



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

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|---|--|--|----------------------|
| (1) DEPARTMENT Auditor-Controller-Treasurer Tax Collector | (2) MEETING DATE 6/18/2024 | (3) CONTACT/PHONE Kari Lekvold (805) 781-4846 | |
| (4) SUBJECT Submittal of a follow-up cash procedures and internal controls audit of Child Support Services conducted in May 2024. | | | |
| (5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Child Support Services' Cash Procedures and Internal Controls Follow-up 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>9/26/2023</u> | |
| (17) ADMINISTRATIVE OFFICE REVIEW Zachary A. Lute | | | |
| (18) SUPERVISOR DISTRICT(S) | | | |



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

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

DATE: June 18, 2024

SUBJECT: Submittal of a follow-up cash procedures and internal controls audit of Child Support Services conducted in May 2024.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Child Support Services' Cash Procedures and Internal Controls Follow-up audit report.

DISCUSSION

Our office previously performed a cash procedures and internal control audit and submitted a report for the Board's review on September 26, 2023. Our follow-up audit was conducted to determine if the department implemented the recommendations identified in our original report.

We determined that the department has implemented three of our four recommendations. The department has chosen not to implement the remaining recommendation. Detailed audit findings and department responses can be found in the attached audit report.

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 Follow-up Audit Report FY 2023-24

Attachment 1



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

Michael Stevens, Deputy
Justin Cooley, Deputy

Child Support Services Cash Procedures & Internal Controls Follow-Up Audit

May 2024

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: MAY 21, 2024

SUBJECT: FOLLOW-UP TO RECOMMENDATIONS MADE IN THE CHILD SUPPORT SERVICES FY 2022-23 CASH PROCEDURES AND INTERNAL CONTROLS AUDIT REPORT

Our office previously issued a cash procedures and internal controls audit report of the Child Support Services office in September 2023. We recently performed a follow-up audit to determine whether the recommendations made in our initial report were implemented. We conducted our follow-up audit in conformance with the *International Standards for the Professional Practice of Auditing*.

We determined three of the four recommendations were implemented.

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

The Child Support Services' petty cash fund was not reconciled 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.

Follow-up Results

The audit recommendation was implemented.

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.

Follow-up Results

Our office emphasized that, in case of an emergency, the County Treasury can wire funds within 24 hours of a request to the State Distribution Unit. However, the audit recommendation was not implemented. The department maintains the position provided in the original audit report as follow:

“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.

Follow-up Results

The audit recommendation was implemented.



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

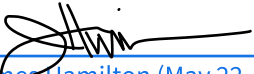
We recommend that Child Support Services have all employees sign the Information Security Program's Acceptable Use Policy Acknowledgement annually.

Follow-up Results

The audit recommendation was implemented.

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

Sincerely,


[James Hamilton \(May 22, 2024 09:43 PDT\)](#)

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

Cc: David Beaudin, Administrative Services Manager
Olena Nagorna, Administrative Analyst
Brian Spaulding, Auditor Analyst