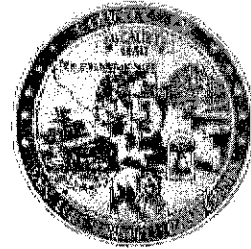


**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 12/13/2016	(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a cash procedures and internal control review of Veterans' Services conducted on November 1, 2016. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Veterans' Services' Cash Procedures and Internal Control Review report which contains two 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>October 27, 2015</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: 12/13/2016

SUBJECT: Submittal of a cash procedures and internal control review of Veterans' Services conducted on November 1, 2016. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Veterans Services' Cash Procedures and Internal Controls Review report which contains two 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 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 Veterans' Services is in general compliance with the Cash Handling Policy. Veterans' Service's internal controls over Cal-Cards and cash equivalents appear to be adequate. We identified two areas of improvement which are detailed in the attached cash procedures review report.

OTHER AGENCY INVOLVEMENT/IMPACT

Veterans' Services

FINANCIAL CONSIDERATIONS

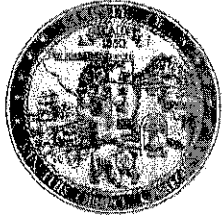
There is no additional cost to the County for conducting unannounced cash and internal control reviews. Periodic unannounced cash and internal control reviews are a part of the ACTTC's compliance with Government Code 26881 and 26883.

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. Veterans Services Cash and Internal Controls Review Report FY 2016-17



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

San Luis Obispo County Veterans' Services Cash Procedures & Internal Control Review

November 2016

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




COUNTY OF SAN LUIS OBISPO
AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR
1055 MONTEREY ST. RM. D290
SAN LUIS OBISPO, CA 93408
(805) 781-5831 • FAX (805) 781-5362
<http://sloacttc.com>

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

James W. Hamilton, CPA
Assistant

TO: CHRISTOPHER LOPEZ, VETERANS' SERVICES OFFICER

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

DATE: NOVEMBER 28, 2016

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF VETERANS' SERVICES CONDUCTED ON NOVEMBER 1, 2016

Our office recently completed a cash procedures and internal control review of Veterans' Services that took place on November 1, 2016. Our review resulted in 2 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 November 1, 2016 as well as deposits for the prior four months. Additionally, we reviewed the department's Cal-Card activity. The 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 1, 2016 and reconciling the amount to the department's accountability figures. 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; and the Department is in general compliance with the Cash Handling Policy. The Department's internal controls over cash equivalents and Cal-Cards appear to be adequate.

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:

Suggested Improvements

1. Cash Handlers Should Certify County Cash Handling Policy

We determined no cash handlers 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. However, staff was unaware that written acknowledgement was required. Written acknowledgement by employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork we received verification that all employees with cash handling responsibilities had certified they had read the Cash Handling Policy.

2. Employees Should Sign the Information Technology Acceptable Use Policy

We found Veterans' Services employees had not signed the Information Technology Information Security Program Acceptable Use Policy (ITAUP) within the year prior to our review. The Director and staff were unaware the policy had to be acknowledged annually by signing a form. By signing the policy annually, as required by Section 4 of the Information Security Program Master Security Policy, employees acknowledge they are bound by the ITAUP. Employee acknowledgment of the ITAUP reduces the risk of inappropriate use and exposure of County computing systems. Subsequent to fieldwork we received verification that all employees acknowledged and signed the IT Acceptable Use Policy.

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