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Report No. 2019-28

TO: Paul Cozzie, Bureau Director
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FROM: Hector Collazo Jr., Inspector General/Chief Audit Executive
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Claretha Harris, Chief Deputy Director, Finance Division
Jeanette Phillips, Director, Finance Division
Lyle Fowler, Operations Manager, Parks and Conservation Resources

SUBJECT: Unannounced Audit of the Fort De Soto Park Imprest Funds

DATE: August 29, 2019

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Fort De Soto Park Camp Office Change Fund on July 11, 2019, and the Park Office Petty Cash and Change Funds on July 16, 2019.

The objective of our audit was to reconcile the Change and Petty Cash Funds and ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.

The Fort De Soto Park (Park) Imprest Funds reconciled to the authorized amounts. However, the department's internal controls and safeguarding of these funds are not adequate, and the majority of policies and procedures are not being followed. These issues are noted below.



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1. The Camp and Park Office Change Fund Amounts And Locations Are Not Accurate.

Management has not notified the Finance Division of changes to the amount and location of the Camp and Park Office Change Funds. The Camp Office Change Fund is authorized for \$900, which is used for onsite camp reservations paid by cash. The Park Office Change Fund is authorized for \$400, which is used for parking fee collections at the Park's tollbooths.

Prior to conducting the unannounced audit of the Camp Office Change Fund, we reviewed the amount of the fund allocated to that location. During the onsite audit on July 11, 2019, the Change Fund reconciled to \$700, \$200 short of the fund's authorized amount. Staff was unaware of why the Finance Division documented \$900, and stated the \$200 was most likely at the Park Office, which is located approximately a mile away.

Subsequently, on July 16, 2019, we conducted an unannounced audit of the Park Office Change Fund. We counted the Park Office Change Fund which reconciled to the authorized amount of \$400. During the audit, staff acknowledged there was also a \$200 Change Fund onsite used for annual parking pass sales. Management stated the \$200 Change Fund had been physically transferred from the Camp Office to the Park Office quite some time ago.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"Requests for changes in the amount of the fund should include the location of the fund, custodian, current amount of fund, increase or decrease requested and reason for the request."

The Finance Division's "REQUEST FOR PETTY CASH/CHANGE FUND" form is required to be completed to document the request for changes stated above.

The \$200 Change Fund reconciled during our audit; however, Management had not submitted the required form to the Finance Division to document the transfer of the fund from the Camp Office to the Park Office. There is non-compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures without proper notification of fund changes. A change in location of the fund also increases/decreases the total Change Fund amounts authorized at the Camp and Park Offices.

We recommend Management complete the Finance Division's "REQUEST FOR PETTY CASH/CHANGE FUND" form to document the transfer of the \$200 Change Fund from the Camp Office to the Park Office.

Management Response:

Management Partially Concurs. The Finance Division's Imprest Fund documentation for the Camp Office lists the \$900 Change Fund location as "Ft DeSoto- Resvtns Cmpgrd Off/Admin office". While the documentation does not show the amounts for each location, it does show this fund split between the two physical locations. In addition, the Parks and Conservation Resources Department (PCR) submits the "Petty Cash and Change Fund Confirmation Form" annually which clearly indicates the individual physical locations and amounts. There has been no indication from the Finance Division to date that our fund was not in compliance or that any additional form submissions were required. Management will take corrective action by completing the Finance Division's "REQUEST FOR PETTY CASH/CHANGE FUND" form to document the transfer of the \$200 Change Fund from the Camp Office to the Park Office.

2. The Finance Division's Change Fund Procedures Are Not Complied With.

Two of three Change Funds at the Park are not balanced in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures, which state the following:

"At the beginning of each day the change fund should only contain the approved balance. At the end of each day the custodian shall deposit funds in excess of the approved change fund balance. The supervisor should verify the deposit and count the change fund."

Management does not require the supervisor to count the Change Funds daily. Lack of supervisory review creates non-compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures and increases risk for improper use of the funds.

In addition to the Finance Division's change fund procedures, internal control best practices require that funds be maintained and balanced under dual control. Supervision of the daily Change Fund balancing ensures that there is dual control, and that funds reconcile to the authorized amounts.

