



## Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

Clerk of the County Court  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

## Division of Inspector General

510 Bay Avenue  
Clearwater, FL 33756  
Telephone: (727) 464-8371  
Fax: (727) 464-8386  
Fraud Hotline: (727) 45FRAUD (453-7283)  
Clerk's website: [www.mypinellasclerk.org](http://www.mypinellasclerk.org)

### Report No. 2018-26

TO: Claretha Harris, Chief Deputy Director  
Finance Division

FROM: Hector Collazo Jr., Inspector General/Chief Audit Executive   
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Jeanette Phillips, Director, Finance Division

SUBJECT: Unannounced Audit of the Board Records Department Petty Cash Fund  
Unannounced Audit of the Board Records Department Change Fund  
Unannounced Audit of the Clerk's Notary Journals

DATE: September 17, 2018

This letter serves to inform you that the Division of Inspector General has completed an unannounced audit of the Board Records Department Petty Cash Fund, Change Fund, and Notary Journals on August 7, 2018.

The objectives of our audit were to:

1. Reconcile the Petty Cash and Change Funds and ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.
2. Sample Notary Journals to ascertain that notaries are logging notarial acts, completing all Notary Journal fields, and not improperly using Deputy Clerk stamps in lieu of Notary stamps in accordance with established policies and procedures.



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Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and 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 Petty Cash and Change Funds reconciled to the authorized amounts. The department's internal controls and safeguarding of these funds are adequate, and the majority of the policies and procedures are being followed.

We did note some deviation from the Finance Division's Petty Cash and Change Fund Policy and Procedures and the Clerk's Accounting Policies and Procedures. The issues are noted below.

### **1. The Vault Change Fund Is Not Balanced Each Morning And Evening.**

The Vault Change Fund is not balanced daily as required by policies and procedures. The Board Records Department has two workstation Change Funds of \$200 each. A \$100 Change Fund is secured in the vault for instances when additional change may be needed.

A supervisor counts and balances the workstation Change Funds each morning and at the end of each business day. The Change Fund custodians (workstation employees) also count and balance the Change Funds for verification. The counts are documented on a log and initialed by the employees. However, during our unannounced audit of the Change Funds, we noted there was no documentation of the \$100 Vault Change Fund being counted and balanced. Although there is limited activity of the fund the majority of the year, two employees should count the Vault Change Fund each morning and evening and document completion separately from the workstation Change Funds.

The Finance Division's Petty Cash and Change Fund Policy and Procedures, **CHANGE FUND PROCEDURES** section states, *"....At the beginning of each day the change fund should only contain the approved balance. At the end of each day the custodian shall deposit funds in excess of the approved change fund balance. The supervisor should verify the deposit and count the change fund...."*

Management stated the Vault Change Fund is primarily used one month out of the year (September) during increased activity of Value Adjustment Board functions; therefore, the fund has not been actively counted and balanced on a daily basis. However, non-compliance with policies and procedures can increase the risk of misuse of these funds.

**We recommend Management** balance the Vault Change Fund each morning and evening.

**Management Response:**

**Management Concur.** The log for reconciling and counting funds was updated, beginning August 8, 2018, to include a column to initial for verification that the \$100 change fund is being counted daily in the morning at the beginning of business and the afternoon at the close of business.

**2. The Petty Cash Fund Is Not Counted And Balanced Every Month.**

The supervisor of the custodian or another designee does not count and balance the Board Records Petty Cash Fund monthly. Per Management, the Petty Cash Fund is verified by an Alternate Custodian when reconciliations are completed; however, they are not verified monthly. To ensure proper controls, an independent employee (non-custodial) in the department should verify the Petty Cash Fund monthly. The employee performing the monthly verifications should document completion on a log for proof of performance.

The Finance Division's Petty Cash and Change Fund Policy and Procedures states that, *"At a minimum each fund should be counted and balanced monthly by the supervisor of the custodian or other designee."* Cash Fund policies and procedures are controls that are designed to safeguard cash.

Management stated they were not aware of the requirement to count and balance the Petty Cash Fund at least every month. Non-compliance with policies and procedures can increase the risk of misuse of these funds.

**We recommend Management** require the supervisor of the Custodian, or appointed designee, count and balance the Petty Cash Fund on a monthly basis to comply with the Finance Division's Petty Cash and Change Fund Policy and Procedures.

**Management Response:**

**Management Concur.** The Petty Cash fund was reconciled every time a transaction was made to reimburse an expense; however, not formally logged and initialed by two custodians. The daily/monthly log for reconciling and counting all vault funds was updated beginning August 8, 2018, to include a monthly entry to initial for verification that the \$100 Petty Cash Fund is being counted and verified monthly by two custodians.

**3. Notary Journal Entries Are Incomplete.**

We reviewed the Notary Journal records, on a sample basis, to determine if all required fields were completed. The sample selection for the notary testing consisted of a review of all current journal records for three of the five notaries in the Board Records Department. Our review of the sample indicated that Notary Journal entries were not complete for two employees. The incomplete fields and number of instances for both employees are summarized in the following table:

<b>Incomplete Fields</b>	<b>Number Of Instances</b>
Type of Notarial Act	1
Time	1
Identification Provided	2
Fee Charge	2
Title or Type of Document	1
Signature	1
Signer's Printed Name	1
Signer's Address	1

The Clerk's Notary Journal and Reference Guide states, "*As a Notary Public employed by the Clerk of the Circuit Court, you are required to complete a journal entry each time you perform a Notary Act.*" The National Notary Association states the notary record, "*...can protect Notaries if they are ever accused of misconduct or sued.*"

Employees were not aware of the importance of complete Notary Journal records. Incomplete Notary Journal records create non-compliance issues with the Clerk's Notary Journal and Reference Guide. In addition, an incomplete Notary Journal record can potentially create liability issues for the notary.

**We recommend Management** instruct notaries to complete all sections/fields of the Notary Journal record for all notarial acts provided.

**Management Response:**

**Management Concur.** Staff have been provided additional instruction to ensure completeness of Notary Journal entries. The Supervisor will provide more frequent inspection of staff's journals for completeness.

We appreciate your staff's cooperation during this audit.