



## Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA


Clerk of the County Court  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

## Division of Inspector General

510 Bay Avenue  
Clearwater, FL 33756  
Telephone: (727) 464-8371  
Fax: (727) 464-8386  
Fraud Hotline: (727) 45FRAUD (453-7283)  
Clerk's website: [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

### Report No. 2019-09

TO: Blake Lyon, Division Director  
Development Review Services

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  
Jude Reazin, Division Manager, Code Enforcement

SUBJECT: Unannounced Audit of the Code Enforcement  
Petty Cash and Change Funds

DATE: May 2, 2019

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Code Enforcement Petty Cash and Change Funds on March 13, 2019.

The objective of our audit was to reconcile the Petty Cash and Change 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 Petty Cash Fund reconciled to the authorized amount. Safeguarding of the fund is adequate; however, the department's internal controls are not adequate. The majority of policies and procedures applicable to petty cash are not being followed.



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The Change Fund did not reconcile to the authorized amount. The true variance of the fund could not be determined due to lack of internal controls over the fund. The safeguarding of the fund is not adequate, and policies and procedures applicable to the fund are not being followed.

The deviation from policies and procedures and internal control weaknesses noted during the audit are discussed below.

### **1. The Finance Division Was Not Notified Of The Change In Custodians.**

Management did not submit the required form and certification for the Petty Cash and Change Funds upon the change in the Primary and Alternate Custodians. We conducted an unannounced audit of Code Enforcement's Petty Cash and Change Funds on March 13, 2019. Upon arrival for the site-visit, we requested to speak with the Primary or Alternate Petty Cash Custodian. Management informed us that the custodians were no longer employed with the department. The Finance Division's last notification of a change in custodians was on July 12, 2018, which reflected the names of the two employees who are no longer employed with the department. Management designated a temporary employee in Code Enforcement as the Primary Petty Cash Custodian (see Opportunity for Improvement No. 2 for further discussion).

The Finance Division's Petty Cash and Change Fund Policy and Procedures, Section V., CHANGES IN FUNDS, states the following:

*"A. 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.*

*B. Notification of changes in custodians should include the location of the fund, the previous custodian, the new custodian and the amount of the fund. 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. In the event of a change in custodian or a request for change in amount, a certification should be included with the notification. The certification should state that the petty cash fund was reconciled and that all cash and expenditure receipts have been counted and verified by the custodian and the Department Director or designee."*

Non-compliance with policies and procedures can increase the risk of misuse of these funds. Subsequent to our audit, Management stated they submitted the required form and certification for the change in custodians to the Finance Division.

**We recommend Management** complete the Finance Division's required form and certification for changes in custodians.

### **Management Response:**

**Management Concur.** Management stated the Code Enforcement Division now only accepts checks, certified funds, and purchasing staff members have purchasing cards. As a result, Management stated the Petty Cash and Change Funds are no longer a necessity of the operations and they will coordinate with the Finance Division to close the funds.

### **2. A Temporary Employee Is The Primary Petty Cash Custodian.**

Management designated a temporary employee as the Primary Petty Cash Fund Custodian. During the unannounced audit of the Code Enforcement Petty Cash and Change Funds, Management stated the Primary and Alternate Custodians on record at the Finance Division are no longer employed with the department. A temporary employee is currently maintaining the Petty Cash Fund; however, there have been no disbursements since the fund was established in July 2018. The Code Enforcement Petty Cash Fund reconciled to the authorized amount of \$100 and we noted the fund was properly secured.

The Finance Division's Petty Cash and Change Fund Policy and Procedures "REQUEST FOR PETTY CASH/CHANGE FUND" form states that, "*Custodian must be Pinellas County employee.*"

Management was not aware of the requirement that Petty Cash and Change Fund Custodians must be Pinellas County employees. Non-compliance with policies and procedures can increase the risk of misuse of these funds. Subsequent to our audit, Management informed us that they are taking immediate action to designate a Code Enforcement employee as the Primary Petty Cash Custodian.

**We recommend Management** designate a Code Enforcement employee as the Primary Petty Cash Custodian and complete the required Finance form.