The process for verification of the Park's deposits is centralized, and therefore, the Park Office supervisor is not required to verify the deposit onsite. A County courier transports the deposit Monday through Friday from the Park Office to Parks and Conservation Resources Administration. Verification of the deposit at the Park Office is limited to verifying individual sealed cash bags and report totals from the Clover system daily report. The Clover system is used to process parking fees, camp reservations, and annual parking pass transactions. The cash for deposit is not physically counted by Park Office staff.

The non-compliance issues related to change fund procedures are discussed in further detail below:

A. The Supervisor Does Not Count The Camp Office Change Fund.

Camp Office staff are reconciling the \$700 Change Fund without supervision. The supervisor of Camp Office staff works at the Park Office that is located approximately one mile from the Camp Office. We conducted an unannounced audit of the Camp Office Change Fund on July 11, 2019. Staff who work at the Camp Office stated they count the Change Fund each morning before the start of business and at closing. After the Change Fund has been counted, the employee that counted the Change Fund will initial the "Camp Office Daily Accounting Log". At the end of each day, staff reconcile the Change Fund and prepare the deposit which is transported to the Park Office for courier pickup.

During our onsite audit, staff stated the process to count the Change Fund usually entails two different employees counting the cash, one employee will count the cash in the morning (am) and a different employee at closing (pm). However, on the weekends, there is usually only one employee working at the Camp Office. The weekend employee will count the fund twice and prepare the deposit without verification by another employee.

We reviewed the "Camp Office Daily Accounting Log" dated July 1st - July 10th, and noted the same employee counted the Change Fund in the am and pm on five different days. For three of the five days, the same employee consecutively counted the Change Fund in both the am and pm. The dates were not inclusive of weekends; therefore, the process having separate employees count the cash in the am and pm is not adhered to. The supervisor should count the Change Fund at the Camp Office daily to ensure the fund contains the approved balance.

B. The Supervisor Does Not Count the Change Fund Used For Parking Fees.

The Change Fund used to collect parking fees is not counted by the supervisor to ensure the fund contains the approved balance. Two employees work in separate tollbooths to collect parking fees during business hours. The total Change Fund is \$400, with each employee assigned a \$200 cash drawer at the start of business.

The Change Fund is secured in the safe at closing by a Park Office employee; however it is not counted by someone other than the employees who collected the parking fees. A supervisor should count the Change Fund daily before the cash is secured in the safe. Currently, there is no dual control for verification of the Change Fund balance.

We recommend Management:

- A. Require a supervisor to count the \$700 Camp Office Change Fund to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.
- B. Require a supervisor to count the \$400 Park Office Change Fund to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

Management Response:

- A. **Management Concurs.** PCR will require supervisory personnel to count the Camp Office Change Fund to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.
- B. **Management Concurs.** PCR will require supervisory personnel to count the Park Office Change Fund to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

3. Internal Controls For Safeguarding Change Funds Are Inadequate.

The Camp and Park Office Change Funds are not adequately safeguarded. As part of the overall process for the unannounced audit of the Imprest Funds, we discussed with Management what internal controls are used to safeguard funds and we conducted an observation of the physical security controls. Our review of the control environment indicated that internal controls are not sufficient to mitigate risk. The physical controls at the Camp and Park Offices do not adequately restrict opportunities for theft and fraud.

Internal control practices require resources to be physically protected. Best practices for securing resources include restricting access to cash to as few people as possible. Cash should be kept in a locked, secured, and restricted area, such as a drawer or safe until deposited, and access should be limited to authorized employees only.

Internal control practices to safeguard cash also include accountability. Cash accountability ensures that cash is accounted for, properly documented and secured, and traceable to specific cash handlers.

The internal control weaknesses are discussed in further detail below:

A. All Park Office Staff Have Access To The Change Fund Used For Parking Fees.

All Park Office employees have access to the safe which secures the \$400 Change Fund used for the collection of parking fees. The Change Fund is secured in a separate safe located at the Park Office. Each morning before the Park opens, a Park Office employee retrieves the Change Fund from the safe and disburses \$200 to two different employees who work in the tollbooths. The supervisor does not count the Change Fund prior to the Park's start of business or at closing (see Issue No. 2). If cash is missing from the Change Fund, it will be difficult to trace the shortage to specific employees since all employees have access to the safe. The safe should be maintained and balanced under dual control (i.e., it takes two employees to open or enter the safe).

