

**Hernando County Clerk of Circuit Court  
Audit Services Department  
MEMORANDUM**

**TO:** Donald Silvernell, Airport Director  
Donna Peacock, County Extension Director  
Chief J.J. Morrison, Spring Hill Fire & Rescue District  
Kay Adams, Utilities Director  
Jana Murphy, Court Services Director  
Barbara Shiflett, Library Systems Director  
Frank McDowell III, Code Enforcement Director  
Grant Tolbert, County Development Director  
Charles "Pat" Fagan, Parks and Recreation Director

**VIA:** Karen Nicolai, CPA, Clerk of Circuit Court

**FROM:** Peggy Prentice, CIA, CISA, Audit Services Director

**SUBJECT:** Unannounced Petty Cash and Change Fund Counts

**DATE:** July 12, 2006

The Audit Services Department's (ASD) Audit Projects Schedule included an unannounced inspection of a sample of Board of County Commissioners', Clerk of Circuit Court's, and Spring Hill Fire & Rescue District's (SHFRD) petty cash and change funds.

This memorandum contains the ASD's review comments, observations, and recommendations.

Sample Selection

The ASD selected a sample of eleven (13) petty cash and change funds for testing: Airport, County Extension, Spring Hill Fire & Rescue District (SHFRD), Utilities (Kass Circle and Brooksville branches), Law Library, Library Systems (West Hernando Branch), Waste Management (West Hernando Transfer Station), Code Enforcement, Animal Services, County Development, Pine Island Park, and Roger's Park.

Testing

On May 31 and June 1, 2006, the ASD performed unannounced inspections (cash counts and cash custodian interviews) on 12 of the 13 sample items. The Utilities' Kass Circle branch cash drawer was not available for testing. The ASD also observed whether the parks' gate counters were operational at the time of inspection.

Conclusions

No material concerns were identified when inspecting the County Extension, SHFRD, Library System, Waste Management, Code Enforcement, Animal Services, County Development, Pine

Island Park, or Roger's Park petty cash or change funds, as applicable. In addition, we were able to confirm that the gate counters were counting vehicles at Pine Island and Roger's Park.

The following exceptions were identified:

### **AIRPORT PETTY CASH**

**Comment #1:** Access to the petty cash lock box is not adequately secure.

**Observation:** On the day of inspection, the auditor observed that the petty cash lock box was stored in an unlocked file cabinet. The key to the box was on the cash custodian's desk, somewhat hidden.

**Recommendation:** The petty cash lock box should be stored inside a locked area, and a means to retrieve these funds should be adequately safeguarded as well.

**Comment #2:** Petty Cash Reimbursement Request Form was not processed timely.

**Observation:** The unannounced cash count revealed a shortage. This was due to a Petty Cash Reimbursement Request Form which was not processed timely (more than 30 days old). Per the cash custodian, the request was forwarded to the Finance Department for processing. The Finance Department did not have a record of this request. At the end of fieldwork, the Finance was processing a duplicate copy of the request.

**Recommendation:** Follow up to reimbursement requests of petty cash funds should be made in a timely manner.

### **UTILITIES PETTY CASH**

**Comment #3:** Access to the petty cash lock box was not adequately secure.

**Observation:** The petty cash custodian was on vacation at the time of the inspection. The back-up petty cash custodian was in custody of the fund. The petty cash lock box was secured in a locked desk drawer. Although the fund was secured in a locked desk drawer, the key to the petty cash lock box was misplaced/missing, and therefore, could not be locked. The auditor was able to reconcile the petty cash fund.

**Recommendation:** The petty cash lock box should remain locked when not in use. Using the cost benefit approach, consideration should be given to either finding or replacing the missing key or replacing the lock box.

### **LAW LIBRARY CHANGE FUND**

**Comment #4:** Access to the change fund lock box was not adequately secure.

**Observation:** The unannounced cash count revealed that the change fund was not adequately safeguarded. The key to the filing cabinet, where the cash box is stored, hangs on the wall. The cash custodian stated that the door to the office is locked at night, and that only the janitors would have access to the key while the office is unattended.

**Recommendation:** The change fund lock box should be stored inside a locked area, and a means to retrieve these funds should be adequately safeguarded as well.

### **SHFRD PETTY CASH**

**Comment #5:** The Cash Handling Policies and Procedures Manual was not on hand.

**Observation:** The SHFRD was unable to locate the current Cash Handling Policies and Procedures Manual at the time of the unannounced petty cash count.

**Recommendation:** Consideration should be given to obtaining the current Cash Handling Policies and Procedures Manual from the Finance Department.

### **ANIMAL SERVICES CHANGE FUND**

**Comment #6:** The cashier was not following good business practices.

**Observation:** During the unannounced cash count the auditor observed that a cashier was maintaining personal (non business related) change in her cash drawer. Although the auditor did not find this particular subject addressed within the Finance Department's Cash Handling Policies and Procedures Manual, it is not a good business practice.

**Recommendation:** Consideration should be given to directing cashiers to not house their personal money within a County issued change fund.

**LIBRARY CHANGE FUND**

**Comment #7:** The cash change fund was not adequately secure/safeguarded.

**Observation:** During the unannounced cash count, the auditor observed that the change fund was not adequately secure. The change fund was placed inside a locked file drawer, and the key to the file drawer was placed in a key lock box. However, the key to the key lock box was kept in a desk drawer that most employees had access to.

**Recommendation:** Consideration should be given to adequately safeguarding the key to the key lock box and limiting access to only those persons authorized to have access to the key lock box.

Although the ASD exercised due professional care in the performance of this project, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected. Specific areas for improvement are listed above.

If you have any questions, concerns, or need additional information in regard to the above, please do not hesitate to contact me at (352) 540-6235, extension 72384, or just stop by my office in Room 201.

**DISTRIBUTION:**

**BOARD OF COUNTY COMMISSIONERS:**

Commissioner Christopher “Chris” Kingsley  
Commissioner Hannah “Nancy” M. Robinson  
Chairwoman Diane Rowden  
Commissioner Robert C. Schenck  
Commissioner Jeff Stabins  
Gary Kuhl, County Administrator  
Larry Jennings, Deputy County Administrator  
George Zoettlein, Office of Management and Budget Director  
Jon Jouben, Assistant County Attorney

**CLERK OF CIRCUIT COURT:**

Amy Gillis, CPA, Finance Director

**OTHER:**

Lori Nissen, Partner, KPMG  
Hernando Today  
St. Petersburg Times – Hernando Edition  
WWJB Radio Station  
Hernando County Public Library