

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

(1) DEPARTMENT Auditor-Controller	(2) MEETING DATE October 25, 2011	(3) CONTACT/PHONE Mike Cannon 781-5040	
(4) SUBJECT SUBMITTAL OF A CASH PROCEDURES REVIEW OF THE FARM ADVISOR CONDUCTED ON SEPTEMBER 22, 2011			
(5) SUMMARY OF REQUEST The objective of our review was to determine if the department had implemented the Auditor-Controller's recommendations from our December 21, 2010 cash procedures review. We determined the cash fund on hand, in all material respects, to be in balance at the time of the review, and the department is in general compliance with the County Cash Handling Policy. We also found that the Farm Advisor has implemented the recommendations provided in our December 21, 2010 audit report.			
(6) RECOMMENDED ACTION Recommended item be received and filed.			
(7) FUNDING SOURCE(S) N/A	(8) CURRENT YEAR FINANCIAL IMPACT N/A	(9) ANNUAL FINANCIAL IMPACT N/A	(10) BUDGETED? <input type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> N/A
(11) OTHER AGENCY INVOLVEMENT/IMPACT (LIST): The cash procedures review was conducted at the County Farm Advisor's Office.			
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? ____ <input type="checkbox"/> Permanent ____ <input type="checkbox"/> Limited Term ____ <input type="checkbox"/> Contract ____ <input type="checkbox"/> Temporary Help ____			
(13) SUPERVISOR DISTRICT(S) <input type="checkbox"/> 1st, <input type="checkbox"/> 2nd, <input type="checkbox"/> 3rd, <input type="checkbox"/> 4th, <input type="checkbox"/> 5th, <input checked="" type="checkbox"/> All	(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A	(15) MADDY ACT APPOINTMENTS Signed-off by Clerk of the Board: <input checked="" type="checkbox"/> N/A	
(16) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)	(17) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig) <input type="checkbox"/> Contracts (Orig + 3 Copies) <input type="checkbox"/> Ordinances (Orig) <input checked="" type="checkbox"/> N/A <input type="checkbox"/> Email Resolution and Ordinance to CR_Board_Clerk (in MS Word)		
(18) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: ____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A	(19) BUDGET ADJUSTMENT REQUIRED? <input type="checkbox"/> BAR ID Number: ____ <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(20) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A	(21) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	(22) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date __May 3, 2011_____	
(23) ADMINISTRATIVE OFFICE REVIEW <div style="text-align: center; font-family: cursive; font-size: 24px; margin-top: 20px;">Nikki Schmidt</div>			

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TO: HONORABLE BOARD OF SUPERVISORS

FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER *By J. E.*

DATE: OCTOBER 25, 2011

SUBJECT: SUBMITTAL OF A CASH PROCEDURES REVIEW OF THE FARM ADVISOR CONDUCTED ON SEPTEMBER 22, 2011

Recommendation

It is recommended that the item be received and filed.

Discussion

The objective of our review was to determine if the department had implemented the Auditor-Controller's recommendations from our December 21, 2010 cash procedures review.

We determined the cash fund on hand, in all material respects, to be in balance at the time of the review, and the department is in general compliance with the County Cash Handling Policy. We also found that the Farm Advisor has implemented the recommendations provided in our December 21, 2010 audit report.

We have attached our audit report which includes prior Findings, Recommendations and Follow-Up Results sections.

Other Agency Involvement/Impact

None.

Financial Considerations

There is no additional cost to the County for conducting unannounced cash reviews. Periodic unannounced cash reviews are a part of the Auditor-Controller's compliance with Government Code 29321.1 and County Resolution Number 84-40.

Results

Cash handling can be an area vulnerable to mistakes or misappropriation. The Auditor-Controller has developed policies to minimize the risk associated with use of change funds and petty cash as well as cash receipts. The Auditor-Controller's program of periodic unannounced reviews of cash procedures helps maintain and improve internal controls and procedures for cash handling by County staff and contributes to the County's vision of a well-governed community.

