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## Division of Inspector General

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### REPORT NO. 2023-26

TO: Kevin McAndrew, Director  
Building and Development Review Services

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  
Jodi Scivally, Accountant 1, Building and Development Review Services  
The Honorable Chair and Members of the Board of County Commissioners  
Barry Burton, County Administrator  
Tom Almonte, Assistant County Administrator

SUBJECT: Unannounced Audit of the Building and Development Review Services  
Department Change Fund and Petty Cash Fund

DATE: October 11, 2023

This letter serves to inform you that the Division of Inspector General completed an unannounced audit of the Building and Development Review Services (BDRS) Change Fund and Petty Cash Fund on September 12, 2023.

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 were 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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Inspector General

The BDRS Change Fund and Petty Cash Fund reconciled to the authorized amounts. However, we noted instances where adherence to policies and procedures designed as internal controls to safeguard these funds was inadequate.

The issues are noted below.

### **1. Management Did Not Enforce Dual Custody Of The Change Fund.**

During our unannounced audit of the BDRS Change Fund and Petty Cash Fund on September 12, 2023, the Change Fund primary custodian indicated the safe in which the Change Fund was stored was being accessed without dual custody in some instances. Therefore, auditee management did not enforce dual custody of the Change Fund during operations.

The BDRS Change Fund authorized amount was \$600. BDRS stored the entire Change Fund, split evenly in two cash drawers, within a safe in its storage room. Both cash drawers had lockable covers and color distinguishable keys that always remained in the locks. BDRS management kept the entire Change Fund locked in the safe during daily operations and accessed the Change Fund to make change for customers not using the exact amount of cash.

BDRS management maintained a sign-in log within the safe to document each time an individual opened the safe. Only five BDRS staff, including the Change Fund primary custodian and Director, had the combination to access the safe that stored the Change Fund. The Change Fund primary custodian stated the department was practicing dual custody of the Change Fund when authorized individuals accessed the safe to retrieve cash from the Change Fund. However, the Change Fund primary custodian indicated dual custody was not enforced when an authorized individual accessed the safe at the end of the day to prepare the Change Fund deposit and at the beginning of the day to retrieve the deposit.

Best practices and internal controls specify that dual custody should be performed each time non-custodial and custodial staff access the safe. Dual custody involves at least two individuals in BDRS, at least one being a Change Fund custodian or Director, being present when the safe is accessed to monitor and reduce the risk of a loss.

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.”*

Auditee management considered that dual custody of the Change Fund was unnecessary when authorized BDRS staff accessed the safe for reasons other than accessing the Change Fund, such as preparing and collecting the deposits.

There is a greater risk of misappropriation of funds without practicing dual control when accessing the safe. The Change Fund custodians are accountable for the Change Fund. A lack of accountability for any fund discrepancies is possible when individuals access the safe alone.

**We Recommend Management** require two employees, at least one being a Change Fund custodian or Director, to access the safe at all times.

**Management Response:**

**Management Concur.**

## **2. The Petty Cash Fund Was Not Counted And Balanced Monthly.**

During our unannounced BDRS Change Fund and Petty Cash Fund audit on September 12, 2023, the primary custodian confirmed the Petty Cash Fund had not been counted at least monthly by a non-custodial employee. Auditee management produced documentation to show the latest confirmation of the Petty Cash Fund occurred on June 21, 2023. BDRS listed \$100 as its Petty Cash Fund total on the "Q3 2023-Petty Cash and Change Fund Confirmation Form," which the Petty Cash Fund primary custodian and Director signed and sent to the Finance Division. Our audit of the Petty Cash Fund revealed the funds and receipts on hand reconciled to the \$100 authorized amount for BDRS in the Finance Division's Imprest Fund General Ledger.

Cash fund policies and procedures are controls designed to safeguard cash. The Finance Division Petty Cash and Change Fund Policy and Procedures manual states the following:

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

The Petty Cash Fund custodians were unaware of the requirement to have their supervisor or other designee count and balance the Petty Cash Fund monthly.

Non-compliance with the Finance Division Petty Cash and Change Fund Policy and Procedures manual can increase the risk of misuse of the Petty Cash funds.

**We Recommend Management** require the supervisor of the Petty Cash Fund custodians, or an appointed designee, to count and balance the BDRS Petty Cash Fund on a monthly basis to comply with the Finance Division Petty Cash and Change Fund Policy and Procedures manual. The supervisor, or an appointed designee, should document each review on a log that is retained for audit purposes.

**Management Response:**

**Management Concur.**

Kevin McAndrew, Director, Building and Development Review Services  
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We appreciate your staff's cooperation during this audit.

MD/SP