



- 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

March 19, 2014

Jeff Rigney, Director  
Special Districts  
157 West Fifth Street, 2<sup>nd</sup> Floor  
San Bernardino, CA 92415-0450

**SUBJECT: REVIEW OF SPECIAL DISTRICTS DEPARTMENT WATER AND  
SANITATION DIVISION'S REMOTE DEPOSIT SYSTEM PROCESS**

**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 review of Special Districts Department Water and Sanitation Division (Division) to determine whether the internal controls over its remote check deposit process are sufficient. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

**Background**

The Special Districts Department Water and Sanitation Division (Division) supports county service areas providing water and sewer services. The Division provides administrative, billing, collections, clerical, operations/maintenance and project administration/engineering services to the water and sanitation districts. The main department office is located in San Bernardino with a regional office in Victorville.

**Objectives, Scope and Methodology**

Our overall objective was to determine whether the Division had sufficient internal controls over its remote check deposit process. Fieldwork was completed from May through September 2013.

Our review included a walk-through of the activity, interviewing Division staff directly involved in the remote deposit system process, and an examination of the Division's policies and procedures over the process.

## **Conclusion**

As a result of our audit, we concluded that while the Division did secure the processed checks in a small locked box, it should have secured the box in a locked drawer, cabinet or safe. We documented our finding and recommendation for improvement in the Finding and Recommendation section of this report.

We sent a draft report to the Division on January 21, 2014 and discussed our observations with management on January 22, 2014. The Division's response to our recommendation is included in this report.

## **Finding and Recommendation**

### **Finding: Checks Not Kept in a Secured Area**

Per the Internal Controls and Cash Manual (ICCM) on page 2-3, access to and use of valuable assets, including negotiable instruments, should be controlled. After processing checks through the Remote Deposit System (RDS), the checks are locked in an unsecured small metal box in an unlocked drawer in the RDS station. This station is unoccupied when mail deposits are not being processed.

The Division's management was unaware of the risk of leaving checks in an unsecured drawer in a locked, but easily portable, box. Not locking the drawer where the checks are kept increases the likelihood of theft.

### **Recommendation:**

We recommend that the Division secure the checks in a locked desk drawer, cabinet or safe when not processing them with the Remote Check System.

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

The lockbox that has been used in the past is quite large and very heavy. A key is needed to access the contents, and it is under camera at all times. No one would have been able to remove the lockbox without muscle strength and they would also be recorded on camera. *All personnel accessing the box must have a key and they are recorded by CCTV.* For this reason the lockbox was initially not secured/bolted to the cabinet drawer that it was in.

*Action Taken:* The lock box has now been secured to the cabinet drawer with bolts that cannot be unscrewed without a key to the lockbox. The lockbox continues to be under 24-hour camera surveillance.

In addition, the lockbox is empty except for a few hours each day when the checks are scanned, voided, and locked into the box. At that time the fiscal section then sits at the scanning/lock box location to transfer the encrypted scan file to the billing system for posting to customer accounts and to Bank of America for processing. Then fiscal staff then removes the voided checks from the lockbox and transfers them to the locked check cabinet in the approved safe room for destruction.

**Auditor's Response:**

The Division's actions will correct the deficiency noted in the finding.

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

Sincerely,

Larry Walker  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By: \_\_\_\_\_

Denise Mejico  
Chief Deputy Auditor

LDW:DLM:DMH:oac

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

Date Report Distributed: 3-20-14