



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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 7/10/2018		(3) CONTACT/PHONE Kerry Bailey (805) 788-2979	
(4) SUBJECT Submittal of a cash procedures and internal controls audit of the San Luis Obispo County Department of Agriculture/Weights and Measures conducted on April 26 and 27, 2018. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached San Luis Obispo County Department of Agriculture/Weights and Measures Cash Procedures and Internal Controls Audit report.					
(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>April 22, 2014</u>	
(17) ADMINISTRATIVE OFFICE REVIEW Nikki J. Schmidt					
(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: 7/10/2018

SUBJECT: Submittal of a cash procedures and internal controls audit of the San Luis Obispo County Department of Agriculture/Weights and Measures conducted on April 26 and 27, 2018. All Districts.

### **RECOMMENDATION**

It is recommended that the Board receive, review, and file the attached San Luis Obispo County Department of Agriculture/Weights and Measures 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 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-Treasurer-Tax Collector's Cash Handling Policy, to establish accountability for cash on hand, to assess the controls over purchasing cards, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

We determined the cash funds, and cash receipts on hand to be in balance at the time of our count and employees signed the IT Acceptable Use Policy Acknowledgment form in a timely manner.

Detailed in the in attached report, we identified three areas with findings; which the department corrected prior to the issuance of the final report. The recommendations implemented are:

1. Have all cash handlers, supervisors, and managers sign acknowledgement indicating they have read the Cash Handling Policy.
2. Separate cash receiving, recording, reconciling, depositing and oversight duties.
3. Increase physical safeguards for one of three change funds.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

San Luis Obispo County Department of Agriculture/Weights and Measures

#### **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 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 Department of Agriculture/Weights and Measures Cash Procedures and Internal Controls Audit FY 2017-18



**COUNTY OF SAN LUIS OBISPO**  
**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

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**Department of Agriculture/Weights and Measures  
Cash Procedures & Internal Controls Audit**

**June 2018**

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



**COUNTY OF SAN LUIS OBISPO**

**AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR**

**James P. Erb, CPA** Auditor-Controller • Treasurer-Tax Collector

**James W. Hamilton, CPA** Assistant Auditor-Controller • Treasurer-Tax Collector

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TO: MARTIN SETTEVENDEMIE, COUNTY AGRICULTURAL COMMISSIONER /SEALER OF WEIGHTS AND MEASURES

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

DATE: JUNE 22, 2018

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROLS AUDIT CONDUCTED ON APRIL 26 AND 27, 2018

Our office has completed a cash procedures and internal controls audit that took place on April 26 and 27, 2018. Our audit resulted in three findings. Your department has implemented our recommendations to address the findings; therefore, no departmental response is required.

Purpose

The purpose of our audit was to determine compliance with the County Auditor-Controller-Treasurer-Tax Collector's (ACTTC) Cash Handling Policy; to establish accountability and internal controls for cash on hand at the time of the audit; to assess the controls over purchasing cards; and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our audit included cash and receipts on hand, on the date of our audit, as well as deposits for the prior two months. Additionally, we audited the department's Cal-Card activity and controls. County IT Acceptable Use Policy Acknowledgements were sampled and examined for staff acknowledgement in the past calendar year.

Methodology

We conducted our audit in conformance with *the International Standards for the Professional Practice of Internal Auditing (Standards)*. 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 as of the date of our audit and reconciling the amount to the department's accountability figures. Our audit also included an evaluation of internal controls over cash receipts and purchasing cards. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.





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### AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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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 on hand to be in balance at the time of our count. The department's internal controls over cash and Cal-Cards appear to be adequate. Employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner.

While the department is in general compliance with the ACTTC's Cash Handling Policy, we noted areas where improvements could be made. All recommendations have been implemented by the department and no response is required.

#### Findings with Recommendations Implemented

##### **1. Staff Certification of the Cash Handling Policy**

One staff member out of the 38 reviewed did not certify in writing that they had read the Cash Handling Policy. The Policy is required reading for all cash handlers, custodians, and managers. Written acknowledgement by employees that they have read the Policy helps ensure consistent countywide procedures for cash handling and promotes a culture of accountability. We recommended the staff member read the Policy and provide documentation acknowledging the Policy had been read. The department agreed and provided the necessary signed Cash Handling Policy documentation.

##### **2. Segregation of Cash Handling Duties**

At all three department locations the cash custodians handled receiving, recording, reconciling and depositing payments without a documented secondary review. The County's Cash Handling Policy requires adequate separations of cash handling and recording duties to ensure that no one individual controls more than one key aspect of a cash transaction. Limited fiscal staff at the outlying department locations hindered the separation of cash handling responsibilities. When one individual controls more than one aspect of cash transactions then the risk of misappropriation, loss of revenues, and mishandling of funds exists. We recommended the department have another staff member review the payment deposits prepared by the cash custodians. The department implemented the recommendation by developing a process to have a supervisor review and sign off on cash deposits; the implementation was verified by our office.

##### **3. Change Fund Lacked Security**

One office location did not secure the change fund when the custodian was out of the office. The County's Cash Handling Policy requires the department to safeguard cash and cash equivalents in their



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possession. Limited staff access to secure locations within the office resulted in the change drawer being stored in an unsecured desk during extended periods of time during the custodian's absence. Failure to physically safeguard cash increases the County's risk of financial loss. We verified that our recommendation of storing the change drawer in a locked location was implemented by the department during a follow-up site visit.

We appreciate the courteous attitude of your staff and the cooperation we received throughout our audit.