



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

(1) DEPARTMENT Auditor-Controller-Treasurer- Tax Collector	(2) MEETING DATE 6/18/2019	(3) CONTACT/PHONE Mark Maier (805) 781-4267	
(4) SUBJECT Submittal of a cash procedures and internal controls audit of the Parks and Recreation Department conducted in March 2019. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached Parks and Recreation Department 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 <u>10/7/2014</u>	
(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: 6/18/2019

SUBJECT: Submittal of a cash procedures and internal controls audit of the Parks and Recreation Department conducted in March 2019. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached Parks and Recreation Department 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 (IT) 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.

The Parks and Recreation Department maintains cash funds at eight locations. While all cash funds were counted for the audit, two of the locations were seasonally closed at the time of the audit, therefore, they were excluded from an assessment of internal controls.

We determined the cash funds, and cash receipts on hand to be in balance at the time of our count. Deposits were made timely, and the receipting, depositing, and recording functions were properly segregated.

Detailed in the attached report, we identified five areas with findings; four of which the department has corrected prior to the issuance of the final report. The remaining finding related to updating the safe and building combinations when staff leave the department. The department agreed with our recommendation and their response is included in the report.

OTHER AGENCY INVOLVEMENT/IMPACT

Parks and Recreation Department

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 Parks and Recreation Cash Procedures and Internal Controls Audit Report FY 2018-19



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

Parks and Recreation
Cash Procedures & Internal Controls Audit

April 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: NICK FRANCO, PARKS AND RECREATION DIRECTOR
FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 
DATE: APRIL 25, 2019
SUBJECT: CASH PROCEDURES AND INTERNAL CONTROLS AUDIT CONDUCTED IN MARCH 2019

Our office has completed a cash procedures and internal controls audit which took place in March 2019. Our review resulted in five findings, four of which have been corrected. The departmental response to the remaining finding has been included with this report.

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller-Treasurer-Tax Collector’s Cash Handling Policy, to establish accountability for the 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 Acceptable Use Policy Acknowledgement signature requirements.

Scope

The scope of our audit included cash, annual passes, gift cards, and receipts on hand on the dates of our audits, as well as deposits made for the prior month. Locations included in our audit were the San Luis Obispo Administrative Office, Dairy Creek Golf Course, Santa Margarita Lake Recreational Area, Coastal Dunes RV Park and Campground, Lopez Lake Recreational Area, and El Chorro Regional Park. The Nipomo Regional Park and Biddle Regional Park cash amounts were counted and verified against the department’s accountability figures; however, internal controls were not assessed at these locations due to the parks being seasonally closed. Additionally, we audited the department’s Cal-Card activity in fiscal year 2018-19 and controls over purchasing cards. 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 (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.



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Our procedures included physically counting all cash on hand as of the dates of our audits 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, annual passes 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

Except for the issues noted below, we determined all cash funds and cash receipts on hand to be adequately safeguarded and in balance at the time of our counts. The department's internal controls over cash, annual passes, gift cards, and Cal-Cards appear to be adequate.

The department was in general compliance with the Cash Handling Policy however, several recommendations were made to strengthen internal controls or processes. All but one of the recommendations has been implemented and do not require a departmental response. Please provide a response to the one remaining finding and recommendation.

Finding & Recommendation

1. Safe Combination Not Changed Periodically

One location's safe combination has not been changed since it was first acquired in 2014; therefore, terminated, transferred or employees who no longer handle cash have knowledge of the safe combination. In addition, the building alarm code has not been changed in 22 years. The Cash Handling Policy requires that the safe combination be restricted to as few employees as possible and that the combination to the safe should be changed whenever an employee who has knowledge of the combination terminates County employment, is transferred to another department, or is removed from cash handling functions. Maintaining the same safe combination and alarm code after employees leave puts the County's cash and other assets at risk.

Recommendation

We recommend that management update the safe combination and alarm code. In addition, going forward, the safe combination should be changed at least annually or more frequently if needed to maintain security of the safe contents.

Department Response

We changed both codes immediately and going forward the safe combination will be changed whenever we terminate an employee.



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Findings with Recommendations Implemented

1. Information Technology Acceptable Use Policy Not Acknowledged Annually by Staff

The department's employees not signing the Information Technology Information Security Program Acceptable Use Policy (ITAUP) annually. The ITAUP 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. As an outcome of the department being separated from the General Services Agency in fiscal year 2014-15 and becoming a stand-alone department, the process in place to obtain the signatures annually was inadvertently discontinued. Employee acknowledgment of the ITAUP reduces the risk of inappropriate use and exposure of County computing systems. We recommended the appropriate acknowledgment signatures be obtained and a process be created to obtain the signatures annually. The department agreed, provided the necessary signatures, and created a process to obtain the signatures annually.

2. Lack of Staff Certification of the Cash Handling Policy

19 of 62 cash handlers, supervisors or managers had not certified in writing that they had read the Cash Handling Policy (Policy). The Policy is required reading for all cash handlers, custodians, and managers. While some staff members had signed the acknowledgment page, the department did not have a consistent process in place to obtain all necessary acknowledgments. Written acknowledgement by employees indicating they have read and understood the Policy helps ensure consistent countywide procedures for cash handling. We recommended the remaining acknowledgment signatures be obtained and awareness within the department be reinforced regarding the need to obtain the signatures. The department agreed and provided the appropriate signatures.

3. Check Payments Not Restrictively Endorsed at Time of Receipt

2 of the 6 locations did not restrictively endorse check payments when they were received by the cashier. Instead, check payments were restrictively endorsed, by a staff member other than the cashier, when the bank deposit was prepared. The Cash Handling Policy requires check payments be endorsed when they are received. While each location had a stamp to restrictively endorse payments the locations were unaware of the requirement to restrictively endorse payments upon receipt. When check payments are not immediately restrictively endorsed the risk of misappropriation increases, resulting in potential loss of funds. We recommended the locations restrictively endorse payments immediately upon receipt. The department agreed and has updated their procedures accordingly.



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4. Unrecorded Change Fund Overages and Shortages

While the point-of-sale system calculates cash handling overages and shortages, these amounts were not being recorded in the County's financial system. The Cash Handling Policy requires departments report cash overages and shortages. The department had determined the amounts were immaterial and therefore unnecessary to record. Although the dollar value of overages and shortages may be immaterial for financial reporting purposes, not recording these discrepancies may allow for cash handling process breakdowns to remain unnoticed and increases the opportunity for theft. We recommended the department include the recording of overages and shortages as part of the monthly reconciliation process of the point-of-sale system and the financial system. The department agreed and has implemented the monthly recording of overages and shortages.

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