



WASHOE COUNTY

"Dedicated To Excellence in Public Service"

www.co.washoe.nv.us

CM/ACM
 Finance
 DA
 Risk Mgt.
 HR
 Other

STAFF REPORT
BOARD MEETING DATE: July 26, 2011

DATE: July 6, 2011
TO: Board of County Commissioners
FROM: Alison A. Gordon, Internal Auditor
 328-3651, agordon@washoecounty.us
THROUGH: Katy Simon, County Manager
SUBJECT: Acknowledge Receipt of the Washoe County Cash Controls Audit Report
 from the Internal Audit Division (All Commission Districts)

SUMMARY

The Board of County Commissioners' approved schedule of audits for FY2011 included a performance audit of the County's cash controls. This audit involved assessing current practices and looked for opportunities to improve the efficiency and effectiveness of controls over cash.

County departments have best practices in place. For those departments reviewed, management strives to preserve a proper environment of cash controls to safeguard cash and prevent mishandling of funds. Generally, we found each of these departments have cash handling policies and procedures in place.

The results of our review indicated cash controls can be strengthened. Specifically:

- Various weaknesses in internal controls were identified including segregation of duties over cash receipting processes; safeguarding of cash assets, and recording daily sales activity.
- Coin operated machine revenues are not reconciled to machine counts. As a result departments cannot tell if the amount of revenues collected is reasonable and accurate.
- Non-County employees should not have access to change funds.

An implementation plan establishing responsibilities and timelines will be developed with County management and department staff. This plan will then be reviewed with the Audit Committee and updated at each of their meetings. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval.

County Priority/Goal supported by this item: Government Efficiency and Financial Stability

AGENDA ITEM # 6I(2)

PREVIOUS ACTION

No previous action has been taken on this Board item.

BACKGROUND

Many of the County's departments use change and petty cash funds, and are responsible for receiving and processing cash, checks, and/or credit cards. Currently, 24 departments have received authorization from the Board of County Commissioners for 87 change funds, which range between \$15.00 and \$4,000.00. Additionally, departments have been authorized for 13 petty cash funds, ranging between \$25.00 and \$1,000.00.

Department management is responsible for establishing and maintaining the proper environment of internal controls to help prevent mishandling of funds and safeguard cash assets against loss. Strong internal controls also protect employees from inappropriate charges of mishandling funds by defining responsibilities in the cash handling process.

An adequate system of internal controls includes activities such as accounting for cash when it is received, separating the cash handling duties of receipting, recording, and deposit; safeguarding the handling and storage of cash; and reconciling cash activity in a timely manner.

To assess the cash handling control practices for fiscal year 2011, we conducted a review at five County departments. Exhibit I below shows these departments and the number and amount of change and petty cash funds each department administers.

Exhibit I

Department	Change Funds – Number and Dollar Amount	Petty Cash Funds – Number and Dollar Amount
Clerk's Office	8 - \$4,800	
Community Development	2 - \$ 390	
Juvenile Services	2 - \$ 400	1 - \$300
Law Library	1 - \$ 100	-
Library	15 - \$1,045	1 - \$500

SCOPE AND METHODOLOGY

The scope of the audit included determining if cash assets are adequately safeguarded, verifying valid reconciliation processes are in place and reviewing whether staff follows proper procedures. To obtain an understanding of the cash controls in place, we reviewed the policies and procedures pertaining to cash and interviewed staff handling cash. We also visited five departments that have change, and petty cash funds; counted these funds and tested related documents.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and covered the period of July 2010 to June 2011. Fieldwork was conducted between April 2011 and June 2011.

FISCAL IMPACT

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact.

RECOMMENDATION

It is recommended the Board of County Commissioners acknowledge receipt of this audit report of Washoe County's Cash Controls.

