



Internal Audit Department

Audit Report 2011 – 1

Collier County Airport Authority

Cash Counts: 2011 Fiscal Year End

April 2012

Dwight E. Brock
Clerk of the Circuit Court

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

Prepared by: Megan Gaillard, Internal Auditor

Report Distribution: Board of County Commissioners
Chris Curry, Executive Director, Airport Authority

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance & Accounting

TABLE OF CONTENTS

Background.....2

Summary.....2

Objective.....3

Scope3

Observations, Recommendations, and Responses for Change Drawer Funds.....4

Observations, Recommendations, and Responses for Petty Cash Funds.....6

Conclusion.....9

Additional Management Comments.....9

The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin (Aug. 28, 1998 DCA of FL, 5th District)* and Florida Statute 119.0713. Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued.

BACKGROUND

The Finance Director requested that Internal Audit perform an audit of the County's Imprest Funds, including petty cash funds and change drawer funds. The request was based on concerns that the custodian and/or sub-custodian may not be following the County's policies and procedures for operations of these funds.

Imprest fund policies and procedures define the authorized uses of funds providing the structure for how departments establish, modify, spend, replenish, safeguard, and discontinue the use of the funds in accordance with Florida Statute. The Clerk has established authoritative guidelines for the safeguarding of county resources in the Finance Accounting Procedures Manual effective October 1, 2008.

Petty cash funds are established for handling minor departmental cash expenditures for less than \$25.00. Change drawer funds are used to make change where money is collected during transactions of County business.

SUMMARY

The following audit observations for change drawer funds were generated during the review:

- The Annual Confirmation was not returned to Finance by the due date and has not been returned on a yearly basis.
- Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.
- The change drawer fund did not balance to the authorized fund amount.

The following audit observations for petty cash funds were generated during the review:

- The Annual Confirmation was not returned by the due date, has not been returned on a yearly basis, and did not provide currently accurate information.
- Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.
- Petty cash funds have not been replenished or balanced quarterly.
- Petty cash funds were used for reimbursement of ineligible expenses.
- Discrepancy in Timeline Dates for Return of Petty Cash Fund Forms.

Imprest fund policies and procedures need to be followed to provide the Finance Department with accurate information for year-end reporting, to provide the external auditors reliable information, and to safeguard the County's imprest funds.

Subsequent to the unannounced cash count all petty cash funds were returned to Finance. Results of the petty cash audit are included for reference.

OBJECTIVE

Internal Audit performed 100% testing for Airport Authority Imprest Funds, including four change drawer funds and three petty cash funds. See work-papers for a full list of the funds tested. The objective of the audit was to determine 1) whether the cash funds exist, 2) whether internal controls over the cash funds are adequate, 3) whether imprest fund data is reliable, and 4) whether custodians are in compliance with county policies and procedures.

SCOPE

The audit review consisted of validating the custodians and imprest funds, including but not limited to the following tasks:

- Review of the Finance Department's Accounting Procedures Manual (including policies and procedures);
- Review of Florida Statute Chapter 219 County Public Money, Handling by State and County;
- Review the most recent Certificate and Request of Imprest Fund update forms;
- Review the most recent annual confirmation prior to FY 2011 and the returned FY 2011 annual confirmation form;
- Comparison of the most recent updates to the annual confirmations;
- Comparison of the most recent information provided by Finance to the information gathered during field work;
- Completion of unannounced cash counts of all imprest funds between August 16, 2011 and September 30, 2011;
- Interview custodians inquiring about and observing the procedures used to account for and safeguard their respective fund.

OBSERVATIONS FOR CHANGE DRAWERS FUNDS

1) The Annual Confirmation was not returned to Finance by the due date and has not been returned on a yearly basis.

Change Drawer Procedures Item 7 states the custodian or sub-custodian is responsible for returning the verified Annual Confirmation to Finance, including all updates, by the Annual Confirmation's specified due date on a yearly basis.

100% of the change drawer funds did not return the annual confirmation by the due date and have not returned Annual Confirmations on a yearly basis.

If the Annual Confirmation form, including all updates, is not complete and returned by the deadline provided, funds may not be properly recorded.

Recommendations:

- Custodians or sub-custodians should return the Annual Confirmations, including all updates, by the due date.

Management Response:

Procedures will be updated to require each custodian to contact Finance prior to September 30th of each year to request the form and timeline for change drawer confirmations in the event a request for confirmation is not received.

2) Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.

Change Drawer Policy Item 5 requires a new Certificate and Request of Imprest Fund form to be completed and submitted each time there is a change to the custodian and/or sub-custodian, director, or physical location.

One change drawer fund had a sub-custodian listed who is no longer an employee of the Airport Authority. Another change drawer fund did not list all the sub-custodians who have access to the fund. Two change drawer funds had an executive director listed who was no longer employed by the Airport Authority.

