

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

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TO: The Honorable Ken Burke
Clerk of the Circuit Court and Comptroller

The Honorable Chairman and Members
of the Board of County Commissioners

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

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

DATE: December 19, 2013

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated December 19, 2013 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
Jim Bennett, County Attorney
Claretha N. Harris, Chief Deputy Director, Finance Division
Crowe Horwath



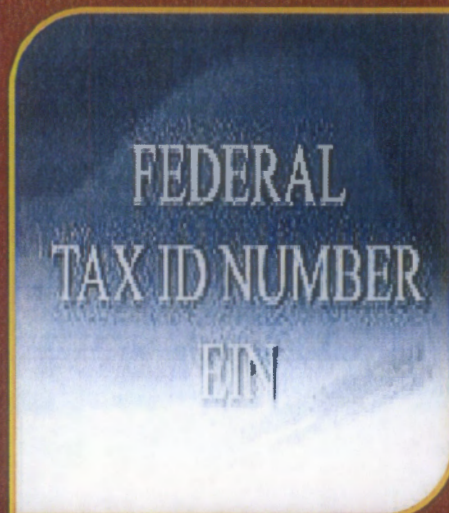
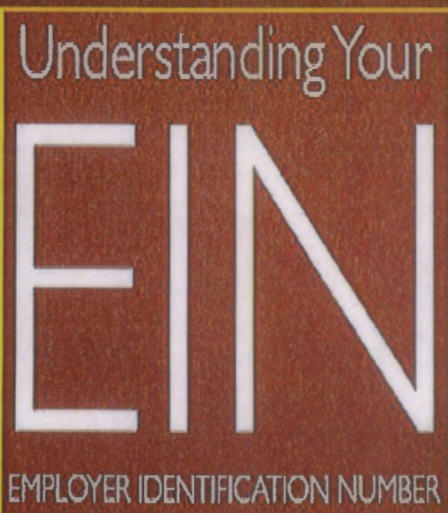


DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

FOLLOW-UP AUDIT OF UNANNOUNCED LIMITED AUDIT OF THE EXISTING BANK ACCOUNTS FOR THE BOARD OF COUNTY COMMISSIONERS AND CLERK OF THE CIRCUIT COURT



Hector Collazo, Jr., Director
Inspector General/Chief Audit Executive

Audit Team

Ronald Peters, CIA, CISA, CIGA – Inspector General Manager
Scott Stees, CIA, CISA, CFE, CGFO, CIGA, CIGI – Senior Inspector General Auditor

DECEMBER 19, 2013
REPORT NO. 2013-42



Ken Burke, CPA

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December 19, 2013

The Honorable Ken Burke
Clerk of the Circuit Court and Comptroller

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a Follow-Up Audit of the Unannounced Limited Audit of the Existing Bank Accounts for the Board of County Commissioners (BCC) and Clerk of the Circuit Court (Clerk). The objectives of our review were to determine the implementation status of our previous recommendations.

Of the four recommendations contained in the audit report, we determined that none have been implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of the Finance Division during the course of this review. We continue to encourage management to fully implement our recommendations.

Respectfully Submitted,

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



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INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Unannounced Limited Audit of the Existing Bank Accounts for the Board of County Commissioners (BCC) and Clerk of the Circuit Court (Clerk). The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- 1) 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.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up 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. Our follow-up testing was performed during the month of October 2013. The original audit period was for the calendar year 2011. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the four recommendations in the report, we determined that none have been implemented. We encourage management to address these issues during the first quarter of 2014.

Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<i>Two Unauthorized Accounts Were Found.</i>					
	We Recommended 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 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.				✓	

Introduction

**Follow-Up Audit of Unannounced Limited Audit of the Existing Bank Accounts
for the Board of County Commissioners and Clerk of the Circuit Court**

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	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.				✓	

Background

The Florida Statutes require local governments to use qualified public depositories for all government funds. The administration of the Public Deposits Program is vested in the State Chief Financial Officer, Chapter 280, Security For Public Deposits, Florida Statutes. Florida Administrative Code Chapter 69C-2 further defines rules to establish procedures for securing, by the pledge of eligible collateral, state and local government deposits maintained in banks and savings associations throughout the State of Florida. The Collateral Management section, under the Division of Treasury Bureau, Florida Department of Financial Services, runs the "Security for Public Deposits Program." The Collateral Management website provides a list of Active Qualified Public Depositories. The list shows the city and state of the home office locations for each of the 167 qualified public depositories in Florida.

A Federal Tax ID Number is required to open an account at a financial institution. The Federal Tax Identification Number or Employer Identification Number (EIN) is a unique nine-digit number assigned by the Internal Revenue Service to business entities operating in the United States for the purposes of identification. Similarly, individuals are issued a nine-digit Social Security Number. Pinellas County has two Federal Tax ID Numbers, one for the Board of County Commissioners and one for Clerk of the Circuit Court and Comptroller.

STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the unannounced limited audit of the existing bank accounts for the Board of County Commissioners and Clerk of the Circuit Court. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. 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.

CONFIRMATION REQUEST SUMMARY				
	Bank		Credit Unions	
Sent	36		7	
Received	22	61%	6	86%
No Response	14	39%	1	14%

Status of Recommendations

**Follow-Up Audit of Unannounced Limited Audit of the Existing Bank Accounts
for the Board of County Commissioners and Clerk of the Circuit Court**

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

Status of Recommendations

**Follow-Up Audit of Unannounced Limited Audit of the Existing Bank Accounts
for the Board of County Commissioners and Clerk of the Circuit Court**

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 Recommended 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.

Status:

Not Implemented.

The Finance Division has not yet implemented the recommendations; however, Finance stated they will put a plan in place to address these issues during the first quarter of 2014.



DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA
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& COMPTROLLER
PINELLAS COUNTY, FLORIDA

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