POSSIBLE MOTION

Should the Board of County Commissioners acknowledge receipt of this audit report, a possible motion would be:

Move to acknowledge receipt of the Washoe County Cash Controls Audit Report from the Internal Audit Division.

ag

Attachment

Cash Controls

Audit Report

July 6, 2011

Executive Summary

Best Practices

- Management at each department strives to maintain a proper environment of cash controls to prevent mishandling of funds and safeguard cash assets against loss.
- To obtain change for the cash drawer, one of the Library branches uses a change request form that includes the date, the amount removed, the names of the staff and manager acknowledging the removal of cash, as well as the names of the two staff involved in counting the money back into the register.
- Both the Clerk's Office and the Law Library rotate their end of day cash balancing duties among the staff and require supervisor review and approval. This allows for having more than one individual involved in a related process as well as cross training, and helps ensure deposits are accurate.

Observations

Internal Controls

1. Various instances were noted where cash handling controls are not being followed. Specifically:
 - a. Cash handling duties are not always adequately separated;
 - b. change funds and cash receipts are not always sufficiently safeguarded;
 - c. checks received should be restrictively endorsed at the time of receipt;
 - d. the end of day balancing of change funds is not always approved and reviewed by a supervisor;
 - e. supervisor review of the balancing process does not always include a reconciliation of the deposit receipt received from the bank to the deposit slip copy and supporting documentation;
 - f. cash box receipts are not always tracked by amount and type of revenue;
 - g. the receipts provided to customers for payment are not always sequentially pre-numbered or identifiable as a Washoe County receipt;
 - h. adjustments to business license renewal fees are not analyzed for reasonableness, and inaccurate payments should not returned to customers for correction;
 - i. deposits should be made timely and in accordance with County Treasurer authorization;
 - j. change should not be made using petty cash or coin operated machine receipts, and change request transactions should be documented;
 - k. voided transactions should be documented and include a reason notated on the receipt, and be reviewed and approved by a supervisor;
 - l. cash overages and shortages should be recorded in SAP;

- m. petty cash voucher forms are not always completed when a request for funds is made or approved by a supervisor; and,
 - n. adequate and consistent policies and procedures are not always in place.
2. Coin operated machine revenues should be reconciled to machine counts.
- The Library has coin operated machines, including copiers and equipment that makes prints from the Internet.
 - The department is not reconciling the number of copies and/or pages printed to the amount of monies collected.
 - By not reconciling monies and counts, it cannot be determined if the amount of revenues collected is reasonable or whether a problem exists.
3. A non-County employee is allowed to collect and keep certain Library branch fines.
- An inter-local agreement is in place with a local elementary school to use the library branch during school hours for its students.
 - The school district employee keeps the fines collected during these hours.
 - Without records of the amounts collected, the Library cannot determine the amount collected and who the monies belong to.

Observations and Recommendations

1. Several areas of non compliance with best practices for cash controls were identified and are considered weaknesses in the current system of internal controls. Strong internal controls help detect errors and insure information generated by County departments is reliable, thereby enhancing accountability.

- a. **Separation of Duties**

During the review of cash controls, several instances were noted where the cash receipting and petty cash duties are not adequately separated. This includes three of the departments reviewed.

- Community Development

Several instances were identified where separation of duties could be enhanced as follows:

- One employee is responsible for opening mail and processing mail business license payments in Permits Plus. There is no list or copies made of the mail payments. Also, this same employee is responsible for preparing the daily deposit, and reconciling the end of day business license receipts to the deposit. However, even though supervisor review is performed of the end of day balancing and deposit, the duties of opening and copying or listing mail payments, and processing the mail payments should be separated.
 - An employee in the reception area performs the change fund balancing process, prepares the deposit, and records cash receipts into SAP. There is no supervisor review of this work.
 - One employee is responsible for preparing the deposit, and recording the development fee cash receipts into SAP. However, there is no Permits Plus report used that provides the ability to reconcile the development application fees collected to the cash receipts being deposited. Also, there is no supervisor review of the recording of development fees in SAP and the deposit.

