

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Public Works - Transportation: Cash Funds Audit



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Auditor-Controller/Treasurer/Tax Collector

Mission Statement

The San Bernardino County Auditor-Controller's Office is committed to serving our customers by processing, safeguarding, and providing information regarding the finances and public records of the County. We perform these functions with integrity, independent judgment, and outstanding service. We are accurate, timely, courteous, innovative, and efficient because of our well-trained and accountable staff.

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LARRY WALKER
Auditor-Controller/
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September 3, 2014

Gerry Newcombe, Director of Public Works
Department of Transportation
825 East Third St.
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SUBJECT: AUDIT OF TRANSPORTATION CASH FUNDS

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 an audit of the Department of Transportation for the period of July 2013 through February 2014. The primary objective of the audit was to determine whether cash handling controls practiced by the Department effectively safeguarded cash assets. 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 concluded that the Department's cash handling controls were generally effective with the exception of one area that could be improved. We have listed this area for improvement in the Audit Finding and Recommendation section of this report.

We sent a draft report to the Department on May 19, 2014 and discussed our observations with management on June 10, 2014. The Department's response to our recommendation is included in this report.

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

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



Denise Mejico

Chief Deputy Auditor

Enclosure

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Public Works - Transportation: Cash Funds Audit

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Summary of Audit Results

Our finding and recommendation is provided to assist management in strengthening internal controls and procedures relating to the Department's cash funds.

The table below summarizes the audit finding and recommendation for this audit engagement. For further discussion, refer to our *Audit Finding and Recommendation* section of this report.

Finding No.	Finding and Recommendation	Page No.
1	Finding: Deposit procedures could be improved.	4
	Recommendation: Documented reviews over deposits should be conducted to ensure accuracy and timeliness.	



Background

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor-Controller/Treasurer/Tax Collector (ATC) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash difference funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash difference funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times, the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ATC Internal Audits Section performs surprise cash counts of these cash funds. Upon demand by the ATC or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ATC has documented general cash control guidelines in the Internal Controls and Cash Manual (ICCM) for departments with cash funds. Each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

Scope and Objectives

Our audit examined whether the cash handling controls practiced by the Department of Transportation effectively safeguarded cash assets.

The objectives of our audit were to:

- Determine if cash assets were properly safeguarded.
- Determine if cash deposits were made on a timely basis.
- Determine if cash funds were managed in accordance with the County's Internal Controls and Cash Manual.



Methodology

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

- Performing surprise cash counts of all the authorized cash funds
- Reviewing and verifying cash deposit records for the period of July 2013 through February 2014.
- Interviewing Transportation personnel regarding cash fund management.
- Observing cash handling procedures.



Finding: Deposit procedures could be improved.

The Internal Controls and Cash Manual (ICCM) Chapter 9- Bank Accounts states that supervisors must verify that deposits are intact.

During our review of 123 statistically selected deposits, three deposits in our sample did not have evidence of supervisory review on the deposit slip.

Inaccurate or untimely deposits may occur if there is no supervisory review of the Department's deposits.

Recommendation:

We recommend documented reviews over the deposits be conducted to ensure accuracy and timeliness.

Management's Response:

The Department has retrained staff over the proper cash controls including the need to have the supervisor's review/initials on the deposit slip to document that the deposit is accurate and timely.

Auditor's Response:

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