

# County of San Luis Obispo

## Office of the Auditor-Controller

1055 Monterey Street Room D220

San Luis Obispo, California 93408

(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**

**JAMES P. ERB, CPA, Assistant**

**LYDIA CORR, CPA, Deputy**

**JAMES HAMILTON, CPA, Deputy**

Email [auditor@co.slo.ca.us](mailto:auditor@co.slo.ca.us)

TO: JASON GIFFEN, PLANNING AND BUILDING DIRECTOR

FROM: GERE SIBBACH, AUDITOR-CONTROLLER

VIA: JAMES P. ERB, ASSISTANT AUDITOR-CONTROLLER 

DATE: MARCH 13, 2012

SUBJECT: CASH PROCEDURES REVIEW OF PLANNING AND BUILDING DEPARTMENT  
CONDUCTED ON DECEMBER 22, 2011.

Our office completed a cash review of the Planning and Building Department on December 22, 2011. Please respond to the Findings and Recommendations within 10 business days of receiving this report. The response should include the corrective action the Planning and Building Department will be making to satisfy the Findings and Recommendations.

### 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 December 22, 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 Cash Handling Policy with the exceptions noted in the Findings and Recommendations section of this report below. Findings are issues which present a serious enough risk to require consideration by management and a written department response.

In addition, during our fieldwork we identified an area where improvement could be made, and we immediately provided the Department with suggestions for making the improvement which is discussed in the Suggested Improvements section. 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.

## **Findings & Recommendations**

### **1. Petty Cash Receipt Not Marked "PAID"**

We found one of three petty cash receipts reviewed was not marked "PAID". The County Auditor-Controller's Cash Handling Policy requires all receipts for reimbursements be marked "PAID" when reimbursement is made to reduce the risk of misappropriation. The petty cash custodian neglected to mark the receipt in error, resulting in an increased risk of multiple reimbursements and funds being misappropriated.

**Recommendation:** The petty cash custodian must mark all petty cash receipts "PAID" at the time reimbursement is made.

### **2. Reimbursements Not Authorized**

The three petty cash reimbursements sampled were not approved by a supervisor. The petty cash custodian approved, disbursed, documented and reconciled all of the expenditures. Prudent management practices and strong internal controls require that a supervisor who is not the petty cash custodian approve requests for petty cash disbursements. The petty cash custodian did not solicit the supervisor for approval prior to disbursing monies from the petty cash fund. This resulted in an increased risk for unnecessary and/or unauthorized charges to the fund.

**Recommendation:** A supervisor who is not the petty cash custodian must sign the petty cash voucher verifying that requests for petty cash funds have been approved.

### **3. Food Purchased with Petty Cash Funds**

We found that petty cash funds were used to purchase food items. The County Auditor-Controller's Cash Handling Policy prohibits the use of petty cash funds for purchasing food items without a specific waiver from the Auditor-Controller. The custodian indicated that the Planning Department was required by the State to furnish snacks at an Energy Booth. Purchasing food items without proper authorization increases the risk of misappropriation.

**Recommendation:** The Planning Department should not buy food without the permission of the Auditor-Controller. Food should be bought through regular purchasing channels whenever possible and should not be reimbursed from petty cash without the express permission of the Auditor-Controller.

### Suggested Improvements

#### 1. Staff 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. A new employee had transferred into the Department and had not signed the Policy at the time of the cash review. Written acknowledgement by County employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Cash handling staff must read the County Auditor-Controller's Cash Handling Policy and certify in writing they have read the policy. Subsequent to fieldwork, we received verification that the new employee has read the cash handling policy.

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