As of the date of this report, Community Development is in the process of 1) determining how to best separate the mail in payment duties, 2) implementing supervisor review for the reception area change fund receipts and development application fee deposit process, and 3) identifying a Permits Plus report that will allow staff to reconcile development application receipts recorded in this system to the deposit and amount recorded in SAP.

➤ Juvenile Services

The two areas where separation of duties could be improved are as follows:

- An employee independent from the cash receipting process is responsible for closing the cash registers and performing the end of day balancing process. However, this same employee also prepares the deposit, takes the deposit to the bank, and records the deposit in SAP. This work is not reviewed by a supervisor.
- The petty cash custodian administers and performs the reconciliation of the department's petty cash fund. There is no supervisor review of the reconciliation performed.

As of this report date, Juvenile Services is in the process of analyzing and implementing procedures that will provide supervisory review of the reconciliation, deposit, and recording process, as well as the reconciliation of the department's petty cash fund.

➤ Library

At the Library branches, cash receipts are periodically removed from the coin operated machines and placed in locking bags for subsequent deposit. The cash receipts include a significant number of coin and small bills. At most of the branches this task is performed by one person. An adequate system of controls includes having two employees present when the monies are removed from the coin operated machines and placed in the locking bank bags.

As of the report date, the Library is in the process of developing and implementing procedures requiring that two employees are present when monies are removed from the coin operated machines.

Inadequate separation of duties exists when the same individual has custody of assets and the ability to adjust accounting records, and when the same individual has deposit and reconciliation responsibilities. Without adequate separation of duties and controls in place, errors and fraud could occur without detection.

In the instances described above, certain of the cash receipting duties should be re-assigned among staff to achieve adequate separation. If this is not possible due to staffing levels, another alternative would be to have a supervisor review and approve the work performed. In addition, cash controls could be strengthened by having two people involved in emptying the money from the coin operated machines.

Recommendations:

- *Community Development should separate the duties of opening and listing mail in payments, and processing mail in payments; identify a Permits Plus report for reconciling development application fees; and implement supervisor review for the balancing, depositing, and recording of reception desk change fund receipts and development application fees.*
- *Juvenile Services needs to separate the end of day balancing, depositing and recording duties or implement supervisor review of this work.*
- *Juvenile Services should ensure petty cash duties are adequately separated.*
- *The Library should ensure coin operated machine revenues are handled by two employees at the branches.*

b. Safeguarding Assets

The County's cash assets should be adequately safeguarded. Several instances were found where cash receipts were left vulnerable to potential misuse and theft. Specifically, department change funds and daily deposits are not always secured or limited to a few employees; and cash drawers are not always secured.

➤ Clerk's Office

An instance was observed at the Clerk's Office prior to opening for the day, whereby the department's \$500 change fund was left on a back counter, unattended in a non-locking cash bag. None of the Clerk's Office employees were in the immediate area and several employees from another County department in the building were observed walking by while this area was unattended.

The next day after this occurred the Clerk's Office implemented a new procedure requiring the cash bags be placed in the locked day safe until the employee assigned is ready to begin the deposit.

➤ Community Development

Community Development can improve its safeguarding of cash as follows:

- The reception desk change fund needs to be stored in a locked cabinet or drawer when not in use during the day. Instead, this fund is kept in an unlocked drawer in a cash box that is not locked.
- Business license receipts need to be adequately safeguarded during the day. Currently, cash receipts are kept in an unlocked desk drawer in an envelope.
- Department planners receive development application fees from customers, typically in the form of a check. The planners do not always put the fees collected immediately in the safe. Specifically,

development application fees can be held up to three days waiting for the application to be approved. During this time, the fees collected are periodically kept in the planners' work areas. However, all fees received should be stored in the safe until deposited.

As of this report date, Community Development is in the process of analyzing the best way to safeguard its cash receipts in the instances described above.

