

# AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



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**LARRY WALKER**  
Auditor-Controller/  
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November 4, 2011

## **Ron Griffin, Director of Preschool Services**

Preschool Services Department  
662 South Tippecanoe Avenue  
San Bernardino, CA 92415-0630

### **SUBJECT: PRESCHOOL SERVICES CASH CONTROLS FOLLOW-UP AUDIT**

#### **Introductory Remarks**

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 a follow-up audit of Preschool Services Cash Controls audit conducted in 2008. Both audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors.

#### **Objectives, Scope and Methodology**

The objective of this follow-up audit was to determine whether Preschool Services implemented the recommendations contained in the prior audit report, *Audit of Preschool Services Cash Controls* issued October 29, 2008. To achieve this objective, we examined invoices/receipts and inquired about procedures. Our review was for the period of July 1, 2009 through October 31, 2009.

#### **Conclusion**

The department implemented one of the recommendations from the previous audit report. However, the department had not implemented the other recommendation. No further follow-up of the implemented recommendation will be necessary.

We delivered a copy of the draft report to Preschool Services on October 12, 2011 and discussed the results of the draft on November 2, 2011. We received Preschool Services' Management response on November 2, 2011. The Management's response is included below as it was provided to us and has not been altered in any way.

### **Prior Audit's Findings and Recommendations with Current Status**

The details of the prior audit's findings and recommendations and their implementation status are below:

#### **Finding #1 Noncompliance with Proper Safe and Access Procedures.**

Preschool Services had not changed the combination of the safe in the Administration Office in approximately 7 ½ years.

#### **Recommendation**

We recommended that management change the combination of the safe at least annually even if there are no staffing changes.

**Current Status:** Alternative Action Implemented.

Preschool Services purchased a new safe. In this particular case, purchasing a new safe was appropriate, because the new safe's combination is different from the combination of the previous safe. However, we should note that it will also be necessary to change the combination of the new safe at least annually if there are no staffing changes.

#### **Management Response:**

Preschool Services changed the combination to its safe on October 14, 2011. The combination will be changed going forward on a yearly basis, or at the time of any staffing changes.

#### **Auditor's Response:**

The department's response addresses planned action to prevent reoccurrence of this finding.

#### **Finding #2 Reimbursements for payments were made without original invoices/receipts.**

On two occasions, Preschool Services made payments for reimbursement without an original invoice or receipt.

### **Recommendation**

We recommended that management instruct staff to obtain the original invoice or receipt to avoid making duplicate payments/reimbursements. When the original invoice is unavailable, write "Only Copy Available" on the invoice and the reason why the original is not available.

### **Current Status:** Not Implemented.

We selected 59 petty cash payment vouchers to test whether staff used the original invoice or receipt to process the payments. The department used the original invoice or receipt to process payments in 51 (87%) of the 59 payment vouchers tested. However, staff used a copy of the invoice or receipt to process payments in the remaining 8 instances. Of these 8 instances, 3 copies had no "Only Copy Available" stamp on them. Furthermore, the department had no documentation explaining the reason the originals were not available.

Preschool Services conducted a cash handling training for its staff as noted in the management response. The department trained staff on processing payments/reimbursements using original invoices and receipts. Further, the training explained the department's policy for duplicate invoices and receipts, which included our recommendations.

### **Management Response:**

Accounts Payable staff has been instructed to not process payments for reimbursements without an original receipt or invoice. In the event that an original receipt or invoice is unavailable, the copy will be stamped "Only Copy Available", by the Fiscal Specialist, with an annotation of why the original was not available. The "Only Copy Available" and justification will be reviewed by the Supervising Fiscal Specialist, who will initial if in agreement and forward to the Administrative Supervisor I for approval before processing. Also, staff at our Head Start sites has been reminded of the importance of submitting original receipts when utilizing petty cash funds for purchases.

In addition, Preschool Services Petty Cash policy has been updated to reflect these changes in the department's Finance Manual.

### **Auditor's Response:**

The department's response addresses planned action to prevent recurrence of this finding.

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

Respectfully submitted,

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