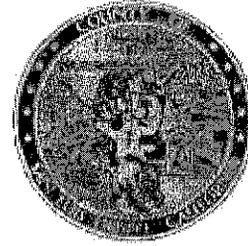


**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 5/19/2015	(3) CONTACT/PHONE Diane Leenders 781-5099	
(4) SUBJECT Submittal of a cash procedures and internal control review of the Sheriff-Coroner's Office conducted on February 9, 2015. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Sheriff-Coroner's Office cash procedures and internal controls review report which contains one finding and three 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>10/5/2010</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: 5/19/2015

SUBJECT: Submittal of a cash procedures and internal control review of the Sheriff-Coroner's Office conducted on February 9, 2015 (All Districts).

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Sheriff-Coroner's Office cash procedures and internal controls review report which contains one finding and three 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 Sheriff-Coroner's Office is in general compliance with the Cash Handling Policy; however, we found one instance where cash receipts were not being deposited in a timely manner. We also identified three areas of improvement regarding petty cash and staff certification of the IT Acceptable Use Policy. Details of the finding and suggested improvements are in the attached cash procedures and internal control review report.

OTHER AGENCY INVOLVEMENT/IMPACT

Sheriff-Coroner'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. Sheriff-Coroner Cash Procedures & Internal Control Review Report



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

Sheriff-Coroner Cash Procedures & Internal Control Review

April 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: IAN PARKINSON, SHERIFF-CORONER

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

DATE: APRIL 27, 2015

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE SHERIFF-CORONER'S MAIN OFFICE CONDUCTED ON FEBRUARY 9, 2015.

Our office recently completed a cash procedures and internal control review of the Sheriff-Coroner's Main Office that took place on February 9, 2015. Our review resulted in one finding and three suggested improvements. We have included the department response to the finding in the report below.

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, to assess the controls over purchasing cards 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 9, 2015 as well as deposits for the prior months. Additionally, we reviewed the department's depository account and MasterCard 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 February 9, 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, MasterCards 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

The Sheriff-Coroner's Office is in general compliance with the Cash Handling Policy; however, we found one instance where cash receipts were not being deposited in a timely manner. Details of this exception are presented in the Findings and Recommendations section below. Findings are issues which present a serious enough risk to require consideration by management and a written department response.

All cash funds and cash receipts on hand, in all material respects, were in balance at the time of our count, and employees signed the Cash Handling Policy in a timely manner. The Sheriff-Coroner's internal controls over MasterCard and Cal-Cards 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 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 suggestions are detailed in the Suggested Improvements section below.

Findings & Recommendations

1. Deposit Frequency

The Permit/Records window takes payments for various services and makes a weekly deposit. While the Sheriff-Coroner's Office has been granted a Frequency of Deposit Waiver from the Auditor-Controller's Office, daily receipts over \$500 must be deposited each Monday, Wednesday, and Thursday. Due to an oversight, staff did not make deposits in accordance with the waiver. When cash receipts are held over the prescribed time period the possibility of misappropriation significantly increases.

Recommendation:

All cash receipts over \$500 must be deposited each Monday, Wednesday, and Thursday.

Department Response:

The Sheriff's Office is in agreement with the finding and have taken the following steps:

- 1. Permit/Records Staff counts the daily receipts and if the receipts are over \$500 a deposit will be made the next morning.**
- 2. If daily receipts are under \$500, the receipts are put in a safe until the total is \$500 or greater.**

Suggested Improvements

1. Petty Cash Used as Change Fund

Staff loaned \$20.00 from the petty cash drawer to the Permit/Records window to assist in making change for customers. The Auditor-Controller's Cash Handling Policy states the same fund should not be used for both change and petty cash purposes unless approved in writing by the Auditor-Controller. The weakness in internal controls was caused by the need for a change fund at the Permit/Records window. When staff members take funds intended for one purpose to assist another area, the risk of error and opportunity for misappropriation significantly increases. Subsequent to the end of fieldwork, the Sheriff-Coroner's Main Office was approved for a change fund for the Permit/Records window.

2. Petty Cash Food Purchases

Petty cash was used to purchase food without prior authorization from the Auditor-Controller. The Auditor-Controller's Cash Handling Policy states petty cash should not be used to purchase food items or meals. However, supervisors approved food-related reimbursement requests and the petty cash custodian reimbursed staff for purchased food. When staff members override existing controls the risk of error and opportunity for misappropriation significantly increases, placing both the County and employee at risk. Staff should email, *AC_Food-Travel Request*, to obtain permission for food purchases and should attach documentation of the approval to each petty cash reimbursement request.

3. Staff Certification of the IT Acceptable Use Policy

A number of Sheriff-Coroner staff had not certified in writing they had read the IT Acceptable Use Policy (IT AUP). The IT AUP is required to be signed yearly by all County employees; however, the signing of the policy had not been consistently monitored. Yearly written acknowledgement by employees stating they have read the IT AUP helps ensure consistent Countywide procedures for computer use. The Sheriff-Coroner's staff has implemented a plan to bring all department employees into compliance within the next year.

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