

HERNANDO COUNTY CLERK OF CIRCUIT COURT
AUDIT SERVICES DEPARTMENT
CCC ORGANIZATION-WIDE
EFFICIENCY OF CASH BALANCING PROCESS
RECORDS MANAGEMENT DEPARTMENT
NOVEMBER 28, 2006

HERNANDO COUNTY CLERK OF CIRCUIT COURT
AUDIT SERVICES DEPARTMENT
MEMORANDUM

TO: Pat Galbraith, Records Management Director

VIA: Karen Nicolai, CPA, Clerk of Circuit Court

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

DATE: November 28, 2006

SUBJECT: CCC Organization-wide Efficiency of Cash Balancing Process
Records Management Department

The Audit Services Department (ASD) was asked to assist the Records Management Director with enhancing the Records Management Department's Recording and the Record Storage Facility's efficiency of daily cash balancing activities. To accomplish this goal, the ASD observed cash balancing activities, interviewed key employees, reviewed daily work, and obtained an understanding of the cash balancing processing steps.

The purpose of this report is to furnish management independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. This report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the ASD exercised due professional care in the performance of this review, 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 addressed later in this report.

I would like to thank the Records Management Department and the Finance Department for their cooperation during this project.

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

ATTACHMENT

copy: BOARD OF COUNTY COMMISSION:

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, CPA, Partner, KPMG

Hernando Today

St. Petersburg Times - Hernando Edition

WWJB Radio Station

Hernando County Public Library

Table of Contents

Acknowledgement	i
Purpose and Scope	ii
 Discussion Points, Recommendations, and Management’s Response	
Recording Division.....	1
Record Storage Facility.....	2

Acknowledgement

Other minor findings, not included in this report, have been communicated to management and/or corrected during fieldwork. I thank management and staff for their cooperation.

Fieldwork was performed by: Mark Marriage, Assistant Auditor, and
Peggy Prentice, CIA, CISA, Audit Services Director

Management's response was provided by: Pat Galbraith, Records Management Director

Management's response and this report were authorized by Karen Nicolai, CPA, Clerk of Circuit Court on 11/28/06.

Purpose and Scope

PURPOSE

The purpose of this review was to assist the Clerk of Circuit Court's Records Management Department by recommending processing enhancements that will enhance the efficiency of the daily cash balancing process.

SCOPE

The Audit Services Department (ASD) addressed the daily cash balancing process' control environment, recordkeeping practices, and efficiency of communications and paper flows. The ASD performed interviews and observations and compared actual practices to written policies and best practices.

DISCUSSION POINTS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

Recording Division, Discussion Point 1

Excess wear and tear on printers, and waste of ink and paper.

During the cash balancing process, cashiers print the entire Daily Revenue Cashier Report, and then throw away page one. This process creates excess wear and tear on printers and wastes printer ink and paper. It should be noted that one cashier utilizes the print menu options to eliminate the printing of unnecessary pages.

Recommendation

Consideration should be given to train cashiers to utilize print options within the print menu and to select only those pages actually needed for printing.

Management's Response

We concur with the auditor's recommendation. This was a training issue and effective October 18, 2006 all cashiers have been trained how to select & print individual pages.

Recording Division, Discussion Point 2

Cashiers transfer their deposipac custodial responsibilities before the creation of an audit trail.

The cashiers transfer their deposipac to a Records Clerk I. This employee prepares the Deposit Transmittal Form, and later asks the cashiers to verify their deposipac serial number, deposit amount, and sign-off on the form, well after the transfer of custodial responsibility has taken place.

Recommendation

Consideration should be given to preparing the Deposit Transmittal Form and having cashiers verify and sign it when the transfer of custodial responsibility actually takes place.

Management's Response

We concur with the Auditor's recommendation. At the end of each day, each cashier submits all deposit balancing/paperwork to the main cashier. Effective October 18, 2006, the main cashier enters the bag number/deposit amount on the "Deposit Transmittal" and the individual cashier reviews and initials next to their name when the transfer of custodial responsibility occurs.

