

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

November 14, 2013

Trudy Raymundo, Director
Public Health Department-Environmental Health Services
385 North Arrowhead Avenue, Third Floor
San Bernardino, CA 92415-0187

SUBJECT: FOLLOW-UP REVIEW OF PUBLIC HEALTH-ENVIRONMENTAL HEALTH SERVICES' CASH CONTROLS

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 02-02 entitled Internal Operational Auditing, we have completed a follow-up review of the Department of Public Works-Environmental Health Services' (Department) cash controls. We conducted our review 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 review was to determine whether the Department implemented the recommendations contained in the prior audit report, *Environmental Health Services Cash Controls*, issued April 11, 2009. Fieldwork for this review was completed on June 18, 2013. To determine the implementation status of the recommendations, we:

- interviewed Department staff
- performed walk-throughs of activities
- reviewed policies, procedures, the last audit file, and pertinent documents
- examined original source documents received from the Department

Conclusion

The Department has implemented all recommendations. We sent a draft report to the Department on October 16, 2013 and discussed our observations with management on October 23, 2013. The prior findings and recommendations along with their current implementation status are below.

Prior Audit's Findings and Recommendations with Current Status

Finding 1: Noncompliance with Proper Safe Access Procedures and Inadequate Safeguarding of Assets

Per the Internal Controls and Cash Manual, Chapter 3 - Cash Controls, management must:

- Restrict the safe combination to as few employees as possible,
- Keep cash in a cash drawer or cash box not accessible to unauthorized persons and,
- Change the combination to the department's safe when an employee who has knowledge of the combination separates from County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, management must change the combination at least annually.

The Internal Controls and Cash Manual, Chapter 2 - Internal Controls, also states that undeposited monies should be physically safeguarded until they are deposited. Management was not aware of and did not communicate these internal control procedures to staff. During our audit, we noted that there are four people with access to the food handlers' safe and five people with access to the safe at the San Bernardino branch of Environmental Health Services. The safe in the food handling center was closed but not locked. Safe combinations have not been changed at least annually. Safe combinations changed in May 2010 although prior to that the combinations had not been changed since before 2009.

Recommendation: We recommend that management become familiar with the ICCM and communicate the importance of following its procedures to staff. Management should also reduce the number of persons with the safe combinations. In addition, we recommend that management ensures that staff knows to keep drawers and safes locked when not in use and when on breaks or meal periods. Finally, we recommend that management require the safe combinations be changed whenever an employee who has knowledge of the combination leaves the department or is assigned other duties. Even with no staffing changes, the combination must be changed at least annually.

Current Status: Implemented.

Finding 2: Inadequate Check Endorsements

According to the Internal Controls and Cash Manual, Chapter 2 - Internal Controls, undeposited monies should be restrictively endorsed immediately upon receipt. However, during our audit period, undeposited monies were not restrictively endorsed upon receipt. Management was not aware of the need to restrictively endorse checks upon receipt.

Recommendation: We recommend that the department restrictively endorse checks upon receipt.

Current Status: Implemented.

Finding 3: Inadequate Receipting Procedures

According to the Internal Controls and Cash Manual, Chapter 6 - Receipts, the receiving, opening and distributing of incoming mail must be handled by, or under the supervision of, an employee other than the cashier, bookkeeper, or person preparing the deposits. Two or more employees should be present when mail is opened. The person who opens incoming mail must complete a list, preferably in duplicate and on numbered forms, of the mail receipts received indicating the following items: name of the remitter, amount received, any other pertinent data, and signatures of the person opening the mail and the cashier to whom the mail receipts are turned over. Chapter 6 also states that unused receipts on hand must be locked in a secure place. The EHS departmental procedure—Standard Operating Procedure 07, Guidelines for Completing a Counter Receipt—require the following to be completed for each receipt: office location, date, supervisory district, received by, received from, address, paid by, description and line item information.

The following conditions were noted during the testing phase of our audit:

- Mail is opened by the receptionist, who is the cashier.
- For payments received through the mail, receipts are not processed immediately.
- Payments received through the mail that are not accompanied by a statement or invoice are not logged prior to being placed in the safe.
- Official receipts were left unattended.
- Auditor found that all of the 78 receipts tested had the supervisory district missing.
- 10 receipts that were for cash were missing a paid stamp as required by departmental policy.
- 1 receipt was out of sequence.
- 4 of the receipts on the Excel log did not have the correct amount on the log.

Management was not aware of the importance of these internal control procedures.

Recommendation: We recommend that management become familiar with the ICCM and communicate the importance of following its procedures to staff. We also recommend that management install a process for the department to monitor its compliance with the ICCM and communicate its intent to comply with the ICCM to staff on a regular basis. We recommend that management ensure that departmental procedures are distributed to the staff that handles the cash.

Current Status: Implemented.

AudRpt/Trudy Raymundo
Public Health Department-Environmental Health Services Division
November 14, 2013
Page 4

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
San Bernardino County

By: 
Denise Mejico, Chief Deputy Auditor
Internal Audits Section

LDW:DLM:GEL

Quarterly copies to:
Board of Supervisors (5)
Chief Executive Officer (2)
Grand Jury (2)
Auditor-Controller Audit Committee

Date Report Distributed: 11.19.13