

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 4/5/2016	(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a cash procedures and internal control review of the Public Works Department conducted on November 19, 2015. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Public Works Department cash procedures and internal controls review report which contains one suggested improvement.			
(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>August 5, 2008</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: 4/5/2016

SUBJECT: Submittal of a cash procedures and internal control review of the Public Works Department conducted on November 19, 2015. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Public Works Department cash procedures and internal controls review report which contains one suggested improvement.

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 cash and cash equivalents 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 Public Works department is in general compliance with the Cash Handling Policy. Public Work's internal controls over Cal-Cards appear to be adequate. Also, Public Works employees signed the Information Technology Acceptable Use Policy Acknowledgement in a timely manner. While on site, we identified an area of improvement which is detailed in the attached cash procedures review report.

OTHER AGENCY INVOLVEMENT/IMPACT

Public Works

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. Public Works Department Cash Procedures & Internal Control Review FY2015-16



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

Public Works Department Cash Procedures & Internal Control Review

March 2016

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



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

TO: WADE HORTON, PUBLIC WORKS DIRECTOR

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

DATE: MARCH 21, 2016

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF PUBLIC WORKS
CONDUCTED ON NOVEMBER 19, 2015

Our office recently completed a cash procedures and internal control review of Public Works that took place on November 19, 2015. Our review resulted in one suggested improvement.

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 November 19, 2015 as well as deposits for the prior month. Additionally, we reviewed the department's depository accounts, 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 November 19, 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 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 to be in balance at the time of our count; the Department is in general compliance with the Cash Handling Policy, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The Department's internal controls over Cal-Cards appear to be adequate.

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

Suggested Improvements

1. We noted the department's two change funds were also being used for petty cash purposes. Change funds are intended to provide change to customers, while petty cash funds are intended to provide a method for departments to make minor purchases. The County Cash Handling Policy prohibits commingling change and petty cash funds. Public Works staff were unaware of the prohibition, which exists to reduce the misuse and inappropriate expenditure of public funds. Subsequent to fieldwork Public Works requested and received a separate petty cash fund.

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