



# **Internal Audit Department**

## **Audit Report 2017-5**

**Domestic Animal Services (DAS)  
Parks & Recreation  
Solid & Hazardous Waste Management**

**Unannounced Cash Counts:  
2016 Fiscal Year-End**

**Dwight E. Brock**  
Clerk of the Circuit Court  
and Comptroller

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

[www.collierclerk.com](http://www.collierclerk.com)

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**Prepared by:** Steven Katin, Internal Auditor

**Report Distribution:** Board of County Commissioners  
 Leo Ochs, Jr., County Manager  
 Darcy Andrade, Director, Domestic Animal Services  
 Dan Rodriguez, Director, Solid & Hazardous Waste Management  
 Barry Williams, Director, Parks & Recreation

**Cc:** Dwight E. Brock, Clerk of the Circuit Court and Comptroller  
 Crystal K. Kinzel, Chief Deputy Clerk  
 James D. Molenaar, Internal Audit Manager

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

Internal Audit provided a draft of this report to the Directors of Domestic Animal Services (DAS), Parks and Recreation, and Solid and Hazardous Waste Management for management response on January 25, 2017. Management for DAS and Parks and Recreation provided their responses on February 7, 2017. Management for Solid and Hazardous Waste Management provided their response on February 27, 2017.

## Summary

### *Domestic Animal Services (DAS):*

The following audit observations were generated during the review:

1. Annual confirmations were not returned to the Clerk's Finance Department by the due date.

### *Parks and Recreation:*

The following audit observations were generated during the review:

1. Imprest funds did not balance to authorized amounts.
2. Access to imprest funds has not been limited.
3. Annual confirmations did not agree to authorized fund amounts.

### *Solid and Hazardous Waste Management:*

The following audit observations were generated during the review:

1. Access to imprest funds has not been limited.
2. Keys have been used to override automated cash register controls.
3. Certificate and Request of Change to Imprest Funds forms have not been updated and provided to the Clerk's Finance Department as changes have occurred.

The following other observations were generated during the review:

1. At one location, transactions are initially recorded using handwritten receipts by a single unsupervised employee.

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

## Objectives

Internal Audit performed unannounced cash counts on a sample of the County's imprest funds at or near fiscal year-end. The objectives of the audit were to determine (1) whether the funds exist; (2) whether internal controls over the funds are adequate and if the department is properly implementing internal controls; (3) whether imprest fund data is reliable; and (4) whether custodians are in compliance with Florida Statute, County policies and procedures, and department policies and procedures.

## Scope

The audit engagement consisted of, but was not limited to, the following tasks:

- Review of Florida Statute Chapter 219 County Public Money, Handling by State and County;
- Review of the Clerk's Finance Department's Accounting Procedures Manual;
- Review of applicable department policies and procedures;
- Review of the most recent Certificate and Request of Change to Imprest Funds forms;
- Review of the most recent annual confirmations;

- Comparison of the most recent information provided by the Clerk’s Finance Department to the information gathered during fieldwork;
- Completion of unannounced cash counts for a sample of the County’s imprest funds; and
- Interviews of custodians, sub-custodians and cashiers: inquiring about and observing the procedures used to account for and safeguard their respective funds.

The imprest fund audit was limited to a sample of change drawers. The sample included fifteen change drawers with a total reported value of \$2,700.00, encompassing three departments and four physical locations. The sample accounted for 15% and 14% of the County’s total imprest funds by count and dollars, respectively. The audit did not include a full review of all cash handling operations for the departments.

## Background

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

Change drawer funds are used to make change when money is collected for transactions of County business.

Per Change Drawer Policy Item 9, change funds are subject to be audited at anytime.

Unannounced cash counts serve as an initial risk review for overall department controls.

## Observations for Domestic Animal Services (DAS)

### 1) Annual confirmations were not returned to the Clerk’s Finance Department by the due date.

Change Drawer Procedures Item 7 indicates that the custodian or sub-custodian is responsible for returning an annual confirmation to the Clerk’s Finance Department, including all updates, by the specified due date.

