

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



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October 19, 2011

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SUBJECT: COUNTY FIRE PROTECTION DISTRICT 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 County Fire Protection District'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. The department prepared monthly budget to actual, expenditure and revenue reports including documentation of management's review or approval. The department also completed monthly reconciliations of its agency (trust) funds, although they did not include approval by a higher ranking staff member. It was also found that the department did not reconcile its petty cash fund monthly as required by the Internal Controls and Cash Manual. 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. The department does not complete petty cash reconciliations monthly. Management was unaware of the need for monthly petty cash reconciliations. 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:

The Department acknowledges that funds were being reconciled on a regular basis, however not monthly as required.

Fund custodians have been advised of the requirement to reconcile on a monthly basis and management will verify that the various funds are prepared, reviewed and approved at least monthly.

Auditor's Response:

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

Finding 2: Agency (Trust) fund reconciliations should be completed monthly

Agency (trust) funds are used for money that is held by the County for another agency or entity. The money is not owned by the County and thus there is a higher level of accountability required to ensure that the money is maintained intact and transferred in a timely manner. The Internal Control and Cash Manual (ICCM), Chapter 13, states that reconciliations of these types of accounts should be completed monthly. The ICCM also states that the reconciliation should be reviewed and signed by an employee of a higher ranking job code to ensure that errors and omissions are detected. The department completes trust fund reconciliations monthly but there is no documentation of review. Management was unaware of the need to sign or initial the reconciliation to indicate it had been reviewed. If the department does not complete and review monthly reconciliations, there is a risk of undetected theft and errors. In addition, timely management oversight helps establish tone at the top that flows throughout an organization.

Recommendation:

We recommend that management ensure all agency (trust) fund reconciliations are prepared, reviewed and approved at least monthly.

Management's Response:

The Department acknowledges that funds were being reconciled on a monthly basis; however the supervisor reviewing had not been indicating review by signing or initialing the reconciliation.

The Department will continue to ensure all agency (trust) fund reconciliations are prepared, reviewed and approved at least monthly and has already implemented the signing or initialing and dating of the reconciliation to indicate it has been reviewed by a higher ranking employee.

Auditor's Response:

The department's 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,

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County of San Bernardino

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