

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**CLERK'S DOWNTOWN END OF DAY CASH PROCESSING LIFE CYCLE
CONTROL ENVIRONMENT**

REPORT # 275

FEBRUARY 18, 2015



February 18, 2015

Dear Ms. Frank, Clerk of the Circuit Court

The Audit Team performed an audit of the Clerk's downtown end of day cash processing controls (Audit Report # 275, dated February 18, 2015). Responses to the Audit Team's recommendations were received from the directors and/or chief deputies having cash processing oversight responsibilities. Management's response is included in the Report after the audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, 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.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Court Operations, Value Adjustment Board, and CCC Accounting's directors, managers, and staff members during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy - Finance
Doug Bakke, Interim Chief Deputy - Courts
Jack Brooks, Director, Clerk's Accounting

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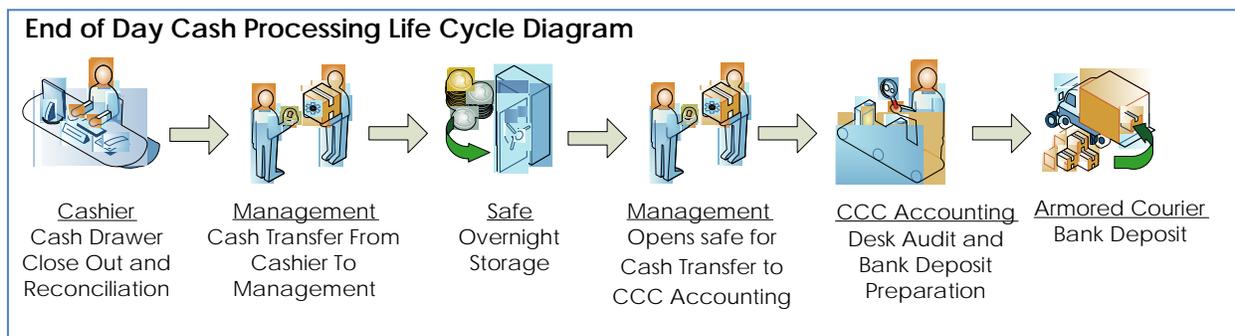
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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Clerk of the Circuit Court (Clerk) provides cashiering sites in downtown Tampa where customer payments are accepted and change is provided.

As shown in the end of day cash processing life cycle diagram below, typically, at the end of each workday, the cashier performs a cash drawer close out and reconciliation process. The cashier transfers the cash drawer and support documentation to the manager. The manager is responsible for securing the funds in a locked safe. The manager opens the safe for CCC Accounting to remove the cash drawer from the safe. CCC Accounting desk audits the cash collections for accuracy and then prepares a bank deposit. The bank deposit is picked up by an armored courier service for delivery to the bank.



OBJECTIVE

The objective of the audit was to determine whether or not adequate physical security controls are in place to safeguard collections during the end of day cash processing life cycle.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on

the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of work was from July to August 2014. Audit procedures were performed on the Clerk's Court Operations, Value Adjustment Board, and CCC Accounting cash processing locations in downtown Tampa. The Clerk's Official Records Department was excluded from this audit due to being evaluated in County Audit Report #250, issued on November 12, 2013.

During this audit, the Audit Team assessed the cash processing life cycle's control environment. The Audit Team:

- performed site visits and observations,
- prepared workflow diagrams and assessed the control environment,
- compared practices to applicable policies and good business practices, and
- assessed whether or not the cash processing life cycle's internal control environment is adequately designed and operating effectively.

OVERALL EVALUATION

The Court Operations, Value Adjustment Board, and CCC Accounting's directors, managers, and staff members were responsive to the Audit Teams' inquiries and provided thorough information in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The end of day cash processing life cycle is not yet fully matured.	4

OPINION

The end of day cash processing life cycle is not yet fully matured. It lacks adequate cash handling and physical security controls. The recommendations made in this report represent opportunities to enhance the control environment.

The exit conference was held on November 5, 2014.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
Steve Hooper, CIA, CGAP, CFE, CCSA, Audit Manager
Ben Everett, CPA, CIA, Internal Auditor II

AUDIT COMMENT & RECOMMENDATIONS

AUDIT COMMENT 1

The end of day cash processing life cycle is not yet fully matured.

The Audit Team assessed the physical security controls throughout the end of day cash process.

Audit Test

- The Audit Team prepared workflow diagrams for:
 - Cashier – cash drawer close out and reconciliation process.
 - Management - cash transfer from cashier to management activity.
 - Safe – overnight storage activity.
 - CCC Accounting – desk audit and bank deposit preparation process.
- At eight of the Court Operations and one Value Adjustment Board cash processing locations the Audit Team:
 - observed cashier cash drawer close out and reconciliation activities;
 - performed unannounced security checks (verified cash drawers and safes are properly secured);
 - observed the transfer of cash from the cashier to the manager (chain of custody activity); and
 - observed management place the cash drawer into the safe for overnight storage.
- The Audit Team observed the CCC Accounting Department's desk audit and bank preparation process.
- The Audit Team assessed whether or not the entire end of day cash processing internal control environment is adequately designed and operating effectively.

Test Results

Cash Drawer Close Out and Reconciliation

- In all nine observations, the cashier prepared adequate documents such as calculator tape, Drawer Balancing Form, and a transaction report in a

neat and orderly manner to document the cash drawer close out and reconciliation activities performed at the end of each day.

