



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor – Controller – Treasurer – Tax Collector	(2) MEETING DATE 7/7/2020	(3) CONTACT/PHONE Mark Maier (805) 781-4267 Kari Lekvold (805) 781-4846	
(4) SUBJECT Submittal of a cash receipts, cash disbursements, and IT internal controls audit of the Clerk-Recorder covering FYs 2016-17, 2017-18, and 2018-19. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Clerk-Recorder's Office Cash Receipts, Cash Disbursements, and IT Internal Controls Audit Report covering FYs 2016-17, 2017-18, and 2018-19.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u> 11/25/2014 </u>	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: 7/7/2020

SUBJECT: Submittal of a cash receipts, cash disbursements, and IT internal controls audit of the Clerk-Recorder covering FYs 2016-17, 2017-18, and 2018-19. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Clerk-Recorder's Office Cash Receipts, Cash Disbursements, and IT Internal Controls Audit Report covering FYs 2016-17, 2017-18, and 2018-19.

DISCUSSION

Cash handling can be an area vulnerable to mistakes or misappropriation. The Auditor-Controller-Treasurer-Tax Collector (ACTTC) has developed policies to minimize the risk associated with cash receipts and disbursements.

Additionally, County computers and applications are vulnerable to misuse. County Information Technology has developed policies to minimize the risk associated with misuse of County computing assets.

The purpose of our audit was to:

1. Determine if payments received are receipted, recorded, and deposited in accordance with the Cash Handling Policy.
2. Determine if cash disbursements have been properly authorized and invoice documentation is maintained and sufficient to substantiate the payment.
3. Determine the flow of monies received through trust funds and accounts and to assess the use of the monies.
4. Determine whether the following IT controls are in place.
 - a. Staff have signed annually the acknowledgment form of the County IT Acceptable Use Policy.
 - b. The financial system access roles issued to staff are appropriate for job functions.

After testing a sample of financial transactions across FY's 2016-17, 2017-18, and 2018-19, we determined the following to be in compliance with County policies:

1. Payments received are receipted, recorded, and deposited in accordance with the County's Cash Handling Policy.
2. Petty cash was in balance at the time of the count.
3. Cash disbursements were properly supported by invoices and appeared appropriate.
4. Trust fund monies were appropriately accounted for and used.
5. Staff have signed the acknowledgment form of the County IT Acceptable Use Policy annually.
6. The financial system access roles issued to staff were appropriate for the job function.

The following issues, which are detailed in our attached report, were determined to be out of compliance with County policies:

1. The payment authorization process and payment recording process were not properly separated.
2. Financial system access roles were not rescinded timely for a staff member whose position was transferred to another department.

The two identified issues have both been corrected by the department prior to the issuance of the final report. The Clerk-Recorder agrees with the report and since the two issues have been corrected a response to the report was not required.

OTHER AGENCY INVOLVEMENT/IMPACT

Clerk-Recorder

FINANCIAL CONSIDERATIONS

There is no additional cost to the County for conducting cash and internal control audits. Periodic cash and internal control audits are part of the ACTTC's compliance with Government Code Sections 26881 and 26883.

RESULTS

The ACTTC's periodic audits of cash procedures and other internal controls helps maintain and improve internal controls and procedures for cash handling by County staff, reinforces accountability of management, and contributes to the County's vision of a well-governed community.

ATTACHMENTS

- 1 Clerk Recorder Cash Receipts, Cash Disbursements, and IT Internal Controls Audit Report



Clerk-Recorder's Office
Cash Receipts, Cash Disbursements, & IT Internal Controls
Audit

June 2020

JAMES W. HAMILTON, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James W. Hamilton, CPA Auditor-Controller • Treasurer-Tax Collector

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

TO: TOMMY GONG, CLERK-RECORDER

FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: JUNE 18, 2020

SUBJECT: CASH RECEIPTS, CASH DISBURSEMENTS, AND IT INTERNAL CONTROLS AUDIT RESULTS

Our office has completed a cash receipts, cash disbursements, and IT internal controls audit. Our audit resulted in two findings, both of which have already been corrected and therefore a departmental response is not required. Detailed information on the findings can be found in the Findings with Recommendations Implemented section below.