### **Management Response:**

**Management Concur.** Management stated the Code Enforcement Division now only accepts checks, certified funds, and purchasing staff members have purchasing cards. As a result, Management stated the Petty Cash and Change Funds are no longer a necessity of the operations and they will coordinate with the Finance Division to close the funds.

### **3. The Petty Cash Fund Is Not Counted And Balanced Every Month.**

The supervisor of the custodian or another designee does not count and balance the Petty Cash Fund monthly. There have been no disbursements from the Code Enforcement Petty Cash Fund since it was acquired in July 2018. However, to ensure proper controls, an independent employee (non-custodial) in the department should verify

the Petty Cash Fund monthly. The employee performing the monthly verifications should document completion on a log for proof of performance.

The Finance Division's Petty Cash and Change Fund Policy and Procedures states that, *"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 Custodian and Management 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.

**We recommend Management** require the supervisor of the Custodian, or appointed designee, to count and balance the Petty Cash Fund on a monthly basis to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

#### **Management Response:**

**Management Concurs.** Management stated the Code Enforcement Division now only accepts checks, certified funds, and purchasing staff members have purchasing cards. As a result, Management stated the Petty Cash and Change Funds are no longer a necessity of the operations and they will coordinate with the Finance Division to close the funds.

#### **4. The Change Fund Was Not Properly Maintained.**

The Change Fund has been utilized to reimburse employees for purchases typically paid from a Petty Cash Fund. The Finance Division continually tracks Imprest Funds and associated activity, which includes the change in custodians and the amount of the fund. Per the Finance Division, the Code Enforcement Change Fund was established in 2004. The Finance Division's records show the designated Custodians and the physical location of the Code Enforcement Change Fund have changed periodically over the past 15 years. During the unannounced audit of the Code Enforcement Petty Cash and Change Funds on March 13, 2019, Management stated they were unaware a Change Fund existed. Therefore, we were unable to verify the Change Fund during the unannounced audit site-visit.

Subsequent to the site-visit, Management provided us copies of receipts for disbursements paid from the Change Fund by the previous Primary Custodian. The previous Change Fund Custodians reimbursed employees for purchases directly from the Change Fund; however, there is no record of a reconciliation or if the receipts were obtained for disbursements from the Change Fund.

The majority of Change Fund receipts obtained from Management were dated in 2017 and were never submitted to the Finance Division for fund replenishment. Code Enforcement did not acquire a Petty Cash Fund until July 2018. The Change Fund was

originally authorized at \$100 and was reduced to \$50 in 2007. The copies of receipts obtained from Management totaled \$49.92, which reconciles to a Change Fund shortage of \$.08 cents (\$50 Change Fund - \$49.92 receipts total).

During the site-visit, we noticed there was loose change in the Petty Cash Fund box, which may be inclusive of the Change Fund. Management was unsure as to why there was loose change in the box. The Petty Cash Fund reconciled during the unannounced audit without including the loose change.

We counted the loose change, which amounted to \$1.62. Adding the \$49.92 total of receipts to the \$1.62 loose change amount, would result in a \$1.54 overage of the \$50 Change Fund (\$49.92 receipts total + \$1.62 loose change = \$51.54).

The Finance Division Petty Cash and Change Fund Policy and Procedures define a Change Fund as, "*Cash on hand to provide change for cash drawer transactions.*" The previous Primary and Alternate Custodians were unaware of the funds intended use. Non-compliance with policies and procedures can increase the risk of misuse of these funds.

**We recommend Management:**

- A. Coordinate the reconciliation of the Change Fund with the Finance Division.
- B. Evaluate the department's need for cash on hand to ascertain whether it would be best to close the Change Fund altogether. If it is determined the change fund is needed, it should be used as intended per the Finance Division Petty Cash and Change Fund Policy and Procedures.

**Management Response:**

**Management Concur.** Management stated the Code Enforcement Division now only accepts checks, certified funds, and purchasing staff members have purchasing cards. As a result, Management stated the Petty Cash and Change Funds are no longer a necessity of the operations and they will coordinate with the Finance Division to close the funds.

We appreciate your staff's cooperation during this audit, and Management's diligence in taking immediate action to rectify the issues noted above.