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TO: RICHARD P. ENFIELD, FARM ADVISOR

FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER

VIA: JAMES P. ERB, ASSISTANT AUDITOR-CONTROLLER *J.P.E.*

DATE: OCTOBER 18, 2011

SUBJECT: FOLLOW-UP CASH PROCEDURES REVIEW OF THE FARM ADVISOR CONDUCTED ON SEPTEMBER 22, 2011

Our office completed a follow up cash review of the Farm Advisor on September 22, 2011, including petty cash funds and gift cards on hand.

Background

The Auditor-Controller has a policy of performing periodic unannounced cash counts for various County departments throughout the fiscal year, and when an issue or finding is noted a follow-up review is conducted to determine if the department has implemented the Auditor-Controller's recommendations. In a previous cash count on December 21, 2010, our office noted discrepancies with the department's petty cash log and internal control deficiencies with regard to the gift cards held in trust. These issues are detailed in the Previous Findings and Recommendations section below along with the results of our follow-up.

Purpose

The objective of our review was to determine compliance with the County Cash Handling Policy and to establish accountability for the cash and gift cards on hand at the time of the count.

Scope

Our review included physically counting all cash on hand for September 22, 2011 and reconciling the cash balance to the department's accountability figures. Our review also included an evaluation of internal controls over petty cash and cash equivalents. Our evaluation of internal controls was limited to interviews with departmental staff and direct observations.

Summary

We found the Farm Advisor has implemented the recommendation provided in our December 21, 2010 audit report. Those findings and recommendations are discussed below:

Previous Findings and Recommendations and Follow-Up Results

1. Petty Cash Log Not Updated

The Farm Advisor maintains a \$300.00 Petty Cash fund in order to make small purchases for County business. Upon our inspection of this fund, we noted the cash log balance did not agree to the cash on-hand. Per Section VI.8. of the County Cash Handling Policy, "The petty cash custodian must count and reconcile cash on hand to the assigned amount on a daily basis. This

discrepancy was the result of two transactions (a replenishment and a disbursement) which were not recorded in the Petty Cash log at the time of our review. The replenishment was paid to the department on June 21, 2010, and the disbursement occurred on November 17, 2010. When records of cash transactions are not recorded timely, accurately or completely, it exposes the County to increased risk of loss and/or misappropriation.

Recommendation

We recommend the petty cash funds and corresponding records be reconciled by the petty cash fund custodian and periodically reviewed by the custodian's supervisor. This will improve the timeliness and accuracy of cash accountability and will strengthen the internal controls over cash in the department.

Follow-Up Results

We found the petty cash fund to be in compliance with the County Cash Handling Policy.

2. Inadequate Internal Controls over Gift Cards

The department maintains custody of and administers fifty gift cards worth \$13,995 for the 4-H organization. Forty-five of the gift cards are stored in a safety deposit box at a local bank, with the remaining five cards being securely stored on site. We found the gift card log included several errors and was not being verified by a supervisor. 4-H gift cards commonly remain out of the office for weeks at a time. We noted one card in the safe which was not recorded on the gift card log and discovered one of the gift cards had been lost or inadvertently destroyed. County business practices dictate that the gift card log be kept updated and accurately reflect authorized activity. At present, the department's financial records concerning gift cards are open to unauthorized or accidental modification which results in an internal control weakness over the safeguarding of gift cards.

Recommendation

We recommend that the 4-H coordinator or the supervisor of the gift card custodian conduct monthly reconciliations of the log and the gift cards present in the safe, noting in writing any and all discrepancies and resolving them immediately. To the extent practical, gift cards should be checked out immediately before use and returned by an agreed upon date to the custodian along with the required receipt documentation. We recommend the Farm Advisor's gift card log indicate the status of each card, noting when a card is present, issued, used, missing, shredded or otherwise destroyed. The supervisor should confirm the status and balance of the cards during the monthly reconciliation process. The implementation of these procedures will improve the department's accountability for the gift card inventory and will strengthen the internal controls.

Follow-Up Results

We found the number of gift cards in custody of the Farm Advisor's staff reduced from five to three. The remaining 4-H gift cards, which staff had custody of, have since been turned over to the 4-H organization. The Farm Advisor's staff maintains an up-to-date log and record of the three gift cards that are in their custody and has strengthened internal controls over the gift cards.

The Auditor-Controller's Office appreciates the corrective actions taken by the Farm Advisory and the courteous attitude and cooperation of the staff.