Recording Division, Discussion Point 3

The amount of paperwork and reports submitted to the Finance Department on a daily basis may be reduced.

The amount of paperwork and reports submitted in the daily distribution packet sent to the Finance Department may be reduced; the following reports are no longer required by the Finance

CCC Organization-wide Efficiency of Cash Balancing Process
Records Management Department

Department:

- 1) *Client Activity Report* – This report is only required on the last day of the month.
- 2) *Suspend Letter Report*
- 3) *Check Log Report* – Finance has no requirement for this report however, it should continue to be submitted to the bank.
- 4) *My Florida Credit Card Receipt* – Finance only requires the summary of transactions report.
- 5) *Transaction Spreadsheet Register of Validated Receipts Report*

Recommendation

Consideration should be given to eliminating the submission of the following reports from the distribution packet which is sent to the Finance Department for processing: Client Activity Report (except for the last day of each month), Suspend Letter Report, Check Log Report, My Florida Credit Card Receipt, and the Transaction Spreadsheet Register of Validated Receipts Report.

Management's Response

We concur with the Auditor's recommendation. After reviewing the Finance Department requirements to have the above reports as backup to the Recording Daily Deposit/Receipts, it was agreed by both Recording and Finance to eliminate the following: copy of the check log (provide only to bank with deposit); eliminate the multi-page Transaction Spreadsheet Register of Validated Receipts report (we will print the report as needed to resolve balancing issues); eliminate the Suspend Letter report (will print this report only if there is a problem with a missing receipt number); eliminate the daily Client Activity report (will provide monthly report only); and eliminate the copies of the My Florida Credit Card Receipts (will provide summary page only). Implementation date was effective October 18, 2006.

Record Storage Facility, Discussion Point 4

The value of a combination lock's security is based upon maintaining secrecy of the combination. The Record Storage Facility's vault security is weak.

During fieldwork, the ASD found that the combination to the Record Storage Facility's vault was not changed in many years and the combination was stored in an insecure location. When the concern was brought to management's attention, immediate correction action was taken and the vault's combination was changed and, per management, is now stored in a physically secure location. Per management, the new combination was given to only those employees who need the combination to perform their job functions.

Recommendation

The vault's combination should be changed periodically and as the need arises. A list of these authorized vault combination custodians, and the reason they were given authorization, should be maintained. When the authorization no longer exists or is needed, the combination should be changed and not given to that individual.

CCC Organization-wide Efficiency of Cash Balancing Process
Records Management Department

Management's Response

We concur with the Auditor's recommendation. The Vault combination was changed on October 24, 2006 and the new combination provided to only those employees who require it to perform their job functions. The plan is to revise the combination annually and/or when applicable employee changeover occurs.

Record Storage Facility, Discussion Point 5

Physical vault access controls are weak.

Access to the vault lacks adequate control. If the Record Storage Facility and vault were accessed and the vault's contents were removed without authorization, there is a high probability that the perpetrator would not be identified. Many staff members have a key to the Record

Storage Facility entry door including, but may not be limited to, the following: all Record Storage Facility personnel, one MIS staff member, several Technology Services personnel, Court Services personnel, Facilities Maintenance personnel, person(s) who clean the facility, and the Records Management Director. Many of these staff members are authorized vault combination custodians or have access to the vault's combination.

Recommendation

The Record Storage Facility entry door keys should be secured and given to only those staff members who require a key to perform their job functions. In addition, staff members who have a key to the Record Storage Facility should not have the combination to the vault unless there is a significant reason to override this basic control. Consideration should be given to repossessing keys from staff members who no longer require a key to perform their job functions.

Management's Response

We concur with the Auditor's recommendation. We will meet with Facilities Maintenance, BCC Tech Services and COCC MIS to identify which employees have been provided key access. Once we have obtained this information we will further determine the need for after-hours access. We will then retrieve all keys from those who can conduct business activities with RSF during normal hours of operation. Projected implementation date is January 1, 2007.

Record Storage Facility, Discussion Point 6

There is a need for an adequate audit trail when cash custodial responsibilities transfer from one person who prepares the deposipac to the courier who hand delivers the deposipac to the Finance Department.

