

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 10/21/2014	(3) CONTACT/PHONE Kerry Bailey 788-2979	
(4) SUBJECT Submittal of a Cash Procedures and Internal Control Review Report of the Probation Department conducted on July 9, 2014. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Probation Department Cash Procedures and Internal Controls Review Report.			
(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: N/A <input type="checkbox"/> 4/5 Vote Required <input 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>February 28, 2012</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 Erb, CPA, Auditor -Controller -Treasurer -Tax Collector
DATE: 10/21/2014
SUBJECT: Submittal of a cash review of the Probation Department for FY 2014-15. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Probation Department cash procedures and internal controls review report.

DISCUSSION

Cash handling can be an area vulnerable to mistakes or misappropriation. The Auditor-Controller-Treasurer-Tax Collector-Public Administrator (ACTTCPA) has developed policies to minimize the risk associated with the use of change funds and petty cash as well as cash receipts. County computers are vulnerable to abuse, and County Information Technology has developed policies to minimize the risk associated with misuse of County computing assets. The objective 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 count, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

We determined the cash funds and cash receipts on hand, in all material respects, to be in balance at the time of the cash count, and the Probation Department is in general compliance with the Cash Handling Policy. Also, Probation employees signed the Information Technology Acceptable Use Policy Acknowledgement in a timely manner. We also identified an area of improvement which is detailed in the attached cash procedures review report.

OTHER AGENCY INVOLVEMENT/IMPACT

Probation Department.

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 ACTTCPA's compliance with Government Code 26881 and 26883.

RESULTS

The ACTTCPA'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. Probation Department Cash Procedures & Internal Control Review



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

Probation Department Cash Procedures & Internal Control Review

September 2014

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



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

TO: JIM SALIO, CHIEF PROBATION OFFICER

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

DATE: SEPTEMBER 30, 2014

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF PROBATION
CONDUCTED ON JULY 9, 2014

Our office recently completed a cash procedures and internal control review of Probation that took place on July 9, 2014.

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 July 9, 2014 as well as deposits for the prior three months. Additionally, we reviewed the department's depository accounts and Cal-Card activity. 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 July 9, 2014 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 and Cal-Card activity. 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

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner.

During fieldwork we identified an area where improvements could be made, and we immediately provided the Department with suggestions for making the improvement. Suggestions for improvement are made for issues that 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 suggestion is detailed in the Suggested Improvement section below:

Suggested Improvement

1. We found the petty cash log to be inadequate to account for the purpose and use of petty cash. The petty cash log should provide the nature of the purchase, the amount, and the name of the recipient. We provided a petty cash log template to the department that will improve the existing method of accounting for petty cash transactions, and staff have begun using the new log.

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