



# Internal Audit Report

**Random Cash Counts  
January 2003**



## Audit Team Members

**George Miller, Audit Manager**

**Cathleen L. Galassi, Senior Auditor**

**Louise Wild, Staff Auditor**



# Maricopa County

Internal Audit Department

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January 21, 2003

Fulton Brock, Chairman, Board of Supervisors  
Don Stapley, Supervisor, District II  
Andrew Kunasek, Supervisor, District III  
Max Wilson, Supervisor, District IV  
Mary Rose Wilcox, Supervisor, District V

We have completed random cash count audits at the Office of the Medical Examiner, the Environmental Services Department, and the Planning and Development Department. These limited scope reviews were performed in accordance with Government Auditing Standards and our annual audit plan, which was approved by the Board of Supervisors.

We found no significant exceptions to physical counts of cash and checks during our testing procedures. However, some significant control weaknesses were noted and these are identified in the Executive Summary of this report. The complete audit report and the departments' written responses are also included.

We have reviewed this information with department management. We thank the three County departments' management and staff for their excellent cooperation. If you have any questions or wish to discuss anything presented in this report, please contact me at 506-1588.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

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# Executive Summary

## **Office of the Medical Examiner** (Page 2)

Overall, the Office of the Medical Examiner has established adequate controls over its cash receipts, petty cash fund, and change fund. However, the office currently lacks an authorized change fund custodian. The Office of the Medical Examiner should designate a change fund custodian and submit the appropriate form to the Department of Finance.

## **Environmental Services Department: Business Services** (Page 4)

Our review of the Environmental Services Department cash handling procedures found numerous significant control weaknesses that expose cash receipts (\$45,000 daily average) to theft and misuse. These include poor physical security over cash receipts, a lack of segregation of cash handling duties, and inadequate payment records. We also identified significant control weaknesses related to the Food Service Worker Program. The department should strengthen controls over cash handling activities and request a special audit of the Food Service Worker Program cash receipts.

## **Planning & Development Department** (Page 6)

The Planning and Development Department overall has established adequate controls over cash handling activities, which include written procedures. Our count of the petty cash fund, change fund, and \$28,458 of customer payments found no exceptions to County policy requirements. However, the department does not reconcile payments posted to its permitting system with its daily cash receipts log and, therefore, increases the risk of undetected theft. Planning and Development should strengthen controls in this area.

# Office of the Medical Examiner

## Summary

Overall, the Office of the Medical Examiner (OME) has established adequate controls over its cash receipts, petty cash fund, and change fund. However, the office currently lacks an authorized change fund custodian. OME should designate a change fund custodian and submit the appropriate form to the Department of Finance (DOF).

## Applicable Requirements

Maricopa County Administrative Policy 2500 (Petty Cash) establishes minimum requirements over petty cash and change funds. The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) recommends safeguards and procedural controls over cash receipts. Five important controls are:

- The duties of cash collection, receipts, deposit preparation, and recording should be adequately segregated.
- Incoming checks should be restrictively endorsed when received.
- Cash receipts should be controlled by cash register, pre-numbered receipts, or other equivalent means.
- Cash receipts should be deposited in a timely manner; any undeposited cash receipts should be adequately secured.
- Cash receipts should be balanced to daily cash collections on a regular basis.

## Review Results

OME collects cash receipts for making copies of autopsies and other reports, performing toxicology tests and cremations, and providing other mortality-related services. The office also utilizes a petty cash fund and change fund.

We first conducted a random cash count of OME's petty cash fund and change fund. According to DOF records, the authorized amounts are \$250 and \$25 respectively. OME has recently changed petty cash custodians and has filed the appropriate form with DOF. The custodian counted petty cash in our presence and the total of cash and receipts exceeded the authorized balance by an immaterial amount. We also examined OME petty cash fund receipts, for appropriateness and proper approval, and found no significant control weaknesses or exceptions to County policy requirements.

