

**SEMINOLE SOIL AND
WATER CONSERVATION DISTRICT
REVIEW OF ADMINISTRATIVE CONTROLS**

OCTOBER 1999

Prepared by:
Internal Audit Division
Clerk of the Circuit Court

October 13, 1999

The Honorable Carlton Henley,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached audit of the Seminole Soil and Water Conservation District.

Management's responses have been incorporated into the final report. Planned actions by management are responsive to conditions noted in the report.

I would like to thank the personnel of the Seminole Soil and Water Conservation District for their cooperation and assistance throughout the course of this audit. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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SEMINOLE SOIL AND WATER CONSERVATION DISTRICT

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**SEMINOLE SOIL AND
WATER CONSERVATION DISTRICT**

REVIEW OF ADMINISTRATIVE CONTROLS

The Internal Audit Division of the Office of the Clerk of the Circuit Court has completed a limited review of the activities and operations of the Seminole Soil and Water Conservation District.

PURPOSE

The purpose of this review was to determine if the administrative controls over cash receipts and disbursements are adequate and operating as intended in compliance with applicable laws, regulations, and other Seminole County policies and procedures.

BACKGROUND

The district was established under the provisions of Chapter 582, Florida Statutes; its bylaws were approved by the district's supervisors on July 16, 1991. The purpose of the District's activities is to protect and preserve the farm, forest and grazing land of Seminole County against improper land use. Toward this end, the district is responsible for developing comprehensive plans for the conservation of soil and water resources; for the prevention of soil erosion and floods; for the conservation, development and utilization of soil and water resources, including disposal of water, within the district; and for the control of artesian wells.

The district employs one full time employee and operates on a budget of \$53,711.19. The district has entered into an agreement with Seminole County that provides for payment in total of \$53,712.00 for services rendered October 1, 1997 to September 30, 1998. Contracted services include the following:

- To provide on-site soils reports for all subdivisions that are brought before the Seminole County Development Review Committee (DRC);
- To attend DRC meetings;
- To provide soil investigations on other sites as requested by the county, through the deputy county manager; and,
- To perform such tasks and projects as assigned by the Seminole County planning and development director. (The planning and development director, in turn, is to coordinate his efforts with a

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district conservationist, assigned to this district by the federal Natural Resources Conservation Service).

SCOPE

The scope of this audit was limited to an examination of cash handling procedures. All source documents, including bank statements, canceled checks and supporting receipts processed from October 1, 1997 to September 30, 1998, were subject to review.

The audit included:

- Review of agreement between Seminole County and the district;
- Review of procedures and controls over cash handling for the district;
- Interviews of key personnel; and,
- Other such auditing procedures considered necessary under the circumstances.

Fieldwork began February 2, 1999, and was completed February 15, 1999. The audit was conducted by Pat Tindel.

OVERALL EVALUATION

In our opinion, the district's cash handling procedures should be revised to provide effective internal controls, accountability, and accuracy in the receipting of cash and disbursement of payments. 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 listed in this report have been reviewed with the district's chairman and corrective actions are being implemented. Our detailed findings and recommendations follow:

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FINDING NO. 1

Bank accounts are not always reconciled.

The district's full time employee stated that bank accounts are not been reconciled on a regular basis. However, the employee stated she was starting to perform reconciliations. However, this "reconciliation" merely consists of the employee 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. The district relies solely on the bank's records for a working balance. Additionally, the district does not account for the numerical sequence of the checks. During Fiscal Year 1997-98, the district issued several checks out of numerical order. Additionally, a numbering error was committed by the bank on new check stock. The district's current reconciliation process would not have detected either error.

Recommendation

An individual not responsible for receiving or recording cash should perform bank reconciliations on a monthly basis. We have included an example of a Reconciliation/Cash Proof form as an exhibit. (See Exhibit 1)

Management's Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

FINDING NO. 2

The district is maintaining an inactive bank account.

The district maintains four bank accounts. One account is listed as a personal checking account and had been inactive for the entire 1997-98 fiscal year. Additionally, the district had a supply of blank checks on hand for this account.

Recommendation

As a matter of policy, a government agency should not maintain a "personal" checking account (on premises or otherwise). The district should close this inactive account and transfer the funds to one of the other active bank accounts. Also, the district should destroy any unused checks on hand from this inactive account.

Management's Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

FINDING NO. 3

Invoices and/or supporting documentation of payments to vendors are not always maintained.

Invoices and/or other supporting documents were not available for our review to support payments totaling approximately \$8,000.00. Examples of these unsupported expenditures include convention costs and registration fees. Additionally, bylaws dated July 16, 1991 state that,

“Any employee will be hired by the district board at a formal meeting with a complete job description with working hours, benefits, etc. The Chairman will be responsible for the direct supervision of such employee.”

Although the district is subject to this requirement, personnel files do not include any district board memoranda formally approving the secretary’s salary or working hours. Without the district board approval, this expense is unsupported.

Recommendation

A sound system of internal control dictates that invoices should be maintained to evidence payment to vendors. Personnel files should include payroll authorizations to support the employee’s salary, as well as, any payroll deductions.

Management’s Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

FINDING NO. 4

Transfers between bank accounts are inconsistent with the district’s board action, and were made absent any supporting documentation.

District board approval was obtained to transfer funds between bank accounts; however, the actual amount transferred differed from the amount approved by the district board. The district was unable to provide any documentation to support this transfer.

Recommendation

Transfers between bank accounts should require two authorizations. Restrictions should be placed on the bank accounts: limits as to what bank accounts funds can be transferred to; and limits on the amounts that can be transferred in or out of bank accounts. Documentation for all transfers between bank accounts should be maintained at the district’s office.

Management’s Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

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FINDING NO. 5

The district maintains six memberships at a wholesale club.

The district was unable to provide justification for the memberships purchased for a wholesale club. Absent any justification for the multiple memberships, the purchase appears excessive. (Based on a review of the checks written by the district, there were no purchases made at the wholesale club during Fiscal Year 1997-98.)

Recommendation

Cancel all memberships but one; justify and document any future membership purchases.

Management's Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

FINDING NO. 6

The district is not making timely bank deposits.

The district receives checks from the county based on quarterly billings. A comparison of the check date to the bank deposit date, shows that the district is holding the checks from 12 to 43 days before deposit. This lengthy time delay increases the opportunities for theft or loss. In addition, the secretary does not restrictively endorse the checks upon receipt.

Recommendation

The district should make every effort to deposit checks within the same day as receipt. This will reduce the likelihood of theft or loss. Additionally, the secretary should restrictively endorse the checks immediately upon receipt.

Management's Response

Management concurs with recommendation and will implement new procedures as of October 1, 1999.

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..... | | _____ |

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