Purpose

The purpose of our audit was to:

1. Determine if payments received are receipted, recorded, and deposited in accordance with the Cash Handling Policy.
2. Determine if cash disbursements have been properly authorized and invoice documentation is maintained and sufficient to substantiate the payment.
3. Determine the flow of monies received through trust funds and accounts and to assess the use of the monies.
4. Determine whether the following IT controls are in place.
 - a. Staff have signed annually the acknowledgment form of the County IT Acceptable Use Policy.
 - b. The SAP transaction access roles issued to staff are appropriate for job functions.

Scope

The scope of our audit included transactions made in FY 2016-17, FY 2017-18, and FY 2018-19. Since we previously audited the department's one-time vendor account payments from June 30, 2016 to December 31, 2017, additional review of the one-time vendor account was limited to payments

made from January 1, 2018 to June 30, 2019. Additionally, County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

Methodology

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our procedures included examining payment receipts and comparing the receipt totals to the subsequent deposits. We examined vendor payments, including payments made from trust accounts and trust funds, for separation of duties between the staff member approving the payment and the staff member processing the payment in the financial system. If payments did not separate the approval and processing duties, we reviewed invoice documentation and vendor account information to determine if the payment was appropriate. We reviewed Cal-Card purchases and verified both the purchases log and card statement were documented as reviewed and approved by the cardholder and approving official. We traced election worker payments made in the financial system to the election worker payroll ledger in the election worker data management system. Additionally, we physically counted petty cash on hand on March 5, 2020 and reconciled the amounts to the department's accountability figures. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally, we tested for the department's compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form. Further, we examined the financial system user access roles granted for staff and compared the roles to the job function.

Results

We determined the payments received are receipted, recorded, and deposited in accordance with the Cash Handling Policy. Additionally, we determined petty cash to be in balance at the time of our count. Staff have signed the acknowledgment form of the County IT Acceptable Use Policy annually and except for the issue noted below, the user access roles granted to staff are appropriate for their job function. While payments are being properly supported by invoices and appeared appropriate there was an issue, detailed below, with the payment process not being properly separated due to the same staff member both approving payments and entering them in the County's financial system.

Both issues determined have been subsequently addressed and do not require a departmental response.

Findings with Recommendations Implemented

1. Vendor Payments Approval and Recording Functions Not Separated

102 of the 115 payments tested were approved and entered into the financial system for payment by the same staff member. The County's Cash Handling Policy requires an adequate separation of duties exist to ensure that no single individual controls more than one key aspect of a transaction. When the payment approval and recording duties are not separated the risk that unauthorized transactions and/or inappropriate disbursements will occur increases. We reviewed the supporting documentation for each of the 102 payments and found each was supported by a vendor invoice, paid for the proper amount, and otherwise appeared appropriate. It should be noted that while appropriate separation of duties was not in place during the timeframe of our test selection, the department had corrected the issue prior to our audit, beginning in FY 2019-20.

2. Financial System User Roles Not Rescinded for Former Staff Member

Financial system user roles, which determine the transactions an employee can access, were not rescinded for a staff member whose position was transferred from the Clerk-Recorder's office to another department. Failure to deactivate user roles upon separation could result in unauthorized system access and is required by the Information Security Program Master Security Policy to ensure accountability for the correct use of applications. We reviewed system records and determined no transactions were entered under the user's role subsequent to the staffing transfer. We recommended that the user roles be terminated by the Clerk-Recorder's office and the staff member's new department determine which roles the user will require. The department agreed and the user roles were rescinded prior to completion of the audit.

We appreciate the courteous attitude of you and your staff and the cooperation we received during our audit.