OME has not established a current custodian for its change fund. The receptionist counted the change fund in our presence, which was five dollars less than the amount authorized. OME has developed formal cash handling procedures and is in the process of documenting these in writing. Checks are to be photocopied prior to being restrictively endorsed, logged, and deposited.

However, due to a malfunctioning copy machine, two of the three days' cashier checks and money orders (\$2,355 total) reviewed had not yet been restrictively endorsed. NOTE: OME kept all checks, money orders, and cash locked in a cabinet during the time that the copy machine was out of order.

### **Recommendation**

OME should:

- A. Establish a custodian for the change fund and submit a completed change of custodian form to DOF, as well as, appropriate form(s) regarding the five-dollar shortage. NOTE: After the draft of this report was issued, OME located the missing five dollars and returned the loose money to the change fund.
- B. Restrictively endorse checks when mail is opened rather than later in the process and document this procedural change.

# Environmental Services Department

## Summary

Our review of the Environmental Services Department (ESD) cash handling procedures found numerous significant control weaknesses that expose cash receipts (\$45,000 daily average) to theft and misuse. These include poor physical security over cash receipts, a lack of segregation of cash-handling duties, and inadequate payment records. We also identified significant control weaknesses related to the Food Service Worker Program (FSWP). The department should strengthen controls over cash-handling activities and request a special audit of FSWP cash receipts.

## Applicable Requirements

The same Maricopa County Administrative Policy requirements and AICPA recommendations referenced in the previous issue (Office of Medical Examiner) apply to Environmental Services Department cash handling activities.

## Review Results

The Environmental Services Department (ESD) collects cash receipts for issuing permits related to food services, air quality, and other activities that impact environmental health. Deposit records show that daily collections are approximately \$45,000. The division maintains a \$500 petty cash fund and a \$300 change fund. During our review, the balances of both funds agreed to Department of Finance (DOF) records. The ESD office manager reportedly is the custodian of both funds, however, this information does not match authorizations on file with DOF.

Petty Cash Fund: ESD does not maintain a petty cash log. Therefore, we obtained petty cash records from DOF. These records show several expenditures that do not appear consistent with County policy requirements. Also, based on the ESD petty cash expenditure level, the department could reduce the amount of the fund by at least \$100 without any negative effect.

Change Fund: When we performed this audit, ESD was not using its change fund. The fund was found in the ESD vault rather than the cash register. Staff reported they do not receive much cash this time of year, however, the cash register's currency and coins totaled almost \$3,600.

Cash Receipts: We identified several significant cash handling control weaknesses during audit testing that expose ESD receipts to theft and misuse. These are summarized below.

- ESD personnel did not know how to run a sub-total from the cash register, which prevents management or auditors from determining if all cash receipts have been properly recorded.
- When payments are entered into the cash register no distinction is made between cash and checks, which prevents the reconciliation of cash and check totals for the day.
- ESD personnel state that each day they prepare a *Daily Deposit Recap* that matches the cash register total to the total of the receipt hard copies. However, the deposit is not prepared until the following day.

- Cash is not adequately physically secured. We observed payment checks placed in an unlocked drawer near the cash register. The petty cash fund, change fund, and bundles of unendorsed checks from mail receipts are kept in a safe that four employees can access. Notes attached to the check bundles show the oldest bundle was received 12 days prior.
- The ESD vault was unlocked and open during the three-hour audit visit.
- Cash handling activities are not adequately segregated. For example: numerous employees open mail and a receipt log is not prepared; the person who operates the cash register also opens mail, and records mail receipts; administrative assistants, who post customer payments to subsidiary ledger accounts, also take customer payments when the cashier is unavailable.

Other Issues: We observed numerous control weaknesses related to ESD cash receipts generated by the Food Service Worker Program (FSWP). These include cash reporting, receipting and validation, cash reconciling processes, and void/invalid FSWP card control. Major control and system weaknesses also exist in the Episuite System and database that is used to administer the FSWP. These include the lack of system dollar total sums to reconcile multiple and non-connective databases, card numbering, and sequencing issues.

