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## Division of Inspector General

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### REPORT NO. 2022-11

TO: Megan Ross, Director  
Utilities Department

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *m.d.*  
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Jeanette Phillips, Chief Deputy Director, Finance Division  
Hillary Weber, Director, Utilities Department  
Alan Bollenbacher, Section Manager, Maintenance 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 North General Maintenance Division  
Petty Cash Fund

DATE: July 14, 2022

This letter serves to inform you that the Division of Inspector General completed an unannounced audit of the Utilities North General Maintenance Division (GMD) Petty Cash Fund on May 2-3, 2022.

The objective of our audit was to reconcile the 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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The Utilities North GMD Petty Cash Fund reconciled to the authorized amount. However, we noted opportunities for improvement related to the division's internal controls and safeguarding of this fund. The issues are noted below.

### **1. The Alternate Custodian Was Not Performing Backup Responsibilities.**

During our unannounced audit of the Utilities North GMD Petty Cash Fund on May 2, 2022, we were unable to gain access to the Petty Cash Fund because the primary custodian was out of the office. The alternate custodian was onsite at Utilities North GMD on May 2, 2022, but could not provide the audit team access to the Petty Cash Fund. We returned on May 3, 2022, but the primary custodian remained out of office that day. The alternate custodian and supervisor were working at Utilities South GMD on May 3, 2022.

Utilities North GMD stored the Petty Cash Fund in a safe in the warehouse store keeper's office. To access the warehouse and store keeper's office, an employee required a warehouse gate key and the office key or an authorized badge. Utilities North GMD limited access to the warehouse and store keeper's office to the warehouse custodians and their supervisors. The Petty Cash Fund alternate custodian was not a warehouse custodian or supervisor.

The safe required either a key or a digital combination to access the Petty Cash Fund inside. The supervisor of the primary custodian possessed the key, and the primary custodian had the digital combination. The Petty Cash Fund alternate custodian had neither the safe key nor the combination.

Since the primary custodian was out of the office and the supervisor was at Utilities South GMD on May 3, 2022, the warehouse custodian responsible for the store keeper's office traveled to Utilities South GMD to retrieve the safe's key from the primary custodian's supervisor. After retrieving the safe's key, the warehouse custodian opened the safe to allow the audit team to perform a count of the funds.

Management submits the "REQUEST FOR PETTY CASH/CHANGE FUND" form to the Finance Division to appoint or change alternate custodians. The alternate custodian is appointed to provide backup responsibilities in the event the primary custodian is unavailable. The alternate custodian should have access to the secured funds and is authorized to disburse and replenish the Petty Cash Fund.

Management changed the alternate custodian in 2019, causing the issue of the current alternate custodian not being able to perform backup responsibilities. Management reassigned the alternate custodian role from the Utilities North GMD operations manager to its office specialist. This custodial change gave an employee who did not have access to the warehouse or the safe the responsibility to safeguard the Petty Cash Fund.

The alternate custodian did not have direct access to the Petty Cash Fund. In the event the primary custodian is not available, petty cash cannot be disbursed to department employees when needed.

**We Recommend Management** complete and submit the “REQUEST FOR PETTY CASH/CHANGE FUND” form to the Chief Deputy Director of Finance to change the Petty Cash Fund alternate custodian to the primary custodian’s supervisor or another employee designated by management who has access to the warehouse and store keeper’s office.

**Management Response:**

**Management Concur.** We agree with this finding that *The Alternate Custodian Was Not Performing Backup Responsibilities*. We also agree with the recommendation. The paperwork to change the primary custodian was submitted and received by the Chief Deputy Director of Finance on May 10, 2022. Furthermore, due to lack of usage, the Utilities North GMD petty cash account will be closed effective immediately.

**2. A Change In Primary Custodian Was Not Properly Documented and Approved.**

During our unannounced audit of the Utilities North GMD Petty Cash Fund on May 3, 2022, we discovered management attempted to request a change in the primary custodian using the “2021-Petty Cash and Change Fund Confirmation Form.” Management notated on the “2021-Petty Cash and Change Fund Confirmation Form” the request to transfer the primary custodian responsibility to the warehouse custodian in charge of the store keeper’s office that stores the Petty Cash Fund. The warehouse custodian in charge of the store keeper’s office and the Petty Cash Fund primary custodian signed and submitted the “2021-Petty Cash and Change Fund Confirmation Form” to Finance on June 8, 2021.

The “Petty Cash and Change Fund Confirmation Form” is to be used by County departments to audit the Petty Cash Fund and/or Change Fund under their control and provide the information to Finance. The General Ledger (GL) Section of Finance periodically sends a letter to all Petty Cash Fund and Change Fund holders to confirm the balances of such funds in their custody. The “Petty Cash and Change Fund Confirmation Form” is not used for requesting a change in the amount of funds or the funds’ custodians. Any change in custodian or amount of the funds is to be submitted in writing using the “REQUEST FOR PETTY CASH/CHANGE FUND” form.

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.”*

Management at Utilities North GMD believed notating a change in custodian on the “2021-Petty Cash and Change Fund Confirmation Form” was an acceptable method to change the Petty Cash Fund primary custodian.

