

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Child Support Services: Cash Controls 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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Auditor-Controller/Treasurer/Tax Collector

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February 25, 2019

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Child Support Services
10417 Mountain View Avenue
Loma Linda, CA 92354

SUBJECT: 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 an audit of the Child Support Services Department's (Department) cash controls for the period of July 1, 2017 through August 2, 2018. The primary objective of the audit was to determine if the Department was in compliance with the Internal Controls and Cash Manual in regards to the controls over their cash funds. 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 identified a procedure and practice that could be improved. We have listed this area for improvement in the Audit Finding and Recommendations section of this report.

We sent a draft report to the Department on December 10, 2018 and discussed our observation with management on January 16, 2019. The Department's response to our recommendation is included in this report.

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

Respectfully submitted,

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Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By

Denise Mejico
Chief Deputy Auditor

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Summary of Audit Results

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

Finding and Recommendations	Page No.
<p>Employee funds were commingled with the Department's petty cash account.</p> <p>We recommend the Department discontinue the practice of commingling employee funds with County funds. Contributions to the Combined Giving Campaign can be made through a payroll deduction by completing a Contribution Election Agreement form or a One-Time Deduction Agreement form. Both forms are located on the Employee Management and Compensation System (EMACS) page of the County website. These payroll deductions allow employees to contribute without impacting County funds. We also recommend the employee committee pay the property management company directly so that no County funds are commingled.</p>	7



Cash Funds Audit

The Department

The Child Support Services Department promotes family self-sufficiency by working with parents to meet their mutual obligation to provide financial and medical support for their children. These services are offered throughout San Bernardino County with offices located in the high desert, west end, and the greater San Bernardino area.

The Department administers the program in a manner that puts the needs of the children first and foremost. The belief that working collaboratively with parents in understanding and meeting their obligations is a fundamental element in the success of the program.

The services provided by the Department include the following:

- Locating parents to establish court orders for paternity, child and medical support.
- Enforcing court orders for child, family, spousal and medical support.
- Securing child support payments.
- Maintaining records of payments made and balances due.
- Modifying court orders when appropriate.

Cash Funds

The Board of Supervisors, by resolution, establishes cash funds for County departments to facilitate their operations. Ordinarily these funds are used for buying small items, making customer change, or reimbursing cash shortages. The board has delegated to the County Auditor-Controller/Treasurer/Tax Collector (ATC) the authority to establish cash funds of up to \$2,500.

The Department has one petty cash fund and three bank accounts at Bank of America. The bank accounts are as follows:

- The Department has a revolving bank account that is used to process child support payments made at the San Bernardino County Superior Court. When payments are made at the court, the Department deposits the payment into the revolving account. An electronic payment through the



- Automated Clearing House network is then made to the State Disbursements Unit where the parent's account is credited.
- The Department has recently established a petty cash checking account for payment for service of process. This is a necessary child support function as the law requires a person be given proper notice and to be served with a court summons. The concept of notice is critical to the integrity of legal proceedings in child support cases.
 - The Department has a petty cash checking account to pay for day-to-day Department expenses.



Scope and Objective

Our audit examined the Department's cash controls for the period of July 1, 2017 to August 2, 2018. We conducted our fieldwork at the 10417 Mountain View Avenue office in Loma Linda.

The objective of this audit was to determine if the Department is in compliance with the Internal Controls and Cash Manual in regards to the controls over their cash funds.

Methodology

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

- Interview of Department's staff
- Review of the Department's policies and procedures
- Perform surprise cash count of cash fund
- Perform walk-through of activities
- Sampling and examination of source documents



Finding: Employee funds were commingled with the Department's petty cash account.

The Internal Controls and Cash Manual (ICCM) Chapter 3-2 - Cash Controls states that departments must not commingle employee personal funds with County funds, including special departmental funds for coffee and other employee functions.

There were three instances in which employee committee money was deposited into the Department's petty cash checking account.

- In two instances, the Department's employee committee held fundraisers in which employee money was collected for the County's Annual Combined Giving Campaign. The employee funds collected were then deposited into the petty cash checking account and a check was written to the Children's Fund in the same amount.
- In the one instance, the Department's employee committee raised funds to replace two broken microwaves in the office. The microwaves had to be purchased by their property management company, in accordance with the building lease terms. The employee committee deposited funds into the Department's petty cash checking account and a check was written to the property management company in the same amount.

The Department did not follow the ICCM guidance related to the allowable uses of petty cash. Without a clear separation between employee funds and County funds, the risk of misappropriation of assets is increased.

Recommendation:

We recommend the Department discontinue the practice of commingling employee funds with County funds. Contributions to the Combined Giving Campaign can be made through a payroll deduction by completing a Contribution Election Agreement form or a One-Time Deduction Agreement form. Both forms are located on the Employee Management and Compensation System (EMACS) page of the County website. These payroll deductions allow employees to contribute without impacting County funds. We also recommend the employee committee pay the property management company directly so that no County funds are commingled.



Management's Response:

The Department of Child Support Services received direction provided by Human Services Auditing in 2009 (documented during the audit process) to "...keep a clear paper trail of the deposit, payment, and organizational information to justify the transaction if audited," and has followed that guidance until this recent audit. The Department understands the recommendation to discontinue the practice believed to be commingling of funds.

Effective immediately, the Department will take the following steps:

1. Will not deposit employee fundraising funds into a department petty cash checking account. Therefore, no checks will be written from the petty cash checking account on behalf of any employee fundraising efforts. The employee committee will be required to pay the property management company directly.
2. Will ensure no comingling of funds, by not co-locating funds that belong to the County with funds that belong to staff.
3. Whenever possible, will encourage staff to sign-up for payroll deductions if they would like to contribute to the combined giving campaign.

Auditor's Response:

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