

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 10/06/2015	(3) CONTACT/PHONE Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a cash procedures and internal control review of the San Luis Obispo County Airport conducted on April 29, 2015. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Airport Cash Procedures and Internal Controls 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>February 28, 2012</u>	
(17) ADMINISTRATIVE OFFICE REVIEW			
(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: 10/06/2015

SUBJECT: Submittal of a cash procedures and internal control review of the San Luis Obispo County Airport conducted on April 29, 2015. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Airport 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 the Airport is in general compliance with the Cash Handling Policy. The Airport's internal controls over MasterCards, Cal-Cards and cash equivalents appear to be adequate. Also, Airport employees signed the Information Technology Acceptable Use Policy Acknowledgement in a timely manner. We also identified two areas of improvement which are detailed in the attached Cash Procedures and Internal Control Review report.

OTHER AGENCY INVOLVEMENT/IMPACT

San Luis Obispo County Airport

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. San Luis Obispo County Airport Cash Procedures & Internal Control Review Report



COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX
COLLECTOR • PUBLIC ADMINISTRATOR

San Luis Obispo County Airport Cash Procedures & Internal Control Review September 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: KEVIN BUMEN, DIRECTOR - AIRPORTS

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

DATE: SEPTEMBER 8, 2015

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE AIRPORT
CONDUCTED ON APRIL 29, 2015

Our office recently completed a cash procedures and internal control review of the Airport that took place on April 29, 2015. Our review resulted in two 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, to assess the controls over purchasing and gift 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, cash equivalents and receipts on hand on April 29, 2015 as well as deposits for the prior month. Additionally, we reviewed the department's bank account, Cal-Card activity and controls over MasterCards. 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 April 29, 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, cash equivalents, 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

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner. The Department's internal controls over MasterCards and Cal-Cards appear to be adequate.

The department is in general compliance with the Cash Handling Policy. 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 made 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. Establish Accountability for Gift Cards

Donated gift cards received by the Airport to be given as promotional items were not being formally tracked. The Auditor-Controller's County Cash Handling Policy states departments must maintain accountability for all items stored within their department that relate to County business. Airport staff were unaware that these gift cards needed to be logged and tracked. When accountability controls are not in place for cash equivalents, the risk of error and opportunity for misappropriation significantly increases. We recommended the department develop a tracking method for promotional items. Subsequent to fieldwork the department began using a log to track the gift cards.

2. Strengthen Internal Controls Over Systems Access

Airport staff computers did not automatically deny access after a period of idle activity. The Information Technology Department's Information Security Acceptable Use Policy requires password-protected screensavers, with automatic activation set at 10 minutes or less of inactivity, on all non-public use Computing Assets; however, airport staff were unaware of the policy. We recommended the immediate implementation of password-protected screensavers with automatic activation set at 10 minutes or less of inactivity on all non-public computers. Subsequent to fieldwork Airport staff notified us they are in the process of ensuring all non-public computers require passwords to log-in after a period of inactivity.

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