As custodians, sub-custodians, or the executive director change, it is important to update the Certificate and Request of Imprest Fund Form and ensure that only authorized custodians and sub-custodians have access to the imprest fund.

Annual Confirmations returned for FY 2011 year-end did not include changes that have occurred.

Recommendations:

- The policies and procedures should be followed. Authorizations should be immediately updated for changes in custodians and sub-custodians, with appropriate training on policies and procedures.
- Certificate and Request of Imprest Fund forms should be updated for each location to comply with policy.
- Upon custodian changes, an official count of the change drawer funds should be complete and documented, approved by the terminating custodian, the new custodian, and the supervisor.
- The Department should create an internal policy that provides procedures addressing potential situations and changes to the cash processes.

Management Response:

Procedures will be implemented to require each Custodian to submit a new certificate each time there is a change to the custodian and /or sub-custodian, cashier, director, or physical location. An official count of the change drawer will be completed, documented, and approved by the Executive Director to substantiate each change.

3) The Change Drawer Fund did not balance to the authorized fund amount.

One change drawer fund exceeded the authorized amount by a minuscule amount.

The change drawer fund should balance to the authorized amount without overages or shortages. While it may seem that the County benefits from change drawer fund overages, it can just as easily lead to change drawer fund shortages. Custodians and sub-custodians must exercise care for change drawer funds to prevent overages and shortages.

Recommendations:

- If an overage or shortage occurs, the amount needs to be recorded at the time of deposit in the over/under account. There should be an explanation for what occurred causing the overage/shortage.

Management Response:

Procedures are in place to account for all overages/shortages. The amount in question was the result of a customer refusing the change for a transaction. The overage was subsequently recorded and deposited correctly.

OBSERVATIONS FOR PETTY CASH FUNDS

1) **The Annual Confirmation was not returned by the due date, has not been returned on a yearly basis, and did not provide currently accurate information.**

Petty Cash Procedures Item 11 and Petty Cash Policy Item 15 state the custodian or sub-custodian is responsible for returning the verified Annual Confirmation to Finance, including all updates, by a specified annual due date.

The petty cash funds did not return the annual confirmation by the due date and have not returned Annual Confirmations on a yearly basis.

The funds were no longer at the authorized locations at the time the annual confirmations were complete.

Custodians did not provide a Certificate and Request for Imprest Fund form to update the sub-custodians, custodian, or location.

Custodians signed annual confirmations after they had transferred the funds to the Marco Island Executive Airport. The custodian confirmed the petty cash funds, when the funds were not in their possession. One of the petty cash funds had a notation that the petty cash fund had been transferred to another employee. The location of the employee and the date of transfer were not stated. The notation was in black ink with no initials, the actual signature was in blue ink. It cannot be determined which employee added the notation. The second petty cash fund had no notation for the location of the petty cash fund.

Improperly confirming a petty cash fund may be considered falsification and demonstrates a weakness in internal controls.

One prior annual confirmation appears to be postdated. The annual confirmation was dated the day it was due, not the day completed. The form, provided by the custodian, was received in Finance prior to the documented date of completion. Post-dating documents is an internal control weakness. Documents without the accurate date are not transparent and can be misleading.

If the Annual Confirmation form, including all updates, is not complete and returned by the deadline provided, the Finance Department does not have adequate time to complete updates to the imprest funds for fiscal year-end reporting. The Annual Confirmation is also used to capture any updates that may not have been reported during the fiscal year.

Recommendations:

- Custodians or sub-custodians should return the Annual Confirmations, including all updates, to the Finance Department by the due date specified in the Annual Confirmation on a yearly basis.
- Custodians should exercise care in accurately reporting and completing information.
- The custodian and sub-custodian should physically verify petty cash funds for the annual confirmation.

2) **Certificate and Request of Imprest Fund forms have not been updated and provided to Finance as changes occurred.**

Petty Cash Policy Item 8 requires a new Certificate and Request of Imprest Fund form to be completed and submitted each time there is a change to the custodian and/or sub-custodian, director, or physical location.

Petty Cash Policy Item 7 states "Only the custodian and/or the sub-custodian should have access to the funds."

A non-authorized employee was in possession of all petty cash funds at the time of the unannounced cash count on August 18, 2011. The explanation provided by the employee was the funds had been transferred to them by each custodian, on August 8, 2011 and August 12, 2011, from other facilities to be returned to Finance. Funds were transferred prior to the executive director providing authorization for the employee to have possession of all petty cash funds, for the purpose of closing the funds and returning them to Finance, through a letter dated August 18, 2011.

Two petty cash funds had an executive director listed on the most recent forms, who was no longer employed by the Airport Authority.

As the custodians, sub-custodians, executive director, or physical location changes, it is important to update the Certificate and Request of Imprest Fund Form to ensure that the only authorized custodians and sub-custodians have access to the imprest fund and all funds are able to be located.

