

**SEMINOLE COUNTY  
COOPERATIVE EXTENSION  
SERVICES DIVISION**

**CASH HANDLING PROCEDURES AUDIT**

July 15, 1997

Prepared By:  
Internal Audit Division  
Clerk of the Circuit Court

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### **COUNTY MANAGER'S OFFICE**

Gary Kaiser

July 15, 1997

The Board of County Commissioners  
Seminole County, Florida

Dear Commissioners:

I am very pleased to present you with the attached final report of a review of cash handling procedures for selected accounts of the Cooperative Extension Services Division.

The audit was conducted between April 1, 1997, and April 14, 1997; the draft report was completed and issued on May 23, 1997; and management's responses were received on June 27, 1997 and have been incorporated into the final report. Planned actions by management are responsive to conditions noted in the report. The audit was conducted in accordance with generally accepted government auditing standards.

I would like to thank the personnel of the Cooperative Extension Services Division for their cooperation and assistance throughout the course of this audit. Their assistance is deeply appreciated.

With warmest regards, I am

Most cordially,

Maryanne Morse  
Clerk of the Circuit Court  
Seminole County

## **SEMINOLE COUNTY**

### **COOPERATIVE EXTENSION SERVICES DIVISION**

#### **REVIEW OF CASH HANDLING PROCEDURES FOR SELECTED ACCOUNTS**

The Internal Audit Division of the Clerk of the Circuit Court has completed a limited review of the cash handling procedures utilized by the Cooperative Extension Services Division (CES). This review was requested by the director of Library and Leisure Services Department.

#### **PURPOSE**

The purpose of the review was to determine if cash handling procedures are adequate and operating effectively and within statute and county ordinance.

#### **BACKGROUND**

The Florida CES was established as a part of the Institute of Food and Agricultural Sciences of the University of Florida by Federal and State Legislation. A formal Memorandum of Understanding was executed June 14, 1988, between Seminole County, the University of Florida, and the Institute of Food and Agricultural Sciences; outlining the responsibilities and relationships that exist between the CES and the Board of County Commissioners of Seminole County. The cost of this program is shared between the state, federal, and the county. The BCC is responsible for:

- Providing its share of the cost of salaries for the CES faculty; and,
- Providing office space and equipment, clerical support and personnel, office supplies, funding for travel and utilities, demonstration materials and other items needed for an efficient operation of the program.

The specific purpose of this organization is to extend the educational service of the university to the people of the state. Instruction and training in subjects relating to Agriculture, Home Economics, 4-H and Youth, Community and Natural Resource Development, and Sea Grant programs all are part of the service offered to the community. The laws creating the extension were specifically designed to ensure that the findings of research in these areas were communicated to the people.

Effective March 12, 1997, the administrative responsibility for the CES was reassigned from the County's Department of Health and Human Services to the County's Department of Library and Leisure Services. As part of the transition, the director of Library and Leisure Services Department requested that the Clerk of the Circuit Court perform an audit

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of cash handling for the advisory accounts used by the CES. The six advisory accounts used by the staff and community volunteers include:

- Commercial Multi-County Vegetable;
- Soil Money;
- Commercial Horticulture;
- 4-H and Youth;
- Urban Horticulture; and,
- Family and Community Education.

### **SCOPE**

The scope of this review included an examination of the cash handling procedures for the CES advisory accounts. All source documents including bank accounts, canceled checks and supporting receipts processed from March 1, 1996 to March 1, 1997, were subject to review.

Our audit coverage included:

- Review of agreement between Seminole County, University of Florida, and the Institute of Food and Agricultural Services;
- Review of procedures and controls over cash handling for the advisory accounts used by the CES;
- Interviews of key personnel involved with the advisory accounts; and
- Other such auditing procedures considered necessary in the circumstances.

The audit field work was started on April 1, 1997, and completed on April 14th, 1997. The audit was conducted by Bill Carroll.

