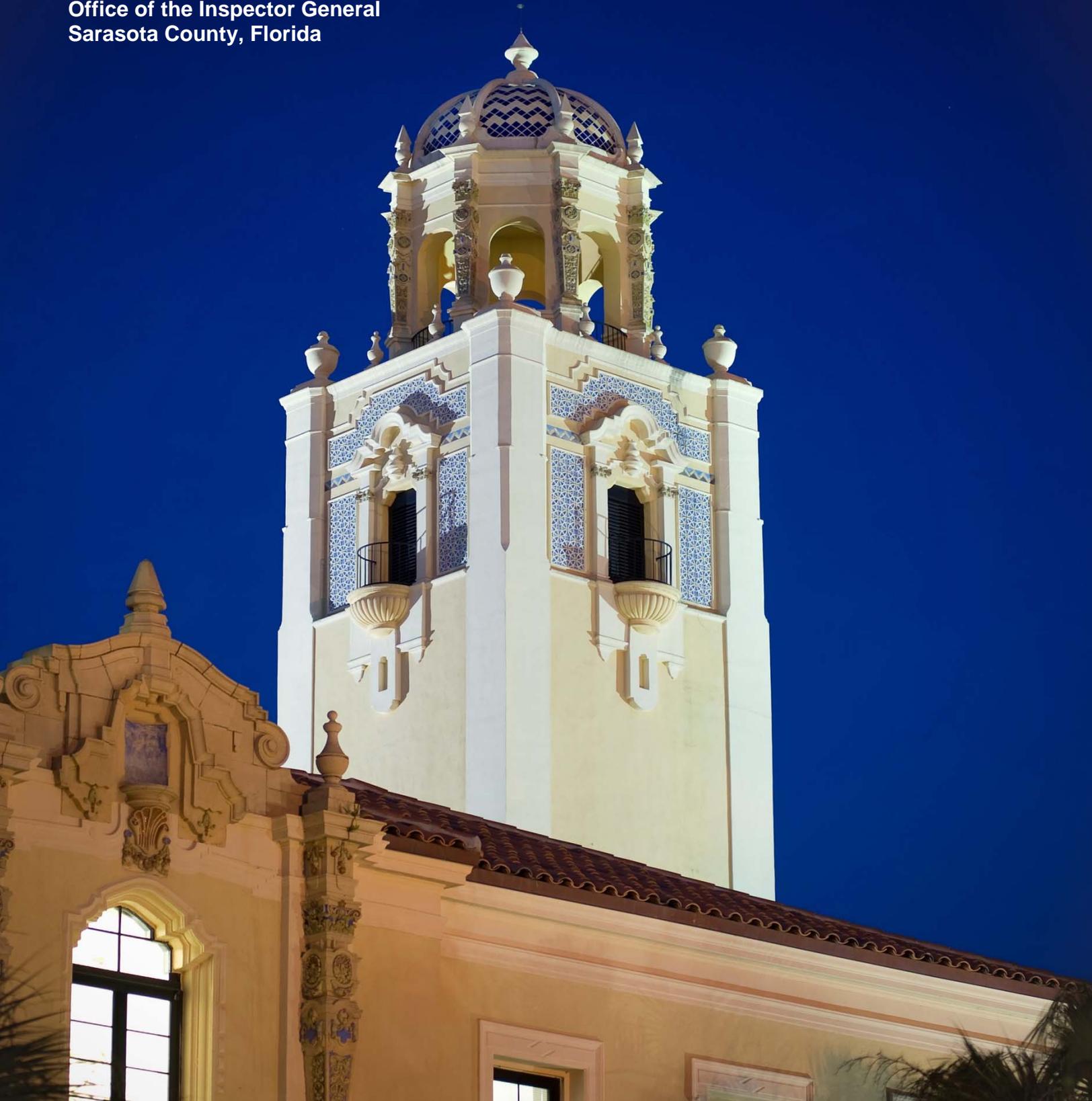


UNANNOUNCED AUDIT OF PETTY CASH AND CHANGE FUNDS

May 2016



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Sarasota County, Florida



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EXECUTIVE SUMMARY

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 a continuous audit of Petty Cash and Change Funds.

