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August 15, 2013

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Facilities Management Department
County of San Bernardino
200 South Lena Road
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SUBJECT: FACILITIES MANAGEMENT CASH CONTROLS FOLLOW-UP

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 02-02 on Internal Operational Auditing, we have completed a follow-up audit of the cash controls of the Facilities Management Department (Department). Our review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether the Facilities Management Department implemented the three recommendations contained in an earlier report, *Facilities Management Cash Controls Audit*, issued on February 11, 2009. We reviewed the period from July 1, 2012 through January 31, 2013. To determine the implementation status of the recommendations, we:

- interviewed departmental personnel associated with the cash functions
- obtained and reviewed the appropriate supporting documentation

Conclusion

Two of the three recommendations from the previous audit report have been implemented by the Department. No further follow-up on these recommendations will be necessary. The remaining recommendation regarding segregation of duties has not been implemented.

A draft report was delivered to the Department on August 8, 2013 and the results were discussed with management on August 15, 2013. The Department's response to our recommendation is included in this report.

Prior Audit's Findings and Recommendations with Current Status

The details of the prior audit's findings and recommendations and their implementation status are below:

Finding 1: Lack of Segregation of Duties

Per the Internal Controls and Cash Manual (ICCM), page 2-3, no one person should be assigned concurrent duties that would allow him/her complete control over a transaction or an asset. In addition, an employee of a higher-ranking job code should perform reconciliation at least monthly. The petty cash fund custodian issues cash, maintains records, and performs monthly bank reconciliation (without supervisor or management review). Without segregating duties, a single person could conceal errors and irregularities in the normal course of his/her duties, which could result in ineffective management of cash and an increased susceptibility to theft.

Recommendation:

The reconciliation should be performed by an independent employee other than the petty cash fund custodian and of a higher-ranking job code.

Current Status: Not Implemented.

Management's Response: Management Concur.

Real Estate Services Department (RESA) – Facilities Management Division (FMD) had previously implemented the segregation of duties by assigning a Secretary II as the fund custodian and a Staff Analyst II as the reconciler. As of August 2013, FMD has established a procedure that the Staff Analyst II will audit on a monthly basis the fund, including cash on hand, vouchers/ receipts and bank statements to the approved fund balance.

Auditor's Response: The Department's planned action will correct the deficiencies noted in the finding.

Finding 2: Lack of Petty Cash Vouchers' Usage

Per the ICCM, page 4-10, a department employee completes a petty cash voucher in permanent ink, stating the date, purpose of the expenditure and the amount to be expended. Then an authorized department employee, of a higher-ranking job code than the requestor, approves the voucher. The Department did not require petty cash vouchers for reimbursements. The lack of petty cash vouchers could lead to unapproved transactions.

Recommendation:

Create a petty cash voucher form. Require all employees to complete it in permanent ink stating the date, purpose of the expenditure and the amount to be expended. Then an authorized department employee, of a higher-ranking job code than the requestor, must approve the voucher before the expense is incurred.

Current Status: Implemented

Finding 3: Lack of Timely Replenishment of Cash Fund

Per the ICCM, page 4-6, County departments must replenish their cash funds when they have used 75% of the authorized amount. In addition, they must replenish their cash funds prior to the end of each fiscal year to ensure expenditures are recorded in the year in which they were incurred. During the audit period, the department did not replenish the petty cash fund when 75% of the authorized amount had been used. Without effectively practicing the internal controls as stated in the ICCM, the risk of petty cash fund being misappropriated increases

Recommendation:

Replenish the petty cash fund when 75% of the authorized amount has been used.

Current Status: Implemented

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

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By:



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