Annual Confirmations returned for FY 2011 year-end did not update the petty cash funds for all changes that had occurred.

Recommendations:

- The policies and procedures should be followed for all changes to the petty cash funds.
- Certificate and Request of Imprest Fund forms should be updated at the time of changes.
- Non-authorized employees should not have access to the petty cash funds.
- Petty cash funds should be returned directly to Finance by the custodian/sub-custodian to close the fund.

3) Petty cash funds have not been replenished or balanced quarterly.

Petty Cash Policy Item 11 states that “Petty Cash accounts should be replenished and balanced quarterly.”

Two petty cash funds have not been submitted for replenishment quarterly. Receipts in the two petty cash funds were from October 2010 and March 2011. One petty cash fund has not had any activity since the FY 2005 replenishment. When petty cash funds are no longer necessary they should be returned to Finance.

One petty cash fund may not have been balanced quarterly. No records for balancing the account were available for review. The sub-custodian said there is no set schedule for balancing the petty cash funds quarterly. The funds are balanced as reimbursements occur, so if no transactions occur, the petty cash fund would not be balanced.

The employee in possession of two of the petty cash funds was unsure of the policy for balancing the funds when they were at their authorized locations.

Timely submission is important to ensure the costs are reported in the appropriate period. It is important to balance the funds on a quarterly basis to detect and correct any discrepancies in a timely manner.

Recommendations:

- Custodians should submit Petty Cash Reimbursement Forms, at a minimum, on a quarterly basis for replenishment.
- Custodians should reconcile and balance the funds, at a minimum, quarterly. Documentation should be available for review.
- Petty cash funds no longer necessary should be returned to Finance.

4) Petty cash funds were used for reimbursement of ineligible expenses.

Petty Cash Policy Item 5 states “The only travel expenses that can be reimbursed through petty cash are for toll charges which occur on a day trip within 200 miles of the County.”

Collier County’s Internal Audit Department Management Advisory 2004-6 states that gasoline and travel expenses, other than tolls, may not be reimbursed through petty cash fund and should be reimbursed through employee travel reports.

Accounting procedures control fuel expenditures because fuel can be easily converted to personal use. One petty cash fund had a receipt for gasoline, which is considered a travel expense.

Recommendations:

- Travel expenses, other than toll charges, should be reimbursed through an employee travel expense report, not through petty cash.

5) Discrepancy in Timeline Dates for Return of Petty Cash Fund Forms.

The Certificate and Receipt of Imprest Fund Return form states the "Signature and delivery must be by a custodian or sub-custodian of Imprest fund."

The return forms were signed by the custodians on August 11, 2011, August 15, 2011, and August 12, 2011. The unannounced cash counts were complete on August 18, 2011. The funds were returned to Finance on August 24, 2011. The annual confirmations were signed by the custodians, not the person in possession of the funds, on August 11, 2011, August 15, 2011, and August 23, 2011.

The return forms were not signed or initialed by the actual employee who returned the funds. The custodians signed the forms for the funds to be returned in advance causing a discrepancy in the timeline for dates. Forms should be completed at the time of the event to provide proper timelines for the chain of custody.

Recommendations:

- Custodians should exercise care in correctly completing forms and use the appropriate date.
- Forms should not be completed in advance.
- Petty cash funds should be returned directly to Finance by the custodian/sub-custodian to close the fund.

Internal Audit Comment:

Petty cash funds were returned to Finance after the completion of the petty cash audit. A management response is not necessary, but may be submitted.

Management Response:

Since all petty cash funds were returned I do not suggest any response. If the Airport Authority ever decides to request Petty Cash Funds the policies and procedures should be revisited at that time.

CONCLUSION

The Change Drawer Fund Policies and Procedures for imprest funds have not always been adhered to by the custodians and/or sub-custodians.

Documentation for three of four change drawers contained errors. The custodian for each imprest fund should update their respective Certificate and Receipt of Imprest Fund forms and keep the documentation current.

Should petty cash funds be reinstated, internal controls including but not limited to: pre-numbered vouchers/slips, requiring the signature for the employee who made the purchase, approval from the custodian or sub-custodian, and independent review for requests for reimbursement should be implemented to minimize the potential for misappropriation of funds and/or theft.

It is the responsibility of management to understand and implement the proper processes and procedural controls to comply with the imprest fund policies and procedures. The Clerk's Office may suggest recommendations in audit reports, but it is the decision of management to formulate and implement controls for operations.

Additional Recommendations:

- The Department Executive Director or an independent employee (not a custodian or sub-custodian of the fund) should perform periodic cash counts of the department's imprest funds on a non-routine basis to ensure that the custodian and/or sub-custodians are complying with the County's change drawer fund policies and procedures and that adequate documentation exists for audit purposes.
- Training should be provided to all custodians and sub-custodians to ensure they understand the policies, procedures, and forms governing change drawer and petty cash funds.

Additional Management Comments:

None