## **Recommendation**

ESD should:

- A. Develop and implement procedures to ensure that physical security is maintained over cash receipts and the petty cash and change funds.
- B. Ensure that critical functions are segregated to the greatest extent possible.
- C. Utilize all of the significant security features of the division's cash register.
- D. Prepare daily summaries of all receipts posted to customer accounts and reconcile these to cash receipts.
- E. Establish policies/procedures to ensure petty cash fund activities comply with County policy requirements and also submit necessary change of custodian forms to DOF.
- F. Request a special audit of Food Service Worker Program cash receipts and procedures.

# Planning and Development Department

## Summary

The Planning and Development Department (P&D) overall has established adequate controls over cash handling activities, which include written procedures. Our count of the petty cash fund, change fund, and \$28,458 of customer payments found no exceptions to County policy requirements. However, the department does not reconcile payments posted to its permitting system with its daily cash receipts log and, therefore, increases the risk of undetected theft. Planning and Development should strengthen controls in this area.

## Applicable Requirements

The same Maricopa County Administrative Policy requirements and AICPA recommendations referenced in the first issue (Office of Medical Examiner) apply to P&D cash handling activities.

## Review Results

P&D issues building permits for all construction that takes place in unincorporated areas of Maricopa County. The department receives cash, check, and credit card payments for these permits. Our count of P&D's \$200 Petty Cash Fund, \$400 Change Fund, and supporting documentation found no significant exceptions to County policy requirements. The department has developed adequate controls to ensure continued compliance.

During our review, conducted at P&D's downtown Phoenix office, we found that the department has developed extensive written procedures for cash handling/safeguarding activities. P&D staff also maintains proper controls over cash receipts. Physical security measures include restricted access to the cashier area, locking cash drawers, and a safe. Staff logs all customer payments (\$28,458 examined) to an Excel "Daily Sheet" spreadsheet that shows the form of payment (cash, check, or credit card) and the cashier who received the payment. Checks are immediately restrictively endorsed and deposited in a timely manner. Cashiers reconcile cash drawers to the Daily Sheet each evening and the finance manager reconciles cash receipts to the Daily Sheet, deposit records, and supporting documentation the following morning.

We identified one significant control weakness that had been noted in a prior audit. The duties of cash collection and recording are not segregated and P&D has not established a compensating control to ensure that all payments posted to its permitting system are also recorded on its cash log. If customer payments are not logged to the Daily Sheet, P&D cash receipts are more susceptible to undetected theft.

NOTE: P&D has been working with the software vendor to resolve this reconciliation issue but has not been successful to date. The department has not developed an alternative reconciliation method.

## **Recommendation**

P&D should strengthen controls over cash receipts by implementing the following procedures:

- A. The cashier should print three copies of the receipt, giving two copies to the customer.
- B. Customer service staff should require a copy of the customer's receipt before issuing a permit and then remit receipt copies to the finance manager at the end of the day.
- C. The finance manager should total all receipts and reconcile the total to the daily log to ensure that all payments posted to the permitting system are also recorded in the daily log.

NOTE: Steps A and B above were proposed as an alternative to generating a report of all payments posted to the permitting system, as P&D originally advised us that generating this report was not feasible.

# Department Response



# Maricopa County

Forensic Science Center

701 West Jefferson Street  
Phoenix, Arizona 85003  
Phone: (602) 506-3322  
Fax: (602) 506-1546

January 7, 2003

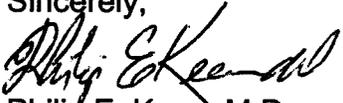
Ross L. Tate, County Auditor  
Maricopa County Internal Audit  
301 W. Jefferson, 10<sup>th</sup> Floor  
Phoenix, AZ 85003

Dear Ross:

We have completed our review of the Random Cash Counts Report prepared by Internal Audit. Your recommendations have been considered and our response has been forwarded for inclusion with the final report.