If the annual confirmation form, including all updates, is not completed or returned by the deadline provided, funds may not be properly recorded.

Annual confirmations for all five of the change drawers selected for audit for the Department were not returned to the Clerk’s Finance Department by the required due date.

On September 29, 2016, the sub-custodian noted that the annual confirmation requests had been set aside in error. When the sub-custodian was notified by the Clerks’ Finance Department that the confirmations were overdue, the confirmations were immediately completed and returned.

#### Recommendation:

- Annual confirmations should be returned to the Clerk’s Finance Department by their due date.

#### County Management Response:

*Domestic Animal Services diligently updates the Imprest Funds form throughout the year to ensure that the Clerk’s Office has accurate information on file. Domestic Animal Services acknowledges that the August 31<sup>st</sup> Annual Confirmation deadline was missed this past year and the completed forms were submitted to the Clerk’s Office on September 12<sup>th</sup> following a reminder from the Clerk’s Office. To prevent delays in meeting future Annual Confirmation deadlines, a recurring calendar appointment was created for the Custodian, Sub-Custodian, and Director to ensure that the forms are completed, reviewed, and submitted before the deadline.*

# Observations for Parks & Recreation

## 1) Imprest funds did not balance to authorized amounts.

An unannounced cash count on September 26, 2016, identified one change drawer that exceeded the authorized fund and collection totals. The custodian indicated that the drawer was only used during busy periods and had not been used in about six months.

While it may seem that the County would benefit from a change drawer overage, it can just as easily lead to change drawer shortages. Even small overages or shortages indicate a lack of control and attention to detail. Custodians and sub-custodians must exercise care for change drawer funds to prevent overages and shortages.

### Recommendation:

- Staff must exercise more careful accounting of County funds to prevent overages and shortages.
- All change drawers should be counted and reconciled on, at the very least, a daily basis, regardless of use or activity.
- If an overage or shortage occurs, the discrepant amount needs to be recorded at the time of deposit. There should be an explanation attached as to the cause of the overage or shortage.
- The Department should review the need for a second change drawer at this location and consider returning the funds to the County if not deemed necessary.

### County Management Response:

*The Parks and Recreation Division notes that the change drawer had an overage of a dollar, which was caused by a failure to properly separate two bills that were stuck together. The Division also agrees that the change drawers should be counted and reconciled, and that any overages or shortages should be recorded at the time of deposit. The Division will close out the second imprest fund at this location due to its limited used.*

## 2) Annual confirmations did not agree to authorized fund amounts.

Annual confirmations for both of the change drawers selected for audit for the Department did not agree to authorized fund amounts.

On September 26, 2016, the custodian noted that the dollar amounts for the two change drawers had been reversed on the confirmations, most likely because there was no physical identifier on either drawer.

### Recommendation:

- Annual confirmations should agree to authorized fund amounts.
- Physical identifiers (for example labels) should be added to the change drawers to avoid any future confusion.

### County Management Response:

*In future annual confirmations, the Division will request a master list from Finance to compare against the Parks & Recreation list to ensure the accuracy of amounts listed for each imprest fund. The Division will add physical identifiers that respond to the respective imprest fund immediately to avoid any future confusion.*

Internal Audit supports the idea of Finance assisting in the process of creating physical identifiers for locations with multiple change drawers that do not currently utilize physical identifiers. Once all existing change drawers are properly identified, this issue should be resolved. Parks and Recreation is responsible for retaining information on each imprest fund, the value of unannounced cash counts is to ensure procedures are continuously followed.

### 3) Access to imprest funds has not been limited.

Best practices limit access to cash to as few people as necessary in order to reduce risk and exposure to loss.

Change Drawer Policy Item 4 states that only the custodian and sub-custodian should have access to the funds.

On September 26, 2016, all cashiers had access to both change drawers selected for audit for the Department. One drawer is in use during all hours of operations. A second drawer is used only during busy periods and had not been used in about six months per the custodian. While it may not be practical to limit access to the first drawer, there is no apparent benefit to allowing open access to the second drawer.

Furthermore, on September 26, 2016, internal auditors were granted access to both change drawers and cash deposits without the presentation or review of credentials.

