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October 13, 2009

Annette Kerber, Assistant Treasurer- Tax Collector/ Public Administrator

Treasurer- Tax Collector/ Public Administrator

172 West Third Street, First Floor

San Bernardino, CA 92415-0360

SUBJECT: PUBLIC ADMINISTRATOR TRUST FUND AUDIT

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing and the Internal Controls and Cash Manual (ICCM), we have completed an audit of the Treasurer-Tax Collector/Public Administrator trust fund. Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing.

Background

Under California Probate Code Section 7620, the Public Administrator is required to take charge of the property of persons who have died when no executor or estate administrator has been appointed. The primary functions of the Public Administrator are collecting and safeguarding assets and paying debts. If assets remain after paying debts and expenses, the Public Administrator is to distribute the remainder to those legally entitled.

Objectives, Scope and Methodology

Our overall objective was to determine whether the department was effectively managing the trust fund. Specific audit objectives were to determine whether:

1. Trust activities were in compliance with applicable rules and regulations and the ICCM.
2. Trust fund internal controls effectively safeguard its assets.

We reviewed internal controls over the trust fund for the period of June 1, 2008 through November 30, 2008. Our audit included a review of probate codes, policies and procedures applicable to the trust fund, verification of records, inquiries of staff, observation of cash handling of receipts and other audit procedures considered necessary.

Conclusion

As a result of our analysis and tests performed, we concluded that cash handling controls practiced by the department were adequate. We determined that:

1. Trust activities were in compliance with applicable rules and regulations, though improvements could be made in order to comply with the ICCM.
2. The trust fund's internal controls did safeguard its assets, though improvements could be made.

We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to the department on August 7, 2009 and discussed our observations with management on August 27, 2009. The department's responses to our recommendations are included in this report.

Findings and Recommendations

Finding 1: Failure to make timely deposits

The ICCM, Chapter 3 - Cash Controls, states cash receipts must be deposited by the next business day when the amount of receipts reaches \$1,000. In a sample of thirty-two receipts, there were six instances where the department had receipts of over \$1,000 that were not deposited by the next business day. Maintaining large amounts of cash significantly increases the risk of loss due to misappropriation of cash assets.

Recommendation:

We recommend that management ensure that receipts be deposited by the next business day when the amount of receipts reaches \$1,000.

Management's Response:

We concur with the finding and recommendation. Procedures have been implemented which require staff to deposit receipts of \$1,000 or more by the next business day.

Auditor's Response:

The Department's response addresses actions taken to correct deficiencies noted in the finding.

Finding 2: Cash receipt controls need to be improved

The ICCM, Chapter 6 - Receipts, states that adequate controls must be practiced when handling receipts. For example, when a receipt is received by mail, the person who opens the mail is to complete a list of the mail receipts received. The list should contain the signatures of the person opening the mail and the cashier to whom the mail receipts are turned over. There were six different staff members who had access to receive receipts. However, the log kept by the department did not contain a column for signature of the person who received the receipt. The department was unaware of this policy. When the log is not signed acknowledging a receipt has been received, lack of accountability exists which can result in misappropriation of cash assets.

Recommendation:

We recommend that management insert a column on the Cash/Check Log for the signature of the person who receives a receipt.

Management's Response:

We concur with the finding and recommendation. Effectively immediately, the Cash/Check Log will be updated to include the receiving signature column and staff will be responsible for the documentation of the checks received.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Finding 3: Trust fund had an outstanding unreconciled difference

The ICCM, Chapter 5 - Cash Shortages and Losses, states that shortages need to be reported to the ACR Internal Audits Section by submitting a "Request for Relief from Liability" memo. An unreconciled difference of (\$981.07) has existed in the trust fund since 2005, the time the Public Administrator became part of the Treasurer- Tax Collector. Since the unreconciled difference was nominal compared to the total amount of the trust fund, the department decided to carry over the unreconciled difference and cease further investigation.

Recommendation:

We recommend that management submit a relief from liability memo to the ACR Internal Audits Section in accordance with the example in Chapter 5 of the ICCM.

Management's Response:

We concur with the finding and recommendation. In addition, we are currently taking the necessary steps to identify the transactions that may have led to the unreconciled difference. Pending the results of our investigation, we will submit appropriate documentation as required by Chapter 5 of the ICCM.

Auditor's Response:

The Department's response addresses planned actions to correct deficiencies noted in the finding.

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

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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