### **OVERALL EVALUATION**

It is our opinion that cash handling procedures should be revised to provide necessary internal controls, accountability, and accuracy in the receipt and disbursement of cash transactions. We found no evidence, however, that funds were being misappropriated or misused. Several recommendations relating to the procedures are included in the report that will serve as a basis for a follow-up audit to be conducted next year. The recommendations noted in this report have been reviewed with the CES manager and corrective actions are being implemented.

The details of the findings and recommendations are as follows.

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Clerk of the Circuit Court

## FINDING NO. 1

### Finding

**No audit trail exists to ensure that all receipts received from a specific fundraising event or activity are actually deposited in the applicable bank accounts.**

The CES program raises money for educational programs through various activities such as plant sales, cookbook sales, garage sales, spaghetti dinners and other similar events. Monies received at these events are simply deposited in the appropriate bank account with no detailed record maintained of the total sales/cash received. In addition, cash and checks also are received from activities such as 4-H enrollments and training classes, and there is also no complete record to account for this money. Records should be maintained accurately so that receipts (cash and personal checks) can be traced from the accounting records for evidence of deposit (transmittal) and vice versa.

The controls over the 4-H account are further weakened because duties are not properly segregated. The same CES employee who receives cash is authorized to write 4-H checks, signs 4-H check requests, and reconciles the 4-H bank account. In addition, checks require only one signature.

### Recommendation

1. Develop a Sales/Cash Report to account for all cash/checks received at the fundraising events and other activities. The report will provide for the needed audit trail from receipt to the deposit. We have included an example of this report as an exhibit. (See Exhibit 1);
2. Serial numbered receipts should be issued for all cash and checks received from activities such as 4-H enrollments and training classes to ensure that receipts can be traced from the CES records to the evidence of deposit;
3. To strengthen internal controls, some duties being performed by the department secretary such as receiving cash and checks, making bank deposits, endorsing checks and check requests, and reconciling the bank account, should be reassigned; and
4. The bank account agreements should be revised to require two signatures on the checks for added control.

**Management's Response**

Following are the procedures we plan to implement to correct this:

1. We are investigating alternatives to address this issue of receiving moneys. We are gathering information on both point of sale software and cash registers to control incoming moneys. As there will be a cost associated with either option, a final decision will be made in cooperation with the Department Director by December, 1997.
2. Each secretary is now using serially numbered receipts to create a paper trail for incoming moneys.
3. The agent responsible for each program will reconcile the bank account for the program. This will require that each agent obtain Quicken software on his/her computer and on the network by October, 1997.
4. All bank account agreements will require two signatures on the checks for added control. One signature will be that of a secretarial staff person and the other signature will be a volunteer who works in that subject area or is on the advisory committee. This is also the policy the University of Florida recommends (see attached).
5. Agents will submit bank statements and reconciliations to the Advisory Committees twice a year.

**FINDING NO. 2****Finding**

**Source documents are not maintained.**

The CES employee responsible for the Commercial Multi-County Vegetable account prepares a registration listing of all of the participants in his classes. He also records whether payments received from the participants were made in cash or by check. These listings can be used by an auditor to verify deposits to the bank statement; however, these listings are discarded after the course or meeting is completed. As a result, the audit trail no longer exists.

No policy had been established to save these documents; therefore, the individual is not aware that he needed to keep the registration listings. Source documents need to be available so that records may be audited and used to validate continuing education requirements.

**Recommendation**

Establish a policy to retain source documents in accordance with state and federal retention requirements.

**Management's Response**

Procedures we plan to implement to correct this:

1. Training will be conducted on a one on one basis with files and how to properly use records retention. This training will be given by the Department Director's Office by September 1, 1997. A records retention schedule will be established at that time.

**FINDING NO. 3****Finding**

**Bank accounts are not always reconciled.**

CES employees stated that it is not part of their duties or regular routine to reconcile their bank accounts on a regular basis. When, and if, an employee would reconcile a bank statement that reconciliation would amount to accepting the bank's balance and subtracting any outstanding checks. No comparison is made of the bank's balance to the check register. No balance is maintained in the register; deposits are not recorded; and bank charges are not subtracted. CES employees rely solely on the bank's records for a working balance.