#### **Recommendation:**

- Change drawers that are not used on a daily basis should not be accessible to all cashiers. It is recommended that the second drawer be moved to a location (for example the top safe) where access is limited to the custodian and sub-custodian to reduce unnecessary exposure to loss.
- Extreme care should be taken to limit access to County funds to authorized personnel only. Credentials should always be checked when granting access to unknown parties.

#### **County Management Response:**

*The second change drawer will be eliminated and the Division will review other locations where there are multiple drawers to ensure that only cash drawers in regular use will be retained. Only custodians, subcustodians, and cashiers that are listed on the imprest fund will have access to the single change drawer kept at this location. Custodians and subcustodians only have access to the top portion of the safe where waiting deposits are kept. All cashiers will continue to have the necessary access to the bottom portion of the safe where imprest funds are kept. The Division will periodically train/re-train staff to ensure that credentials are properly verified when granting access to County funds to previously unknown parties (e.g. auditors.)*

# Observations for Solid & Hazardous Waste Management

## 1) Certificate and Request of Change to Imprest Funds forms have not been updated and provided to the Clerk's Finance Department as changes have occurred.

Change Drawer Policy Item 5 requires that a Certificate and Request of Change to Imprest Funds form be filled out and submitted each time there is a change in the following: director, custodian, sub-custodian or physical location.

As directors, custodians, sub-custodians, and cashiers change, it is important to submit all required forms to the Clerk's Finance Department to ensure that only authorized personnel have access to imprest funds.

A review of personnel records revealed that the previous custodian for all change drawers and locations audited for the Department transferred out of the Department on May 23, 2016. The related custodian and sub-custodian records were not updated with the Clerk's Finance Department until August 16, 2016. In addition, a review of cashiers added and deleted on August 16, 2016, for all change drawers under audit for the Department, revealed that two cashiers were not added in a timely manner (start dates of November 9, 2015 and March 14, 2016) and that three cashiers were not removed in a timely manner (termination dates between May 29, 2015 and February 15, 2016.)

On September 23, 2016 and October 4, 2016, the custodians responsible for eight change drawers maintained at two separate locations indicated that one individual not on record as a cashier with the County's Finance Department had access to the funds. In all instances, the individual was a supervisor with custodial or sub-custodial responsibilities at another location.

### Recommendation:

- Certificate and Request of Change to Imprest Funds forms should be submitted immediately whenever access to imprest funds changes.
- Certificate and Request of Change to Imprest Funds forms should be submitted to add any additional individuals with access to the imprest funds as cashiers.

### County Management Response:

- ❖ *The Division submitted yearly confirmation Imprest Funds forms on August 18, 2016, prior to the August 31<sup>st</sup> deadline.*
- ❖ *The Division will submit change access forms to the Clerk of Courts immediately after any addition or removal of a cashier.*

## 2) Access to imprest funds has not been limited.

Best practices limit access to cash to as few people as necessary in order to reduce risk and exposure to loss.

Change Drawer Policy Item 4 states that only the custodian and sub-custodian should have access to the funds.

On September 23, 2016 and October 4, 2016, all cashiers had access to all change drawers and change bags for both locations selected for audit for the Department. The change drawers are in use during hours of operation. While it may not be practical to limit access to the change drawers, there is no apparent benefit to allowing open access to the change bags.

Furthermore, an unannounced cash count on September 23, 2016, identified a balancing error between a change drawer and a change bag. The cashier responsible for the change drawer indicated that he must have made a mistake when making change from the change bag. It is expected that the error would have been found and corrected through the standard reconciliation process at the end of the cashier's shift. Collier County Solid and Hazardous Waste Management Cash Handling Policy requires a Change Order Form be completed by a cashier and fulfilled by a supervisor when change is needed from a change bag. As evidenced by the error, it does not appear that this location was following Department policies.

In addition, on September 23, 2016 and October 4, 2016, internal auditors were granted access to all imprest funds and cash deposits without the presentation or review of credentials.

