



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

Report No. 2019-08

TO: Paul Cozzie, Bureau Director
Parks and Conservation Resources

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
Steven Harper, Environmental Div. Mgr., Parks & Conservation Resources
Monica Drake, Historical Museum Operations Manager, Heritage Village

SUBJECT: Unannounced Audit of the Heritage Village Petty Cash Fund

DATE: April 3, 2019

This letter serves to inform you that the Division of Inspector General (IG) has completed an unannounced audit of the Heritage Village Petty Cash Fund on February 13, 2019.

The objective of our audit was to reconcile the Heritage Village 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.

The Heritage Village Petty Cash Fund did not reconcile to the authorized amount. The department's internal controls and safeguarding of this fund are not adequate, and a majority of policies and procedures are not being followed. These issues are noted below.



An Accredited Office of
Inspectors General

1. The Heritage Village Petty Cash Fund Has A Shortage.

During the unannounced audit, it was discovered that the Heritage Village Petty Cash Fund (Petty Cash Fund) was short. The process for the unannounced petty cash audit entails counting the funds and reconciling to the authorized amount. The Petty Cash Fund has an authorized amount of \$200. There was a shortage of \$12.32 during the on-site audit; however, subsequent to the audit, the Petty Cash Custodian provided a receipt for \$5.57, which reduced the shortage to \$6.75. The Petty Cash Custodian stated the shortage was not known prior to the IG's arrival to perform the unannounced audit.

A petty cash reconciliation is a formal review of petty cash records. Petty cash shortages exist when there are undocumented disbursements. Petty cash shortages must be reported to replenish the Petty Cash Fund to the authorized amount.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"....Shortages in excess of \$5.00 should be handled in the following manner:

- *Immediately notify the Department Director of any missing funds. Take note of circumstances surrounding the discovery and prepare a report.*

....Explanations of shortages should be provided to the Finance Division along with the next petty cash reimbursement request."

The cause of the Petty Cash Fund shortage is unknown. However, providing petty cash disbursements prior to purchases (see Issue #5) and not maintaining a "Petty Cash Transaction Log" (see Issue #4) may have contributed to the shortage.

We recommend Management report the Heritage Village Petty Cash Fund shortage in accordance with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

Management Response:

Management Concur. Management stated that to improve oversight, the Heritage Village Petty Cash Fund will be eliminated and future petty cash requests will be handled through the Administration office on a reimbursement basis.

2. There Are Weak Internal Controls For The Security Of The Heritage Village Petty Cash Fund.

The Petty Cash Fund is not properly secured. During the on-site audit, we noted petty cash was secured in a locked small box, within a larger box. The boxes are locked in the Petty Cash Custodian's file cabinet. The Petty Cash Custodian's office door is not locked

during business hours. The keys to both boxes are located in the Petty Cash Custodian's unlocked desk drawer.

The Petty Cash Custodian stated that three non-custodial employees have access to the keys. A Pepsi vending machine reimbursement fund of \$10 (provided by Pepsi) is also secured in the same larger box as the petty cash box. Non-custodial employees must obtain the key from the Petty Cash Custodian's drawer to open the larger box for vending machine refunds; therefore, these employees also have access to the petty cash box key and the petty cash box.

Best practices and internal controls specify cash should be maintained in a locked environment during non-business hours and that access to the areas where the cash is stored be limited to only those employees who need access and/or have been designated to have access. During business hours, the money should be in a locked environment or under the complete control of the custodians.

Management has not implemented adequate internal controls to safeguard the Petty Cash Fund. The security of the Petty Cash Fund is compromised when stored with other funds. Non-Custodial employees that have access to petty cash contributes to the risk of loss.

We recommend Management implement the following internal controls:

- A. Secure keys to the Heritage Village Petty Cash and Vendor Reimbursement Funds in a separate location.
- B. Secure Heritage Village Petty Cash and Vendor Reimbursement Funds in a separate location.

Management Response:

Management Concur. Management stated that to improve oversight, the Heritage Village Petty Cash Fund will be eliminated and future petty cash requests will be handled through the Administration office on a reimbursement basis.

3. The Heritage Village 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. Per Management, the Petty Cash Fund is verified by an Alternate Custodian when reconciliations are completed; however, they are not verified monthly. 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 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 Custodians 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 Heritage Village 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 that to improve oversight, the Heritage Village Petty Cash Fund will be eliminated and future petty cash requests will be handled through the Administration office on a reimbursement basis.

4. A Petty Cash Transaction Log Is Not Maintained For Disbursements.

Petty Cash Fund disbursements are not tracked on the "Petty Cash Transaction Log" required by the Finance Division. As part of our process during the unannounced audit, we interviewed the Petty Cash Custodian regarding the department's controls over the Petty Cash Fund. The Petty Cash Custodian stated petty cash disbursements are not entered on the required "Petty Cash Transaction Log" or any other form. The receipts for disbursements are maintained; however, there is no other source to track and review disbursements paid from the fund. Management is currently in the process of updating the office-wide (department's) policies and procedures, which will require use of a "Petty Cash Transaction Log."

Maintaining a log of disbursements is a best practice and internal control. The Finance Division's Petty Cash and Change Fund Policy and Procedures state the following:

"...A 'PETTY CASH TRANSACTION LOG' should be used to document the disbursement and collection of money from the Petty Cash Fund."

Non-compliance with policies and procedures can increase the risk of misuse of these funds.

We recommend Management maintain the "Petty Cash Transaction Log" to record all petty cash disbursements.

Management Response:

Management Concur. Management stated that to improve oversight, the Heritage Village Petty Cash Fund will be eliminated and future petty cash requests will be handled through the Administration office on a reimbursement basis.

5. Petty Cash Is Disbursed To Staff And Volunteers Prior To Purchases.

Staff and volunteers receive Petty Cash Funds upfront to purchase approved items. The Petty Cash Custodian stated the process for petty cash disbursements entails an employee or volunteer requesting to purchase a tool or supply needed for the department. The Petty Cash Custodian or Alternate Custodian then disburse cash to the employee or volunteer to make the purchase. Subsequent to the purchase, the employee or volunteer returns the change and the purchase receipt to the Custodian.

The Finance Division's Petty Cash and Change Fund Policy and Procedures state that the Petty Cash Fund is:

"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."

Best practices recommend using petty cash funds to reimburse staff for approved purchases, rather than providing cash advances.

Disbursing petty cash in advance of purchases contributes to the risk of loss. In addition, cash advances can be difficult to track, which includes remembering to whom cash was disbursed to and/or recovering receipts to support disbursements. As stated in Issue #4 above, the department has not maintained a "Petty Cash Transaction Log" to track disbursements.

We recommend Management reimburse staff and volunteers for approved purchases rather than providing cash advances.

Management Response:

Management Concur. Management stated that to improve oversight, the Heritage Village Petty Cash Fund will be eliminated and future petty cash requests will be handled through the Administration office on a reimbursement basis.

We appreciate your staff's cooperation during this audit.