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REPORT NO. 2022-07

TO: Megan Ross, Director
Utilities Department

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
Isaiah Jackson, Director, Business and Customer Services Division, Utilities Department
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 Utilities Customer Service/Branch Services
Office Change Fund

DATE: April 25, 2022

This letter serves to inform you that the Division of Inspector General completed an unannounced audit of the Utilities Customer Service/Branch Services Office Change Fund on March 8, 2022.

The objective of our audit was to reconcile the Change 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 Utilities Customer Service/Branch Services Office Change Fund reconciled to the authorized amount. However, we noted an opportunity for improvement related to the department's internal controls and safeguarding of this fund. The issue is noted below.

Cash Custodians Were Not Required To Access The Lockbox And Safe Under Dual Control.

Utilities Customer Service/Branch Services staff access the lockbox and safe containing the Change Fund alone. During the unannounced audit of the Utilities Customer Service/Branch Services Office Change Fund on March 8, 2022, the Change Fund primary custodian indicated a lockbox, attached to the wall next to the safe, stored keys to all the Change Fund cash drawers and the cashbox which are secured in the safe. There are three assigned cash drawers, four spare cash drawers, and a cashbox containing wrapped coins in the safe. The three cashiers maintain the keys to their designated cash drawer, and the spare keys are stored in the lockbox attached to the wall.

Two of the three cashiers are the primary and alternate custodians of the Change Fund. All three cashiers and the office supervisor have a key and the combination to access the safe. Only the Change Fund primary custodian and the office supervisor have a key to the lockbox, which grants them full access to the \$1,400 Change Fund secured in the safe. During daily operations, the Change Fund primary custodian would access the lockbox, without dual control, to obtain a spare key(s). Then without dual control, the primary custodian would open the safe and access cash drawer(s) and/or the cashbox for work-related reasons.

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

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

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

Management misunderstood dual control to mean that the office supervisor and the Change Fund primary custodian each have a lockbox key.

There is a greater risk for misappropriation of funds without practicing dual control when accessing the lockbox and 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 lockbox and safe alone.

We Recommend Management:

- A. Require dual control to access the lockbox and safe.
- B. Maintain a log to record the date, time, and employees who accessed the lockbox.

Management Response:

A.- B. **Management Concurs.** On March 24, 2022, a Fort Knox Key Cabinet – Dual Lock Key Control was ordered, it is currently on backorder until May. In the meantime, we are ensuring there is dual control for both the lockbox and safe. We are now recording each time the lockbox is accessed including the date, time, and employees.

We appreciate your staff's cooperation during this audit.