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January 18, 2012

DeAnna Avey-Motikeit, Director
Department of Children and Family Services
150 South Lena Road
San Bernardino, CA 92415-0515

**SUBJECT: DEPARTMENT OF CHILDREN AND FAMILY SERVICES 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 Department of Children and Family Services'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 completed monthly reconciliations of its petty cash fund, which included approval by a higher ranking staff member. In addition, the department

prepared monthly expenditure and revenue reports and did document management's review. While the department did not reconcile its agency (trust) funds, it was determined that this responsibility was held by Human Services—Administration, which was notified of the issue in a separate audit report dated October 18, 2011. The Department of Children and Family Services prepared monthly budget to actual reports but did not document management's review or approval of these reports. We have listed this finding and our recommendations for improvement in the Findings and Recommendations section of this report.

Findings and Recommendations

Finding:

Documentation of delegation of authority over, or management's review of, budget to actual Figures should be improved

By directive from the County Administrative Office (CAO), each department is to submit budget adjustments on a quarterly basis, thus a review of budget to actual figures should be conducted at least quarterly. Per the "Internal Control-Integrated Framework" by the Committee of Sponsoring Organizations of the Treadway Commission (IC-IF), "there is a growing tendency to push authority downward to bring decision-making closer to front-line personnel [and...] such increased delegation may carry an implicit requirement for a higher level of employee competence, as well as greater accountability. It also requires effective procedures for management to monitor results."

Though budget to actual comparisons were prepared monthly, there was no documentation of review or approval by an employee of a higher-ranking job code. There was no formal departmental policy allowing lower level employees to assume this responsibility from management. If the department does not document its review and approval, there is a risk that management may overlook a month and will not be aware if the initial expenditure and/or revenue assumptions need to be adjusted and whether revenues and expenditures are aligned with its expectations for meeting operational objectives.

Recommendation:

We recommend that management either create and implement a policy formally delegating their authority over the budget to actual comparisons or document their monthly review and approval of these figures. If a policy is adopted, it should include guidelines on when an issue must be escalated to management.

Management's Response:

The Administrative Supervisor I will create the budget to actual figures on a monthly basis. The department head has formally delegated the authority to review and approve these items to the Administrative Supervisor II. The Administrative Supervisor II will review and approve these items monthly and escalate any issues to management as needed.

Auditor's Response:

The department's 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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San Bernardino County

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