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REPORT NO. 2021-20

TO: Paul Cozzie, Director
Parks and Conservation Resources

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *md*
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Jeanette Phillips, Chief Deputy Director, Finance Division
Jolanda Jordan, Senior Department Administrative Manager, Parks and
Conservation Resources Business Support Services
The Honorable Chairman and Members of the Board of County Commissioners
Barry Burton, County Administrator
Jill Silverboard, Deputy County Administrator/Chief of Staff

SUBJECT: Unannounced Audit of the Parks and Conservation Resources Change
Fund and Petty Cash Fund

DATE: September 28, 2021

This letter serves to inform you that the Division of Inspector General completed an unannounced audit of the Parks and Conservation Resources Change Fund and Petty Cash Fund on July 29, 2021.

The objective of our audit was to reconcile the Change Fund and Petty Cash Fund 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.



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The Parks and Conservation Resources Change Fund and Petty Cash Fund reconciled to the authorized amounts. However, we noted opportunities for improvement related to the department's internal controls, safeguarding of the funds, and adherence to policies and procedures. These issues are noted below.

1. Controls Governing Access To The Safe Were Inadequate.

During our unannounced audit of the Petty Cash Fund and Change Fund on July 29, 2021, management stated the Change Fund custodians did not have access to the safe, and dual access to the safe was not being enforced for other staff who had access. The safe houses the Change Fund, Petty Cash Fund, and keys to the parking meters. Parks and Conservation Resources has an authorized Change Fund amount of \$150 and an authorized Petty Cash Fund amount of \$400.

The Change Fund custodians did not have access to the locked room housing the safe, the safe's combination, or the keys to the Change Fund cash tray. The supervisor stated only the Petty Cash Fund custodians and the supervisor had access. All keys to the locked room and Change Fund cash tray were maintained in the locked desks of the Petty Cash Fund custodians and their supervisor.

It was a management decision to provide access to the Petty Cash Fund custodians and their supervisor and to allow them to access the safe alone. Since the supervisor arrives at the office before all imprest fund custodians, the supervisor accesses the safe to perform the opening tasks. Also, the supervisor and Petty Cash custodians were given permission to access the safe alone throughout the business day. Therefore, management did not enforce dual access to the safe.

Management was not aware of the risks associated with accessing the safe alone. Without dual safe access, there is a greater risk for misappropriation of funds and a lack of accountability for any fund discrepancies. The Change Fund custodians are accountable for the Change Fund. Assigning non-custodial employees to access the Change Fund prevents the Change Fund custodian from safeguarding the fund.

Best practices and internal controls specify dual access should be performed each time the safe is accessed. Dual access entails two individuals, at least one being a Change Fund or Petty Cash Fund custodian, being together each time the safe is accessed.

The Finance Division Petty Cash and Change Fund Policy and Procedures manual states the following:

"Accountability for the funds resides with the Department Director and the designated custodian."

We Recommend Management:

- A. Give the Change Fund custodians access to the key to the locked room housing the safe, the safe's combination, and a key to the Change Fund cash tray.
- B. Require two employees, one or both being a Change Fund custodian or Petty Cash custodian, access the safe at all times. This standard is in accordance with best practices and the Finance Division Petty Cash and Change Fund Policy and Procedures statement on the responsibility for funds.
- C. Consider altering the work schedule(s) of one or both Change Fund custodians so there is a Change Fund custodian in the office to perform opening tasks involving the Change Fund before the reception desk is opened to the public.

Management Response:

- A. **Management Concurs.** Change Fund custodians will have access to the key to the locked room housing the safe, and the safe combination. The Change Fund custodian has always maintained access to the key for Change Fund cash till.
- B. **Management Concurs.** Management will require two employees, one or both being a Change Fund custodian or Petty Cash Fund custodian to always access the safe.
- C. **Management Concurs.** Management has altered the work schedule(s) of the Petty Cash Fund custodian to ensure there is either a Change Fund or Petty Cash Fund custodian in the office to perform opening tasks.

2. A Universal Set Of Keys Was Used To Access Both The Petty Cash and Change Funds.

The Petty Cash Fund cash tray keys were able to unlock the Change Fund cash tray. During our unannounced audit of the Petty Cash Fund and Change Fund on July 29, 2021, management stated it used two cash trays to secure each fund separately. Management purchased a new cash tray for the Petty Cash Fund after the old lock broke while retaining the existing Change Fund cash tray. Although management purchased the cash trays separately, the Change Fund cash tray was accessible using the new Petty Cash Fund cash tray keys. The keys to the cash trays were kept with the supervisor and the Petty Cash Fund custodians in their locked desks. Management put the Change Fund in one cash tray and the Petty Cash Fund in the other within the safe to ensure the funds were not commingled.

