

UNANNOUNCED AUDIT OF PETTY CASH AND CHANGE FUNDS

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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 recurring basis to identify risks and test controls, and result in timely notification of gaps and weaknesses.
- As of March 28, 2017, the County had 48 petty cash and change funds totaling \$13,023.
- Internal Audit randomly selected a sample of 24 of the 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 November 2016 where two Opportunities for Improvement were identified related to: segregation of duties and daily use of sealed deposit bags for revenue collected. Both of the previous *Opportunities for Improvement* continue to be issues. **See *Opportunities for Improvement: 1 and 2.***

OPPORTUNITIES FOR IMPROVEMENT

Non-Compliance with Accounting Policies and Procedures

- Five (5) of the 24 sampled funds were accessible by individuals other than the designated custodian.
- Five (5) change fund locations did not have daily revenue placed in sealed deposit bags.
- Two (2) of the 24 sampled funds did not have an audit completed at fiscal year end.
- Three (3) of twenty-three (23) custodians and two (2) of twelve (12) supervisors have not completed cash management training within the last year.
- Three (3) of the 24 sampled funds did not have valid Certificate and Receipt of Imprest Funds forms.



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 November 2016, identifying two opportunities for improvement. In that audit, a sample of 25 of the 49 petty cash and change funds totaling \$12,673 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 April 2017, which included 24 of the 48 petty cash and change funds totaling \$13,023 as of March 28, 2017, located within various departments throughout the County.

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 sample of one (1) petty cash fund and twenty-three (23) 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.



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 five (5) *Opportunities for Improvement* identified as a result of the audit:

1. **Segregation of duties requirement.**
2. **Revenue not placed in sealed deposit bags on a daily basis.**
3. **Year-end audits by management not completed.**
4. **Requirements for cash management training not met.**
5. **Certificate and Receipt of Imprest Funds.**

1. Segregation of duties requirement.

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 compensating controls are established per Office of Financial Management (OFM) approved department level procedures and authorized by the Finance Department of the Clerk of Circuit Court & County Comptroller.”* A sample of 24 change and petty cash funds were selected and an unannounced cash count was performed. During the count, it was noted that five (5) funds were accessible to individuals other than the designated custodian. See Appendix A: Segregation of Duties.

Management advised during the prior audit that compensating controls would be developed and presented to the Comptroller for review and approval. Management has implemented compensating controls via standard operating procedures for change funds and the procedures have been submitted to the Finance Department, however, they have not been authorized by the Finance Department as of the completion of this audit.

Recommendation

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

Management Response

To account for the department-level operational restrictions in various areas, compensating control procedures have been developed and presented to the Finance Department. We are currently awaiting their review and approval.

2. Revenue not 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 five (5) locations had revenue from previous days that was not placed in the sealed deposit bags. See Appendix B: 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

Follow up discussions have occurred with the staff and management teams where current adherence to policies and procedures were not followed.

Implemented May 8, 2017.

3. Year-end audits by management not completed.

Observation

Accounting Policies and Procedures Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* recommend that management should perform quarterly reconciliations to ensure custodians' report cash overages or shortages. They also require that management perform an audit at the fiscal year-end. The auditor determined that management of two (2) of the twenty-four (24) petty cash and change funds in our sample did not complete the required audit at fiscal year-end. One (1) of the two (2) funds had an audit completed by management, but it was not performed within a reasonable time period.

Recommendation

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

Management Response

Follow-up discussions have occurred with the staff and management teams where current adherence to policies and procedures were not followed.

OFM is updating the online cash management training to ensure that supervisor and management expectations are clear and covered properly. Updates to the online training to be completed by June 1, 2017.

4. Requirements for cash management training not met.

Observation

Accounting Policies and Procedures Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* 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 the responsibility. Training records reflected that three (3) of twenty-three (23) custodians (13%) and two (2) of twelve (12) supervisors (16.7%) tested did not complete the training in the past year.

Recommendation

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

Management Response

All five (5) custodians/supervisors have now completed cash management training within the past year. Implemented May 5, 2017.

OFM will coordinate with Human Resources to compile a list of employees that have not completed Cash Management training within the current fiscal year by June 1st. A reminder will be sent to those on the distribution list to complete training on or before July 31st.

