

Audit Report 2000- 3

Public Works Engineering Department Cash Handling Procedures Audit

Prepared by

Collier County Clerk of the Circuit Court

Internal Audit Department

February 2000



**County of Collier
CLERK OF THE CIRCUIT COURT**

COURT PLAZA III
2671 AIRPORT ROAD, SOUTH
NAPLES, FL 34101-3044

Dwight E. Brock
Clerk

INTERNAL AUDIT

February 22, 2000

Honorable Timothy J. Constantine, Chairman
And Members of the Board of County Commissioners
3301 Tamiami Trail East
Naples, Florida 34112

**Re: Public Works Engineering Department Cash Handling Procedures
(Audit Report No. 2000-3)**

Chairman:

The Internal Audit Department has completed an audit of the Public Works Engineering Department's (PWED) cash handling procedures. The objective of this audit was to assure that appropriate procedures were in place to safeguard revenues received by PWED. This audit was initiated due to the loss of two cash receipts handled by PWED.

The enclosed audit report outlines several recommendations to improve the PWED cash handling procedures; PWED management has already implemented many of these recommendations. With full implementation of these recommendations, exposure to similar losses will be greatly reduced.

We thank the County staff for their cooperation in the performance of this audit and diligence in implementing the enclosed recommendations. If you have any questions about this report, please feel free to telephone me at 732-2745 or Robert Byrne, Internal Audit Director, at 774-8075.

Sincerely,

Dwight E. Brock
Clerk of the Circuit Court

Enclosure

cc: Michael A. McNees, Interim County Administrator
Edward N. Finn, Interim Administrator, Public Works Division
Jeff Bibby, P.E.; Director, Public Works Engineering Department

**Collier County
Clerk of the Circuit Court
Internal Audit Department**

Memo

To: The Honorable Dwight E. Brock, Clerk
From: Robert W. Byrne, CMA; Internal Audit Director *RWB*
Date: 02/22/00
Re: Public Works Engineering Department Cash Handling Procedures (Audit Report 2000-3)

The attached report outlines the findings and recommendations of the Internal Audit Department's review of the cash handling procedures of the Public Works Engineering Department (PWED). This audit was performed in accordance with generally accepted government auditing standards and was the result of the Internal Audit Department being notified that a loss of two cash receipts had occurred while being handled by PWED.

As outlined in the report, there were weaknesses in PWED's cash handling procedures that contributed to the loss of the cash receipts. The Internal Audit Department provided a draft report to PWED management for comment and their responses have been incorporated into the final report. Many of the improvements to the PWED cash handling procedures recommended in this report have already been implemented by PWED. With full implementation of the recommendations, the risk of similar losses will be greatly reduced.

If you have any questions regarding this report, please telephone me at 774-8075

Audit Purpose, Objectives, & Scope

The purpose of this audit was to review the cash handling procedures of the Public Works Engineering Department (PWED). The Internal Audit Department's objective was to assure that appropriate procedures and controls were in place for the safeguarding of revenues received by PWED. The scope of the audit was limited to the internal cash handling procedures of the Public Works Engineering Department.

Audit Methodology & Procedures

This audit was performed in accordance with generally accepted government auditing standards. The Internal Audit Department interviewed those Public Works Engineering Department staff responsible for the handling and processing of revenue receipts as well as PWED management. Additionally, the Internal Audit Department met with representatives of the County's Risk Management and Facilities Management Departments to gather information on theft/loss reporting and building security measures. The Internal Audit Department also inspected cash receipt records and applicable published procedures.

Background

The Public Works Engineering Department (PWED) provides engineering, design, and construction management services for projects under the responsibility of the Collier County Public Works Division. PWED maintains a Fiscal Section that is responsible for the basic financial transactions of the department, including the deposit of revenue from the sale of bid documents, copies, blueprints, etc.

The Internal Audit Department was requested to look at the cash handling procedures of PWED after an incident in which two receipts, including the corresponding cash payments, turned up missing. The total loss was determined to be \$60, but the date of occurrence was not able to be determined more exactly than sometime between January 7 and January 10, 2000. The loss was detected January 11, 2000 and Internal Audit was advised of the incident on January 21, 2000.

Current PWED procedures are documented in the attached flowchart (Exhibit A).

Findings:

1. Cash receipts were left unattended and unsecured.

Within the Fiscal Section, in addition to the supervisor, only one employee is trained to log the receipt once it has been picked up from the customer service clerk. If that employee is absent and the mail is picked up without confirming that it includes cash, it is placed in the employee's in-box and left until the employee returns to work. However, if it is known that cash is included and will be kept in the office overnight, it is placed in a box inside a file cabinet but neither the box nor the file cabinet has a lock. Alternatively, the receipts are locked in the supervisor's desk.

2. Cash is not verified when picked up / Multiple handling of cash.

Mail (including receipts) is picked up when any of the Fiscal Section employees walk by the front desk or when the customer service clerk notifies them that there is money to be picked up. When the money is picked up, the cash and checks are not verified against the receipts. It is possible that the money will change hands two more times, in either case there is no verification procedure.