- Continuous Audits have narrowly defined scopes, are conducted on a reoccurring basis to identify risks and test controls, and result in timely notification of gaps and weaknesses.
- As of December 17, 2015, the County had forty-eight (48) petty cash and change funds totaling \$12,573.
- Internal Audit randomly selected a sample of twenty-four (24) of the forty-eight (48) 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 July 2015, where six (6) Opportunities for Improvement were identified related to: access to funds, reconciliation, management audits, cash management training, and deposits. Five (5) of the six (6) Opportunities for Improvement continue to be issues. **See *Opportunities for Improvement: 1, 2, 3, 4, and 5.***

OPPORTUNITIES FOR IMPROVEMENT

Compliance

- Five (5) of the twenty-four (24) petty cash and change funds sampled were accessible by one or more individuals other than the designated custodian.
- Fourteen (14) of the twenty-four (24) custodians advised that management had not performed an audit of their funds at year end.
- Training records indicate that all custodians completed cash management training, however, one (1) of the sixteen (16) supervisors have not completed cash management within the last year. Additionally, one (1) of the eleven (11) custodians who were assigned the responsibility after the October 1, 2014, policy modification did not complete the training within 30 days.
- Three (3) locations had deposits for previous days' activities totaling \$795.25 onsite.
- One (1) location had prior days' deposits that were not in sealed deposit bags.



SUMMARY AND RESULTS

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 accordance 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. The purpose of the audit was to review internal controls, compliance with applicable policies and procedures and reconcile the petty cash and change funds.

Background

Internal Audit completed an unannounced audit of the County's petty cash and change funds in July 2015, identifying six (6) opportunities for improvement. In that audit, a sample of thirty-two (32) of the fifty-five (55) petty cash and change funds totaling \$15,023 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 January 2016, which included twenty-four (24) of the forty-eight (48) petty cash and change funds totaling \$12,573 as of December 17, 2015, located within various departments throughout the County. Our testing indicated that five (5) of the six (6) issues observed in the July 2015 audit still exist. See ***Opportunities for Improvement: 1, 2, 3, 4, and 5.***

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 two (2) petty cash funds and twenty-two (22) 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

Based on the procedures performed, the County appears to have instances of non-compliance with the Accounting Policies and Procedures. Although two (2) funds were over by less than a dollar at the time of the cash count, overall custodians appear to understand the importance of recording cash overages and shortages as they occur. Details of non-compliance and instances to enhance procedures are included in the Opportunities for Improvement section of this report.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and 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.

Accordingly, the ***Opportunities for Improvement*** presented in this report may not be all-inclusive of areas where improvement may be needed. There were five (5) *Opportunities for Improvement* identified as a result of the audit:

1. **Non-Compliance with the segregation of duties requirement**
2. **Non-Compliance with the Accounting Policies and Procedures by management of the required year-end audits**
3. **Non-Compliance with the Accounting Policies and Procedures to complete cash management training**
4. **Timely deposit of receipts not occurring in accordance with the Accounting Policy and Procedure, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash***
5. **Non-Compliance with the Accounting Policies and Procedures mandating the use of sealed deposit bags**

1. Non-Compliance with the segregation of duties requirement

Observation

Accounting Policies and Procedures, Chapter 17.2 Petty Cash and Chapter 9.5 Change Funds, both require that "only the person designated the custodian is permitted access" to the petty cash or change fund. The auditor selected a sample of twenty-four (24) petty cash and change funds, representing 50% of the population, and performed an unannounced cash count. Five (5) of the twenty-four (24) funds, or 20.8%, were accessible by one or more persons other than the designated custodian. See Appendix A: Internal Control Observations ~ Segregation of Duties.

