



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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector		(2) MEETING DATE 3/6/2018		(3) CONTACT/PHONE Kerry Bailey 788-2979 Suzanne De Witt 781-4846	
(4) SUBJECT Submittal of a follow-up cash procedures and internal controls audit of the Department of Social Services for FY 2017-18. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached audit report for the Department of Social Services Cash Procedures, Internal Controls, and Revolving and Trust Funds Follow-up 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: N/A <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 June 6, 2017	
(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: 3/6/2018

SUBJECT: Submittal of a follow-up cash procedures and internal controls audit of the Department of Social Services for FY 2017-18. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached audit report for the Department of Social Services Cash Procedures, Internal Controls, and Revolving and Trust Funds 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 June 6, 2017. Our follow-up cash procedures and internal control audit was initiated to determine whether the department implemented the four recommendations identified in our initial report.

We determined that the Department of Social Services implemented all our recommendations.

OTHER AGENCY INVOLVEMENT/IMPACT

Department of Social Services

FINANCIAL CONSIDERATIONS

There is no additional cost to the County for conducting unannounced cash and internal control audits. Periodic unannounced cash and internal control audits are part of the ACTTC's compliance with Government Code 26881 and 26883.

RESULTS

The ACTTC's program of periodic unannounced audits 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. Department of Social Services Cash, Internal Controls, Revolving and Trust Funds Follow-Up Audit for FY 17-18



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

Department of Social Services
Cash Procedures, Internal Controls, and Revolving & Trust
Funds Follow-Up Audit

February 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

TO: DEVIN DRAKE, SOCIAL SERVICES DIRECTOR

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

A handwritten signature in blue ink, appearing to read "J.P. Erb".

DATE: FEBRUARY 8, 2018

SUBJECT: FOLLOW-UP AUDIT OF THE DEPARTMENT OF SOCIAL SERVICES CASH PROCEDURES, INTERNAL CONTROLS, AND REVOLVING & TRUST FUNDS

Our office previously performed a cash procedures, internal controls, and revolving and trust funds audit of the Department of Social Services (DSS) on various dates in February and March 2017. We performed a follow-up audit on November 15, 2017 to determine whether the recommendations we identified in our initial report were implemented; we determined that DSS has implemented our recommendations.

Purpose

The purpose of our audit was to determine whether the Department of Social Services (DSS) implemented recommendations from our May 11, 2017 audit report's four findings.

Scope

The scope of the audit included staff acknowledgement of the Auditor-Controller-Treasurer-Tax Collector's (ACTTC) Cash Handling Policy within the last year; checks received by the department at the time of the audit; bulk mail payments from October 2017; and current procedures for the review and authorization of revolving fund expenditures.

Methodology

We conducted our audit in conformance with *the International Standards for the Professional Practice of Internal Auditing*. The *International Standards for the Professional Practice of Internal Auditing* 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; the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our procedures included observing checks for restrictive endorsement and reviewing documentation supporting staff acknowledgement of the ACTTC's Cash Handling Policy.



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We also interviewed staff regarding the process for review and authorization of revolving fund expenditures and validated the payment method for bulk mail postage.

Detail of Previous Findings & Recommendations and Follow-Up Results

1. Unsecured Meal Cards

Meal cards were not properly secured at three of the six locations audited. The ACTTC's Cash Handling Policy requires adequate security of cash equivalents be maintained at all times. Staff misjudged the level of security required for cash equivalents, yet properly safeguarding cash equivalents decreases the opportunity for theft.

Recommendation

Meal cards must be stored in a secure, locked location. Keys to the secure location should be kept separately in unidentified locations known to a limited amount of staff.

Department Response

The identified issues have subsequently been resolved and the Fiscal Department will ensure all locations receive training on the importance of maintaining proper security of items with cash equivalence.

Follow-up Results

The audit recommendation was implemented.

2. Use of Revolving Fund for a Purchase Not Related to Immediate Participant Needs

Social Services' two revolving funds were established to provide payments for the immediate needs of participants. In one instance, a \$4,000 purchase, tangentially related to participant needs, was made from the revolving account for an emergency purchase of business reply mail postage. Staff were unaware that the ACTTC has procedures, other than using the revolving fund, to pay for unscheduled emergency purchases. When payments are made that are marginally related to the revolving fund's purpose, the risk of purchases which are inappropriate to the fund increases.

Recommendation

The Department should implement a process to monitor business reply mail postage account permits and also set up procedures for alternate payment of items which are urgent, but not directly related to the purpose of the revolving accounts.



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Department Response

While the Fiscal Department recognizes the \$4,000 purchase may have tangentially related to participant needs, during this time staff were unaware the ACTTC had an alternate method to issue checks for unscheduled emergency purchases, resulting in the use of the revolving account. Subsequently, additional information and education has been provided by the ACTTC, resulting in the creation of a Department Policy & Procedure for alternative methods of payment for unscheduled emergency purchases unrelated to participant needs. To resolve the issue with the business reply mail accounts, the Department is actively coordinating with the appropriate staff to establish an internal process, ensuring the business reply mail postage accounts are regularly monitored and replenished as needed through the scheduled payment process.

Follow-up Results

The audit recommendation was implemented.

3. Checks Not Restrictively Endorsed When Received

At four of the six locations audited, checks were not being restrictively endorsed at the time payments were received. The ACTTC's Cash Handling Policy requires all checks and money orders be restrictively endorsed when received; however, staff were unaware of the requirement. Endorsing checks and money orders upon receipt decreases the possibility of theft.

Recommendation

Cash handlers should restrictively endorse all checks and money orders when received.

Department Response

Endorsement stamps have been provided to all locations with instructions to restrictively endorse all checks and money orders upon receipt.

Follow-up Results

The audit recommendation was implemented.

4. Lack of Staff Certification of the Cash Handling Policy

Not all cash handlers had certified in writing they had read the ACTTC's Cash Handling 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.



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Recommendation

All cash handlers, custodians, and managers must certify they have read the ACTTC's Cash Handling Policy.

Department Response

The Fiscal Department is currently in the process of securing signatures from all appropriate staff at each location. To mitigate any future issues, the department worked with DSS Human Resources to ensure appropriate job classifications receive the Cash Handling Policy as one of the Employee Statements requiring review and signature during the on-boarding process and the annual evaluation process.

Follow-up Results

The audit recommendation was implemented.

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