

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 6/16/2015	(3) CONTACT/PHONE Kerry Bailey 788-2979 or Diane Leenders 781-5099	
(4) SUBJECT Submittal of a cash procedures and internal control review of the District Attorney's Office conducted on February 5, 2015. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached District Attorney's Office cash procedures and internal controls review report which contains five suggested improvements.			
(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"/> 4/5 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>April 5, 2011</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor - Controller - Treasurer - Tax Collector

DATE: 6/2/2015

SUBJECT: Submittal of a cash procedures and internal control review of the District Attorney's Office conducted on February 5, 2015. All Districts.

## **RECOMMENDATION**

It is recommended that the Board receive, review, and file the attached District Attorney's Office cash procedures and internal controls review report which contains five suggested improvements.

## **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 use of change funds and petty cash as well as cash receipts.

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

The objectives of our review were to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the count, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

We determined the cash fund and cash receipts on hand, in all material respects, to be in balance at the time of the cash count, and the District Attorney's Office is in general compliance with the Cash Handling Policy. We also identified five areas of improvement, including employee acknowledgement of the County IT Acceptable Use Policy, which are detailed in the attached cash procedures review report.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

District Attorney's Office

## **FINANCIAL CONSIDERATIONS**

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

## **RESULTS**

The ACTTC's program of periodic unannounced reviews of cash procedures and other internal controls 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.

## **ATTACHMENTS**

1. District Attorney Cash & IC Review FY 2014-15



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX  
COLLECTOR • PUBLIC ADMINISTRATOR

## **District Attorney Cash Procedures & Internal Control Review**

**May 2015**

**JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector-Public Administrator**



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX  
COLLECTOR • PUBLIC ADMINISTRATOR

TO: DAN DOW, DISTRICT ATTORNEY

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: MAY 11, 2015

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE DISTRICT ATTORNEY'S OFFICE CONDUCTED ON FEBRUARY 5, 2015.

Our office recently completed a cash procedures and internal control review of the District Attorney's Office that took place on February 5, 2015. Our review resulted in five suggested improvements.

## Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

## Scope

The scope of our review included cash and receipts on hand on February 5, 2015 as well as deposits for the prior months. Additionally, we reviewed the department's two revolving accounts. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

## Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing 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 review included physically counting all cash on hand for February 5, 2015 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our

review also included an evaluation of internal controls over cash receipts. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

### Results

The District Attorney's Office is in general compliance with the Cash Handling Policy. All cash funds and cash receipts on hand were in balance at the time of our count, in all material respects, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The District Attorney's internal controls over cash and revolving accounts appear to be adequate.

Additionally, during fieldwork we identified some areas where improvements could be made, and we immediately provided the Department with suggestions for making these improvements. Suggestions for improvement are for issues the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below:

### Suggested Improvements

#### 1. Deposit Frequency

Although the majority of District Attorney's deposits were made according to the Cash Handling Policy, we found one instance where the District Attorney's Office received payments for services totaling more than \$500 and did not deposit them the next day. The Cash Handling Policy requires collections of \$500 or more to be deposited no later than the next business day. Staff could not provide an explanation as to the oversight. When cash receipts are held over the prescribed time period the possibility of misappropriation significantly increases. We recommend all deposits be made in accordance with the Cash Handling Policy.

#### 2. Staff Certification of the IT Acceptable Use Policy

We determined some of the District Attorney's staff had not annually certified in writing they had read the Information Technology Acceptable Use Policy ( ITAUP). The ITAUP is required to be signed yearly by all County employees; however, management neglected to have staff sign the ITAUP. Yearly written acknowledgement by employees stating they have read the Policy helps ensure consistent Countywide procedures for ITAUP. Subsequent to fieldwork we received verification the employees included in our sample had certified in writing they had read the ITAUP. We recommend management review the remaining employees' files to ensure the ITAUP has been signed within the past year.

### 3. Staff Certification of the Cash Handling Policy

We determined not all cash handlers had certified in writing they had read the County Auditor-Controller's Cash Handling Policy (Policy). The Policy is required reading for all cash handlers, custodians, and managers; however, management neglected to have all cash handlers sign the acknowledgement. Written acknowledgement by employees stating they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork we received verification all employees with cash handling responsibilities had certified in writing they had read the Cash Handling Policy.

### 4. Cash Handling Materials Not Secured

We found the key for the file cabinet which contains the receipt books and the receipts supporting documentation in an unsecured workspace. The Auditor-Controller's Cash Handling Policy requires receipt books and supporting documentation be kept in a secure location and access be restricted to as few employees as possible to ensure the receipt books won't be placed at risk for theft, waste, or abuse. The key was stored in a place convenient for staff; however, it was not secure. When receipt books and other cash handling materials are not properly secured, the risk for error and the opportunity for theft significantly increase.

### 5. Timely Submission of Bank Reconciliations

One division's bank reconciliations for September, November, and December were not provided in a timely manner to the Auditor-Controller's Office. The County's Cash Handling Policy requires departments to furnish a copy of their bank statements, reconciliation, and the reconciliation review form to the Auditor-Controller by the 25th of the following month; however, staff had fallen behind in the reconciliations. Timely bank reconciliations reduce the risk of misappropriation and material misstatement of accounting records. Subsequent to fieldwork the remaining outstanding bank reconciliation was submitted to the Auditor-Controller's Office.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.