



**GREGORY C. HARRELL**  
CLERK OF COURT AND COMPTROLLER – MARION COUNTY, FLORIDA

**Review of Cash Controls**  
**Building Safety Department**  
**Report No. 2022-05**

May 17, 2022

*Issued To:*

The Honorable Board of County Commissioners  
Mounir Bouyounes, County Administrator

**Sachiko Horikawa, CPA, CIA, CISA, CRMA**  
**Internal Audit Director**

Engagement Team:  
Sachiko Horikawa, CPA, CIA, CISA, CRMA, Internal Audit Director  
Heather Ewing, CIA, CFE, Internal Audit Manager

## ***Review of Cash Controls - Building Safety Department***

### **EXECUTIVE SUMMARY**

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We have completed a review of cash controls in the Building Safety Department (Building Department) pursuant to our annual audit plan for the calendar year 2022.

Overall, we found that the control designs over cash handling in the Building Department were adequate and that those controls functioned as designed.

Table 1 on the following page is a summary of controls that are expected to be in place over safeguarding of cash and a result of our review. The Building Department's strengths are indicated in green, while yellow and red indicate that there were opportunities for improvement, which are included in this report.

We summarized all the opportunities for improvement and implementation status in Table 2.

The management agreed with the areas for improvement and provided a management response memorandum (Exhibit A).

We would like to thank the employees and management of the Building Department for their cooperation during the audit.

**Review of Cash Controls - Building Safety Department**

<b>Table 1 CASH CONTROL SUMMARY</b>					
<b>Control Point</b>	<b>Key Controls Expected to Exist</b>	<b>Did the Key Control Exist?</b>	<b>Was there Secondary Control if Key Control Did Not Exist?</b>	<b>Did the Control Function?</b>	<b>Opportunities for Improvement</b>
1	Custodian(s) should be an employee or employees who are responsible for the safekeeping of cash	No	Yes	Yes	<b>Observation 1</b>
2	A separate verification process exists in reporting of financial transactions (segregation of duties)	Yes	N/A	Yes	N/A
3	Only authorized employees handled financial transactions	Yes	N/A	Yes	N/A
4	Cash is safeguarded	Yes	N/A	Yes	N/A
5	Proper system application control exists	No	Partially Yes	Partially Yes	<b>Observation 3 Observation 4</b>
6	Policy & procedures exist and communicated to the employees	Yes	N/A	Partially Yes	<b>Observation 5</b>
7	Independent review is performed	Yes	N/A	Yes	N/A
8	Control deficiencies when discovered are communicated	Yes	N/A	Yes	N/A
9	Change Fund amount is periodically assessed	No	Yes	Yes	<b>Observation 2</b>

**Review of Cash Controls - Building Safety Department**

<b>Table 2 Overview of Opportunities for Improvement</b>			
<b>#</b>	<b>Summary</b>	<b>Recommendation</b>	<b>Management Response (Implementation Status)</b>
1	Employee with cash handling responsibilities should be the assigned custodian	Assign an employee (or employees) who have the listed responsibilities to the custodian role	Concur (Implemented)
2	Change Fund should be at the minimal level that meets the operational needs	Reduce the amount of the Change Fund and consider necessary controls if procedures change	Concur (Implemented)
3	CDPlus lacked application control related to segregation of duties	Ensure that appropriate application controls over financial transactions will be implemented through EnerGov, a module of Tyler's Munis ERP solution	Concur (To be implemented in November 2022)
4	Supervisor's manual approval is necessary for reversed entries to compensate for the lack of application control in CDPlus	Consistently document supervisor's manual approval until necessary application controls are implemented	Concur (Implemented)
5	Departmental procedures should be enforced for better physical safeguarding of cash	Enforce the Cash Daily Audit Procedure	Concur (Implemented)

It is important to emphasize that this audit does not guarantee that all areas for improvement were noted. Our audit focus was not on the amount of financial errors, but rather on the adequacy of the internal controls. Noncompliance or irregularities not included in this report could exist because this audit did not include a review of all records and actions of the Department.

## ***Review of Cash Controls - Building Safety Department***

### **BACKGROUND**

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The review of internal controls over cash handling was in our annual audit plan. We selected Building Department because of the department's revenue amount and the highest Change Fund amount amongst the County departments.