➤ Juvenile Services

The safeguarding of cash at Juvenile Services can be enhanced in several ways:

- Cash receipts need to be adequately secured by the Traffic Division prior to recording them in the cash register. Currently when there is a line of customers who want to pay citation fines and fees, the manual citation file is pulled and a manual receipt is provided. The payment and manual receipt copy are placed loosely in their respective citation file until the case can be recorded in the department's automated system and the payment can be rung on the cash register. Instead, these cash receipts should be placed in a secure location, such as a locking bank bag, until they can be processed using the cash register.
- The key to the cash register in the Probation Division should be stored in a secure location once the Division has closed for the day. Currently, the cash register drawer containing the change fund is locked in the cash register once the Division is closed. However, the key to the cash register is not secured and is accessible to any department staff. Best practices would include keeping this key in a secure location after closing for the day.

As of this report date, Juvenile Services is analyzing the best way to secure the unprocessed cash receipts in the Traffic Division. In addition, the department is working with its Probation Division staff to secure its cash register key.

➤ Law Library

The Law Library's cash box is not locked during the day when it is not in use. The cash box does have a combination but at the time of this review the combination was not being used.

As of the date of this report, the Law Library is now using the combination feature on the cash box and it is locked when not in use.

➤ Library

Several of the Library branches need to improve their safeguarding of cash as follows:

- One of the Library's branches keeps the cash receipts received in a candy box that is stored in an unlocked drawer during the day. This same drawer holds the branches change fund. In addition, at another two of the library branches, the cash boxes do not lock and are not stored in a locked location during the day. Should staff not be able to continuously monitor these locations, the opportunity exists for the cash boxes to be removed by an unauthorized individual.
- At two of the library branches, non-county employees have access to county change funds. Each of these branches has an inter-local agreement with the Washoe County School District for use of the library during school hours. Neither inter-local agreement includes a discussion providing school district employees access to County funds. Therefore, school district employees should not have access to County change funds.
- At the library branches, monies waiting for transport to the Main Library for deposit are not always adequately safeguarded. Once the library branch cash drawers are balanced and reconciled, the cash receipts are placed in a locking bank bag. This bag is then stored in a much larger bag, which is then placed at courier pickup location. In three of the branches this location is in an area that is potentially susceptible to customer access. Best practices would include locking the cash bags in a drawer or safe until the courier arrives for pickup.

As of the date of this report, the Library is working with its branches to ensure cash receipts and change funds are adequately safeguarded.

To prevent the theft of cash assets, it is important to limit access to areas where cash is stored by using safes and the locking receptacles available. Not using these resources defeats the purpose of having them.

Recommendations:

- *The Clerk's Office needs to adequately safeguard its change funds at all times.*
- *Community Development should ensure its business license and development application cash receipts and reception desk change fund are secured in a locked location when not in use.*

- *Juvenile Services should adequately safeguard unprocessed cash receipts in the Traffic Division and store the key to the Probation Division cash register drawer in a secure location during off-hours.*
- *The Law Library should lock the cash box when it is not in use.*
- *The Library needs to ensure cash receipts and cash boxes are stored in a locked location when not in use; only County employees should have access to County change funds; and monies waiting for transport to the Main Library are adequately secured.*

c. Restrictively Endorsing Checks

Checks are not always being restrictively endorsed at the time of payment. For example:

- *Community Development*
Staff does not always restrictively endorse checks when received. This includes checks received for development application fees and small sales at the reception desk.

As of this report date, Community Development is in the process of implementing procedures to restrictively endorse the checks received at the time of receipt.

- *Library*
None of the branches at the Library restrictively endorse the checks received at the time of payment. Instead, these checks are submitted to the Library Administration the next day for deposit and are subsequently endorsed as part of the deposit process.

As of the date of this report, the Library is in the process of purchasing endorsement stamps for use at the branches.

