

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

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

REPORT # 276

FEBRUARY 18, 2015



February 18, 2015

Dear Ms. Frank, Clerk of the Circuit Court:

The Audit Team performed an audit of the Clerk's Plant City end of day cash processing controls (Audit Report # 276, dated February 18, 2015). Responses to the Audit Team's recommendations were received from the Director of Plant City. Management's response is included in the Report after the audit comment and recommendations.

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 Plant City's director and personnel during this audit.

Sincerely,

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

CC: Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy Finance
Mark Ware, Chief Deputy, Court Operations
Janice Gaffney, Director of Plant City

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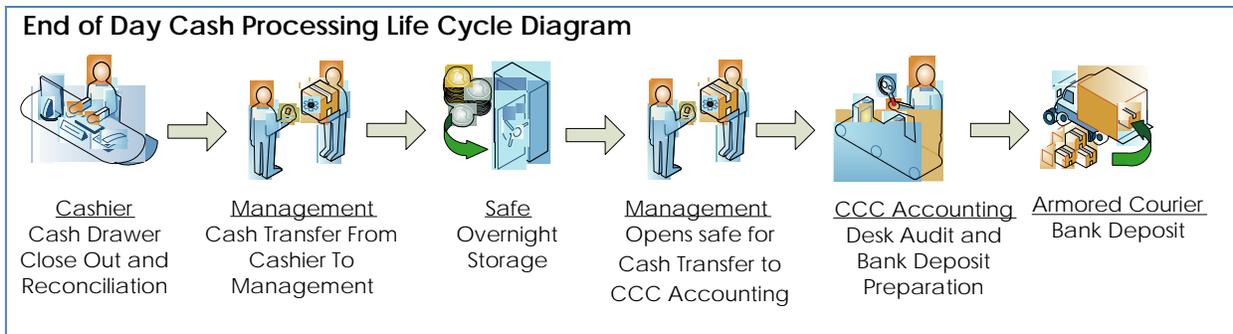
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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Clerk of the Circuit Court (Clerk) provides a cashiering site in Plant City 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, with the cashier present, is responsible for securing the funds in a locked safe. Cash collections are transferred from the Plant City location to CCC Accounting by armored courier service. 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 performed on July 16 and 17, 2014. Audit procedures were performed on the Plant City cash processing location.

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 Plant City directors, managers, and personnel 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.	3

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 meeting was held on November 5, 2014.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
 Mark Kolman, CPA, CIA, CISA, CFE, Audit Manager
 Margaret Brown, CIA, Senior Internal Auditor

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.

- At the Plant City location the Audit Team:
 - observed cashier cash drawer close out and reconciliation activities;
 - observed the transfer of cash from the cashier to the manager (chain of custody activity);
 - observed the manager and cashier place the cash drawer into the safe for overnight storage; and
 - observed the transfer of cash from the manager to the armored courier service provider (chain of custody activity).

- 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

- 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.

- 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 partially implemented:
 - a. 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."
 - b. The chain of custody control was present when the armored courier service signed a chain of custody form and provided a copy to the manager.

Physical Security

- The physical security control was partially implemented.
 - a. Cash is counted out of the public's view.
 - b. The cashier places the collections into a bank bag that lacks a tamper resistant mechanism. The manager did not count the cash or sign for it when responsibility transferred from the cashier to the manager.
 - c. The cashier places the change fund into a bank bag that lacks a tamper resistant mechanism. The manager did not count the cash or sign for it when responsibility transferred from the cashier to the manager.
 - d. The cashier and the manager place the two bank bags into the safe.
 - e. There is limited access to the vault area which is pass-key secured by only those individuals who require access. The vault room door is locked automatically when closed.
 - f. There is limited access to the safe. Only those individuals who require access are given access. The safe access is secured with dual locking mechanisms.
 - g. The manager removes the bank bag containing the collections out of the safe and puts that bag into a tamper-resistant plastic bag for transport by armored courier service to CCC Accounting. This processing step is not performed under dual control.
 - h. The manager removes the bank bag containing the change fund out of the vault and gives it to the cashier. This processing step is not performed under dual control.

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 back from the manager to the cashier. 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. Utilizing cash tray locking plates, tamper proof bags, or other tamper resistant mechanisms when cash is stored in the vault.
3. Practicing dual control when opening the safe.
4. 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

1. *Procedure is now in place for manager and clerk to count till cash when transferred to the cashier each morning and back to manager in the evening. Manager and cashier will initial and date the cash count tape for each transfer.*

2. *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.*

3. *Departments cannot commit to two managers each time safe is opened. Departments that don't currently have cameras will request them to achieve a better safeguard for entrance into the safe.*

4. *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.*

TARGET COMPLETION DATE

1/5/15