

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

- 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
- 172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

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Joel Golub, Chief Information Officer
Information Services Department
670 East Gilbert Street
San Bernardino, CA 92415-0915

SUBJECT: INFORMATION SERVICES' 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 Information Services' 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 Information Services Department (ISD) implemented the recommendations contained in the original audit report dated May 14, 2009. To achieve this objective we:

- interviewed employees,
- tested a sample of transactions, and
- reviewed and analyzed internal controls.

Conclusion

One of the recommendations from the previous report was implemented, one was partially implemented, and one was not implemented by ISD.

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: Non-compliance with County's Reconciliation Procedures

Our original audit noted the following conditions:

1. There was no evidence of reconciliation of \$500 petty cash fund within the audit period.
2. Reconciliation was not performed by staff with a higher level job code than the fund custodian of the petty cash checking account.
3. Fund custodian reimbursed department employee less than the amount expended without an explanation.
4. Request for reimbursement form with management approval was not on file.

Recommendation:

We recommend that an employee, higher in rank than the fund custodian, reconcile the cash funds at least once a month. In addition, ISD should ensure a request form or electronic message with approval are on file prior to expending petty cash funds.

Current Status: Partially Implemented.

During testing we found:

- cash account was not reconciled monthly,
- checking account reconciliations were prepared monthly but were not signed off as prepared or reviewed,
- the custodian did not sign off on reimbursements,
- one item was not listed on the petty cash ledger,
- one reimbursement did not have the original receipt attached to the request for reimbursement, and
- two reimbursements were for employee travel.

Management's Response:

- The cash account will be reconciled monthly by Supervising Accountant II
- The checking account reconciliation will be reviewed and signed
- The Fund Custodian will sign off on reimbursements
- The mistake will be corrected
- The mistake will be corrected
- Staff has been instructed not to pay any more employee travel claims by using petty cash checking and to utilize the appropriate County travel reimbursement forms and procedures.

Auditor's Response:

The department's planned actions will correct the deficiencies noted in the finding.

Prior Finding 2: Lack of Timely Replenishment

Our audit noted the following condition:

1. The authorized amount for the ISD Petty Cash Checking account is \$2,000. Accounting records showed that the Petty Cash Checking was not replenished when ISD used 75% of the authorized amount.

Recommendation:

We recommend that ISD should provide training for all appropriate staff on cash handling policy and procedures. In addition, ISD should periodically verify that written policies and procedures are being followed and document that review.

Current Status: Not Implemented.

During testing, we found that there was not a request for replenishment at year end for the cash and checking accounts. In addition, the cash account was not replenished when it reached 75% of the authorized amount.

Management's Response:

- ISD will provide training for appropriate staff regarding cash handling policy and procedures
- The cash account will be replenished when it reaches 75% of the authorized amount
- ISD will request replenishments at year end

Auditor's Response:

The department's planned actions will correct the deficiencies noted in the finding.

Prior Finding 3: Late Fee Assessments

The Department generally paid its vendors on a timely basis; however our audit noted the following condition:

1. Late fees were assessed on past due balances and added to the next monthly bill.

Recommendation:

We recommend that ISD remit timely payment for services to avoid late fee assessments.

Current Status: Implemented.