All checks should be restrictively endorsed at the time of receipt. This control reduces the likelihood of theft by reducing the negotiability of checks.

Recommendations:

- *Community Development should ensure it restrictively endorses checks when received.*
- *The Library needs to ensure the checks received are restrictively endorsed at the time of receipt.*

d. End of Day Balancing

At most of the Library branches, the end of day balancing is not always reviewed by a supervisor. Currently, any one of the employees who takes in fines and fees can also be responsible for performing the daily balancing of

the cash receipts. Typically supervisor review of this process is only being performed on the occasions where the cash receipts do not balance.

Best practices would include having a supervisor review and approve the daily balancing each time this task is performed. Implementing this control provides a review for potential errors or irregularities.

As of the date of this report, the Library is in the process of developing and implementing procedures to ensure the end of day balancing is reviewed by a supervisor.

Recommendation:

- *The Library needs to develop and implement procedures requiring the branch supervisors to review and approve the end of day balancing.*

e. Reconciliation of Bank Deposit Receipt to Supporting Documentation

Supervisor review of the end of day balancing and deposit does not always include a reconciliation of the bank deposit receipt from the bank to the deposit slip and supporting documentation. We found this step was not occurring as part of the supervisor review of the Community Development deposits.

An adequate system of internal controls would include supervisor review of the bank deposit receipt total to the deposit slip and end of day balancing documentation. This control would provide additional assurance that the amount recorded on the deposit slip is the same amount received by the bank and help provide early detection and resolution of any differences that might occur.

As of the date of this report, Community Development has implemented the reconciliation of the bank deposit receipt to the deposit slip and supporting documentation for business license fees. The department plans to include this procedure as part of the supervisor review procedures being developed for development application fees and reception desk receipt deposits.

Recommendation:

- *Community Development should ensure the deposit receipt from the bank is reconciled to the deposit slip and supporting documentation as part of supervisor review.*

f. Tracking Daily Revenue

Cash receipts are not always being tracked by amount and type of revenue. Two of the Library branches do not use a cash register. At one of these branches there is no system in place to record the receipts collected. At the

second branch, at the end of the day the staff count and record the total amount of cash receipts collected instead of each transaction. As a result, in both of these instances staff would not know if the amount of cash receipts collected is accurate.

An Excel spreadsheet or form could be used to record each transaction. By recording the amount collected and the type of receipt, staff will be able to account for the daily activity and perform a reconciliation to ensure the receipts are correct.

As of the date of this report, the Library is in the process of implementing procedures to require the tracking of daily revenue at the branches that don't use a cash register.

Recommendation:

- *The Library should ensure all its branches track their daily cash receipts by transaction amount and type of income, e.g., fines and fees.*

g. Pre-Numbered Receipts

Community Development issues manual generic receipts to customers for its reception desk change fund that are not pre-numbered. Best practices dictate that each receipt should be:

- Identified as a Washoe County receipt;
- Pre-numbered; and,
- Issued in sequential order

Generic receipts can be used to commit fraud, both internally and externally. The use of pre-numbered receipts showing issuance from Washoe County will reduce the potential for fraud and theft.

As of this report date, Community Development is in the process of obtaining pre-numbered receipts for its reception desk change fund.

Recommendation:

- *Community Development should issue customers pre-numbered, sequential receipts identifiable to Washoe County.*

h. Renewal Fee Over and Under Payments

Community Development needs to develop and implement policies and procedures for documenting and reviewing all adjustments made to business license renewal fees. Specifically, the employee that processes the mail in cash receipts will make adjustments in Permits Plus for business license

renewal if the payment is a few dollars short or over the amount due. These adjustments are not tracked or reviewed by a supervisor for reasonableness.

Currently, Permits Plus does not have the functionality to eliminate the ability to make adjustments and a report is not available that would show any adjustments made. According to Technology Services staff, generating a report of adjustments is possible with additional programming. However, since a Permits Plus report is not available at this time, a spreadsheet could be maintained on adjustments for supervisor review during the end of day balancing and deposit work.