If you have any questions, please contact Dorothy O'Connell at 506-8110.

Sincerely,

  
Philip E. Keen, M.D.  
Chief Medical Examiner

**AUDIT RESPONSE  
MEDICAL EXAMINER  
January 6, 2003**

**Issue #1:**

**OME has not established a current custodian for its change fund. The OME change fund was \$5 less than the \$25 authorized according to DOF records.**

Response: Concur. The previous custodian of the change fund resigned in October 2002 and a new custodian of the change fund had not been established by the time of the audit in December 2002. Also, the amount in the change fund was \$5 less than the authorized amount.

**Recommendation A:** Establish a custodian for the change fund and submit a completed change of custodian form to DOF, as well as appropriate form(s) regarding the five-dollar shortage. NOTE: After the draft of this report was issued, OME located the missing five dollars and returned the loose money to the change fund.

Response: Concur. The forms to establish a new custodian of the change fund will be submitted to DOF. The missing \$5 was discovered in a separate envelope marked "change fund" in the petty cash box and was returned to the change fund, which eliminated the discrepancy.

Target Completion Date: Completed.

Benefits/ Costs: DOF records are now accurate and up-to-date, and fund balances are in agreement.

**Issue #2:**

**Incoming checks were not restrictively endorsed when received.**

Response: Concur. Checks were not restrictively endorsed when mail was opened.

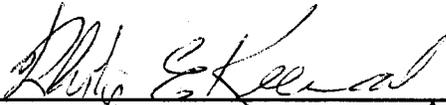
**Recommendation B:** Restrictively endorse checks when mail is opened rather than later in the process and document this procedural change.

Response: Concur. However, this does not require a procedural change since it was due to an employee not following the correct procedure. The receptionist has been advised to adhere to the accepted procedure and restrictively endorse the checks when they are received and, if the nearest copy machine is malfunctioning, to use a copy machine on another floor rather than holding the checks until the copy machine is repaired.

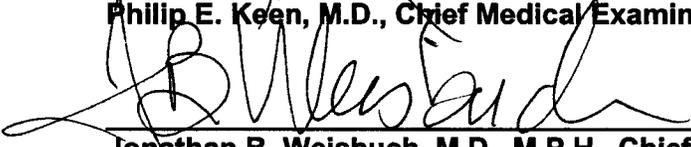
Target Completion Date: Completed.

Benefits/Costs: Provides a safeguard over payments received by check.

Approved By:

  
\_\_\_\_\_  
Philip E. Keen, M.D., Chief Medical Examiner

1-7-03  
Date

  
\_\_\_\_\_  
Jonathan B. Weisbuch, M.D., M.P.H., Chief Health Officer

1/8/03  
Date

  
\_\_\_\_\_  
David Smith, County Administrative Officer

1/9/03  
Date



AUDIT: Random Cash  
DESC: P&D Response

**Maricopa County**  
Planning & Development Department

**Date:** December 18, 2002  
**To:** Ross Tate, County Auditor  
**From:** Joy Rich, <sup>DR</sup> Director  
**Re:** Cash Audit Follow-up

The purpose of this memo is to respond to the recommendation made in your report on the cash audit of the Planning and Development Department conducted on December 2, 2002. That recommendation appears below.

"P&D should strengthen controls over cash receipts by implementing the following procedures:

- A. The cashier should print three copies of the receipt, giving two copies to the customer.
- B. Customer service staff should require a copy of the customer's receipt before issuing a permit and then remit receipt copies to the finance manager at the end of the day.
- C. The finance manager should total all receipts and reconcile the total to the daily log to ensure that all payments posted to the permitting system are also recorded in the daily log."

