TO: The Honorable Ken Burke
Clerk of the Circuit Court

The Honorable Chairman and Members
of the Board of County Commissioners

FROM: Hector Collazo, Jr., Director
Division of Inspector General

SUBJECT: Unannounced Limited Audit of the Existing Bank Accounts for the
Board of County Commissioners and Clerk of the Circuit Court

DATE: February 9, 2012

For your review and filing in the Official Records, I am enclosing a copy of the report
dated February 9, 2012 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the
best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Claretha N. Harris, Chief Deputy Director, Finance Division
Jim Bennett, County Attorney
Ernst & Young
UNANNOUNCED LIMITED AUDIT OF THE EXISTING BANK ACCOUNTS FOR THE BOARD OF COUNTY COMMISSIONERS AND CLERK OF THE CIRCUIT COURT

Audit Services
Division of Inspector General

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

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FEBRUARY 9, 2012
REPORT NO. 2012-04

* Regulated by the State of Florida
**Accredited Office of Inspector General
By the Commission of Florida Law Enforcement Accreditation
February 9, 2012

The Honorable Ken Burke
Clerk of the Circuit Court

The Honorable Chairman and Members
of the Board of County Commissioners

At the request of the Pinellas County Clerk of the Circuit Court, we have completed an unannounced limited audit of the existing bank accounts for the Board of County Commissioners (BCC) and Clerk of the Circuit Court (Clerk). The Clerk of the Circuit Court Division of Inspector General's Audit Services (IG) is responsible for performing these audits of the funds.

Our objectives were:

To determine if all bank accounts for the BCC and Clerk are authorized and held in qualified public depositories. According to Chapter 280, Florida Statutes, county monies must be deposited with financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida.

The unannounced limited audit discovered two open unauthorized bank accounts using the Board of County Commissioners' Federal Identification Number. The unauthorized bank accounts, which have since been closed, did not place county funds at risk because there were no county funds deposited into these accounts. The unannounced limited audit also determined that no unauthorized bank accounts using the Clerk of the Circuit Court Federal Identification Number were opened.

The primary purpose of unannounced audits is to ensure that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

We appreciate the cooperation shown by the staff during the course of these audits.

Respectfully Submitted,

[Signature]

Hector Collazo, Jr., Director
Division of Inspector General
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INTRODUCTION

Overall Conclusion

The unannounced limited audit discovered two open unauthorized bank accounts using the Board of County Commissioners Federal Identification Number. The unauthorized bank accounts, which have since been closed, did not place county funds at risk because there were no county funds deposited into these accounts. The unannounced limited audit also determined that no unauthorized bank accounts using the Clerk of the Circuit Court Federal Identification Number were opened.

Scope and Methodology

At the request of the Pinellas County Clerk of the Circuit Court, the Clerk of Circuit Court Division of Inspector General's Audit Services (IG) conducted an unannounced limited audit of the existing bank accounts for the Board of County Commissioners (BCC) and Clerk of the Circuit Court (Clerk).

Our objectives were:

To determine if all bank accounts for the BCC and Clerk are authorized and held in qualified public depositories. According to Chapter 280, Florida Statutes, county monies must be deposited with financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida.

Our limited audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Standards for Offices of Inspector General, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was for the calendar year 2011. However, transactions and processes reviewed were not limited by the audit period.
OPPORTUNITIES FOR IMPROVEMENT

Our limited audit disclosed certain policies, procedures, and practices that could be improved. Our limited audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

Two Unauthorized Accounts Were Found

The unannounced limited audit discovered two open unauthorized bank accounts using the Board of County Commissioners Federal Identification Number. The unauthorized bank accounts, which have since been closed, did not place county funds at risk because there were no county funds deposited into these accounts. The unannounced limited audit also determined that no unauthorized bank accounts using the Clerk of the Circuit Court Federal Identification Number were opened.

We contacted all the financial institutions, which included 36 banks and 7 credit unions, operating in Pinellas County through an inquiry letter requesting information on any account using our Federal Identification Numbers or Pinellas County in the bank account title. The county has a Federal Identification Number or Employee Identification Number for the Board of County Commissioners and the Clerk of the Circuit Court. Any accounts listed on the responses received from the financial institutions were compared to the county’s records and verified as a qualified public depository.

The primary purpose of unannounced audits is to ensure that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.

We were pleased with the response rate of 61% for banks and 86% for credit unions for our confirmation requests. The response rates from the banks and credit unions for the 43 requests are summarized below.

