



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

**Review of Cash Controls
in
Utilities Department**

Report No. 2023-02

April 4, 2023

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
Lucy Alonso, Staff Auditor

REPORT ABBREVIATIONS AND TERMS

Terminology	Abbreviation
Finance Department	Finance
Policies and Procedures	P&Ps
Tyler Munis Enterprise Resource Platform	Tyler
Utilities Department	Utilities

EXECUTIVE SUMMARY

We have completed a review of the cash controls in the Utilities Department (Utilities) pursuant to our annual audit plan for the calendar year 2022. The areas we reviewed are summarized in Table 1.

Overall, we found that the control designs over cash in Utilities were adequate but can be strengthened. We summarized such opportunities for improvement in Table 2, all of which have been implemented.

Table 1	
Areas Reviewed	Results
Segregation of duties over customer payments - application controls	No exception
Segregation of duties over customer payments - operational	No exception
Surprise cash count	No exception
Change Fund	Observation 1
Physical safeguarding of cash	Observation 2
Reporting	Observation 3
Policies and procedures	Observation 4
Petty Cash	Observation 5

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

Review of Cash Controls – Utilities Department

Table 2 Overview of Opportunities for Improvement			
#	Summary	We Recommend:	Management Response (Implementation Status)
1	Management who were not the designated custodians had access to the cashiers' Change Fund.	<ul style="list-style-type: none"> Management implement a change to the physical safeguarding of the cash if they are not designated as custodians. 	Agreed (Implemented)
2	The cashiers would place their unsecured cash drawers in the open safe thereby giving others access to the cash.	<ul style="list-style-type: none"> Management ensure that cash is physically safeguarded to mitigate the possibility of loss or theft occurring. 	Agreed (Implemented)
3	Daily reports submitted to the Finance Department (Finance) needed improvement.	<ul style="list-style-type: none"> Management update the outdated transmittal form, ensure consistent end of day cashiers' reports, and correct the issue of "lock box rejects" being identified as a cash transaction in coordination with the Information Technology Department. 	Agreed (Implemented)
4	Administrative Policy 17-03 "Cash Management", and departmental policies and procedures (P&Ps) should be communicated to the employees.	<ul style="list-style-type: none"> Management create and implement departmental P&Ps addressing important components of the cash handling process and have the cashiers acknowledge and document the acknowledgement periodically. 	Agreed (Implemented)
5	The department had a Petty Cash Fund that was not being used.	<ul style="list-style-type: none"> Management turn in the Petty Cash Fund to Finance to reduce risk of loss and theft. 	Agreed (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 number 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.

BACKGROUND

The review of internal controls over cash handling was in our annual audit plan. We selected Utilities because of the department's revenue amount.

Utilities projected revenues for water and sewer fees for FY 2022 are \$ 15,090,998 and \$ 13,757,021, respectively, totaling \$ 28,848,019. This amount represents 64% of the total departmental annual revenue, excluding the balance forward.

OBJECTIVE, SCOPE, AND APPROACH

Our objective was to determine whether Utilities had adequate internal controls over cash handling. The audit scope was August 2021 through July 2022.

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

OPPORTUNITIES FOR IMPROVEMENT

Observation 1 – Management who were not the designated custodians had access to the cashiers' Change Fund.

Each cashier was an assigned custodian for the Change Fund. The Utilities Business Manager and the Customer Service Supervisor also had access to the cashiers' Change Fund after the money was counted and placed in the safe; however, they were not classified as custodians.

A custodian should be someone with responsibilities for maintaining an effective cash handling operation including physical safeguarding of the cash, regularly reconciling the Change Fund, and reporting to the appropriate authority when loss or theft occurs.

Management was unaware that the custodians should have the last access. The risk of someone who has access to cash and not being assigned as custodian could result in lack of accountability in the event of loss or theft.

We recommend:

- Management implement a change to the physical safeguarding of the cash if they are not designated as custodians.

Management Response: Agreed

Implementation Status: Implemented

Update: Each cashier has her own cash box to lock with a key, store the box in the safe, and is responsible for her own key. Management, therefore, does not need to have the custodian role assigned or have access to the Change Fund.

OPPORTUNITIES FOR IMPROVEMENT

Observation 2 – The cashiers would place their unsecured cash drawers in the open safe thereby giving others access to the cash.