Implementation will be completed by July 31, 2017.

5. Certificate and Receipt of Imprest Funds.

Observation

Accounting Policies and Procedures Chapter 9.5 *Change Funds* and Chapter 17.2 *Petty Cash* states that the Sarasota County Certificate and Receipt of Imprest Funds will remain valid until one of the following takes place:

- a. amount of the fund changes,
- b. purpose of the fund changes,
- c. location of the fund changes,
- d. custodian changes, or
- e. the fund closes.

Review of the Certificate and Receipt of Imprest Funds in the official retention database for the twenty-four (24) imprest funds sampled, indicated three (3) instances of non-compliance. Of the three (3) instances:

- one (1) fund changed custodians and the certificate provided was not approved by the Finance Director, nor was it available in the retention database,
- one (1) fund changed locations, however, the certificate associated with the change fund was never updated, and
- one (1) funds' certificate did not include the location of the fund.

Recommendation

Ensure that a Certificate and Receipt of Imprest Funds is approved and stored within the official document retention database whenever a fund closes or has a change to the amount, purpose, location, or custodian.

Management Response

Follow up discussions have occurred with the staff and management teams where current adherence to policies and procedures were not followed. All three (3) Imprest Fund Certificates have been updated and submitted to the Clerk Finance Director for approval.

Implemented May 5, 2017.

APPENDIX A: 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	2200 Ringling Blvd, Sarasota
Libraries and Historical Resources	2801 Newtown Blvd, Sarasota
Libraries and Historical Resources	326 Nokomis Ave S, Venice
Libraries and Historical Resources	7112 Curtiss Ave, Sarasota
Libraries and Historical Resources	100 Coburn Rd, Sarasota
Libraries and Historical Resources	4143 Woodmere Park Blvd, Venice
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota
Office of Financial Management	1660 Ringling 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
Parks, Recreation, and Natural Resources	6050 Longwood Run Blvd, Sarasota
Parks, Recreation, and Natural Resources	2050 Adams Ln, Sarasota
Parks, Recreation, and Natural Resources	1300 S River Rd, Englewood
Parks, Recreation, and Natural Resources	3951 Woodmere Park Blvd, Venice
Planning and Development Services	4000 S Tamiami Trail, Venice
Planning and Development Services	4000 S Tamiami Trail, Venice
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Public Utilities	4000 Knights Trail Rd, Nokomis
Public Utilities	4000 Knights Trail Rd, Nokomis
UF/IFAS Extension	6700 Clark Rd, Sarasota
UF/IFAS Extension	6700 Clark Rd, Sarasota



APPENDIX B: SEALED DEPOSIT BAGS

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 had revenue from previous days that was not placed in the sealed deposit bags are highlighted in blue. See page 7, Opportunity for Improvement #2, for the detailed observation.

Department	Location
Health and Human Services	2200 Ringling Blvd, Sarasota
Libraries and Historical Resources	2801 Newtown Blvd, Sarasota
Libraries and Historical Resources	326 Nokomis Ave S, Venice
Libraries and Historical Resources	7112 Curtiss Ave, Sarasota
Libraries and Historical Resources	100 Coburn Rd, Sarasota
Libraries and Historical Resources	4143 Woodmere Park Blvd, Venice
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota
Office of Financial Management	1660 Ringling Blvd, Sarasota
Office of Financial Management	1001 Sarasota Center Blvd, Sarasota
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Parks, Recreation, and Natural Resources	6700 Clark Rd, Sarasota
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Parks, Recreation, and Natural Resources	2050 Adams Ln, Sarasota
Parks, Recreation, and Natural Resources	1300 S River Rd, Englewood
Parks, Recreation, and Natural Resources	3951 Woodmere Park Blvd, Venice
Planning and Development Services	4000 S Tamiami Trail, Venice
Planning and Development Services	4000 S Tamiami Trail, Venice
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Planning and Development Services	1001 Sarasota Center Blvd, Sarasota
Public Utilities	4000 Knights Trail Rd, Nokomis
Public Utilities	4000 Knights Trail Rd, Nokomis
UF/IFAS Extension	6700 Clark Rd, Sarasota
UF/IFAS Extension	6700 Clark Rd, Sarasota

