

## Management Advisory *2005 – 3*

To: Dwight E. Brock, Clerk of the Circuit Court  
Through: Crystal K. Kinzel, Internal Audit Director  
From: Internal Audit staff  
CC: Audit File  
Date: April 27, 2005  
Re: Cash Counts: 2004 Fiscal Year End

---

### **Cash Counts: 2004 Fiscal Year End**

#### **OBJECTIVES & SCOPE**

At the request of the Finance Department, Internal Audit performed a limited review and surprise cash counts of nine county departments not responding to confirmation requests of imprest funds as of September 30, 2004, and of a sample of seven departments that did respond to the confirmation request. See Exhibits A & B for a list of departments tested. Our objective was to determine, through audit tests, the adequacy of internal controls, reliability of imprest fund data, and adherence to Petty Cash policies and procedures.

#### **METHODOLOGY & PROCEDURES**

Our review tested imprest funds for compliance with the Finance Department's Accounting Procedures Manual. We discussed procedures with Finance personnel and department cash custodians, reviewed documents processed during FY 2004, and performed surprise cash drawer counts of 11 petty cash and 13 change funds (see Exhibits A & B) on November 4, 5, and 8, 2004.

#### **BACKGROUND**

Imprest funds policies and procedures define the authorized uses of such funds, and advise departments how to establish, modify, spend, replenish, safeguard, transfer, and discontinue them, all in accordance with County policies and Florida Statutes. The Clerk has established authoritative guidelines for the safeguarding of county resources in his Accounting Procedures Manual, Procedure 21-1, Petty Cash, effective June 1, 1993. According to the Manual, petty cash funds (46 funds totaling \$4,385.02) are established within various departments of Collier County for handling minor departmental cash

expenditures, usually for under \$25. Change funds (58 funds totaling \$11,925.00) are used to make change where money is collected during transactions of County business.

## **FINDINGS**

### **Petty Cash Funds Varied From Authorized Amounts**

Of the 11 locations selected for petty cash fund counts (see Exhibit A), two locations had no petty cash to count. Internal Audit used a schedule provided by Finance called the Petty Cash Record to test both confirmed and unconfirmed locations. The Petty Cash Record showed one location with unconfirmed petty cash amount of \$100.00 and one with unconfirmed amount of \$75.00. In both instances documented communication directed to various Finance Department staff showed termination of the petty cash funds, but they remained on the Petty Cash Record as still existing. The \$100.00 fund was returned to Finance intact and deposited on September 25, 2003, with a request by the department to discontinue the fund. The \$75.00 fund was reported by the department as stolen on March 24, 2003, to County Security and Finance personnel, but was never removed from the Petty Cash Record or adjusted in the general ledger.

Of the nine remaining locations totaling \$895.00, four exceeded their authorized amounts by a total of \$8.65, and two locations had shortages. A \$95 petty cash fund was \$9.00 short, and a \$50 fund was short by \$15.41. We were unable to account for the differences. Shortages indicate a lack of control and inattention to detail. And while it may seem that the County benefits from petty cash overages, nonetheless, inattention to petty cash can just as easily lead to inexplicable shortages.

At six locations, petty cash vouchers or receipts indicated that the custodians did not replenish their petty cash funds in September, as required by Petty Cash Procedure No 21-1, Sec. 3. H.

The Certificate and Receipt of Imprest Funds document supports the recording of the disbursement of County funds and corroborates the petty cash balance sheet asset amount. It also contains important information such as: authorized amounts, department name, fund center number, location of the fund, person responsible for the fund, Finance authorization, and departmental acceptance. This document also provides the means to change required information such as fund status, fund location, fund amount, and responsible person, among other things. Departments were not updating the Certificate and Receipt of Imprest Funds document as required by Procedures Section 1.a. of the Petty Cash Policies & Procedure No. 21-1. Five of the petty cash funds tested had one or more differences in department name, custodian, sub-custodian, or fund location from that recorded on the Finance Department's Petty Cash Record or from custodian's responses during the cash count inquiry. This made it difficult in some instances to locate the fund. One Certificate and Receipt of Imprest Funds on file lacked any approval by Finance.

To summarize these findings, eight of eleven petty cash funds, or 72.7%, did not balance to their recorded amounts. Custodians did not replenish six of the eleven (54.5%) petty

cash funds in September as required, and five funds' (45.5%) recorded details did not agree with what was actually found in the field.

