

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Fleet Management Department: Cash Controls Follow-up Audit



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Auditor-Controller/Treasurer/Tax Collector

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September 3, 2014

Roger Weaver, Director
Fleet Management Department
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SUBJECT: Fleet Management Department Cash Controls Audit

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed a follow-up audit of the Fleet Management Department Cash Controls as of October 8, 2013. The objective of the follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We have provided a status of the audit findings identified in the original audit report, *Fleet Management Department Cash Controls Audit* issued on April 11, 2013. The Department has partially implemented the recommendations from the original audit report.

We sent a draft report to the Department on June 20, 2014. The Department's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Fleet Management Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:


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Enclosure

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Date Report Distributed: 9.3.14

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Fleet Management Department:

Cash Controls Follow-up Audit

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Scope and Objectives

Our audit examined the accounting records relating to the Department's cash controls as of October 8, 2013.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Fleet Management Cash Controls Audit*, issued on April 11, 2013.

Methodology

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Interviewing department staff.
- Examining original source documents.



Finding 1: The Department's cash controls do not ensure cash assets are adequately safeguarded.

According to the Internal Controls and Cash Manual (ICCM), page 3-3, all County departments must secure County funds held overnight in a safe or in a locked file cabinet that is out of the view of the public. Cash should never be left in a drawer or overhead cabinet overnight, even if it is locked.

A theft of petty cash occurred in the Fleet Management Department. The cash funds were stored in lockboxes in the overhead cabinet at each of the Fund Custodians' desks. One lockbox key was left unsecured in an unlocked desk drawer. Additionally, transactions involving petty cash were typically performed in the view of employees.

The Fleet Management Department previously used a safe, but it was sent to surplus in 2010 because it was no longer working properly. The Department replaced the safe in June 2012, after the theft. Previously, management felt the lockboxes were adequately secured. Insufficient safeguarding measures, such as not securing cash funds in a safe, increase the risk of theft by employees or others.

Recommendation:

We recommend that management strengthen its oversight over the Department's assets, including cash, by ensuring that sufficient security measures are in place to effectively safeguard the Department's assets. Management should develop formal asset security procedures. Periodically, management should formally instruct staff regarding the procedures and document this instruction.

Department personnel should adequately secure all cash funds and ensure that only authorized staff knows the location of cash funds. In addition, cash funds should be locked in the safe overnight. Management should periodically document that the procedures are in place and working.

Current Status: Partially Implemented.

We acknowledge the Department has made improvements on procedures over asset security. However, we observed the fund custodian leave the petty cash checks unattended in an unlocked desk drawer.



Management's Response:

We agree with the Finding and Recommendation with a slight modification. We have installed a safe in the Business Offices Supervisor's office. All cash funds, including petty cash checks, will be secured in the safe overnight. If checks are removed from the safe, they will be kept in a locked desk drawer when the employee is away from their desk. Fleet Management feels that the Internal Control and Cash Manual provides sufficient detail on security measures to effectively safeguard petty cash. The Business Office Supervisor will distribute the Internal Control and Cash Manual to fiscal staff and review it annually.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in this finding.

Finding 2: Employees without documented authorization perform fund custodial functions

The County's Internal Control and Cash Manual (ICCM), Chapter 4, outlines the process for establishing a fund custodian for a department's authorized cash funds. Included in the process is the completion of the "Signature/Fund Custodian Authorization" form, which requires the approving official to clearly identify the individual being assigned as fund custodian. Department personnel performed transactions for the petty cash fund without the appropriate documented authorization being submitted to the ATC's Accounts Payable Section.

Inadequate management oversight over the petty cash function allowed Department personnel to perform petty cash transactions without the required authorization. The failure to establish proper accountability for cash funds increases the risk that management will not detect or prevent errors or theft.

Recommendation:

We recommend that department management strengthen controls over cash handling procedures by completing and submitting the "Signature/Fund Custodian Authorization" form for employees serving as the Department's fund custodians. Additionally, management should periodically observe the petty cash process to verify that the internal controls are operating effectively as required by the County's ICCM and document their review in writing.

Current Status: Partially implemented.



The Department had three fund custodians; however the "signature/fund custodian Authorization" form was only completed for two of the fund custodians.

Management's Response:

We agree with the Finding and Recommendation and have corrected the deficiency. "Signature/Fund Custodian Authorization" forms for employees serving as the department's fund custodian and back-up are current as of June, 2014.

Auditor's Response:

The Department's actions will correct the deficiencies noted in this finding.