

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

County Museum/Store: Cash Receipting Follow-Up Audit



Oscar Valdez
Auditor-Controller/Treasurer/Tax Collector

268 West Hospitality Lane
San Bernardino, CA 92415-0018
(909) 382-3183

Website: www.sbcounty.gov/atc
Fraud, Waste & Abuse Hotline: (800) 547-9540

Auditor-Controller/Treasurer/Tax Collector

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Audit Team

Denise Mejico
Chief Deputy Auditor

Mary Barber, CPA
Internal Audits Manager

Rachel Ayala
Supervising Internal Auditor III

Sakura Younger
Accountant III

Lena Crowley, CPA
Internal Auditor III

Steven Ems
Accountant I

Matthew D'Italia
Accountant I

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



- 268 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 890-4045
- 268 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 890-5797

Matt Brown
Assistant Auditor-Controller/Treasurer/Tax Collector

John Johnson
Assistant Auditor-Controller/Treasurer/Tax Collector

February 23, 2017

Melissa A. Russo, Director

County Museum/Store
2024 Orange Tree Lane
Redlands, CA 92374-4560

SUBJECT: CASH RECEIPTING FOLLOW-UP 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 County Museum/Store for the period of December 23, 2014 through December 30, 2015. The objective of the audit was to determine if the recommendations for the findings reported in the County Museum Cash Receipting Audit have been implemented. 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 have provided a status of the audit findings identified in the original audit report issued on December 23, 2014. Of the 6 recommendations from the original audit report, 4 have been implemented and 2 have been partially implemented.

We sent a draft report to the Department on December 20, 2016. The Department's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at the County Museum/Store who assisted and cooperated with us during this engagement.

Respectfully submitted,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

Denise Mejico

Chief Deputy Auditor

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**County Museum/Store:
Cash Receipting Follow-up Audit**

Scope, Objective, and Methodology	1
Prior Audit Findings, Recommendations, and Current Status	2 - 11



Scope and Objective

Our audit examined the Department's cash receipting process for the period of December 23, 2014 through December 30, 2015. We conducted our fieldwork at the Main County Museum and Store, along with four other branch locations, which were Asistencia Outpost (Redlands), Agua Mansa Cemetery (Colton), John Rains House (Rancho Cucamonga), and Victor Valley Museum and Store (Apple Valley).

The objective of our follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *County Museum/Store Cash Receipting Process Audit*, issued on December 23, 2014.

Methodology

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

- Interview of Museum personnel
- Examination of original source documents and system generated reports
- Review of the Museum's cash receipting policies and procedures
- Observation of pertinent cash receipting operation



Prior Finding 1: Controls over cash receipting should be improved at branch locations.

The County's Internal Controls and Cash Manual (ICCM) Chapter 3 states that the County Departments must not accumulate large amounts of receipts. Deposits must be made by the next business day when the amount of receipts (including cash, checks and money orders) reaches \$1,000, or at least weekly if lesser amounts are collected. It further states that the cash should be kept in a cash drawer or cash box not accessible to unauthorized persons during business hours.

Asistencia

The following conditions were identified:

- Cash from admission fees and donations is maintained at the site longer than necessary and not deposited at least weekly.
- As of May 9, 2014, the last pickup of cash occurred on July 11, 2012 in the amount of \$241.

Agua Mansa Pioneer Cemetery

The following conditions were identified:

- Cash from admission fees and donations is maintained at the site longer than necessary and not deposited at least weekly.
- As of May 9, 2014, the last pickup of cash occurred on October 31, 2012 in the amount of \$511.55.

John Rains House

The following conditions were identified:

- Cash from admission fees and donations is maintained at the site longer than necessary and not deposited at least weekly.
- As of May 13, 2014, the last pickup of cash occurred on April 17, 2014 in the amount of \$1,578.60 in admissions and \$83.75 in donations. The pickup prior to April 2014 occurred on June 26, 2013 in the amount of \$1,611.90.

Yorba-Slaughter Adobe

The following conditions were identified:

- Cash from admission fees and donations is maintained at the site longer than necessary and not deposited at least weekly.
- As of May 13, 2014, the last pickup of cash occurred on April 24, 2014 in the amount of \$308.20. The pickup prior to April 2014 occurred on November 9, 2010 in the amount of \$140.
- Cash received from admission fees and donations is stored in an unlocked drawer. The unlocked drawer is located at the main entranceway of the adobe. The collection box had broken and had not yet been replaced by the Museum.