**Recommendation:**

- Change drawers that are not used on a daily basis should not be accessible to all cashiers. It is recommended that access to change bags be limited to the custodian and sub-custodian to reduce unnecessary exposure to loss.
- Department policy should be followed when making change from change bags.
- Extreme care should be taken to limit access to County funds to authorized personnel only. Credentials should always be checked when granting access to unknown parties.

**County Management Response:**

- ❖ *The Division custodian and sub-custodian shall have access to a relocated separate lock box that is placed inside the current safe.*
- ❖ *The Division currently maintains unscheduled and frequent internal audits (Policy 3.07) to safeguard internal compliance.*
- ❖ *The Division will continue to follow Policy 3.09 when making change for cashiers.*
- ❖ *The Division's building front scale house area and cash room are secured with badge access and recorded security cameras. Access can only be gained by approved security clearance.*
- ❖ *The Division uses best management practice when cashiers record, count, and balance drawers four times daily (morning, before lunch, after lunch, and end of shift).*
- ❖ *The Division's cash handling policies have been in effect for over 11 years without incident.*

**3) Keys have been used to override automated cash register controls.**

During unannounced cash counts on September 23, 2016, two change drawers were observed in use with manual keys still in the registers. The third change drawer for this location was not in use at the time of the unannounced cash count.

During unannounced cash counts on October 4, 2016, one change drawer was observed in use with a manual key still in the register. The second change drawer for this location was not in use at the time of the unannounced cash count.

The use of manual keys overrides automatic cash register controls and increases the opportunity for unrecorded transactions and theft.

**Recommendation:**

- Manual keys should be properly secured and only used by supervisors under special circumstances.

**County Management Response:**

- ❖ *The Division currently uses a manual drawer system which requires keys to access drawers.*
- ❖ *The Division is exploring the opportunity to upgrade into an automated system software, which will entail a financial impact.*
- ❖ *The Division secures all drawer keys in the safe when registers are not in use.*



# Other Observations for Solid & Hazardous Waste Management

## 1) At one location, transactions are initially recorded using paper receipts by a single unsupervised employee.

As a result of inquiry during unannounced cash counts on October 4, 2016, it was noted that transactions for one location are initially recorded using paper receipts by a single unsupervised employee. Receipt details are later submitted electronically from another location, where the change drawer is maintained during non-operating hours.

The location is only operational one day per month.

The change drawer for the location is physically maintained at another location during non-operating hours because of a prior theft between operation dates in May and June of 2015.

In addition, the custodian and sub-custodian for the change drawer are not in control of the funds during hours of operation for the site. During those hours, the drawer is in the sole possession of an unsupervised and unmonitored cashier.

Handwritten receipts and unsupervised employees increase the potential for and risk of theft. In manual systems, tracking receipts and encouraging customers to keep a record of their receipt serves as a compensating procedure.

### Recommendation:

- The Department should explore possible methods to electronically record sales directly at the location. This may not be economically feasible when considering transaction volume for the location.
- The Department should explore possible methods for enhanced supervision and monitoring of change drawers when they are out of the control of custodians and sub-custodians. This may not be economically feasible when considering transaction volume for the location.

### County Management Response:

- ❖ *The collection center is open for business one day a month with limited energy resources and has eight or less transactions on a typical operating day. The remote site is 32 miles from the Naples Recycling Center.*
- ❖ *The Division uses best management practices and follows Florida State Statute 219 using numbered receipt blanks for over 11 years without incident.*
- ❖ *The Division is exploring an automated system that can operate without a local cost effective electricity source.*

## Conclusion

The Clerk's Finance Department's policies and procedures for imprest funds have not always been adhered to. Staff should be properly trained to ensure they understand policies and procedures and be held accountable for compliance by County management. County management should ensure that proper controls, policies and procedures are in place to limit risk and error.

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

Audits do not relieve County management of their responsibilities. It is the responsibility of County management to understand and implement proper procedural controls in order to reduce and limit the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls to ensure compliance with Federal Regulations, Florida Statutes, County Ordinance, and County Policies.

Internal Audit acknowledges the full cooperation of County personnel for their support in the audit process.