## **RECOMMENDATIONS**

- Custodians and sub-custodians must exercise more careful control of petty cash funds to prevent overages and shortages.
- They should reconcile petty cash funds regularly. In addition, *"All petty cash funds must be replenished during the month of September,"* per Petty Cash Procedure No. 21-1.
- As a condition of retaining the privilege of the use of a petty cash fund, each department should update the Certificate and Receipt of Imprest Funds whenever changes occur, and at least annually if no changes occur.
- Finance should ensure that a fully and properly completed and signed current Certificate and Receipt of Imprest Funds form is on file to substantiate each petty cash fund. This form should be updated annually, and reconciled to the Petty Cash Record and to the general ledger at each fiscal year end.

## **Change Funds Varied From Authorized Amounts**

Thirteen locations were selected for change fund cash counts; six from the "did not confirm" list and the other seven randomly selected from the Petty Cash Record.

At one location from the "did not confirm" list the Petty Cash Record indicated three change funds of \$200.00 each, but our examination could only confirm two such change funds. According to the custodian of record and department director an additional \$200.00 had been requested in 2001, but no check was ever issued. The department director also stated that in June 2001 one \$200.00 fund was transferred to another fund center during department reorganization. Internal Audit was unable to determine which fund was transferred because of a lack of historical custodial statements (Certificate and Receipt of Imprest Funds) on file and a change by the custodial department in the identification of change funds from using cashing numbers to cashier names.

Of the twelve remaining locations totaling \$3,700.00, six exceeded their authorized amounts by a total of \$105.16, while two other locations had shortages. One, a \$400 change fund was \$0.30 short. The other, a change fund for \$200, was short by \$52.94. After adjusting for sales collections we were still unable to account for the differences. According to Petty Cash Policy and Procedures, *"The Amount of the change fund will not vary from the amount reflected in the custodian's receipt."* We decided to count the \$200 fund again, and on February 17, 2005, we found that it was \$0.15 over. The custodian stated that the previous shortage was due to change fund cash having been in the coffee fund at that time.

While it may seem in this case that the County benefits from change fund overages, nonetheless, inattention to change funds can just as easily lead to inexplicable shortages. Even small shortages indicate a lack of control and attention to detail, and most

importantly show failure to adhere to prescribed policies and procedures. This occurs either through lack of training, lack of awareness of policies and procedures, or lack of access to policy and procedures.

The Certificate and Receipt of Imprest Funds document not only supports the recording of the disbursement of County funds and corroborates the change fund asset amount, but also discloses required information as to the authorized amount, department description, fund center number, location of the funds, person accountable for the fund, Finance Director authorization, and department acceptance. This form also provides the means to change required information such as fund status, fund location, fund amount, and responsible person, among other data. Departments were not updating the Certificate and Receipt of Imprest Funds as required by Section 1.a. of Petty Cash Procedure No. 21-1. Seven change funds of the 13 tested, or 53.8%, had one or more differences in Department name, custodian, sub-custodian, or fund location from the Petty Cash Record or from custodians' confirmations. This was especially apparent with custodian names being different in five instances, making it difficult to identify and locate the correct fund to be counted. This is a direct conflict to policy, and also conflicts with the statement of responsibility/accountability.

## **RECOMMENDATIONS**

- Custodians and sub-custodians must exercise more careful safekeeping of change funds to prevent overages and shortages. County funds should not be commingled with other moneys used for private purposes.
- They should reconcile change funds after each day's business and record overages or shortages to sales. In addition, as a condition of retaining the use of a change fund, each department should be required to update the form whenever changes occur, and at least annually if no changes occur.
- Finance should ensure that a fully and properly completed and signed current Certificate and Receipt of Imprest Fund form is on file to substantiate each change fund. This form should be updated periodically, and reconciled to the Petty Cash Record and general ledger at each fiscal year end.

## **CONCLUSION**

During the observations and inquiries of Finance personnel it was apparent that they are improving the petty cash system by centralizing controls, distribution and collection of funds, and by identifying funds for historical recall. One individual has been assigned responsibility for operating and maintaining the system. See proposed procedural changes, Exhibit C. This should enhance communication and control over the process. In addition, implementation of new written policies and procedures and reconfirmation of all funds are planned for July 2005.

With error rates for custodial documentation exceeding 45% among petty cash funds and 53% for change funds, departments with imprest funds should fully account for all such funds in their custody, update their respective Certificate and Receipt of Imprest Fund forms, and endeavor to implement new policies & procedures as they are issued.