3. Different procedures exist for handling cash and checks.

Cash is taken to the Finance Department the same day if it is logged in before 4:00 PM. If the money is received after 4:00 PM, the money is kept in the customer service clerk's desk or in the Fiscal Section as described in Finding #1 above. However if checks are received, they are taken to the Finance Department approximately every other day, independent of the time of day.

4. Receipts sent to customers prior to payment.

If requested by a customer or project engineer, a bid package is sent to the customer which includes their copy of the receipt indicating payment has been received. The department's copy of the receipt is then kept at the customer service desk until actual payment is received. Occasionally the customer service representative must call customers several times to remind them that payment is due. This creates open receipt numbers in the receipt log and extra work for the fiscal clerk who must keep rechecking the status of the receipt. However, the most problematic aspect is that the customer is in possession of a valid, "paid receipt" when no payment has been received. Furthermore, the customer has no incentive to pay what is due because they are in possession of a "paid receipt."

5. Fiscal log does not have date money was deposited.

The log kept in the fiscal office does not show when money actually was delivered to the Finance Department. Individual receipts include the date on which they are written but that date is not necessarily the date it was delivered to Finance. It is difficult to trace the receipts without the actual date of delivery to Finance.

6. Two logs are being kept.

The customer service clerk and the senior fiscal clerk each keep separate logs for the receipts, money and other information. Both sets are incomplete individually and require reconciliation between the logs. Multiple record keeping adds opportunity for errors and weakens controls. Work effort duplication should be avoided when possible to minimize errors and unproductive use of employee time.

7. Reporting procedures in case of theft were not known.

When the two cash receipts turned up missing, the correct procedures as to whom to notify were not known by PWED staff. Once the loss was detected PWED management was aware of the situation but was unaware of any procedures to report the loss. The loss was detected January 11, 2000 and reported to Risk Management on January 24, 2000 after Internal Audit met with PWED and advised them of this procedure (CAA Instruction 5804).

Recommendations:

The following recommendations correspond to the numbered findings above:

1. Revenues and cash receipts should be secured at all times.

All employees handling cash should be trained in departmental cash procedures and all money should be taken to the Finance Department daily.

Client Response:

" All three members of our Fiscal section are now trained in cash procedures. As such, all money is now being taken to Finance at least once a day. This item is complete. "

2. Verify cash when picked up / have fewer people handling cash.

Ideally, a designated person (with backup) should handle the money collection and deposits. Another person (with backup) should be logging the receipts. If necessary, cash receipts should be verified and initialed when they change custody.

Client Response:

" You note that ideally, a designated person (with backup) should handle the money collection and deposits. Another person (with backup) should be logging the receipts. Although we agree conceptually, the number and value of our cash transactions does not warrant this and the size of our group makes this

impractical. We have a designated Senior Fiscal Clerk responsible for this action. Our Accounting Supervisor provides for her backup. We now have our second Senior Fiscal Clerk trained to fill in when needed. We consider this item complete."

3. Establish the same procedures for all revenue (cash / check).

Procedures for revenue should be identical without differentiation between cash and check. A standard procedure for both cash and checks should be established in writing. This would allow for less confusion, simplified training of personnel, and more rigid controls.

Client Response:

" We are in the process of writing a standard procedure for both cash and check handling. This will be completed by February 18, 2000. "

4. Receipts should not be issued prior to payment being received.

Mailing of bid packages should include an invoice showing the amount of money due rather than a receipt stating payment has been received. After the customer service representative has received the money, a copy of the receipt should be sent to the customer. Sending customers a "paid" receipt prior to payment does not give customers an incentive to pay and creates internal confusion as to what happened to the money and receipt.

Client Response:

" We agree that receipt copies should not be sent prior to receiving payment. This was a practice that was initiated given the low value of the transactions that we were not fully aware of. This practice has been discontinued. This item is complete."

5. Add the date of deposit to logbook.

To ensure complete record keeping and to simplify research, the PWED log should include the date of deposit at the Finance Department.

Client Response:

" Our Record Log now includes dates of deposits. This item is complete. "

6. Prepare only one logbook with all pertinent information.

To avoid duplication of effort and the need to reconcile between logs, one central log should be kept.

Client Response:

" Given the physical separation of our Customer Service Representative and our Fiscal section, a single log book is not practical. We believe that with the other changes adopted adequate controls exist. We consider this item complete. "

AUDITOR'S COMMENT: An electronic log, rather than manual logs can accomplish this recommendation and overcome the physical separation concern.

7. Provide training on prevention and reporting of loss.

Regular training should be provided on loss prevention and loss reporting procedures to ensure correct and timely reporting in cases of loss or damage to County property.

Client Response:

The Risk Management Department [responsible for loss reporting procedures] concurs with this recommendation and is in the process of distributing a new handbook for supervisors on loss reporting.

Conclusion:

Controls to ensure the safeguarding of cash receipts, while generally adequate, were found to be weak in certain areas and under certain circumstances as discussed in the findings of this audit report. The Public Works Engineering Department has been exceptionally receptive to the recommendations of the Internal Audit Department and most of the recommendations in this report have already been implemented. With full implementation of the recommendations, risk of a similar loss will be greatly diminished.

Exhibit A