Management has not restricted access to the safe to a limited number of authorized employees; therefore, the risk is greater for improper use of the Change Fund. There is also lack of accountability when all staff have access to the safe.

B. Camp Office Staff Share A Cash Drawer For Daily Transactions.

There are three cashier stations available at the Camp Office; however, there is only one cash drawer used by all employees to process camp reservation transactions. Typically, there are two or three employees working in the Camp Office during business hours. A \$100 cash drawer is counted each morning before the office opens and then placed in a secured area within the lobby. Camp reservations are processed most often by credit card. However, occasionally there is a cash reservation made in person at the Camp Office and/or customers need change for the Park's laundry facilities. Funds received from cash reservations are kept with the cash drawer until close of business.

Management should require all employees processing transactions to have separate and secured cash drawers. In addition, in order to balance daily receipts to individual cash drawers, Management should ensure employees have separate access to the Clover system. This ensures accountability of cash funds and transactions processed. A supervisor should count the Change Fund daily to ensure the fund balances (see Issue No. 2).

Management has not implemented policies and procedures that require employees to have separate cash drawers. Using one cash drawer for all employees increases the risk for improper use of funds. If the Change Fund does not reconcile, it will be difficult to trace the shortage or overage to a specific employee.

C. The Change Fund Used for Annual Parking Pass Sales Is Not Properly Secured.

The \$200 Park Office Change Fund used for annual parking pass sales is not locked during business hours. During business hours, an employee in the lobby area sells annual parking passes to the public, and may be required to disburse change for the sale using the Change Fund.

During our onsite unannounced audit, we observed that the \$200 Change Fund is stored in an unlocked box, in an unlocked desk drawer (no keyhole), during business hours. The drawer is located in a separate office space behind the lobby area and is accessible by all 20 employees who work various shifts at the Park. The Change Fund is counted by the custodian, who is also the supervisor, each morning before the Park Office opens and after closing. The Change Fund is secured in a locked vault after it has been counted.

The Change Fund should be placed in a locked box, in a locked cabinet, and only authorized employees should have keys to both.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"Accountability for the funds resides with the Department Director and the designated custodian. All funds should be kept in an approved cash box and in a secure location."

Internal controls include physical security of cash to safeguard from unauthorized access. Currently, Management does not store the Change Fund in a locked drawer during business hours. Not properly securing the Change Fund increases the risk of misuse of those funds and creates non-compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

The Change Fund should be kept in a locked, secured, and restricted area, such as a drawer or safe until deposited, and access should be limited to authorized employees only. During business hours, access to the Change Fund should be limited to the employee selling annual Park passes, the Custodian, and Supervisor.

We recommend Management:

- A. Implement the following internal controls to safeguard the Park Office Change Fund used for parking fees:
 - Designate access to the safe to as few employees as possible.
 - Change the safe combination so only designated employees have access.
 - Require dual control for safe access.
- B. Require all employees that process daily transactions have:
 - Separate and secured cash drawers.
 - Separate access codes to the Clover system for processing daily transactions.
- C. Secure the Park Office Change Fund used for annual parking pass sales in a locked cash box and locked drawer/cabinet during business hours.

Management Response:

- A. **Management Concurs.** Management will change the safe combination which will be provided to designated employees only. Documented dual control will be required for safe access.
- B. **Management Concurs.** Management will ensure each cash drawer is secured for individual access. Each employee will utilize their individual access code to the Clover system for processing daily transactions.
- C. **Management Concurs.** Management will ensure the Park Office Change Fund used for annual park pass sales is secured in a locked cash box and locked drawer during business hours.

