

**Collier County
Clerk of the Circuit Court
Internal Audit Department**

Management Advisory 2004 – 6



To: Dwight E. Brock Clerk of the Circuit Court
From: Patrick Blaney  Internal Audit Director
CC: Library Director John Jones, Audit File
Date: April 14, 2004
Re: Cash Counts: Libraries

Cash Counts: Libraries

BACKGROUND

As part of our continuing audit program, the Internal Audit Department has completed an examination of selected petty cash and change funds maintained by the Collier County Board of County Commissioners.

The Finance Department's Accounting Procedures Manual addresses petty cash in Procedure 21-1, Petty Cash, effective June 1, 1993. Per the Manual, petty cash funds are established within various departments of Collier County for handling minor departmental cash expenditures, usually for under \$25. Change funds are established for making change where money is collected during transactions of County business.

Internal Audit tested petty cash and change funds of the Library Department. The Library Department is part of the Public Services Division. Its mission is to obtain and provide a collection of print and other materials for the informational, educational, recreational and cultural needs of the public. The Department utilizes twenty petty cash and change funds in conducting its daily business.

AUDIT OBJECTIVES & SCOPE

The specific objectives of this review were to determine whether petty cash and change funds comply with applicable accounting procedures, and to ensure that the funds are being properly safeguarded. The scope was limited to sampled funds of the Library Department that were tested on March 2 and 3, 2004. Our sample covered 64% of the total dollar value of the Department's Petty Cash and Change Funds. In addition, we tested recent select petty cash replenishment transactions.

FINDINGS

Petty Cash Funds

The current system of Petty Cash Funds within the Collier County Public Library network allows for three types of Funds:

1. General Petty Cash Funds
2. Children's Programs Petty Cash Funds
3. Outreach Petty Cash Funds

The General Petty Cash Fund is used whenever employees expend their own funds for approved expenses for the Library. For reimbursement, the employee delivers the receipt to a Petty Cash Fund sub-custodian for approval and cash reimbursement from the approving sub-custodian. Purchasers must use tax-exempt forms when purchasing items with petty cash, because custodians will not reimburse sales tax.

The Children's Petty Cash Fund reimburses employees in the same manner as the General Petty Cash Fund. Expenses for this fund relate to children functions and summer programs.

The Outreach Petty Cash Fund reimburses employees in the same manner as the General and Children's Petty Cash Funds. Expenses for this fund relate to assisting citizens without the means to access Library resources.

Replenishment is done periodically for all Library branches. Sub-custodians complete audit slip schedules summarizing expenditures by account number. They run tapes of individual receipts, and attach the original receipts to the audit slip schedule. Sub-custodians summarize and approve each audit slip schedule on the petty cash voucher. Finally, the custodian reviews, approves and signs the petty cash voucher, which is sent to Finance for processing.

Finance processes the petty cash voucher and issues a check payable to the custodian. The custodian cashes the check and then distributes funds to each department requiring replenishment.

1. Petty Cash Funds Exceeded Authorized Amounts.

Four branch locations of Collier County libraries out of a total of nine were chosen for petty cash fund counts. There were seven petty cash funds maintained at these four locations. Of the seven funds examined, four exceeded their authorized amounts. Petty cash funds examined totaled \$935.00. Overages amounted to \$26.35, or 2.8%. No petty cash shortages were found. While it may seem in this case that the County benefits from petty cash overages, nonetheless, inattention to petty cash can just as easily lead to inexplicable shortages.

RECOMMENDATIONS

Sub-custodians must exercise more careful accounting of petty cash funds to prevent overages. They should reconcile petty cash funds after each use.

LIBRARY DEPARTMENT'S RESPONSE

Library Supervisors will add 'Petty Cash Accounting Procedures' to every sub-custodian's Action Plan, as a separate item, and provide instruction on using petty cash funds.

2. **Library Branch Reimbursed Employee For Gasoline.**

The Accounting Procedures Manual (Procedure No. 21-1) requires that the only travel expenses that can be reimbursed through petty cash are toll charges. Accounting procedures control fuel expenditures because fuel can be easily converted to personal use. This review found one gasoline receipt among the three reimbursement checks examined.

RECOMMENDATION

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

LIBRARY DEPARTMENT'S RESPONSE

Several times a year, Library staff rents U-Haul trucks to move large amounts of books and furniture from storage areas to the Naples Branch for the Library book sale. The staff member needed to fill the U-Haul with gas before returning it, didn't have any personal money to pay for the gas and get reimbursed, couldn't get a County gas card, and used petty cash to fill the tank. In the future, we will make other arrangements in advance whenever we rent a U-Haul truck locally.

Change Funds

1. **Some Change Funds Did Not Reconcile to Authorized Amounts.**

The County sets up change funds in order to make change during business transactions. Properly accounted for change funds should consist of the authorized amount of the fund plus all receipts since the last deposit, because the authorized amount of a change fund should never be expended. Internal Audit was unable to reconcile two of the three change funds sampled to listed amounts from the Library Sales Audit Trail report. One change fund sub-custodian indicated that the change fund's daily beginning balance was "About sixty dollars," when the authorized amount was only fifty dollars. Dishonest employees could potentially exploit such lack of attention to change funds.