Once created, the deposipac is placed in a bin until the Central File Room run is made. No audit trail is created showing that the custodial responsibilities changed hands from the preparer to the person making the file run delivery.

Recommendation

An adequate audit trail should be created whenever cash custodial responsibilities are transferred.

CCC Organization-wide Efficiency of Cash Balancing Process
Records Management Department

Management's Response

We concur with the Auditor's recommendation. It should be noted that the RSF deposits contain a minimal amount of cash (IE, less than \$100). After reviewing the process, we have determined that the main cashier will require the file run employee to sign a transmittal sheet (similar to the one used in Recording) for transfer of custody. Procedures will require the file run employee to maintain the bag in a secure location until custody is transferred to the Finance Department. Projected implementation date is November 20, 2006.

Record Storage Facility, Discussion Point 7

Portable cash drawers, bank bags and deposipacs should not be stored where customers, visitors, and unauthorized employees can have access to them.

When cashiers lock their cash drawers/bank bags and remove them from their workstation drawer, they are stored on a counter in the reception area and later in the "file run" bin. An unauthorized person could remove the deposipac from the bin and steal the funds. The cash drawers are bulky and would be difficult to hide but bank bags and deposipacs are flexible and could be hidden under a jacket, tucked into the waistband of pants, etc. and removed from the Record Storage Facility unnoticed.

Recommendation

Cash drawers, bank bags and deposipacs should be stored in a secure location at all times.

Management's Response

We concur with the Auditor's recommendation. However, we would clarify that cash drawers/bank bags are never placed in the "file run" bin (this was being done only with the deposipac). We agree that they are being placed on the reception area counter when cashiers begin leaving at 4:30 p.m. each day. A procedure change will be implemented for each cashier, including a witness, to take their individual cash drawer/bank bag to the vault before leaving for the day. Cashier and witness will complete the applicable sections of the Cash Drawer sign in/out log. The Cash Drawer sign/in out log is stored in the Vault and the log is provided to the RSF Supervisor at the end of each month for filing and audit purposes. Projected implementation date is November 20, 2006.

Clerk's Office Organization-Wide, Discussion Point 8

Clerk of Court's Cash Handling Policy 112-020 is inefficient, and should be reviewed.

Florida Statutes 28.243 hold the Clerk of Court personally liability for customer non-sufficient funds (NSF) checks, unless specific procedures to collect the funds are performed. Policy 112-020 is written to comply with the literal interpretation of the Statutes; however, in an attempt to hedge labor costs and other expenses while collecting these funds, the ASD has determined that the above-mentioned Statutes' intent is merely direction for following sound business practices.

Recommendation

Using the cost benefit approach, consideration should be given to modifying the Clerk of Court's Cash Handling Policy 112-020 to establish a dollar amount threshold for recovering NSF check

CCC Organization-wide Efficiency of Cash Balancing Process
Records Management Department

funds. It may also be in the best interest of the Clerk's Office, to assign the NSF collection function to a single employee or department. This will consolidate the responsibilities of the NSF collection process and may increase efficiency and effectiveness throughout the organization.

Management's Response

We concur with the Auditor's recommendation to establish a minimum dollar amount threshold for recovering NSF check funds. There are many times that the check amount is less than \$50. The time spent on processing a single NSF check is usually very time consuming (IE, type letter, print receipt, prepare certified mailing, reverse fund transfer in Finance; follow-up in 10 days if no response from offender; and prepare required affidavits for submittal to St. Attorney with applicable backup). Cost of postage, supplies and administrative time can approach at least \$50. In many instances in Recording, the dishonored check is not redeemed, which means the Clerk is not recouping costs for processing NSF checks. Our suggestion is to review and determine less costly alternatives for dishonored checks of amounts less than \$25.

We concur with the Auditor's recommendation that it may be in the best interest of the Clerk's Office to assign the NSF collection function to a single employee or department. This will consolidate the responsibilities of the NSF collection process and may improve efficiency and effectiveness throughout the organization. It would also enhance services by providing a centralized contact for our customers.