Additionally, periodically customers mail in business license renewal payments that are more than a few dollars short or over the amount due. When this occurs, the business license staff sends the payment, the renewal notice and an explanation back to the customer so the correct payment can be paid. However, sending payments back to customers is not a best practice.

Recording underpayments and overpayments in Permits Plus creates some difficulties. First for underpayments, there is no way to track these amounts in Permits Plus. Second, overpaid amounts cannot be recorded in Permits Plus, only the amount of the payment due. However, as Permits Plus does not have this functionality, an accommodation for this situation would again include tracking these instances on a spreadsheet. For underpayments a notification could be sent to the customer of the additional monies due to renew the business license. For overpayments, refund request would need to be submitted to the Comptroller's Office.

With the ability to adjust fees without review, an opportunity exists for fees to be adjusted to cover the theft of cash receipts. Documenting the amount of fees adjustments will allow management to track and review these amounts. Also, depositing all business license renewal payments with subsequent notification of amounts due or refunds of over payments would help ensure the County receives monies due in a timely manner.

Recommendations:

Community Development needs to:

- *Document and perform supervisory review of adjustments to business license fees for reasonableness.*
- *Ensure all business license renewal cash payments are deposited when received with customer notification of any additional amounts due and refund overpayments.*

i. Timely Deposits

The Library should ensure its branches submit their cash receipts for deposit as required by County Code or obtain written permission from the County

Treasurer to make deposits on a less frequent basis. Currently, the Library has received authorization from the Treasurer's Office to generally make deposits at least four times a week, but never less than 3 times a week. However, three of the Library branches do not follow this requirement. Two of these branches balance and submit cash receipt for deposit weekly, with the third performing this process at irregular intervals. While less frequent deposits may be reasonable given the amount of cash receipts collected at the smaller library branches, the Library still needs to obtain authorization from the County Treasurer.

The longer cash receipts go un-deposited, the greater the potential likelihood for theft. Also, un-deposited funds are not earning interest income for the County.

As of the date of this report, the Library plans to obtain authorization from the Treasurer's Office for its smaller branches to submit their cash collections weekly.

Recommendation:

- *The Library branches need to submit their cash receipts for deposit as authorized by the Treasurer's Office or obtain a new authorization for less frequent deposits by some of its branches.*

j. Change Requests

Opportunities exist to improve cash controls over change request transactions at several of the County departments.

First, it was noted three departments make change for cash drawers from inappropriate sources. For example, Juvenile Services occasionally makes change for its cash drawers using the petty cash fund. Also, the Law Library and some of the Library branches periodically make cash drawer change using monies from their coin operated machines.

Best practices include obtaining change for cash funds from a cash bank that is stored in the safe. If a cash bank is not in place, change should be obtained from a nearby bank or other business entity with the ability to make change.

Second, change request transactions are not always adequately documented. This occurs at Juvenile Services, the Law Library, and most Library branches. It was noted that while in some instances change requests are written down, this documentation is not maintained once the change transaction is complete.

An adequate system of internal control would include documenting change request transactions on a log sheet that includes the date, the amount removed, the names of the staff and manager acknowledging the removal of cash as

well as the name of the two staff involved in counting the money back into the register. This controls helps safeguard cash as well as protects employees if missing cash occurs.

As of the date of this report, Juvenile Services, the Law Library and the Library are in the process of developing and implementing procedures addressing the source of funds used for change and required documentation for change requests.

Recommendations:

- *Juvenile Services should discontinue making change using its petty cash fund and document all change request transactions.*
- *The Law Library needs to prohibit its staff from making cash drawer change from monies in their coin operated machines and record all change requests.*
- *The Library should ensure change is not made from coin operated machine monies and document all change request transactions.*

k. Voided Transactions

Voided transactions should include a reason notated on the receipt and have supervisor review and approval.