Recommendation

To ensure proper segregation of duties, mandate compliance with the Accounting Policies and Procedures, Chapter 17.2 *Petty Cash* and Chapter 9.5 *Change Funds*. Allow only the designated custodian of the petty cash or change fund to access the fund.

Management Response

To account for the department-level operational restrictions, compensating control procedures are being developed and will be presented to the Finance Department for review and approval. Applicable department-level drafts will be submitted to Finance Department for review and approval by August 1, 2016.

2. Non-Compliance with the Accounting Policies and Procedures by management of the required year-end audits

Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* were modified October 1, 2014, to include performance of quarterly audits (recommended) and year-end audits (required) by management. We were advised by fourteen (14) of the twenty-four (24) custodians in our sample, or approximately 58%, that management had not conducted an audit of their fund at year-end.

Recommendation

Ensure that management complies with the modified Accounting Policies and Procedures pertaining to the required petty cash and change fund audits.

Management Response

Ethics and Compliance performed a compliance review and training starting the 4th quarter of FY2015. That initiative included an audit of the fund with a sign off by the compliance specialist and department staff. Also included in that initiative was one on one procedural training, security assessment, imprest receipt review, proper use of forms and verification of deposits. Ethics and Compliance has subsequently provided a form that maybe used on all future quarterly and annual audits. Quarterly audit reminder messages are being sent out to directors.

3. Non-Compliance with the Accounting Policies and Procedures to complete cash management training

Observation

Accounting Policies and Procedures, Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash*, were modified October 1, 2014, requiring custodians and their supervisors to attend yearly Cash Management training, which is offered online. Additionally, custodians are required to complete the training within 30 days of assuming the responsibility, which is also offered online. One (1) of the eleven (11) custodians (9.1%) that assumed this responsibility after the policy modification occurred on October 1, 2014, did not complete the training within 30 days. However, training records reflected that all sampled custodians attended the required yearly Cash Management training, where in the previous audit, report dated July 2015, fifteen (15) of thirty-four (34) tested custodians had not completed the training as required. The training records also reflected that one (1) of the sixteen (16) supervisors (6.3%) tested did not complete the training in the past year.

Recommendation

Although progress has been made to ensure compliance with the Accounting Policies and Procedures requiring annual Cash Management training and training for new custodians within 30 days of assuming the responsibility, the County should continue to mandate compliance, and monitor appropriately.

Management Response

Training continues to be mandatory for custodians and supervisors of custodians. Cash handling training has been added to the annual performance review. In addition, we have requested the Finance Department add language to the imprest receipt. The proposed language would require the employee to attest to the training requirement and agree to comply. We will continue to work with Human Resources to ensure ongoing compliance with the training requirement.

4. Timely deposit of receipts not occurring in accordance with the Accounting Policy and Procedure, Chapter 9.2 Business Center Receipt, Balance, and Deposit of Cash

Observation

Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* states that, “Management is responsible for ensuring cash and checks are deposited daily.” The current policies and procedures do not provide an exemption for the required daily deposit of cash and checks. We observed three locations that had previous days’ receipts totaling \$795.25 onsite. Details of the department, locations, and number of days’ deposits are shown in Appendix B, Timeliness of Deposits.

Recommendation

Mandate compliance with the Accounting Policies and Procedures, requiring deposits to be made daily, or memorialize exceptions in written form accordingly.

Management Response

After performing a risk assessment it was determined that not all department/locations have sufficient cash receipts to warrant a daily deposit. We are requesting a change to Chapter 9.2 Business Center Receipt, Balance, and Deposit of Cash #4. We are recommending that language be updated to include reference to department-level policy and procedure when they differ from the Accounting Policy and Procedures. We have submitted recommended language change to Finance Department for their consideration.

5. **Non-Compliance with Accounting Policies and Procedures mandating the use of sealed deposit bags**

Observation

The Accounting Policies and Procedures, require the use of sealed deposit bags for daily deposit. While performing the unannounced cash counts, we observed one (1) location with prior days' receipts that were not in the provided sealed deposit bags. This increases the risk of inappropriate activity.