4. There Is No Financial Need For The Full Amount Of The Camp Office Change Fund.

The Camp Office Change Fund is not utilized to the extent authorized. During our onsite unannounced audit of the Camp Office Change Fund, staff stated that approximately 95% of camp reservations are paid with credits cards, either in person or online. The Camp Office Fund has a total of \$700 of which \$600 remains locked in the vault at all times. Each morning, before the Camp Office is opened, the \$700 Change Fund is counted by an employee and documented. A single \$100 change drawer is used daily for cash reservation transactions and/or to make change for customers using laundry facilities, the fund's intended purpose. At the end of each business day, the \$600 in the vault and the \$100 change drawer are counted and locked in the vault. All six employees, who rotate shifts at the Camp Office, have access to the safe.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"Change funds should be used by departments who handle cash transactions to make change for the cash drawer."

Management has not made the determination to reduce the amount of the Camp Office Change Fund. Maintaining excess cash that is rarely utilized is an inefficient use of resources. Staff time is required to count the Change Fund twice daily. Since all Camp Office staff have access to the entire Change Fund, there is greater risk for improper use of those funds. Minimizing the amount of cash on hand also creates a safer work environment.

We recommend Management reduce the amount of the Camp Office Change Fund to align with cash drawer usage and business needs.

Management Response:

Management Concur. Management will reduce the amount of the Camp Office Change Fund to align with cash drawer usage and business needs.

5. The Park Office Petty Cash Fund Is Not Counted And Balanced Every Month.

The Petty Cash Fund is not counted at least monthly by an independent employee. We conducted an announced audit of the Park Office Petty Cash Fund on July 16, 2019. Petty cash reconciled to the authorized amount of \$400, which included \$71.53 of unreimbursed receipts dated in prior fiscal years. The Petty Cash Custodian stated the Petty Cash Fund is rarely used and has not been looked at in over a year. The last reimbursement date to replenish the Petty Cash Fund was on September 7, 2017, almost two years ago.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"At a minimum each fund should be counted and balanced monthly by the supervisor of the custodian or other designee."

Cash fund policies and procedures are controls that are designed to safeguard cash. To ensure proper controls, an independent employee (non-custodial) at the Park Office should verify the Petty Cash Fund monthly.

The Custodians stated they were not aware of the requirement to count and balance the Petty Cash Fund at least every month. Non-compliance with policies and procedures can increase the risk of misuse of these funds.

Management should evaluate the necessity of the Petty Cash Fund due to a lack of activity. Closing the fund or reducing the amount can mitigate risk and reduce time to maintain the fund. In addition, to ensure petty cash expenditures are accounted for in the proper fiscal year, the Petty Cash Fund should be replenished at least once a year.

We recommend Management:

- A. Require the supervisor of the Custodian, or appointed designee, to count and balance the Park Office Petty Cash Fund on a monthly basis to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.
- B. Reduce the amount of or dissolve the Petty Cash Fund in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

Management Response:

- A. **Management Concurs.** The Petty Cash Fund for the Park Office will be dissolved in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.
- B. **Management Concurs.** The Petty Cash Fund for the Park Office will be dissolved in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

6. A Petty Cash Log Is Not Used To Document Disbursements.

The Petty Cash Custodians are not documenting disbursements on the required "Petty Cash Transaction Log." During our onsite unannounced audit of the Park Office Petty Cash Fund, it was noted that there were several receipts dated in prior fiscal years. The Petty Cash Custodian stated that petty cash has not been accessed in over a year. During our onsite reconciliation of petty cash, we initially noted the fund was short. The Custodian was able to find receipts for disbursements in the vault and the fund subsequently

balanced to the authorized amount of \$400. Maintaining a log for petty cash disbursements is a readily available document which states the Payee, date disbursed, reason for disbursement, and the amount of the disbursement.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"A 'PETTY CASH TRANSACTION LOG' should be used to document the disbursement and collection of money from the Petty Cash fund."

The Petty Cash Custodian was not aware of the requirement to use the "Petty Cash Transaction Log." Non-compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures increases the risk of misuse of petty cash. Without a log, there is no documentation of petty cash disbursements in the event that receipts are lost and/or if the fund does not reconcile.

We recommend Management document all petty cash disbursements on the "Petty Cash Transaction Log" to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

Management Response:

Management Concur. The Petty Cash Fund for the Park Office will be dissolved in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

We appreciate your staff's cooperation during this audit.