➤ Juvenile Services

Juvenile Services' Probation and Traffic Division both document voided transactions and include a reason notated on the receipt. The employee that performs the end of day closing for the cash register drawers reviews all voided transactions. However, there was no evidence of this review and approval.

As of the date of this report, Juvenile Services is in the process of developing and implementing policies requiring supervisory review to be documented for voided transactions.

➤ Library

We found that for most of the Library branches with a cash register, voided transactions do not include a reason for the void, and/or evidence of supervisor review and approval. Also, at one of the Library branches the cash register receipt tape is not used. As a result, there is no documentation and supervisory review of voided transactions.

As of the date of this report, the Library is in the process of developing and implementing policies and procedures requiring voided transactions be adequately documented and include supervisory review.

Voided receipts merit special attention as they could be indicative of potential misappropriation. The County's *Internal Controls Procedures Manual* require voided transactions be sufficiently documented and approved by supervisors.

Recommendations:

- *Juvenile Services needs to document supervisor review and approval for voided transactions.*
- *The Library branches with cash registers should document voided transactions, notate a reason for the void, and require supervisors review and initial their approval on the voided receipt.*

l. Cash Overages and Shortages

Cash overages and shortages are not always recorded in SAP. Currently, the Law Library tracks any cash overages and shortages in an Excel spreadsheet. While this is a good method to track cash overages and shortages internally, these amounts still need to be properly recorded in SAP to accurately reflect the accounting transactions.

As of the date of this report, the Law Library is recording all cash overages and shortages in SAP.

Recommendation:

- *The Law Library needs to record its cash overages and shortages in SAP.*

m. Petty Cash Vouchers

Cash controls over petty cash vouchers can be enhanced at two of the departments reviewed. Specifically:

- *Juvenile Services*
The Juvenile Services' petty cash custodian obtains supporting documentation, e.g. a receipt, which is attached to a petty cash voucher. A quick scan of these documents showed there was no evidence on the supporting documentation receipt that supervisor approval was obtained.

As of this report date Juvenile Services has implemented procedures requiring supervisor approval of petty cash voucher requests.

- *Library*
When petty cash is provided to staff for a purchase, the Library's petty cash custodian uses a sticky note to document the disbursement of cash. This sticky note is kept until the employee makes the purchase and brings back a receipt that is signed by their supervisor. As a result, there is no

documentation of supervisor approval prior to providing petty cash to staff for a purchase.

As of the date of this report, the Library is in the process of developing and implementing the use of petty cash vouchers.

A system of adequate internal controls would include requiring petty cash voucher forms be properly completed and approved prior to making any disbursements from petty cash.

Recommendations:

- *Juvenile Services should require supervisor approval be documented for all petty cash disbursements.*
- *The Library should develop and implement the use of petty cash vouchers that require supervisor approval.*

n. Policies and Procedures

The written policies and procedures for cash receipts and petty cash controls can be enhanced at three of the departments reviewed. Specifically:

➤ Community Development

Written policies and procedures need to be developed for handling Community Development's reception desk change fund as well as development application fees. Also, the existing procedures for handling business licenses could be strengthened by including the administration of the business license change fund and discussion of supervisor review, voids, and refunds.

As of the date of this report, Community Development is in the process of enhancing the procedures for cash handling of business license payments and developing procedures for cash handling at the reception desk change fund, as well as for development application fees.

➤ Juvenile Services

Juvenile Services does not have written policies and procedures in place for administering its petty cash.

As of this report date, Juvenile Services is in the process of developing and documenting procedures for handling petty cash.

➤ Library

Three of the Library branches have limited cash handling procedures. For these branches, the procedures did not include a discussion of cash drawer opening and closing procedures, how to balance the fund, refunds, change requests or prohibited acts such as making change for checks. Also, while

procedures were in place at the other branches, these procedures were not always the same. To ensure consistency among the branches, the Library should consider providing the same cash handling procedures to all the branches.

