



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

(1) DEPARTMENT Auditor-Controller-Treasurer- Tax Collector	(2) MEETING DATE 11/19/2019	(3) CONTACT/PHONE Mark Maier (805) 781-4267 Kerry Bailey (805) 788-2979	
(4) SUBJECT Submittal of a cash procedures and internal controls audit of the San Luis Obispo County District Attorney's Office conducted in July 2019. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached District Attorney's Office 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"/> 4/5th'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 _____ 6/16/15 _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

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

DATE: 11/19/2019

SUBJECT: Submittal of a cash procedures and internal controls audit of the San Luis Obispo County District Attorney's Office conducted in July 2019. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached District Attorney's Office 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 the department's financial assets, 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 cash counts. The District Attorney is in general conformance with the Cash Handling Policy except as outlined in the attached Cash Procedures and Internal Controls Audit report. Detailed in the attached report, we identify five findings; two of which the department has corrected prior to the issuance of the final report. The remaining three related to the segregation of cash handling and depositing duties, the security of County computers when not in use and the failure to mark reimbursed petty cash receipts as "paid". The District Attorney's Office agrees with our report and has included responses to the three remaining findings and recommendations.

OTHER AGENCY INVOLVEMENT/IMPACT

District Attorney

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 2019-20 District Attorney Office's Cash and Internals Control Audit Report



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

District Attorney
Cash Procedures & Internal Controls Audit

October 2019

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




COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

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

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

TO: DAN DOW, DISTRICT ATTORNEY

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

DATE: OCTOBER 11, 2019

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROLS AUDIT CONDUCTED ON JULY 23, 2019

Our office has completed a cash procedures and internal controls audit which took place on July 23, 2019. Our audit resulted in five findings, two of which have already been corrected. The department's response to the remaining findings are 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 open findings in this report.

Purpose

The purpose of our audit was to:

1. Determine compliance with the County Auditor-Controller-Treasurer-Tax Collector's Cash Handling Policy.
2. Establish accountability for the cash and cash equivalents on hand at the time of the audit.
3. Evaluate the controls over revolving fund bank accounts, purchasing cards (Cal-Cards), and gift cards.
4. Determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirement.

Scope

The scope of our audit included cash, cash equivalents and receipts on hand as of July 23, 2019, as well as deposits for the prior two months. Additionally, we reviewed the department's two revolving fund bank accounts, gift cards and Cal-Card activity for FY 2018-19. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

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 and cash equivalents on hand on July 23, 2019 and reconciling the amounts to the department's accountability figures. We examined payment receipts and compared the corresponding receipts totals to the subsequent Treasury deposits. Our audit also included an evaluation of internal controls over payment receipts, cash equivalents, Cal-Card activity and revolving fund bank accounts. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally, we tested for the department's 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, to be in balance at the time of our count. The department's internal controls over cash, cash equivalents and revolving bank accounts appear to be adequate with the exception the of the segregation of cash handling duties.

The department is in general compliance with the Cash Handling Policy. Recommendations were made to strengthen internal controls surrounding cash handling duties and the safeguarding of computers. Additionally, the majority of staff sampled had not signed the IT Acceptable Use Policy Acknowledgement form within the previous 12 months. 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. Segregation of Cash Handling Duties

In one of the District Attorney's divisions, the cash custodians receive, record, deposit, and reconcile payments. The County's Cash Handling Policy requires adequate separations of these duties to ensure that no one individual controls more than one key aspect of a cash transaction. Minimal fiscal staff within the division hindered the separation of cash handling responsibilities.

However, when one individual performs more than one aspect of cash handling then the risk of misappropriation and mishandling of funds increases.

Recommendation

We recommended the department have a non-fiscal staff member who does not accept payments review the payment deposits prepared by the cash custodians.