Yucaipa Adobe

The following conditions were identified:

- Cash from admission fees and donations is maintained at the site longer than necessary and not deposited at least weekly.
- As of May 14, 2014, the last pickup of cash occurred on August 18, 2009 in the amount of \$53.47.

The staff at the Main Museum is not picking up the admission fees and donations on a regular basis. Maintaining cash at the outlying sites longer than necessary significantly increases the risk of loss, theft or embezzlement.

Recommendation:

We recommend that the Department ensure that cash deposits are performed weekly if amounts less than \$1,000 are collected, as stated in the ICCM guidelines. If it is not feasible for the Main Museum staff to pick up the deposits, we recommend that these deposits be hand-carried to the bank weekly by the Site Manager to minimize the risk of misappropriation. We also recommend that a secure collection box is obtained for the Yorba-Slaughter location to store admission fees and donations.

Current Status: Implemented

Asistencia, Agua Mansa Pioneer Cemetery and John Rains House

Admission fees and donations from Museum site locations are being deposited within the ICCM cash deposits guidelines.

Yorba-Slaughter Adobe and Yucaipa Adobe

We were unable to complete follow-up audit procedures at Yorba-Slaughter Adobe and Yucaipa Adobe due to temporary museum closures.

Prior Finding 2: Segregation of duties should be improved.

The County's Internal Controls and Cash Manual (ICCM) Chapter 2-3 states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. Effective segregation of duties reduces the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties. In addition, according to Chapter 6, adequate controls must be practiced for both the cash receipting functions and voiding transactions. A supervisor's approval of a void should be obtained at the time of the occurrence.



County Museum

The following conditions were noted:

- The Fiscal Assistant's job functions include opening the mail, logging mailed-in checks, and preparing the deposit for these checks. In addition, the Fiscal Assistant is responsible for preparing the deposits for monies collected at the Front Desk and the Gift Store. He has the ability to ring up sales on the cash registers. He also maintains records for revenue received and has access to the bank account in order to check which deposits have cleared.
- Employees can void their own transactions.
 - On 2 instances in the Museum Front Desk Void Log, the Fiscal Assistant made an error, which required a void. No security or administrative initials were inputted into the log, making it unclear if anyone reviewed the void or if he voided his own transaction.
 - Although the Fiscal Assistant or Accounting Technician or the Security Guard are authorized to perform voids, cashiers have the ability to void their own transactions.

Museum Store

The following conditions were noted:

- The Fiscal Assistant is responsible for preparing the deposits for monies collected at the Front Desk and the Gift Store. He has the ability to ring up sales on the cash registers. He also maintains records for revenue received and has access to the bank account in order to check which deposits have cleared.
- Cashiers have the ability to void their own transactions.

Victor Valley Museum/Store

The following conditions were noted:

- The Facility Manager/Secretary prepares the deposits for the Museum. She also has the ability to ring up sales on the cash register.
- Employees can void their own transactions.
 - On 15 instances in the Victor Valley Museum Void Log, the Facility Manager/Secretary made an error, which required a void. The log indicates that she voided her own transaction.
 - Although the Facility Manager is authorized to perform voids, cashiers have the ability to void their own transactions.

Management is not aware of the ICCM guidelines for proper segregation of duties. The Main Museum and Museum Store currently have two County-employed accounting staff, with one designated for Accounts Receivable and one designated for Accounts Payable. The other staff are CalWorks Program employees. The Victor Valley Museum/Store only has



one County-employed staff member, with the other staff being CalWorks Program employees. The risk of undetected errors and potential theft increases when duties are not properly segregated.

Recommendation:

We recommend that Management reorganize assignments with existing staff to have effective segregation of duties and reduce the risk that any one person could conceal errors or irregularities. We also recommend that an individual with mail receipting duties should not have depositing or reconciling duties. Also, an individual with depositing duties should not have any cash handling duties. In addition, an individual who has the duty of voiding transactions should not have the ability to process or ring up sales from the cash registers. We further recommend that transactions requiring voids should be reviewed and voided by someone other than the cashier.

Current Status: Partially Implemented

County Museum and Museum Store

Although the Main Museum and Museum Store still only employ two accounting staff, their duties have been appropriately segregated to reduce the risk that any one person could conceal errors or irregularities. Additionally, void transactions cannot be completed by cashiers without higher level staff approval.

