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May 23, 2011

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Human Resources Department
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SUBJECT: HUMAN RESOURCES' CASH CONTROLS FOLLOW-UP 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 a follow-up audit of the Human Resources' Cash Controls audit conducted in 2009. Both audits were 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 Human Resource Department (HR) implemented the recommendations contained in the original audit report dated March 5, 2009. To achieve this objective we:

- Interviewed employees,
- Tested a sample of transactions, and
- Reviewed and analyzed internal controls.

Conclusion

All of the recommendations from the previous report have been at least partially implemented by HR.

Prior Audit's Findings and Recommendations with Current Status

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

Prior Finding 1: Management of the Petty Cash Fund needs to be improved

The following conditions were disclosed during our review:

- The Fiscal Assistant issues the cash and maintains the records, and the Accountant I completes the reconciliations.
- The department uses printed text from an office document as a signature and does not always get an ink signature from the claimant.
- There were three claims tested and each had a signature missing. Two were missing the claimant signature, all were missing the cashier signature and two were missing proper approval. On the two exceptions that were missing proper approval, it appears that the fund custodian is the person authorizing the transaction.
- There was no documentation of the review by management of the checking account reconciliation.
- There are three checks outstanding that should have been stale dated in the Petty Cash checking account and the face of the checks does not read "Void six months from issue date."

Recommendation:

We recommend that management segregate the cash handling and bookkeeping duties. For example, one employee should handle everything associated with custody of cash (collecting cash receipts and preparing deposits), another employee should handle accounting for the cash (recording) and another employee should handle reconciling the cash and transactions. We also recommend that management require signatures for each petty cash voucher from the claimant, authorizing individual, and custodian. Further, we recommend that department document any reviews completed. To finish, we recommend that the department stale date any check that has not been presented for payment within six months of the issue date and include the phrase "Void six months from issue date" on the face of their checks.

Current Status: Partially Implemented. During testing, we found one of five transactions tested did not contain the signature of the person receiving reimbursement.

Management's Response: We have changed our procedure and we are now ensuring that the recipient of the petty cash check signs for the check at the time they receive it.

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

Prior Finding 2: Revolving fund incorrectly closed and cash transferred to revenue account

The department created a journal voucher incorrectly posting the revolving fund closure to revenue. The department did not follow the ICCM procedures for decreasing or closing a cash fund.

Recommendation:

We recommend that in the future the department complete a "Request to Decrease or Close a Cash Fund" and complete a Deposit Permit (CR-A) form to deposit the amount of the reduction into the County Treasury using the department's normal deposit procedures. Leave the revenue source code blank. Send the request and the deposit permit to the ACR Internal Audits Section.

Current Status: Implemented.

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

Respectfully submitted,

LARRY WALKER,
Auditor-Controller/Treasurer/Tax Collector

By: _____
MARK COUSINEAU, CPA
Chief Deputy Auditor
Internal Audits Section

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