**Response:** Concur – will implement with modifications. Not all cash receipt transactions are posted to the permitting system (Permits Plus). For example, payments received from department employees to reimburse the County for personal phone calls are not posted to Permits Plus. Also, payments received that relate to Building Blocks (the department's old permitting system) permits would not be posted to Permits Plus. Transactions like these occur infrequently, and would simply be considered reconciling items in the finance manager's daily reconciliation of cash receipts to Permits Plus postings. What might be more problematic would be (1.) the customer failing to give a receipt to the Customer Service counter staff (and the staff failing to request the receipt) or (2.) the Customer Service counter staff misplacing the receipt. In these events, an inordinate amount of time would be required to identify the missing receipt, reprint it, and compare it to the corresponding entry on the "Daily Screen." The department is proposing an alternative procedure for completing the recommended reconciliation. The department has been involved in a protracted effort to develop system-generated (Permits Plus) fee

Joy Rich, Director  
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**Maricopa County**  
 Planning & Development Department

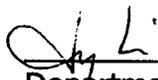
by Rich, Director  
 11 North Central, 3rd Floor  
 Phoenix, Arizona 85004-2191  
 Phone: (602) 506-6150  
 Fax: (602) 506-8510  
 www.maricopa.gov/planning

collections reports that the cashiers could utilize in completing their daily cash reconciliation process. When developed, these reports would obviate the need to perform the recommended reconciliation as well as enhance the efficiency of the cash receipting and depositing process. Unfortunately, the department has been unable to develop all of these reports for reasons more fully documented in the periodic written updates (addressed to the County Auditor) on the status of implementing the open related recommendation from the July 24, 2000, audit of the department. The department proposes that one of the system-generated fee collections reports ("Daily Transactions" segregated by method of payment) be utilized to complete the recommended reconciliation. This report would provide control totals for cash, check, and credit card payments that would be compared by the finance manager to the same control totals on the "Combined Cashier's Daily Reconciliation" form. Although deposits to advance permit (or trust) accounts would not be included in the "Daily Transactions" report, there are compensating controls for trust deposits. Copies of the "credit sheet" that the department maintains for each trust account are periodically provided to the account holder, and deposit transactions appear on the "credit sheet." Thus, the account holder can verify that their account was properly credited for the deposits they made by simply examining the "credit sheet." Also, every month, the finance manager reconciles the trust account balance per the "credit sheet" to the trust account balance per Permits Plus. The department is confident that the alternative procedure described above will strengthen control over cash receipts and can be completed more efficiently than the method described in the audit recommendation.

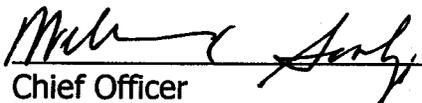
Target Completion Date: January 1, 2003.

Benefits: strengthen control over cash receipts.

Approved By:

  
 \_\_\_\_\_  
 Department Head/Elected Official

12-16-02  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Chief Officer

12-16-02  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 County Administrative Officer

12/19/02  
 \_\_\_\_\_  
 Date



# Maricopa County

Environmental Services Department

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Albert F. Brown, Director  
1001 North Central, Ste 595  
Phoenix, Arizona 85004-1950  
Phone: (602) 506-6623  
Fax: (602) 506-5141  
TDD: (602) 506-6704

Date: December 19, 2002

To: Ross Tate, Director, Internal Audit Department  
David Smith, County Administrative Officer

Via: Jonathan Weisbuch, Director, Public Health Services

From: Al Brown, Director, Environmental Services

A handwritten signature in black ink, appearing to read "Al Brown".

Re: 2002 Cash Audit Response

Attached is the Department's response to a cash audit conducted by the County Internal Audit Department. This audit was helpful in assisting this Department with improving its cash handling practices.

The recommendations provided by the County's Internal Audit staff will all be implemented. Additional staffing may be needed to achieve optimal separation of duties. The department will work within the County budget guidelines and attempt to obtain sufficient staffing.

Maricopa County  
Environmental Services Dept..  
1001 N. Central, Ste 595  
Phoenix, Arizona 85004-1950  
Phone: (602) 506-6623  
Fax: (602) 506-5141

Memo to Ross Tate  
December 19, 2002  
2

**AUDIT RESPONSE**  
**Environmental Services – Cash Handling**  
**DECEMBER 16, 2003**

**Issue #1: PETTY CASH FUND**

Response: Concur.