The Permitting and Licensing Division of the Department, specifically the Permitting and Licensing Technicians, collect fees for various permits and licenses. Projected FY 2022 revenues for license and permit fees are \$47,000 and \$6,600,000, respectively. The total of the two fees represents over 98% of the total departmental annual revenue, not including the balance forward.

### **OBJECTIVE, SCOPE, AND APPROACH**

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Our objective was to determine whether the Building Department had adequate internal controls over cash handling. The audit scope was between January to March 2022.

Our approach included tests of records, analyses, interviews with the employees, as well as observations of the site.

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**OPPORTUNITIES FOR IMPROVEMENT**

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***Observation 1 - Employee with Cash Handling Responsibilities Should Be the Assigned Custodian***

The Building Safety Director was the named custodian of the Change Fund for the Building Department. This was due to the fact, in the Building Department, the Director has been the custodian historically.

The custodian should be someone with responsibilities for maintaining an effective cash handling operation, regularly reconciling the change fund, and reporting to appropriate authority when the loss or theft occurs.

The risk of someone who does not handle cash being an assigned custodian is that the custodian may not know immediately when a loss or a theft occurs but may be held accountable.

We recommend that the management assign an employee (or employees) who have the listed responsibilities to the custodian role.

**Management Response:**

Building Safety Director transferred the custodianship of the change fund to the Permitting Manager, effective immediately.

**Update:** Finance Department confirmed that the custodian change took place.

## Review of Cash Controls - Building Safety Department

### Observation 2 - Change Fund should be at the minimal level that meets the operational needs

The assigned amount for the change Fund was excessive compared to the actual cash transactions and collections that occur. Total daily cash collection was less than the total Change Fund amount on most days (See Figure 1). Additionally, while there were 15 employees assigned to cash bags, none of the days we sampled needed all cash bags.

The excessive amount of cash on hand increases the risk of theft and loss. To minimize the risk of theft, the amount of the Change Fund should be kept minimum to meet the operational needs.

We recommend that the management reduce the amount of the Change Fund and consider necessary controls if procedures change.

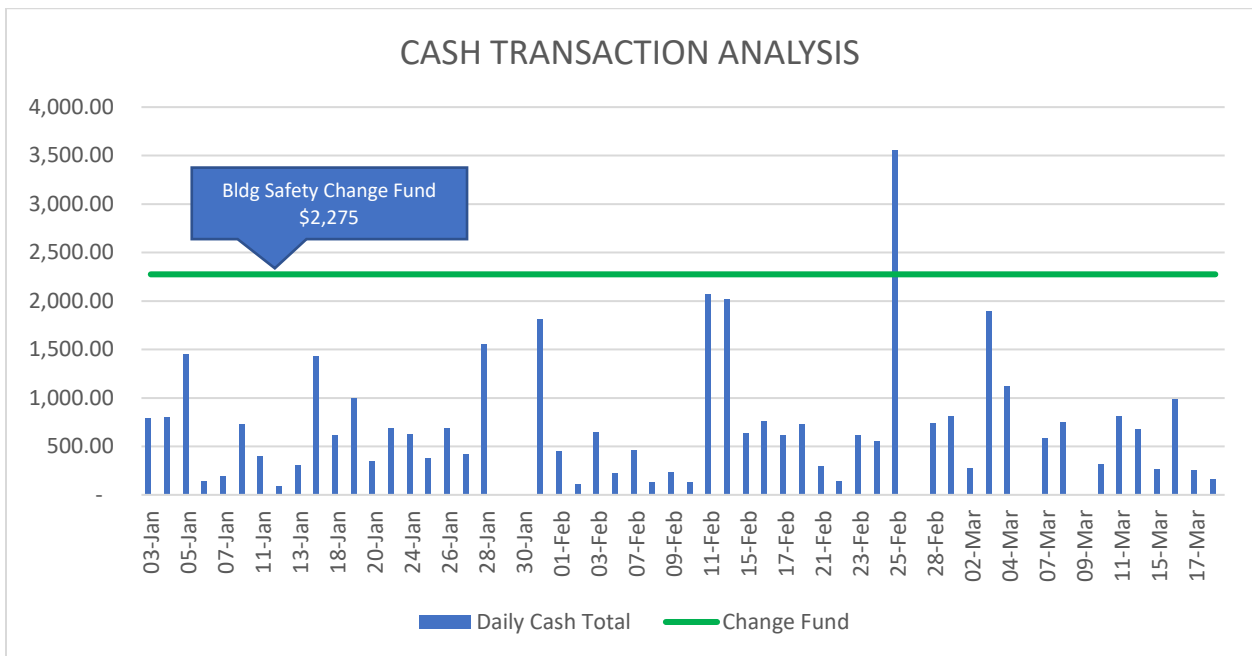


Figure 1: Cash Transaction Analysis

### Management Response:

Reduced the number of cash bags to 8 with each containing \$150.00, reducing the funds on hand by \$1,075.00.

