical Resources | 2801 Newtown Blvd, Sarasota |
| UF/IFAS Extension | 6700 Clark Road, Sarasota |
| Parks, Recreation, and Natural Resources | 1300 S River Rd, Englewood |
| Public Utilities | 4000 Knights Tr Rd, Nokomis |
| Public Utilities | 4000 Knights Tr Rd, Nokomis |
| Parks, Recreation, and Natural Resources | 2800 Newtown Blvd, Sarasota |
| Planning and Development Services | 4000 S Tamiami Trail, Venice |
| Public Utilities | 8750 Bee Ridge Rd, Sarasota |
| Public Utilities | 4000 Knights Tr Rd, Nokomis |
| Public Utilities | 4000 Knights Tr Rd, Nokomis |
| Planning and Development Services | 4000 S Tamiami Trail, Venice |
| Communications | 1660 Ringling Blvd, Sarasota |