**Recommendation A:** Develop and implement procedures to ensure that physical security is maintained over cash receipts and the petty cash and change funds.

Response: Concur--will implement immediately. Business office staff has been instructed to keep the vault used to secure funds locked at all times. Petty cash will be reduced by \$100.

Target Completion Date: 1-16-2003

Benefits/Costs: Increased control over petty cash fund.

**Issue #2: CHANGE FUND**

Response: Concur

**Recommendation A:** Develop and implement procedures to ensure that physical security is maintained over cash receipts and the petty cash and change funds.

Response: Concur--will implement immediately. Business office staff has been instructed to keep the vault used to secure funds locked at all times.

Target Completion Date: 12-16-2002

Benefits/Costs: Increased control over cash funds.

**Issue #3: CASH RECEIPTS**

Response: Concur

**Recommendation A:** Develop and implement procedures to ensure that physical security is maintained over cash receipts and the petty cash and change funds.

Memo to Ross Tate

December 19, 2002

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Response: Concur--will implement immediately. Business office staff has been instructed to keep the vault used to secure funds locked at all times.

Target Completion Date: 12-16-2002

Benefits/Costs: Increased control over cash funds.

**Recommendation B:** Ensure that critical functions are segregated to the greatest extent possible.

Response: Concur—Business office is currently filling two vacant positions. Current vacancies prohibit further division of duties until new hires are completed. Additionally, the Department will consider an additional Business Office FTE in its fiscal year 2004 budget request.

Target Completion Date: 9-30-2003

Benefits/Costs: Increased control over cash funds and improved separation of duties.

**Recommendation C:** Utilize all of the significant security features of the division's cash register.

Response: Concur--will implement immediately. Business office staff will review the cash register owner's manual and begin using functions, which are not currently being used.

Target Completion Date: 2-28-2003

Benefits/Costs: Increased control over cash funds.

**Recommendation D:** Prepare daily summaries of all receipts posted to customer accounts and reconcile these to cash receipts.

Response: Concur-- Business office is currently filling two vacant positions. Current vacancies prohibit further division from getting all receipts posted to customer accounts daily. Additionally, the Department will consider an additional Business Office FTE in its fiscal year 2004 budget request.

Target Completion Date: 9-30-2003

Benefits/Costs: Increased control over cash funds.

Memo to Ross Tate  
December 19, 2002

4

**Recommendation E:** Establish policies/procedures to ensure petty cash fund activities comply with County policy requirements and also submit necessary change of custodian forms to DOF.

**Response:** Concur--will implement immediately. Petty cash custodian has been instructed to strictly adhere to the County's petty cash policies and procedures.

**Target Completion Date:** 12-16-2002

**Benefits/Costs:** Increased control over petty cash funds.

**Issue #4: OTHER ISSUES**

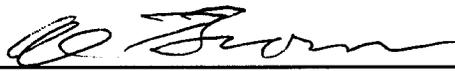
**Response:** Concur

**Recommendation A:** Request a special audit of Food Service Worker Program cash receipts and procedures.

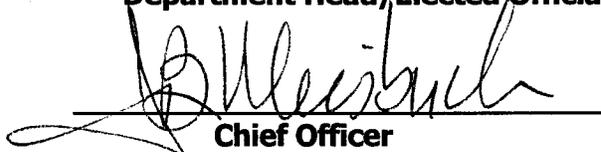
**Response:** Concur--will implement immediately. The Department will request that a special audit be performed by the Internal Audit Department.

**Target Completion Date:** 1-16-2003

**Benefits/Costs:** Increased awareness of current weaknesses related to our food handler cash handling efforts.

**Approved By:**  12-19-02

Department Head/Elected Official      Date

 12-19-02  
Chief Officer      Date

 12/19/02  
County Administrative Officer      Date