

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



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LARRY WALKER
Auditor-Controller/
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April 8, 2013

Laura Welch, Clerk of the Board
Clerk of the Board
385 North Arrowhead Avenue, Second Floor
San Bernardino, CA 92415-0130

SUBJECT: REVIEW OF THE CLERK OF THE BOARD'S MANAGEMENT OF ENTERPRISE RISK

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 a review of the Clerk of the Board's Management of Enterprise Risk. Our review 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/trust funds, expenditure/revenue transactions, and actual to budget figures and how successfully it communicated new or modified policies/procedures to staff. Specific review objectives were to:

- determine that the department is monitoring its cash/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 for the fiscal year ending June 30, 2011.

Conclusion

As a result of our analysis and tests performed, we concluded that the department successfully monitored its expenditure/revenue transactions and actual to budget figures. It also communicated new or modified policies/procedures to staff. However, the department's monitoring of its cash and agency (trust) funds was not always effective. We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to the department on February 4, 2013, and discussed our observations with management on February 5, 2013. The department's response to our recommendations is included in this report.

Findings and Recommendations

Finding 1: Cash reconciliations could be improved

The Internal Control and Cash Manual (ICCM), Chapter 4 – Cash Funds, states that cash funds should be reconciled monthly. The ICCM also states that the reconciliation should be reviewed and signed by an employee of a higher ranking job code to ensure that errors and omissions are detected. The department did not reconcile the petty cash monthly. Though the petty cash fund had not been used since 2008, the fund remained open and required monthly reconciliations to ensure the funds were intact. Management was not aware that reconciliations are required even if the cash fund is not used. If the department does not complete and review monthly reconciliations, there is a risk of undetected theft and errors.

Recommendation:

We recommend that reconciliations of the petty cash fund be performed monthly with appropriate review and approval by management.

Management's Response:

The Clerk's office will replenish the Petty Cash fund and then request that it be dissolved. The change fund will be reconciled monthly, in dual control, and records will be kept indicating when the reconciliations take place.

Auditor's Response:

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

Finding 2: Agency (Trust) fund reconciliations should be completed monthly

Agency (trust) funds are for money that is held by the County for another agency or entity. The money is not owned by the County and thus there is a higher level of accountability required to ensure that the money is maintained intact and transferred in a timely manner. The Internal Controls and Cash Manual (ICCM), Chapter 13 – Trust Funds, states that reconciliations of these types of accounts should be completed monthly. The ICCM also states that the reconciliation should be reviewed and signed by an employee of a higher ranking job code to ensure that errors and omissions are detected.

Agency fund, OPX – Fish & Game CEQA Fees, was the responsibility of the department. This fund is used to collect document filing fees under the California Environmental Quality Act on behalf of the State. In January of 2011, \$14,308 was forwarded to the State. However, the department did not perform a reconciliation of this fund during the audit period. Management was not aware of its responsibility to reconcile this fund and so did not require staff to perform

monthly reconciliations. If the department does not complete and review monthly reconciliations, there is a risk of undetected theft and errors.

Recommendation:

We recommend that management ensure agency (trust) fund reconciliations are prepared, reviewed, and approved at least monthly.

Management's Response:

A reconciliation of the trust fund was done in April 2012. Reconciliations will begin on a monthly basis as soon as the fiscal person returns from long term leave. The person's estimated date of return is July 2013. Until then, we will take steps to try to perform quarterly reconciliations.

Auditor's Response:

The department's planned actions will improve the condition in the short term and correct the deficiencies after the fiscal person returns.

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

Respectfully submitted,

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