Without proper documentation and approval for a change in the custodian, Utilities North GMD is in non-compliance with the Finance Division Petty Cash and Change Fund Policy and Procedures manual. The Imprest Fund GL had an inaccurate record of the primary custodian. Therefore, management was not aware of the employees who were authorized to complete the daily tasks of balancing and securing the funds. With this lack of knowledge, management risks the funds being stolen, lost, or mismanaged by unauthorized employees who access the funds.

**We Recommend Management** submit the “REQUEST FOR PETTY CASH/CHANGE FUND” form to the Chief Deputy Director of Finance to change the Petty Cash Fund primary custodian to the warehouse custodian responsible for the store keeper’s office.

#### **Management Response:**

**Management Concur.** We agree with this finding that *A Change In Primary Custodian Was Not Properly Documented and Approved*. We agree that the wrong form was utilized to request a change in custodians. To correct this, Pinellas County Utilities (PCU) submitted the proper paperwork to change custodians which was confirmed on May 10, 2022, by the Chief Deputy Director of Finance. Furthermore, due to lack of usage, the Utilities North GMD petty cash account will be closed effective immediately.

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

Following our unannounced Utilities North GMD Petty Cash Fund audit on May 2-3, 2022, management, on May 4, 2022, confirmed the Petty Cash Fund had not been counted at least monthly by a non-custodial employee. Management produced documentation to show the latest confirmation of the Petty Cash Fund occurred on June 8, 2021. Utilities North GMD listed \$400.00 as its Petty Cash Fund total on the “2021-Petty Cash and Change Fund Confirmation Form.” The Petty Cash Fund primary custodian and the Utilities North GMD warehouse custodian signed the “2021-Petty Cash and Change Fund Confirmation Form” and sent it to Finance on June 8, 2021.

The Petty Cash Fund primary custodian submitted a reimbursement request to Finance on October 7, 2021, for fiscal year (FY) 2021. Finance reimbursed the Petty Cash Fund \$141.18 on October 14, 2021. Since the FY 2021 reimbursement, the warehouse custodian logged one disbursement on the Petty Cash Transaction Log for \$20.32 on March 24, 2022. A supervisor or other designee did not count and balance the fund following the disbursement in March 2022. Our audit of the Petty Cash Fund revealed the funds on hand plus a receipt on hand reconciled to the authorized amount for the Utilities North GMD Petty Cash Fund in Finance’s Imprest Fund GL.

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.”*

Cash fund policies and procedures are controls that are designed to safeguard cash.

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 best practices can increase the risk of misuse of these funds.

**We Recommend Management** require the supervisor of the Petty Cash Fund custodians, or an appointed designee, to count and balance the Utilities North GMD 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.** We agree with this finding that *The Petty Cash Fund Was Not Counted And Balanced Monthly*. PCU agrees with the recommendation and has implemented a process to ensure this task is done. The staff has been coached on the proper procedures and has developed a log for tracking purposes. Furthermore, due to lack of usage, the Utilities North GMD petty cash account will be closed effective immediately.

#### **4. Management Did Not Recently Evaluate The Necessity Of The Petty Cash Fund.**

During our unannounced audit of the Utilities North GMD Petty Cash Fund on May 3, 2022, the warehouse custodian stated the division rarely used its Petty Cash Fund, which was authorized at \$400.00. The warehouse custodian said employees were making most purchases using County purchasing cards rather than through disbursements from the Petty Cash Fund. After the field visit, the operations manager assistant indicated management was discussing the possibility of either closing or reducing the Petty Cash Fund.

After obtaining information that management was discussing reducing or closing the Utilities North GMD Petty Cash Fund, we researched the Petty Cash Fund reimbursement data in OPUS for Utilities North GMD. Our review of the last five years of payment history for replenishment of the fund from January 1, 2017, through April 1, 2022, is depicted in the following table.

The following table depicts Finance’s GL date and amount of the reimbursements, a percentage of the total fund utilized for the reimbursement, and an overall average reimbursement amount and percentage of the total fund.

<b>GL Reimbursement Date</b>	<b>Reimbursement Amount</b>	<b>% of Total Fund</b>
October 16, 2017	\$220.90	55%
July 25, 2019	\$113.24	28%
October 17, 2019	\$7.40	2%
October 19, 2020	\$40.67	10%
October 14, 2021	\$141.18	35%
<b>Average</b>	<b>\$104.68</b>	<b>26%</b>

As documented in the table above, within the last five years, the largest reimbursement from the fund occurred over four years ago and totaled \$220.90, 55% of the total authorized fund. The necessity of the fund for small expenditures and employee reimbursements for incidental expenses has remained below 50% of the total fund amount since FY 2018.

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.”*

The Finance Division Petty Cash and Change Fund Policy and Procedures manual defines the Petty Cash Fund as:

*“Money on hand in the department to be used for small expenditures and to reimburse employees for incidental expenses incurred within the performance of their official duties.”*

Management did not make the determination to close or reduce the Petty Cash Fund due to having some activity in the fund.

Staff time to count, balance, and document the Petty Cash Fund reconciliation incurs costs for funds that are rarely spent. Maintaining cash funds also increases the risk of improper use or misappropriation.

**We Recommend Management** complete and submit a “REQUEST FOR PETTY CASH/CHANGE FUND” form to the Chief Deputy Director of Finance to reduce or close the Petty Cash Fund.

**Management Response:**

**Management Concurs.** We agree with the recommendation and are in the process of closing the Utilities North GMD petty cash account following the established policies and procedures.

We appreciate your staff's cooperation during this audit.

MD/SP