RECOMMENDATION

Change fund sub-custodians should adhere to Finance's Procedure 21-1 for change funds, especially the following: *"During the course of regular business, change funds will be commingled with collections, but must be separated at the end of the business day. The amount of the change fund will not vary from the amount reflected in the custodian's receipt."*

LIBRARY DEPARTMENT'S RESPONSE

Library Supervisors will add 'Change Fund Accounting Procedures' to every sub-custodian's Action Plan, as a separate item, and provide instruction on accounting for change funds. Instruction will include the amount of change authorized for each location.

2. **The Library Lacks Uniformity in the Distribution of Cash Handling Procedures.**

Sound business practice requires documented controls for the safe custody of cash. Formal written procedures provide management a tool for measuring and controlling the fiscal environment, and afford some assurance of fiscal accountability, but only if uniformly followed. Written procedures also promote consistency of cash handling in all County library branches, and provide an authoritative standard and reference when questions arise. Despite the fact that the Library Department has written standards and procedures for handling cash, personnel at two of the four branches tested were not aware of the existence of procedures. While we appreciate management's efforts in documenting cash procedures, we believe that the procedures should be uniformly and consistently followed at all branches. If all employees do not consistently and uniformly acknowledge and maintain accountability prescribed by written standards, the County could lose an unknown amount of money through cashiering errors or manipulations.

RECOMMENDATIONS

The Library Department should make sure that the written procedures are circulated and available to all employees who handle cash. Management should also insure that training is available for the cashiering function at all Library sites, and that cashiering procedures are consistently adhered to among all branches.

LIBRARY DEPARTMENT'S RESPONSE

The Cash Handling Procedures will be formally written and sent to each Library. Procedures will be reviewed at least annually, revised as needed, and sent to all library supervisors—for inclusion in Action Plans of sub-custodians.

3. **Too Many Employees Have Access to Change Fund Drawers.**

The change fund custodian does not restrict access to cash to the minimum number of people necessary. Also, cash receipts and daily beginning change funds are routinely stored overnight either in locked rooms where all employees have a key, or in a safe where five to six employees have the combination. Good business limits access to cash to the fewest people necessary.

Weak custodial control of change funds may render the County at risk of loss through cashiering errors or intentional acts.

RECOMMENDATIONS

The change fund custodian and sub-custodians should establish control over change funds, and limit daily access to cash to the minimum number of employees necessary.

LIBRARY DEPARTMENT'S RESPONSE

The 9 Libraries are each open at least 60 hours weekly; 1 library is also open on Sundays year-round; and another library is open on Sundays in the winter season. It is not possible to limit cash handling to only 1 person per location, even in the smaller locations. Employees are scheduled so that at least 2 people are working at the smaller locations at the same time, and a minimum of 5 or 6 people are working at the larger locations, even during evenings, Saturdays and Sundays. Everyone working a public desk needs to be able to accept payments, give change, and provide change service for the photocopiers.

Not everyone needs to have access to the entire amount of cash held at any one location. The larger buildings have 'drop safes' with limited access for most of the employees. The change fund is kept available for anyone who opens or closes the building, with money in excess of the change fund being dropped into the more secure side. Access to the more secure side is limited to those who need access. The number of these authorized employees is much less than the entire public desk staff at a location.

Library Supervisors will review Change Fund access needs with their employees. Supervisors will prepare a written schedule of those employees having access to any money and the limits of their access. Library Administration will consider the purchase of drop safes for those locations that do not have drop safes.

Other Differences Noted

1. **Petty Cash Record Listed Former Library Employee as Sub-custodian.**

The Accounting Procedures Manual requires a department director to submit a new Certificate and Receipt of Imprest Funds when changes are made to the amount, purpose, location, or custodian of a fund. During October 2003, the sub-custodian of two funds tested by Internal Audit terminated employment. The Library Department subsequently selected a new sub-custodian, but did not send Finance a new Certificate and Receipt of Imprest Funds to report the change. As a result, the Petty Cash Record listed a *former* Library employee as sub-custodian of two funds.

As a subsidiary ledger supporting a general ledger balance, the Petty Cash Record is only as reliable as the information supplied to it by County departments.

RECOMMENDATION

The Library Department should strive to update Finance records timely.

LIBRARY DEPARTMENT'S RESPONSE

The Finance Department has asked for an update of custodians and sub-custodians only on an annual basis. The Library will now update the Finance Department whenever a custodian or sub-custodian leaves that position.

CONCLUSION

Internal Audit thanks the Library personnel for their cooperation in this examination.

LIBRARY DEPARTMENT'S RESPONSE

MEMORANDUM

April 8, 2004

To: Patrick Blaney, Internal Audit Director

Fr: Marilyn Matthes, Assistant Library Director

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