Department Response

The District Attorney's financial division has reviewed the Cash Handling Policy with the two non-fiscal employees involved in receiving cash payments. The designated cash custodian will record the payment in the numbered sequence receipt book and then provide a paid receipt to the customer. When monies received total more than \$500 or once a week, whichever comes first, staff will prepare a deposit by placing all paid receipts in sequence order with form of payment (cash or check) and provide a tape with the calculated total. A non-fiscal staff not involved in the receiving of cash will review the collected cash payments for accuracy and initial the calculated tape total prior to notifying fiscal staff by email that a deposit is ready to be picked up. Fiscal staff will prepare the deposit in SAP and make the deposit. By close of business, the non-fiscal staff who did not receive cash payments will reconcile cash box. If a cash custodian is absent, the employee's supervisor will assist.

2. Computers Periodically Unsecured

At the time of the cash count, staff were not locking their computers when their workstations were unattended. Further, the computer's automatic locking function did not activate until after one hour of inactivity. The County's Information Security Program Policies (Policy) require users log off the network when leaving their workstations for an extended amount of time, and automatic password-protected screensavers be activated when computers are inactive for 10 minutes. Staff had overlooked the Policy's security requirements of their computers because the department maintains robust physical security around work areas. Despite the department's strong work area security, the failure to lock computers when not in use could result in unauthorized access to computers and the unauthorized use, modification and/or destruction of data.

Recommendation

We recommend the District Attorney's office emphasize to staff the County's Information Security Program Policy's workstation security requirements and update the default computer setting to initiate a password-protected screensaver after 10 minutes of inactivity.

Department Response

Staff will be reminded of the County's Information Security Program Policies via email, emphasizing that workstations may not be left unlocked when unattended and all staff will be provided a copy of the Policy. Our management team will discuss having our Department Automated Specialist update the department's computers default setting to automatically lock after 10 minutes of inactivity. Supervisors and managers will ensure that staff annually review and acknowledge the ITAUP by including it as part of staff's annual evaluations.

3. Victim Witness Assistance Fund's Payment Receipts Not Marked "Paid"

None of the receipts submitted for reimbursement from the District Attorney's Victim Witness Assistance petty cash fund were marked as "paid". The Cash Handling Policy requires petty cash related receipts be marked as "paid" immediately after reimbursement is made. Staff inadvertently overlooked the Cash Handling Policy's control for payment receipt documentation. Failure to mark receipts "paid" increases the risk of loss due to misappropriation of funds by reimbursing a receipt multiple times.

Recommendation

We recommend the department update the Victim Witness Assistance Fund's petty cash custodian procedure to align with Cash Handling Policy and all future receipts be marked "paid" immediately upon reimbursement.

Department Response

The Victim Witness Assistance division will be updating the Cindy Pinto Emergency Fund Procedure immediately to coincide with Cash Handling Policy. After the cash custodian has completed the reimbursement they will stamp the receipt as "paid", and initial. The back up cash custodian will verify this by the close of the business day when the cash box is being reconciled.

Findings with Recommendations Implemented

1. Cash Handling Policy Not Certified by All Necessary Staff

Not all cash handlers had certified in writing 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. Written acknowledgement by employees stating they have read the Policy helps ensure consistent countywide procedures for cash handling. We recommended the District Attorney have all employees who are cash handlers, custodians and managers review and sign the Policy. The department agreed and provided the certifications prior to completion of the audit.

2. Information Technology Acceptable Use Policy Not Acknowledged Timely by Staff

Of the fifteen District Attorney employees sampled, twelve had not signed the Information Technology Acceptable Use Policy (ITAUP) within the year prior to our audit. By signing the ITAUP annually, as required by Section 4 of the Information Security Program Master Security Policy, employees acknowledge they will adhere to the ITAUP. The department indicated the employees had not signed the policy due to the form not being included in the department's employee annual review process. Employee acknowledgment of the ITAUP reduces the risk of inappropriate use and exposure of County computing systems. We recommended the necessary signatures be obtained and staff develop procedures to ensure all employees sign the ITAUP annually. The department agreed and prior to the end of fieldwork provided the necessary acknowledging documentation.

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