Victor Valley Museum/Store

We observed that assignments have not been reorganized with existing staff to have an effective segregation of duties and reduce the risk that any one person could conceal errors or irregularities. The Facility Manager/Secretary continues to prepare the deposits for the Museum and also has the ability to ring up sales on the cash register. In addition, employees can still void their own transactions.

Management Response:

Since the audit was performed, the Museum hired an additional staff member at the Victor Valley Museum. This now allows for an appropriate level of segregation, with one staff member preparing the deposits and the other staff member verifying the deposits. These two staff members are the only staff with void capabilities and do not work the service counter unless there are no other staff members present to take cash.

Auditor's Response:

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



Prior Finding 3: Cash handling controls over the safeguarding of cash receipts need improvement.

The Internal Controls and Cash Manual (ICCM) Chapter 6 states that each cashier must be assigned a cash drawer with a key or access card. It also states that at the end of each business day, the supervisor in charge must close out the registers. The cashiers must count out their cash trays and turn over the receipts and count sheets to the supervisor, and the supervisor must then recount the cash in the presence of the cashiers. Chapter 3 states that combinations to safes should be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. Safe combinations should also be restricted to as few employees as possible.

County Museum

The following conditions were noted:

- Cashiers do not have their own separate cash drawers.
- At the end of each business day, supervisors do not close out the registers or verify the cash counted by the cashier. Although the Department requires two employees to be present for the cash count; one to count the cash, and one to observe the count being performed, a supervisor should be present in order to recount the cash and agree their count to the cashier's tape.
- The Museum Front Desk safe combination was last changed over two years ago. Due to the fact that the combinations are not changed each time an employee leaves, the Department has tried to mitigate the risk by locating the safes in a room that requires a key and access code that is only known by the Fiscal Assistant and the Accounting Technician. However, the deposits are currently backlogged and previous days' cash receipts are also stored in the safe, which is accessible to staff.
- To be able to retrieve or lock up the change bag during opening and closing procedures, each cashier knows the combination to the safe.

Museum Store

The following conditions were noted:

- Cashiers do not have their own separate cash drawers.
- At the end of each business day, supervisors do not close out the registers or verify the cash counted by the cashier. Although the Department requires two employees to be present for the cash count; one to count the cash, and one to observe the count being



performed, a supervisor should be present in order to recount the cash and agree their count to the cashier's tape.

- The Museum Store safe combination was last changed over two years ago. Due to the fact that the combinations are not changed each time an employee leaves, the Department has tried to mitigate the risk by locating the safes in a room that requires a key and access code that is only known by the Fiscal Assistant and the Accounting Technician. However, the deposits are currently backlogged and previous days' cash receipts are also stored in the safe, which is accessible to staff.
- To be able to retrieve or lock up the change bag during opening and closing procedures, each cashier knows the combination to the safe.

Victor Valley Museum/Store

The following conditions were noted:

- Cashiers do not have their own separate cash drawers.
- At the end of each business day, the cashier does not count out the cash and checks received. The Facility Manager/Secretary counts the drawer by herself. Both the cashier and the supervisor are required for the cash count in order to verify the amounts.
- The keys to the safe have not been changed every year, or each time an employee has left.
- Money in the Museum Donation Box has not been collected on a weekly basis. Employees were unclear as to whether the monies from the donation box had ever been collected.

Due to the high turnover rate of Museum employees and the costs of a combination change or a re-key, combinations or keys are not being changed each time an employee leaves. Cash may not be adequately safeguarded when there have been no changes to the safe combination or keys to the safe. Also, when cash is left in public view and kept in the donation box longer than necessary, the risk of loss, theft or embezzlement significantly increases.

Recommendation:

We recommend that each cashier be assigned a separate cash drawer in accordance with ICCM guidelines. We also recommend that both the supervisor and the cashier are present for closing out procedures to ensure the daily sales are counted and verified correctly. Combinations or keys to the safe should be changed when an employee terminates County employment or at least annually if there are no staffing changes. We further recommend that safe combinations should be restricted to as few employees as possible.



Current Status: Partially Implemented

County Museum and Museum Store

The County Museum and Museum Store have assigned cashiers their own separate cash drawers in accordance with the ICCM guidelines. Additionally daily cash control procedures have been implemented by the Museum to ensure daily sales and closeout procedures are done with both a cashier and supervisor present. Auditors verified that the Department has changed the safe combinations twice since the prior audit, and safe access has been limited to accounting staff only. Currently, Museum staff is awaiting approval from management to rekey the safe room door.