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>Credit Unions</th>
</tr>
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<tbody>
<tr>
<td>Sent</td>
<td>36</td>
<td>7</td>
</tr>
<tr>
<td>Received</td>
<td>22</td>
<td>6 61%</td>
</tr>
</tbody>
</table>
| No Response      | 14    | 1 39%         | 86%
The two unauthorized bank accounts were from:

1. Cornerstone Community Bank, which had an account titled, “Sexton Hospitality Committee.”
2. Pinellas County Credit Union, which had an account titled, “Employee Appreciation.”

Both of the aforementioned accounts were opened using the Board of County Commissioners’ Federal Identification Number.

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, which is applied for and assigned by the Internal Revenue Service (IRS). The IRS uses the number to identify taxpayers that are required to file various business tax returns. EINs are used by employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates of decedents, government agencies, certain individuals, and other business entities.

The Cornerstone Community Bank Sexton Hospitality Committee bank account is associated with Sexton Elementary School located at 1997 54th Ave. N., St. Petersburg, FL 33714. The account contained personal funds from a private group associated with Sexton Elementary School. The Sexton Hospitality Committee should have used, with permission, the Pinellas County School Board’s Federal Identification Number, or if it was not an authorized school board function, used a committee person’s social security number for the account or applied for an EIN.

The Employee Appreciation account was established at the request of Fred Marquis, the former County Administrator, over a decade ago and under the control of Pinellas County’s Communications Department. Various management employees under the County Administrator contributed their personal funds to pay for expenses related to Employee Appreciation Week. Since then, the Board of County Commissioners have enacted Pinellas County Code, Section 2-145(8) Payments for meals, non-alcoholic refreshments and tokens of appreciation for Employee Appreciation Week. Cornerstone Bank and the Pinellas County Credit Union did not adequately verify that the customer opening the account was authorized to use the County’s Federal Tax Identification number. According to the Comptroller of the Currency, financial institutions are now required by law to have a Customer Identification Program for the creation of new accounts. The bank must then verify the accuracy of the information by a review of the documents, verify the information with a credit-reporting agency or by checking prior bank references. This requirement should prevent any personal groups from using one of Pinellas County’s Federal Identification Numbers.

Unauthorized bank accounts, at the very least, put county funds outside the purview and control of their owners. It could also result in the theft of those county funds or some form of identity theft. That is why Florida Statutes, in Chapter 136, County Depositories, and 280 Security for Public Deposits, have specific requirements for all county funds to be deposited in a qualified public depository. These laws also provide that each and every account is at all
times subject to the inspection and examination by the county auditor and by the Auditor General.

As a result of this unannounced limited audit, the Sexton Hospitality Committee bank account and Communication’s Employee Appreciation bank account at the Pinellas County Federal Credit Union were closed on October 31, 2011 and November 8, 2011 respectively, so they are no longer a problem.

We recommend Finance:

A. Issue a Memorandum to all appropriate Pinellas County Departments addressing the use and approval of the Pinellas County Federal Tax Identification Numbers to open bank accounts, which must be approved by the Board of County Commissioners and/or Clerk of the Circuit Court; the account opening process to be administered by Finance.

B. Issue a Memorandum to all appropriate Pinellas County governmental entities addressing the inappropriate use of Board of County Commissioners and/or Clerk of the Circuit Court Federal Tax Identification Numbers to open bank accounts.

C. Develop and implement the appropriate policies and procedures regarding the use of Board of County Commissioners and/or Clerk of the Circuit Court Federal Tax Identification Numbers.

D. Develop a monitoring program to contact each financial institution through an inquiry letter requesting information on any account using the Board of County Commissioners and/or Clerk of the Circuit Court Federal Identification Numbers or Pinellas County in the bank account title to reduce the risk of unauthorized bank accounts.

Management Responses:

A. The Finance Division will work with the County Administrator to develop and issue a memorandum to all Pinellas County departments under the Board of County Commissioners addressing the use and approval of the Pinellas County Federal Employer Identification Number. Additionally, the Finance Division will develop a Memorandum from the Clerk for all issuance to all Clerk of the Circuit Court divisions.

B. We will prepare a memorandum to be issued by the Clerk to all appropriate Pinellas County governmental entities addressing the inappropriate use of the Board of County Commissioners' and/or Clerk of the Circuit Court's Federal Employer Identification Numbers.

C. We will work with the County Administrator and Clerk's Administration to update the appropriate policies and procedures regarding the use of the Board of County Commissioners' and/or Clerk of the Circuit Court's Federal Employer Identification Numbers.
D. We will develop a monitoring program on financial institutions located in Pinellas County to reduce the risk of unauthorized bank accounts being maintained using the Board of County Commissioners' or Clerk of the Circuit Court's Federal Employer Identification Number.
DIVISION OF INSPECTOR GENERAL

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CLERK OF THE CIRCUIT COURT
PINELLAS COUNTY, FLORIDA

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