**Recommendation**

Bank reconciliations should be performed on a monthly basis by an individual not responsible for receiving or recording cash. We have included an example of a Reconciliation/Cash Proof form as an exhibit. (See Exhibit 2)

**Management's Response**

Procedures we plan to implement to correct this:

1. Agents will use your Exhibit 2 (attached) to reconcile bank statements. We will keep with it: receipts for incoming money, the deposit slips, and the bank statements.
2. We will continue to use the Check Request form (attached).

**FINDING NO. 4****Finding**

**Receipts and/or Invoices are not always canceled or voided to prevent reuse.**

Receipts and/or invoices are attached to check requests to support the payment made to vendors, and also to reimburse employees for incidental expenses. It was noted during the audit that it was not part on the normal routine to cancel these documents once payment is made. Additionally, some copies of receipts are used to support payments; rather than originals.

**Recommendation**

A sound system of internal control dictates that: (1) only original source documents are used to support payments; and (2) source documents should always be canceled after payment is processed. We are suggesting that as part of the routine for processing check request forms, that CES adopt a method to cancel or void receipts/invoices. Some organizations opt to use a "PAID" stamp while others opt to use a yellow highlighter or elect to simply perforate the receipt.

**Management's Response**

Procedures we plan to implement to correct this:

1. All secretaries are now using a "PAID" stamp as a method to cancel or void receipts/invoices.
2. If an original source document is not available, an explanation of why it is not available will be made on the copied document.

**OTHER ISSUES****Auditor Comment**

The findings noted in this report are examples of situations in which policies need to be established, and a management plan to monitor for compliance should be implemented. Written policies are designed specifically to ensure that processes are consistent and in accordance with management's directives.

To ensure that processes are consistent, we are recommending that written policies be developed. The policies should address topics such as processing cash receipts, disbursements, source documents, retention of records, and bank reconciliations.

**Management's Response**

Within the next year, detailed policies and procedures will be developed in processing cash receipts, disbursements, source documents, retention of records, and bank reconciliations to make sure processes are consistent and in accordance with management's directive.

**COOPERATIVE EXTENSION SERVICE DIVISION**

**SALES / CASH REPORT**

FUND RAISING EVENT: \_\_\_\_\_

Date: \_\_\_\_\_

**BEGINNING CASH BALANCE ON HAND:**

**TOTAL**

Twenties \_\_\_\_\_  
Tens \_\_\_\_\_  
Fives \_\_\_\_\_  
Ones \_\_\_\_\_  
Quarters \_\_\_\_\_  
Dimes \_\_\_\_\_  
Nickels \_\_\_\_\_  
Pennies \_\_\_\_\_

**SUBTOTAL** \_\_\_\_\_

**SALES/RECEIPTS COLLECTED:**

**TOTAL**

Checks \_\_\_\_\_  
Cash \_\_\_\_\_

**SUBTOTAL** \_\_\_\_\_

**MISCELLANEOUS EXPENSES INCURRED:**

**TOTAL**

Supplies \_\_\_\_\_  
Fees \_\_\_\_\_  
Other \_\_\_\_\_

**SUBTOTAL** \_\_\_\_\_

**Total Cash to be Accounted For** \_\_\_\_\_

**Variance** \_\_\_\_\_

**TOTAL DEPOSIT** \_\_\_\_\_

Report Prepared By: \_\_\_\_\_

Date: \_\_\_\_\_

**COOPERATIVE EXTENSION SERVICE DIVISION**

**Account:** \_\_\_\_\_

**Month Ending:** \_\_\_\_\_

**RECONCILIATION**

Balance per Bank .....		_____
Add: Deposits Outstanding.....	+	_____
Subtract: Checks Outstanding from List .....	-	_____
Balance per Reconciliation .....		_____
Balance per Check Register.....		_____

**CASH PROOF**

Beginning Balance from Last Month's Reconciliation.....		_____
Add: Deposits (per Books).....	+	_____
Subtract: Checks Written.....	-	_____
Subtract: Bank Charges .....	-	_____
Balance per Reconciliation .....		_____
Balance per Check Register.....		_____