



- 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

December 20, 2011

**Christine Kelly, Director**  
Land Use Services  
385 N. Arrowhead Ave.  
San Bernardino, CA 92415

## **SUBJECT: LAND USE SERVICES – CURRENT PLANNING ENTERPRISE RISK MANAGEMENT AUDIT**

### **Introductory Remarks, Objectives, Scope and Methodology**

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 Land Use Services – Current Planning Section's Enterprise Risk Management. Our audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

Our overall objective was to evaluate the effectiveness of the department's monitoring of its cash/agency (trust) funds, expenditure/revenue transactions, and actual to budget figures and how successfully it communicated new or modified policies/procedures to staff. Specific audit objectives were to:

- determine that the department is monitoring its cash/agency (trust) funds, expenditure/revenue transactions, and actual to budget figures at least monthly and that there is evidence of the review.
- determine the department successfully communicates new or modified policies/procedures to staff and that there is evidence of staff receipt.

The review included evaluating management's controls over the items mentioned above during fiscal year 2010-2011.

### **Conclusion**

As a result of our analysis and tests performed, we concluded that the department successfully communicated changes in policy and procedures to staff including proof of staff receipt. In addition, the department prepared monthly budget to actual reports and expenditure and revenue reports, including documentation of management's review or approval. The department also completed monthly reconciliations of its agency (trust)

funds, which included approval by a higher ranking staff member. However, it was found that while the department did reconcile the petty cash checking account monthly, the cash on hand petty cash funds were not consistently reconciled on a monthly basis in accordance with the ICCM. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

### **Findings and Recommendations**

#### **Finding 1: Petty Cash reconciliations could be improved**

The Internal Control and Cash Manual (ICCM), Chapter 4, states reconciliations should be completed monthly. The ICCM also states that the reconciliation should also be reviewed and signed by an employee of a higher ranking job code to ensure that errors and omissions are detected. During testing, it was noted that the petty cash checking is reconciled monthly but is not reviewed by a person with a higher ranking job code, and that the cash fund is not consistently reconciled on a monthly basis or reviewed by a person with a higher ranking job code. This is due to the current vacancy of the Administrative Supervisor position who reviewed reconciliations. However, management was unaware of the importance of monthly petty cash reconciliations and that they should be reviewed by anyone with a higher ranking job code than the reconciler. If the department does not complete and review monthly reconciliations, there is a risk of undetected theft and errors. In addition, it implies there might be a lack of sufficient control over other items within the department. Timely management oversight helps establish tone at the top that flows through an organization.

#### **Recommendation:**

We recommend that management ensure all reconciliations are prepared, reviewed and approved at least monthly.

#### **Management's Response:**

During the timing of this audit, our administrative structure and personnel were undergoing changes due to the pending integration of Environmental Health and Land Use Services. This created a vacancy in the Administrative Supervisor position which previously reviewed the final petty cash reconciliation monthly, however, the task was in transition of being reassigned to an incoming Administrative Supervisor who later declined the position. This created a need that was identified to be reassigned based on the criteria as stated above from the Internal Control and Cash Manual (ICCM), Chapter 4. The petty cash reconciliation has been moved to Marion Aubin, Fiscal Specialist; and the review to Trish Munoz, Staff Analyst and reviewed monthly. The Administrative Supervisor position will be filled effective December 31, 2011 at which time they will be the final reviewer monthly. Please note that the petty cash fund is under review for discontinuance due to the expanded use of the Procurement Card Program.

**Auditor's Response:**

The department's interim and planned actions will correct the 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/Treasurer/Tax Collector  
County of San Bernardino

By:

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Mark Cousineau, CPA, CIA, CGAP, CITP, CGFM  
Chief Deputy Auditor  
Internal Audits Section

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