Management noticed the new Petty Cash Fund cash tray keys could unlock both the Petty Cash Fund and Change Fund cash trays. Management did not purchase a new cash tray with a different lock to secure one of the funds, as it considered keeping the funds separate and not commingling them acceptable. Although management did not commingle the funds, the opportunity exists. Access to both cash trays using the same key could

potentially lead to the commingling of funds in error. Additionally, the ability to use the same keys on both cash trays creates the opportunity for other custodians to access funds they are not responsible for maintaining and possibly the misappropriation of funds.

After discussing the finding with management, management stated it would purchase a new cash tray with a locking cover and unique set of keys to store the Petty Cash Fund.

The Finance Division Petty Cash and Change Fund Policy and Procedures manual states the following:

"Accountability for the funds resides with the Department Director and the designated custodian."

Regarding the potential mixing of the two funds, the Finance Division Petty Cash and Change Fund Policy and Procedures manual states the following:

"Petty cash and change funds should never be commingled."

Best practices for safeguarding cash funds require funds be secured at all times and kept in a locked box in a limited access locked drawer, safe, or file cabinet. The keys to the box, file cabinet, or drawer should be kept in the possession of the fund's custodian. Only the designated custodian for each type of fund should have access to the associated fund's drawer.

We Recommend Management:

- A. Purchase a new cash tray with a locking cover and unique keys to store the Petty Cash Fund.
- B. Limit the possession of the Change Fund keys to the Change Fund custodians and the Petty Cash Fund keys to the Petty Cash Fund custodians.

Management Response:

- A. **Management Concurs.** Due to the Petty Cash till lock breaking, a new till was purchased. Upon receipt of the new till with a set of two keys and one each was provided to the Petty Cash and alternate Petty Cash custodian. The new set of keys was never tested with the Change Fund till lock to validate both keys fit the Change Fund and Petty Cash tills. Funds were not comingled and were maintained in two separate tills. A new cash tray till was purchased and is currently in use. Management has verified the new Petty Cash Fund cash tray key is unable to unlock the Change Fund cash tray.
- B. **Management Concurs.** Possession/access to the key for the Petty Cash Fund is limited to the Petty Cash and alternate Petty Cash custodian. Both keys have been

tested to ensure each key respectively is not accessible to both the Change Fund and Petty Cash Fund.

3. A Modification To The Change Fund Alternate Custodian Was Not Properly Documented And Approved.

Upon arrival at the unannounced audit on July 29, 2021, we noted the acting Change Fund alternate custodian was not the employee listed on the Finance Division's Imprest Fund General Ledger. The Finance Division's Imprest Fund General Ledger tracks approved departmental Change Fund and Petty Cash Fund custodians and subsequent changes in custodians upon receipt of the "REQUEST FOR PETTY CASH/CHANGE FUND" form.

We asked management if there was a recent modification in the Change Fund custodians. Management confirmed the previous Change Fund alternate custodian transitioned to the department's call center on June 13, 2021, and the new Change Fund alternate custodian was hired on July 12, 2021. However, when the new Change Fund alternate custodian was hired, management did not submit the proper documentation to the Finance Division to modify the Change Fund custodians on record.

Management stated it intended to send the form but had not gotten around to it. Without proper documentation and approval for a change in the custodian, Parks and Conservation Resources is in non-compliance with the Finance Division Petty Cash and Change Fund Policy and Procedures. The Imprest Fund General Ledger has an inaccurate record of the alternate custodian for the Change Fund.

The Finance Division Petty Cash and Change Fund Policy and Procedures manual states the following:

"The Department Director has the authority to approve any changes in custodians and to request changes in the amount of funds. All changes must be submitted in writing by sending a completed 'REQUEST FOR PETTY CASH/CHANGE FUND' form to the Chief Deputy Director of Finance."

We Recommend Management submit the "REQUEST FOR PETTY CASH/CHANGE FUND" form to the Chief Deputy Director of Finance to update the alternate custodian of the Change Fund.

Management Response:

Management Concurs. The completion and submission of the form to modify custodians was delayed concluding hiring and training of a new team member. The Change Fund primary custodian continued to maintain access to the fund. A Change Fund Modification Form was completed and submitted to BCC Finance on July 29, 2021, documenting the current Change Fund primary custodian and alternate custodian.

We appreciate your staff's cooperation during this audit.