



COUNTY OF SAN LUIS OBISPO

Office of the Auditor-Controller

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TO: TAMI DOUGLAS-SCHATZ , DIRECTOR OF HUMAN RESOURCES

FROM: JAMES P. ERB, AUDITOR-CONTROLLER 

DATE: APRIL 29, 2013

SUBJECT: CASH PROCEDURES REVIEW OF HUMAN RESOURCES CONDUCTED ON MARCH 6, 2012

Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy and to establish accountability for the cash on hand at the time of the count, and to determine compliance with the County IT Acceptable Use Policy Acknowledgement signature requirements.

Scope

Our review included physically counting all cash on hand for March 6, 2012 and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipt totals and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, the department is in general compliance with the Cash Handling Policy, and the employees signed the Information Technology Acceptable Use Policy Acknowledgement form in a timely manner. During fieldwork we identified some areas where improvements could be made, and we immediately provided the Department with suggestions for making these improvements. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below.

Suggested Improvements

1. Certification of Cash Handling Policy

Not all cash handling staff had certified in writing that they have read the County Auditor-Controller's Cash Handling Policy (Policy). The Policy is required reading for all staff who handle cash; however, new staff were unaware of the Policy. Written acknowledgement by County employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork, we received verification that all employees with cash handling responsibilities had certified the cash handling policy.

2. Check Endorsements

We found a check that was not restrictively endorsed. The Policy requires that "a restricted endorsement stamp must be used on all checks and money orders at the time they are received. Do not wait to restrictively endorse checks until the deposit is made." The check was not endorsed due to an oversight by front-counter staff, who do not receive monies on a regular basis. Not restrictively endorsing checks at the time of receipt increases the opportunity to misappropriate funds. Staff immediately endorsed the check and implemented a procedure to endorse all checks as they are received.

3. Receipt Documentation

We found that staff were not consistently issuing receipts for monies received at the front counter. The Policy states that "in general, a County receipt must be prepared immediately whenever monies are collected by employees in connection with their County duties." The lack of receipting was due to an oversight by front-counter staff who do not receive monies on a regular basis. The risk of misappropriation or error is greatest during the period between actual collection and the documentation that will establish accountability. Staff immediately implemented a procedure to issue receipts for any monies received at the front counter.

4. Payments Received Through the Mail

We found that the listing of payments received through the mail was inadequate because it only included payments received for retiree insurance payments. The Policy requires a responsible employee other than the cashier or bookkeeper to receive, open, distribute mail, and prepare a listing of the receipts. Because new staff was unfamiliar with cash handling procedures, a mail log for payments other than insurance payments was not kept. When payments are not sufficiently processed the risk of misappropriation, loss or error is significant and is greatest during the period between actual collection and the documentation that will establish accountability. We recommended that all payments received through the mail be logged, and subsequent to fieldwork staff implemented a procedure to log all mail payments.

5. Timely Deposit of Receipts

We found a check for \$731.40 that was received on Friday, February 24, 2012. The check was still on hand and had not been deposited on the day of our cash review,

seven business days later. The Policy states that all cash receipts shall be deposited timely and intact. The frequency of deposits will be determined by the volume of funds received. Collections of \$500 or more should be deposited no later than the next business day. The check was held longer than the Policy allows because new staff were unfamiliar with the Policy. Funds that are not deposited timely may be lost or subject to misappropriation. Subsequent to fieldwork we confirmed that new staff had become familiar with the County Cash Handling Policy requirements regarding the timely deposit of receipts.

6. Credit Card Log Accountability

We found the credit card log inadequate to provide accountability for use of the department MasterCard. The County Credit Card Policy requires that each department maintain a credit card check-out log that identifies the card number, name of employee receiving the card, travel dates, the date issued/date returned and merchant name (if card is used for making reservations). The log must be kept current and accurately reflect the name of the individual responsible for the card. The department uses the MasterCard primarily to provide lunch for individuals external to the County who participate as interviewers on oral board panels. The department used a department-designed log to facilitate the card check out process. The log showed the initials of the employee who checked out and checked in the MasterCard, rather than the person who used the card. When an employee using the credit card is not identified the risk of misuse of the credit card increases. We recommended that the Department use a credit card log that provides a clearer accountability for the credit card usage. Subsequent to fieldwork we verified that the Department has changed their procedure so that the name of the person using the credit card is included on the log.

7. Secure Storage Area

We found the locked drawer that stores the Department MasterCard and cash box had other files and folders in the drawer and was not limited to securing cash, receipt books and the credit card. The Policy states that access to cash should be restricted to as few employees as possible. New staff were unaware of the need to limit the items in the locked drawer to items required to be secured. Storage of items that are non-essential in a secure locked area increases the risk that other people will have a need to access the locked drawer and increases the opportunity for misappropriation of assets. Staff immediately corrected the condition.

8. Information Technology Acceptable Use Policy

We found 3 out of 7 employees sampled had not signed the Information Technology Security Program Acceptable Use policy (AUP). The County's AUP addresses inappropriate use of County computing assets, and by signing the policy annually, employees acknowledge they are bound by the AUP. Inappropriate use of County computer assets exposes the County to risks and threats to telecommunication, information systems, network, facilities and legal issues. Subsequent to fieldwork we received verification that all sampled employees signed the AUP.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.