**Update:** Finance Department confirmed that the excess amount of the Change Fund was properly returned.

## ***Review of Cash Controls - Building Safety Department***

### ***Observation 3 – CDPlus lacked application control related to segregation of duties***

CDPlus does not have a built-in control for segregation of duties for reversal of posted transactions. The system requires the employees who entered the original transactions to also reverse transactions. There should be segregation of duties built-in to reverse posted transactions to mitigate the risk of unauthorized reversals and a possible theft of revenues being detected in a timely manner; however, this is a system design limitation that cannot be changed by the Building Department.

We recommend that the management ensure that appropriate application controls over financial transactions will be implemented through EnerGov, a module of Tyler's Munis ERP solution. Projected timeline of EnerGov implementation is November 2022.

#### **Management Response:**

No action needed. This will be integrated through EnerGov.



## ***Review of Cash Controls - Building Safety Department***

### ***Observation 4 – Supervisor's manual approval is necessary for reversed entries to compensate for the lack of application controls in CDPlus.***

Some reversed entries in CDPlus did not have supervisor's documented approvals. Manual approval of reversed entries should be documented to compensate for the lack of application controls in CDPlus (as discussed in Observation 3) and to maintain segregation of duties. Unauthorized reversals and possible theft of revenues may not be detected timely without the supervisor's manual approval.

We recommend that the supervisor's manual approval be consistently documented until necessary application controls are implemented.

#### **Management Response:**

Management reinforced the policy on application controls for reversals.

## ***Review of Cash Controls - Building Safety Department***

### ***Observation 5 – Departmental procedures should be enforced for better physical safeguarding of cash***

Cash bags are removed from a safe to a locked drawer each morning. We observed signatures of the Permitting and Licensing Technicians but not of the Permitting and Licensing supervisor on the daily cash bag signature sheet. Additionally, cash bags that were not being used that day by the Permitting and Licensing Technicians were still in the locked drawer around 3:00 p.m.

Per Cash Daily Audit Procedure, the Building department's manual distributed to the relevant employees, the Permitting and Licensing supervisors need to initial each time a cash bag is removed or returned, and the cash bags that are not picked up by the Permitting and Licensing Technicians should be returned to the safe by 9:00 a.m.

A locked drawer is not as secure as a safe; therefore, it increases the risk of theft.

We recommend that the management enforce the Cash Daily Audit Procedure.

#### **Management Response:**

Management reinforced cash handling procedures, reduce the number of cash bags on hand, and all unassigned bags are returned to the safe.

EXHIBIT A



**Marion County  
Board of County Commissioners**

**Building Safety**

2710 E. Silver Springs Blvd.  
Ocala, FL 34470  
Phone: 352-438-2400

April 27, 2022

Sachiko Horikawa, Internal Audit Director  
Marion County Clerk of Courts  
Sent Via Email

Dear Ms. Horikawa,

Please see below for Building Safety responses to Table 2 of page 3 of the overview of opportunities for improvement summary and recommendation:

1. Building Safety Director transferred the custodianship of the change fund to the Permitting Manager, effective immediately. Please see attached letter.
2. Reduced the number of cash bags to 8 with each containing \$150.00. Reducing funds on hand by \$1,075.00.
3. No action needed. This will be integrated through EnerGov.]
4. Management reinforced the policy on application controls for reversals.
5. Management reinforced cash handling procedures, reduced the number of cash bags on hand, and all unassigned bags are returned to the safe.

As of the writing of this letter, the actionable items have been completed, and you are free to review these changes as you wish. The only item that we could create an actionable item on is Item 3 due to the new software program is currently being built.

Sincerely,

Michael L. Savage Sr., MCP, CBO, CFPS, CEI-M  
Director

**Review of Cash Controls - Building Safety Department**

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The Honorable Jeff Gold	District 3 Commissioner
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