



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

(1) DEPARTMENT Auditor-Controller-Treasurer- Tax Collector	(2) MEETING DATE 9/26/2023	(3) CONTACT/PHONE Kari Lekvold (805) 781-4846	
(4) SUBJECT Submittal of a cash procedures and internal controls audit of Child Support Services conducted in June 2023.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Child Support Services' Cash Procedures and Internal Controls Audit report.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0	(8) ANNUAL FINANCIAL IMPACT \$0	(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"/> 4/5th's 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>4/5/2016</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S)			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

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

DATE: 9/26/2023

SUBJECT: Submittal of a cash procedures and internal controls audit of Child Support Services conducted in June 2023.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Child Support Services' 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 in all material respects, to be in balance at the time of our count. Child Support Services is in general conformance with the Cash Handling Policy except as outlined in the Findings and Recommendations section of the attached report. We identified four findings which related to untimely petty cash reconciliations, inactive funds, and noncompliance with the Cash Handling Policy Acknowledgement and IT Acceptable Use Policy Acknowledgement requirements.

The department's response to the findings is included in the report. The Internal Audit Division will perform follow-up procedures within six to twelve months to verify that appropriate actions have been taken to address the Findings.

OTHER AGENCY INVOLVEMENT/IMPACT

Child Support Services

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 Child Support Services Cash Procedures and Internal Controls Audit Report FY 2022-23



**Child Support Services
Cash Procedures & Internal Controls Audit**

September 2023

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



TO: NATALIE WALTER, DIRECTOR OF CHILD SUPPORT SERVICES
FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 
DATE: SEPTEMBER 5, 2023
SUBJECT: CASH PROCEDURES AND INTERNAL CONTROLS AUDIT CONDUCTED ON JUNE 8, 2023

Our office recently completed a cash procedures and internal controls audit that took place on June 8, 2023. Our review resulted in four findings. The department's response to the findings is included in this report. The Internal Audit Division will perform follow-up procedures within six to twelve months to verify appropriate actions have been taken to address the Findings in this report.

Purpose

The purpose of our audit was to:

1. Determine compliance with the Auditor-Controller-Treasurer-Tax Collector's Cash Handling Policy.
2. Establish accountability and internal controls for the cash and cash equivalents on hand at the time of the audit.
3. Assess the controls over bank accounts and purchasing cards (Cal-Cards and travel cards).
4. Determine compliance with the Countywide Information Security Program's Acceptable Use Policy Acknowledgement requirement.

Scope

The scope of our audit included cash, cash equivalents and receipts on hand on June 8, 2023, as well as deposits for the prior three months. Additionally, we reviewed the department's depository account, Cal-Card and travel card activity and controls. Countywide Information Security Program's Acceptable Use Policy Acknowledgements were sampled and examined for acknowledgement in the past calendar year.

Methodology

We conducted our review 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 on June 8, 2023, and reconciling the amount to the department's accountability figures. Our review also included an evaluation of internal controls over cash receipts, cash equivalents, and purchasing cards. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally, we tested for compliance with the Countywide Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds on hand to be in balance at the time of our count and that the Department's internal controls over cash and purchasing cards appear to be adequate.

The department is in general compliance with the Cash Handling Policy with the exception(s) noted in the Findings and Recommendations section below. Findings are issues which present a serious enough risk to require consideration by management and a written department response. Details of the findings and our recommendations are as follows:

Findings & Recommendations

1. Untimely Petty Cash Fund Reconciliations and Lack of Secondary Custodian

The Child Support Services' petty cash fund was not reconciled on regularly and did not have a secondary custodian assigned. The previous reconciliation of the fund was completed on November 19, 2021. The County Cash Handling Policy requires petty cash funds to be reconciled on a periodic basis no less than monthly by the custodian and periodically by someone other than the custodian, and also to assign a secondary custodian. Failure to have a secondary custodian and regular reconciliations could result in the misuse of County funds.

Recommendation

We recommend that Child Support Services assign a secondary custodian for the petty cash fund and perform monthly reconciliations.

Department Response



We have implemented a monthly reconciliation of the petty cash fund and have assigned a second custodian.

2. Inactive Bank Account and Change Fund

Child Support Services maintains a bank account to transfer funds to the State and a change fund. However, Child Support Services no longer accepts deposits, thus the transfer account and the change fund have been inactive for more than 2 years. The County's Cash Handling Policy indicates when funds are no longer needed, the funds should be discontinued. When funds are inactive and action is not taken to close the fund, County funds are not efficiently used and at a greater risk of financial loss.

Recommendation

We recommend that Child Support Services close the bank account and change fund.

Department Response

We currently have a kiosk in our lobby that takes cash and credit card payments from our participants and as such, we have not had a need to take cash payments at our window for the past few years. In the event of a power outage, loss of internet connectivity, vandalism/damage to the kiosk that renders it inoperable or other unforeseen circumstances we need a mechanism to take cash payments from our participants. Without a bank account we are unable to take payments from our participants and forward those payments to the State Distribution Unit for distribution to the children we serve. Due to these reasons, we are unable to follow the recommendation to close our bank account and change fund.

3. Cash Handling Policy Not Acknowledged Annually by Staff

None of the cash handlers had certified in writing that they had read the County's Cash Handling Policy (Policy). The Policy is required reading for all cash handlers, custodians, and managers; however, management neglected to have all cash handlers sign the acknowledgement annually. Written acknowledgement by employees stating they have read the Policy helps ensure consistent countywide procedures for cash handling.



Recommendation

We recommend that Child Support Services have all employees who are cash handlers, custodians and managers review and sign the Policy annually.

Department Response

Moving forward all employees who are cash handlers, custodians and managers will review and sign the Policy annually.

4. Information Security Program's Acceptable Use Policy Not Acknowledged Annually by Staff

Four out of five of Child Support Services' employees sampled had not signed the Countywide Information Security Program's Acceptable Use Policy (AUP) within the 12 months prior to the audit. The AUP requires users of County computing assets to understand and adhere to County information security policies and to annually sign the Acceptable Use Policy Acknowledgement form as a condition of being granted access to County systems. Employee acknowledgment of the Information Security Program's Acceptable Use Policy reduces the risk of inappropriate use and exposure of the County's computing systems.

Recommendation

We recommend that Child Support Services have all employees sign the Information Security Program's Acceptable Use Policy Acknowledgement annually.

Department Response

We have been working with the County Human Resources Department to move all policies that require annual acknowledgment staff to the NeoGov platform. This new process will be implemented in August 2023.

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