Victor Valley Museum/Store

The Victor Valley Museum/Store has made improvements over the safeguarding of cash receipts. However, we observed that the keys to the safe have not been changed and the money in the Museum Donation Box has not been collected on a weekly basis. Also, although the cashiers have their own separate cash drawers, the Facility Manager/Secretary rings up sales using a cash drawer belonging to one of the cashiers.

Management Response:

Since this audit, the safe room door has been rekeyed at the main site. A new safe with changeable combinations was purchased for the Victor Valley Museum, the donation box is being emptied on a weekly basis and logged, and staff have been trained to only take cash on their cash drawer.

Auditor's Response:

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

Prior Finding 4: There is no supervisory or secondary review of the deposit slips.

The County's Internal Controls and Cash Manual (ICCM) Chapter 9 states that supervisors must verify that deposits are intact. Deposits must consist of the same currency, checks and/or money orders that were originally collected.

County Museum

During our review of 24 deposits, 24 deposit slips did not have documentation of a supervisory or secondary review.



Museum Store

During our review of 24 deposits, 24 deposit slips did not have documentation of a supervisory or secondary review.

Victor Valley Museum/Store

During our review of 22 deposits from the Victor Valley Museum and 24 deposits from Store item sales for a total sample of 46 deposits, all 46 deposit slips did not have documentation of a supervisory or secondary review.

The Department is not aware of the ICCM bank deposit guidelines. When there is no supervisory review of the Department's deposits, the chance of theft increases.

Recommendation:

We recommend documented reviews over the deposits be conducted to ensure accuracy. We also recommend the review should be performed by someone of a supervisory level.

Current Status: Implemented

County Museum and Museum Store

During our review of 6 deposits from County Store and 6 deposits from County Museum, all deposits tested had secondary or supervisory review.

Victor Valley Museum/Store

During our review 21 out of 22 deposits had documentation of a supervisory or secondary review.

Prior Finding 5: Deposits were not made in a timely manner.

The County's Internal Controls and Cash Manual (ICCM) Chapter 3 states that the County Departments must not accumulate large amounts of monies. Deposits of all monies collected must be made by the next business day when the dollar amount (including cash, checks and money orders) reaches \$1,000, or at least weekly if lesser amounts are collected.

County Museum

During our review of 24 deposits, 21 deposits were not made in a timely manner. They were not deposited at least weekly, when daily receipts are less than \$1,000.



Museum Store

During our review of 24 deposits, 18 deposits were not made in a timely manner. They were not deposited at least weekly, when daily receipts are less than \$1,000.

Even though the Department has armored service pickup twice a week on Tuesdays and Fridays, staff is currently backlogged with deposits and cash receipts are not always counted by the next business day. Maintaining large amounts of cash on site potentially increases the chance of theft.

Recommendation:

We recommend that the Department ensure that cash receipts are counted by the next business day and are ready for armored pickup on Tuesdays and Fridays. It is further recommended, if deposits reach \$1,000 on a non-pickup day, Management should ensure the monies are deposited by the next business day.

Current Status: Implemented

All deposits tested were completed in a timely manner and in accordance with the ICCM guidelines.

Prior Finding 6: There are no documented bank reconciliations being performed.

The Internal Controls and Cash Manual (ICCM) Chapter 9 states that departments must reconcile their records to the bank statement each month. The employee doing the reconciliation should not have the authority to sign checks or deposit cash. The employee with authority to sign checks or deposit cash may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job code. In addition, if the Department is utilizing consolidated banking, Chapter 8 states that the department should reconcile the department's own records of all deposits and distributions made to the departments monthly Bank Deposit and Distribution Reconciliation Report (FZ370).

County Museum

Currently, there are no documented bank or FZ370 reconciliations being performed.



Museum Store

Currently, there are no documented bank or FZ370 reconciliations being performed.

Staff is unfamiliar with the bank reconciliation guidelines that are outlined in the ICCM. If there are no reconciliations being performed, the Department would be unaware of potential discrepancies and undetected theft may occur.

Recommendation:

We recommend that documented monthly bank reconciliations are performed in accordance with the ICCM guidelines. Each bank reconciliation should include the review of reconciling items and a signature and date by an employee of a higher-ranking job code as evidence of the review.

Current Status: Implemented

All County Museum and County Store bank reconciliations tested were completed and reviewed monthly in accordance with the ICCM guidelines.