COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT	(2) MEETING DATE	(3) CONTACT/PHONE
Auditor-Controller-Treasurer-Tax Collector	7/28/2026	Kari Lekvold 805-781-4846

(4) SUBJECT

Request to receive, review, and file the attached Executive Office Cash Procedures and Internal Controls Follow-up audit report, conducted in April 2026, and provide direction as deemed necessary.

(5) RECOMMENDED ACTION

It is recommended that the Board receive, review, and file the attached Executive Order Cash Procedures and Internal Controls Follow-up audit report, and provide direction as deemed necessary.

(6) FUNDING SOURCE(S)	(7) CURRENT YEAR FINANCIAL IMPACT	(8) ANNUAL FINANCIAL IMPACT	(9) BUDGETED?
N/A	$0	$0	Yes

(10) AGENDA PLACEMENT

{ X } Consent **{ }** Presentation **{ }** Hearing (Time Est. _______) **{ }** Board Business (Time Est.______)

(11) EXECUTED DOCUMENTS

{ } Resolutions **{ }** Contracts **{ }** Ordinances **{ X }** N/A

(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)	(13) BUDGET ADJUSTMENT REQUIRED?
N/A	BAR ID Number: **{ }** 4/5th's Vote Required **{ X }** N/A

(14) LOCATION MAP	(15) BUSINESS IMPACT STATEMENT?	(16) AGENDA ITEM HISTORY
N/A	No	**{ }** N/A Date 05/20/2025

(17) EXECUTIVE OFFICE REVIEW

Bill Lucia

COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor – Controller – Treasurer – Tax Collector

DATE: July 28, 2026

SUBJECT: Request to receive, review, and file the attached Executive Office Cash Procedures and Internal Controls Follow-up audit report, conducted in April 2026, and provide direction as deemed necessary.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Executive Office Cash Procedures and Internal Controls Follow-up audit report, and provide direction as deemed necessary.

DISCUSSION

Our office previously performed a cash procedures and internal control audit and submitted a report for the Board's review on May 20, 2025. A follow-up audit was conducted to determine if the department implemented the recommendations identified in our original report.

The first recommendation was partially implemented. While most assessment appeal payments were deposited in accordance with established procedures, we identified instances where deposits were made after the required deposit timeframes, including two check payments and one cash payment. Additionally, incomplete receipt documentation for several payments prevented us from determining whether those deposits were processed timely.

The second recommendation was fully implemented.

OTHER AGENCY INVOLVEMENT/IMPACT

Executive Office

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. Executive Office Cash Procedures and Internal Controls Follow-Up Final Audit Report FY 2025-26

COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

Executive Office
Cash Procedures and Internal Controls Follow-Up Audit

June 2026

JAMES W. HAMILTON, CPA
Auditor-Controller • Treasurer-Tax Collector

COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

TO: MATTHEW P. PONTES, COUNTY EXECUTIVE OFFICER

FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: JUNE 2, 2026

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROLS FOLLOW-UP AUDIT REPORT

In April 2025, our office issued a cash procedures and internal controls audit of the Executive Office, known as Administrative Office at the time. In April 2026, we conducted a follow-up audit to assess the implementation status of recommendations from our initial report. We conducted our follow-up audit in conformance with the *International Standards for the Professional Practice of Auditing*. The results of our follow-up audit are summarized below.

PRIOR YEAR FINDING AND RECOMMENDATION

1. **Untimely Deposits**

During our review, we noted that several assessment appeal payments were not deposited timely. One deposit included five checks dated more than 60 days prior to the deposit date. The Cash Handling Policy requires collections greater than $500 to be deposited on the next business day. Collections of less than $500 may be held and deposited less frequently at the department's discretion; however, deposits must be made at least weekly. Staff indicated that assessment appeals are generally a small part of the staff's duties, thus they are processed in batches to enhance efficiency. It was also noted that many applications require significant follow-up prior to payments being processed. Untimely deposits increase the risk of check expiration, insufficient funds, or disputes over stale-dated checks. Such delays heighten the risk of loss or misappropriation and can lead to inaccurate budgeting and financial reporting.

Recommendation

It is recommended that the department deposit collections greater than $500 by the next business day and no less than weekly for deposit collections of less than $500 for all deposits other than assessment appeals deposits. Following discussions regarding the challenges associated with assessment appeal deposits, the Auditor's Office has agreed to issue written approval permitting the department to deposit assessment appeals payments on a bi-weekly basis. This will allow the department to address incomplete applications and staff workload, while ensuring consistency and timeliness in deposit practices.

Department Response

The department concurs with the finding and recommendation. To ensure compliance with the Cash Handling Policy, procedures have been implemented to deposit collections exceeding $500 by the next business day and collections under $500 at least weekly. As outlined in the Auditor's Office approved waiver, assessment appeal payments will be deposited on a bi-weekly basis to accommodate application processing requirements and staffing considerations.

COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

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FOLLOW-UP RESULTS

The recommendation was partially implemented. Our review identified two assessment appeal check payments that were deposited after the authorized biweekly deposit window established during the initial audit. In addition, one cash payment was deposited 14 days after receipt, which exceeds the weekly deposit requirement established by the County's Cash Handling Policy. For several assessment appeal payments, the auditor was unable to determine the date of receipt due to incomplete documentation; therefore, we could not conclude whether those payments were processed timely.

Follow-up Department Response

The department concurs with the finding and recommendation. To ensure ongoing compliance with the County's Cash Handling Policy, procedures remain in place requiring collections exceeding $500 to be deposited by the next business day and collections under $500 to be deposited at least weekly. Consistent with the Auditor's Office-approved waiver, assessment appeal payments will continue to be deposited on a bi-weekly basis to accommodate application processing requirements and staffing considerations.

During the audit period, the department processed approximately 230 Assessment Appeals Board (AAB) applications, which are received within a concentrated five-day filing period and require an estimated one hour of staff review and processing per application. During this same period, turnover in the front desk position contributed to gaps in procedural knowledge, and the newly assigned employee was not fully familiar with the receipt documentation process for AAB applications.

The department has since addressed these issues through staff training and process improvements. In addition, a receipt number tracking column has been added to the Clerk of the Board log to strengthen documentation practices, improve tracking of payment receipt dates, and support timely, accurate, and verifiable deposit processing going forward.

PRIOR YEAR FINDING AND RECOMMENDATION

2. Checks Not Restrictively Endorsed When Received

Checks were restrictively endorsed at the time of deposit, rather than upon receipt. The Cash Handling Policy requires all checks and money orders to be restrictively endorsed upon receipt. Endorsing checks upon receipt decreases the possibility of theft by safeguarding County assets. Staff noted that they were unaware of the requirement to endorse the checks upon receipt.

Recommendation

It is recommended that cash handlers restrictively endorse all checks and money orders at the time they are received.

FOLLOW-UP RESULTS

The recommendation was fully implemented.

COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

Thank you for the courteous attitude and the continued cooperation your staff provided.

Sincerely,

James W. Hamilton, CPA

Auditor-Controller-Treasurer-Tax Collector

Cc: Tessa Cornejo, Principal Administrative Manager
Lisa Howe, Assistant Chief Executive Officer
Addison Gregory, Admin Analyst
Melissa Blackburn, Financial Analyst
Marc Gonzales, Auditor Analyst