



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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 11/20/2018		(3) CONTACT/PHONE Kerry Bailey 805-788-2979 Suzanne De Witt 805-781-4846	
(4) SUBJECT Submittal of a cash procedures and internal controls audit of Information Technology conducted on September 26, 2018. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Information Technology Cash Procedures and Internal Controls Audit 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: <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>March 23, 2009</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: 11/20/2018

SUBJECT: Submittal of a cash procedures and internal controls audit of Information Technology conducted on September 26, 2018. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Information Technology Cash Procedures and Internal Controls Audit report.

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 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 audit were to determine compliance with the County Auditor-Controller-Treasurer-Tax Collector's Cash Handling Policy, to establish accountability for cash on hand, to determine the adequacy of internal controls surrounding department assets, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

We determined the cash funds, and cash receipts on hand to be in balance at the time of our count. Deposits were made timely, and the department complied with County IT Acceptable Use Policy Acknowledgement requirements.

Detailed in the in attached report, we identified two areas with findings relating to internal controls around cash. The department corrected both findings prior to the issuance of the final report.

OTHER AGENCY INVOLVEMENT/IMPACT

Information Technology

FINANCIAL CONSIDERATIONS

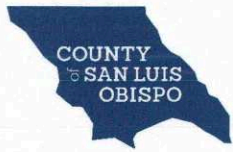
There is no additional cost to the County for conducting cash and internal control reviews. Periodic cash and internal control reviews are part of the ACTTC's compliance with Government Code Sections 26881 and 26883.

RESULTS

The ACTTC's program of periodic 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. Information Technology Cash Procedures and Internal Control Audit



Information Technology Department
Cash Procedures & Internal Control Review

October 2018

JAMES P. ERB, CPA
Auditor-Controller • Treasurer-Tax Collector




COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

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

TO: DANIEL MILEI, DIRECTOR

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

DATE: OCTOBER 29, 2018

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL AUDIT OF THE INFORMATION TECHNOLOGY DEPARTMENT CONDUCTED ON SEPTEMBER 26, 2018

Our office recently completed a cash procedures and internal control audit of the Information Technology Department that took place on September 26, 2018. Our review resulted in two findings. Your department has implemented our recommendations to address the findings, therefore no departmental response is required.

Purpose

The purpose of our audit 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 audit, 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 audit included cash and receipts on hand on September 26, 2018, as well as deposits for the prior three months. Additionally, we audited the department's Cal-Card activity and controls. 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*. 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 physically counting all cash on hand for September 26, 2018 and reconciling the amount to the department's accountability figures. Our audit also included an evaluation of internal controls over cash receipts, cash equivalents, 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 to be in balance at the time of our count. The department's internal controls over cash equivalents, deposits and Cal-Cards appear to be adequate.

However, we identified two areas with internal control weaknesses. Our findings are detailed below in the Findings and Recommendations section of this report. Findings are issues which present a serious enough risk to require consideration by management. Both findings had their recommendations implemented shortly after the cash and internal control audit fieldwork was completed.

Findings with Recommendations Implemented

1. Staff Certification of the Cash Handling Policy.

We found not all cash handlers, custodians, and managers had certified in writing that they had read the County Auditor-Controller's Cash Handling Policy. The Policy is required reading for all cash handlers, custodians, and managers. Written acknowledgement by employees that they have read the Policy helps ensure consistent countywide procedures for cash handling and promotes a culture of accountability. Subsequent to fieldwork all cash handlers, supervisors, and managers acknowledged in writing they had read the Cash Handling Policy.

2. Close Information Technology's Petty Cash Fund

Information Technology maintains a \$100 petty cash fund. During the audit we noted the fund had not been used since 2015. The Cash Handling Policy indicates when a fund is no longer needed the fund should be discontinued; however, IT staff were unaware the fund could be closed. When a petty cash fund becomes obsolete and action is not taken to close the fund, County funds are not efficiently used. The petty cash fund was turned into the Treasury on October 5, 2018.

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