Recommendation

To ensure proper protection of County assets, mandate the use of sealed deposit bags for daily deposit at all locations.

Management Response

We are in agreement with the recommendation. To ensure proper understanding of the policy we are respectfully submitting the following proposed changes to Section 9.2 to Finance Department for consideration:

- Procedure # (10) "enter the total deposit amount and enter the amount on a bank bag label and place in the sealed bank bag for delivery to the bank"
- Add reference and link to 5.2 Business Center Cash Receipts Flow Chart to the Exhibits





APPENDIX A: INTERNAL CONTROL OBSERVATIONS ~ SEGREGATION OF DUTIES

The table below provides the department and location of the twenty-four petty cash and change funds sampled and counted. The five (5) 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 #1, for the detailed observation.

Department	Location
Health and Human Services	5531 Pinkney Ave., Sarasota
Health and Human Services	2200 Ringling Blvd., Sarasota
Libraries and Historical Resources	13800 Tamiami Trail, North Port
Libraries and Historical Resources	2801 Newtown Blvd., 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	2800 Newtown Blvd., Sarasota
Parks Recreation and Natural Resources	5300 Colonial Oaks Blvd., Sarasota
Parks Recreation and Natural Resources	3445 Rustic Road, Nokomis
Parks Recreation and Natural Resources	1300 S. River Road, Englewood
Parks Recreation and Natural Resources	6700 Clark Road, Sarasota
Parks Recreation and Natural Resources	326 S. Nokomis Ave., Venice
Parks Recreation and Natural Resources	509 Collins Road, Laurel
Parks Recreation and Natural Resources	3951 Woodmere Park Blvd., Venice
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota
Planning and Development Services	4000 S. Tamiami Trail, Venice
Planning and Development Services	4000 S. Tamiami Trail, Venice
Public Utilities	4000 Knights Trail Road, Nokomis
Public Utilities	4000 Knights Trail Road, Nokomis
Sarasota County Area Transit	1525 1st Street, Sarasota
UF/IFAS Extension	6700 Clark Road, Sarasota



APPENDIX B: TIMELINESS OF DEPOSITS

The table below provides the department and location of the twenty-four (24) petty cash and change funds sampled and counted. The three (3) locations where there were multiple days' receipts that had not been deposited are highlighted. See page 9, Opportunity for Improvement #4, for the detailed observation.

Department	Location	Days
Health and Human Services	5531 Pinkney Ave., Sarasota	-
Health and Human Services	2200 Ringling Blvd., Sarasota	-
Libraries and Historical Resources	13800 Tamiami Trail, North Port	-
Libraries and Historical Resources	2801 Newtown Blvd., Sarasota	3
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	2800 Newtown Blvd., Sarasota	1
Parks Recreation and Natural Resources	5300 Colonial Oaks Blvd., Sarasota	-
Parks Recreation and Natural Resources	3445 Rustic Road, Nokomis	-
Parks Recreation and Natural Resources	1300 S. River Road, Englewood	-
Parks Recreation and Natural Resources	6700 Clark Road, Sarasota	-
Parks Recreation and Natural Resources	326 S. Nokomis Ave., Venice	-
Parks Recreation and Natural Resources	509 Collins Road, Laurel	-
Parks Recreation and Natural Resources	3951 Woodmere Park Blvd., Venice	-
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota	-
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota	-
Planning and Development Services	1001 Sarasota Center Blvd., Sarasota	-
Planning and Development Services	4000 S. Tamiami Trail, Venice	-
Planning and Development Services	4000 S. Tamiami Trail, Venice	-
Public Utilities	4000 Knights Trail Road, Nokomis	-
Public Utilities	4000 Knights Trail Road, Nokomis	-
Sarasota County Area Transit	1525 1st Street, Sarasota	1
UF/IFAS Extension	6700 Clark Road, Sarasota	-