

County of San Luis Obispo

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TO: JIM SALIO, CHIEF PROBATION OFFICER

FROM: GERE SIBBACH, AUDITOR-CONTROLLER

VIA: JAMES P. ERB, ASSISTANT AUDITOR-CONTROLLER

Date: JANUARY 23, 2012

SUBJECT: CASH PROCEDURES REVIEW OF THE PROBATION DEPARTMENT CONDUCTED ON OCTOBER 13, 2011.

Purpose

The purpose of our review was to determine compliance with the County Cash Handling Policy and to establish accountability for the cash on hand at the time of the count.

Scope

Our review included physically counting all cash on hand for October 13, 2011, and reconciling the amount to the department's accountability figures. We also examined cash receipts and compared these 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.

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, and that the department is in general compliance with the County Cash Handling Policy. 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. Endorsement Stamps

We found that the cash custodians assigned to the Public Defender location at the San Luis Obispo County Court House and the Juvenile Services Center public counter area had no endorsement stamp. The County's Cash Handling Policy requires that a restricted endorsement stamp be used on all checks and money orders at the time they are received in order to prevent misappropriation of County funds. We recommended that staff should obtain restrictive endorsement stamps for these locations where funds are received and immediately endorse checks at the moment of receipt. Subsequent to fieldwork, we verified that the cash custodians at the Public Defender and Juvenile Services Center locations are now using a restricted endorsement stamp on all checks and money orders at the time they are received.

2. Petty Cash Log

Although the petty cash was in balance, we found the petty cash log to be inadequate to account for the purpose and use of the petty cash. The petty cash log should provide the nature of the purchase, the amount, and the name of the recipient. We provided a petty cash log template to the Department that will improve the existing method of accounting for petty cash transactions. Subsequent to fieldwork we verified that the Department is now using the petty cash log we provided.

3. Cash Handling Policy Certification

We found that not all managers and custodians of cash had certified in writing that they have read the County Auditor-Controller's Cash Handling Policy (Policy). The Policy is required reading for all cash custodians, managers and supervisors. Written acknowledgement by employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork, we received verification that all department staff associated with cash handling operations certified they have read the Policy.

4. Information Technology Acceptable Use Policy

We found two out fourteen employees sampled had not signed the Information Technology Information 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. We recommended the Department update the employee records for current acknowledgement of the AUP. Subsequent to fieldwork, the Department informed us that they have updated their process to ensure that employees will sign the AUP annually.

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