As of the date of this report, the Library is working to ensure all its branches have the same cash handling procedures.

With adequately documented policies and procedures for cash receipts and petty cash, department management can gain assurance that controls are designed to ensure assets are protected from loss, theft or misuse, and responsibilities and accountability are established.

Recommendations:

- *Community Development should create policies and procedures for handling its reception desk change fund and development applications fees; and improve the existing business license procedures.*
- *Juvenile Services needs to develop policies and procedures for handling petty cash.*
- *The Library needs to improve the cash handling procedures used by the branches.*

2. Coin operated machine receipts should be reconciled to the number of copies or prints made. Such a control is important as these receipts are comprised of a significant number of coins and small bills, which are susceptible to theft. We found the Library has coin operated machines and does not reconcile coin operated machine receipts. Specifically, the Library branches have coin operated copiers and equipment that prints pages from the Internet. Revenues collected for fiscal year 2011 totaled about \$34,000. As previously discussed in this report, the branches empty the coin operated machine monies into a locking bag and submits these monies to the Main Library Administrative section for counting and subsequent deposit. However, the branches do not provide counts of the number of copies and prints made and there are no procedures in place for reconciling revenues to the number of copies and prints made.

Currently, the library branches provide the number of copies made monthly to Library management for analytics. If the number of copies was provided each time copier receipts were submitted for deposit, deposit staff could perform a reconciliation to test the reasonableness of the amount submitted for deposit. For the equipment that prints pages from the Internet, according to the Library technical staff, obtaining this information from the current system is not possible at this time.

With no method in place to check the reasonableness of the revenues collected, the potential exists for coin operated machine funds to be misappropriated. Best practices would require identifying the number of copies and/or prints made and

reconciling to the amount of coin operated machine revenues collected. Any differences exceeding two percent of the total collected should be investigated.

As of the date of this report, the Library plans to perform research and work to identify a way to obtain the number of pages printed from the Internet.

Recommendations:

The Library should:

- *Research, develop and implement procedures requiring the identification of the number of copies and/or prints made and reconcile to the total amount of coin operated machine revenues collected.*
 - *Document differences and investigate those exceeding two percent of the total collected.*
3. The Library does not always ensure that its branches receive all the fines collected. We found one of the library branches allows a non-county employee to collect and keep certain fines. Specifically, the Library entered into an inter-local agreement for the Duncan-Traner Library branch to partner with Glen Duncan Elementary School. This allows the next door elementary school to use the library for school operations during the school day prior to County public library use in the late afternoon. The children use county library materials and equipment, and can check out and return library books. Fines are charged if books are returned late or library materials are damaged or lost. However, instead of collecting the fines on behalf of the Library, the school employee brings a cash box and keeps the fines collected. Also, this individual does not track or record the amount of fines collected.

According to the inter-local agreement, all related fines and other sums recovered belong to the County Library, unless these monies are for materials or supplies owned by the elementary school and in excess of any County Library costs incurred as part of the recovery process. The inter-local agreement is silent as to the collection of any cash receipts.

Because there are no records in place that document the fines collected by the elementary school, it is impossible to determine the amount collected and who these monies belong to. Nevertheless, the elementary school employee should not be allowed to collect and keep these monies. Instead, the amounts should be tracked and recorded, identifying what they were for and be submitted to the library branch staff as part of daily collections. Then at a certain point, e.g. quarterly, the Library could provide the elementary school with a check of any monies due in accordance with the inter-local agreement.

As of the report date, the Library plans to request the school employee to start tracking the fines collected during school hours once the school year begins in the fall. The Library will analyze the fees collected and implement policies and procedures to ensure all County monies collected are turned over to Library staff.

Recommendations:

The Library should:

- *Ensure all fines and fees collected are reported and included as part of its cash collections, and,*
- *Develop and implement policies and procedures for documenting and recording fines collected during school hours.*