We observed instances where other employees had access to the cashiers' Change Fund and cash in the safe before the safe was secured for the day. The cashiers' cash drawers were locked with a key and placed in an open safe. The key for the drawer was, however, left intact in the open safe in an area where other Utilities' employees also frequent, thereby allowing the cash in the safe accessible to those employees.

Although Utilities does have a security camera above the safe which may be effective in deterring and detecting theft, it is not sufficient to prevent the theft.

The risk of theft increases by not adequately safeguarding cash.

We recommend:

- Management ensure that cash is physically safeguarded to mitigate the possibility of loss or theft occurring.

Management Response: Agreed

Implementation Status: Implemented

Update: Management assigned each cashier with her own cash box that can be locked with a key by each respective cashier and stored in the safe. Each cashier is responsible for his or her own key.

OPPORTUNITIES FOR IMPROVEMENT

Observation 3 – Daily reports submitted to Finance needed improvement.

We found the following:

1. The daily transmittal form was outdated, containing a line item that was no longer in use, while other important components, such as evidence of supervisory review, were missing. The Cash Over/Short line was used to record non-cash transactions though there was no overage or short of cash. (We note that the supervisor's review was performed and documented on the cashiers' tapes which did not form part of Finance's digital copies.)
2. The end of day Tyler Munis Enterprise Resource Platform (Tyler) Cashiers' Reports were inconsistent with each cashier. We recognize that Tyler has limitations on auto-generated reports over which management has no control.
3. Non-cash transaction of "lock box rejects" was recorded as a cash transaction in Tyler's Cash Report.

We recommend:

- Management update the outdated transmittal form, ensure consistent end of day cashiers' reports, and correct the issue of "lock box rejects" being identified as a cash transaction in coordination with the Information Technology Department.

Management Response: Agreed

Implementation Status: Implemented

Update: Management coordinated with Finance to make changes to the transmittal form thereby reflecting line items more aligned with the day-to-day operations. To address the inconsistent Tyler Cashiers' Reports, management implemented a change for each cashier to generate a specific report for the end of the day work to ensure consistency. Regarding the non-cash transaction, the Information Technology Department changed the category from "cash" to "other." This was verified and implemented on March 31, 2023.

OPPORTUNITIES FOR IMPROVEMENT

Observation 4 – Administrative Policy 17-03 “Cash Management” and P&Ps should be communicated to the employees.

The department did not have any documented departmental P&Ps in place for the cash handling process. In addition, the cashiers were not aware of the Administrative Policy 17-03 “Cash Management”.

Without adequate departmental P&Ps, the employees may handle daily processes inconsistently or not held accountable fully, or the transfer of knowledge could be lost when turnover occurs.

We note that the cashiers we interviewed were knowledgeable of their daily processes.

We recommend:

- Management create and implement departmental P&Ps addressing important components of the cash handling process and have the cashiers acknowledge and document the acknowledgement periodically.

Management Response: Agreed

Implementation Status: Implemented

Update: Utilities created cash handling departmental P&Ps shortly after the kick-off meeting. The cashiers have read and acknowledged the departmental and Administrative Policy 17-03 “Cash Management” P&Ps.

OPPORTUNITIES FOR IMPROVEMENT

Observation 5 – The department had a Petty Cash Fund that was not being used.

Management no longer used the Petty Cash Fund but kept it.

The risk of theft or loss increases by having excessive cash on hand.

We recommend:

- Management turn in the Petty Cash Fund to Finance to reduce risk of loss and theft.

Management Response: Agreed

Implementation Status: Implemented

Update: Finance confirmed that the Petty Cash Fund was received.

REPORT DISTRIBUTION LIST

Name	Position Title
The Honorable Gregory C. Harrell	Clerk of Court and Comptroller
The Honorable Craig Curry	District 1 Commissioner
The Honorable Kathy Bryant	District 2 Commissioner
The Honorable Jeff Gold	District 3 Commissioner
The Honorable Carl Zalak, III	District 4 Commissioner
The Honorable Michelle Stone	District 5 Commissioner
Mounir Bouyounes	County Administrator
Angel Roussel	Assistant County Administrator
Jody Kirkman	Utilities Director
Tom Northey	Information Technology Director
Jennifer Cole	Finance Director