- In all nine observations, the cashier reconciled the cash collection total to the point of sale transaction report (no overage or shortage).

Chain of Custody

- The chain of custody control was absent in nine of the nine observations. The cashier's manager did not verify the cash drawer contents when the cash handling responsibility transferred from the cashier to the manager. The chain of custody control is required by the *Clerk's Revenue Policy*, which states that "each cash collection site should perform daily close out of all cash drawers, and daily cashier manager verification of all cash drawers."
- The chain of custody control was absent when the cash handling responsibility transferred from the manager to CCC Accounting.
- Dual and monitoring controls were absent during CCC Accounting's desk audit and bank deposit preparation activities. The desk audit is performed by one employee working unobserved and alone in the safe room behind closed doors.

Physical Security

- Seven of the nine unannounced security checks found that the cash drawer was locked when the cashier was away from the workstation.
- Nine of the nine unannounced security checks found that the cash tray did not have a locking plate or other tamper resistant mechanism.
- Only department managers are given the combination to the safe. In some departments, this access is excessive.
- At one of the nine locations, the cashier and the manager placed the cash drawer into the safe. At the remaining eight locations, this dual control was absent.
- At one of the nine locations, a safe combination was set at only one digit.

Clerk Policy Directive and Guidelines for Cashiering Responsibilities

Per the *Clerk Policy Directive and Guidelines for Cashiering Responsibilities*, the cashier is responsible for cash handling. The Policy addresses discipline and performance management actions associated with cashiering errors (overages

and shortages). The Policy lacks strong cash handling internal control requirements such as physical security, dual, preventative, monitoring, and chain of custody controls. The lax control environment puts the cashier in a vulnerable and precarious position. The cashier has no physical security control over his cash once it is transferred from his custody yet, he is responsible for any overages or shortages that are identified later in the cash processing life cycle.

RECOMMENDATIONS

To mature the cash processing life cycle's internal control environment, consideration should be given to:

1. Implementing a chain of custody control at two points in the life cycle: when cash is transferred from the cashier to the manager, and when the cash is transferred from the manager to CCC Accounting. Whenever money changes hands, the money should be counted and a signed receipt prepared for the transfer of funds from one individual to another.
2. Implementing either a dual control or an observation type monitoring control for the CCC Accounting desk audit and bank deposit preparation process.
3. Requiring the cashier to consistently lock the cash drawer when the cashier is away from his work station.
4. Utilizing cash tray locking plates, tamper proof bags, or other tamper resistant mechanisms.
5. Providing only those persons who require the safe's combination access to that combination.
6. Practicing dual control when opening the safe.
7. Setting the safe's combination to no less than three numbers.
8. Strengthening the *Clerk Policy Directive and Guidelines for Cashiering Responsibilities* to include dual, preventative, monitoring, physical security, and chain of custody controls

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

In review of the recommendations, management will limit the number of touch points for cash and increase the control of the cashier's custody and responsibility. Management will also institute additional safeguards for cashiers and cashier functions.

In order to achieve this effectiveness, the cashier and department management will need to take the following steps:

- *Cashier counts the cash and totals the checks on hand at the end of the day.*
- *Cashier completes the daily cash count form and reconciles to the system totals.*
- *Cashier seals the cash and checks into a sealed bank envelope.*
- *Cashier gives the sealed bank envelope to their manager.*
- *Cashier and manager both sign a log with the date and the dollar amount confirming transfer of the sealed bank envelope.*
- *Manager lists all cashier envelopes on a bank deposit form per cashiering system per day.*
- *Manager seals the individual envelopes into one tamper resistant bank deposit bag with a duplicate deposit form.*
- *Manager is responsible for cash and secures the cash in the safe.*
- *Manager completes courier manifest and transfers deposit bag to courier the following business day.*
- *All cashiers will consistently lock the cash drawer when the cashier is away from work station. Managers will regularly perform spot checks to ensure this is done. Will recommend that locking cash drawers is more explicitly addressed in the Directive and Guidelines for Cashiering Responsibilities.*
- *Only management (required persons) will have access to the safe combination. This together with cameras will more fully safeguard entrance into safe. Currently only Traffic and Circuit Criminal have cameras. Departments that don't have cameras will request them.*

- *Departments cannot commit to two managers each time safe is opened. Again departments that don't currently have cameras will request them to achieve a better safeguard for entrance into the safe.*
- *All safe combinations now have no less than three numbers.*
- *These corrective steps along with a tight chain of custody of the cash will strengthen the Clerk's Policy Directive and Guidelines for Cashiering Responsibilities to include dual, preventative, monitoring, physical security, and chain of custody controls.*

Based on these changes the following will occur:

- *Bank provides notification to CCC Accounting of cash over or shorts.*
- *CCC Accounting processes the related cash over or short journal entries.*
- *CCC Accounting provides notification to the cashier center of the adjustments.*

For safe security related to CCC Accounting specifically, the following changes will occur:

- *Safe access will be limited to supervisors and managers for areas that require access based on the area responsibilities.*
- *Dual control will be applied in which no one person will have combinations to both the exterior vault door and the interior safe. Both individuals must be present while the safe area is accessible.*

TARGET COMPLETION DATE

The target completion date for this transition in process to be achieved completely is January 20, 2015.