

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

502



FROM: County Auditor-Controller

SUBMITTAL DATE:
October 30, 2012

SUBJECT: County of Riverside Auditor-Controller's Office – Internal Audit Report 2012-015:
Countywide Cash Handling

RECOMMENDED MOTION: Receive and file Internal Audit Report 2012-015: Countywide Cash Handling

BACKGROUND: We have completed a countywide cash handling audit to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling processes. The audit covered the period July 1, 2010 through March 31, 2012. Our audit included four county departments: Agricultural Commissioner's Office, Department of Animal Services, Department of Child Support Services and Flood Control & Water Conservation District.

(Continued on page 2)

Paul Angulo

Paul Angulo, CPA, MA-Mgmt.
County Auditor-Controller

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

- Dept't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Dept't Recomm.:

Per Exec. Ofc.:

Prev. Agn. Ref.:

District: *All*

Agenda Number:

2.4

BACKGROUND continued:

Based upon the results of our audit, we determined the Flood Control & Water Conservation District has adequate internal controls over cash handling. The Agriculture Commissioner's Office, Department of Animal Services, and Department of Child Support Services also have adequate internal controls over cash handling; however, we noted areas for improvement regarding timeliness of deposits, lack of segregation of duties, the use of mail logs, and restrictively endorsing checks upon receipt. We will conduct a desk review with the Agriculture Commissioner's Office, Department of Animal Services, and Department of Child Support Services in six months to determine if actions were taken to correct the findings noted.



County of Riverside

INTERNAL AUDIT REPORT

2012-015

Countywide Cash Handling

October 30, 2012

Office of
Paul Angulo, CPA, MA-Mgmt.
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA-Mgmt.
AUDITOR-CONTROLLER

October 30, 2012

John Snyder, Agricultural Commissioner, Agricultural Commissioner's Office
Robert Miller, Director, Department of Animal Services
John Replogle, Director, Department of Child Support Services
Warren D. Williams, General Manager-Chief Engineer, Flood Control & Water Conservation District

Subject: Internal Audit Report 2012-015: Countywide Cash Handling

Dear Department Heads:

We have completed a countywide cash handling audit to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling processes. The audit covered the period July 1, 2010 through March 31, 2012. Our audit included four county departments: Agricultural Commissioner's Office, Department of Animal Services, Department of Child Support Services and Flood Control & Water Conservation District.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. The audit included examining, on a test basis, evidence about the department's compliance with the applicable government codes, regulations and resolutions, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our conclusions.

Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we determined the Flood Control & Water Conservation District has adequate internal controls over cash handling. The Agriculture Commissioner's Office, Department of Animal Services, and Department of Child Support Services also have adequate internal controls over cash handling; however, we noted areas for improvement regarding timeliness of deposits, lack of segregation of duties, the use of mail logs, and restrictively endorsing checks upon receipt.

We discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management in the course of the audit.

We thank your department for their cooperation and assistance during the audit.

Paul Angulo, CPA, MA-Mgmt
County Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive style with a large initial "R".

By: Rachelle Román, MPA
Chief Internal Auditor

Cc: Board of Supervisors
District Attorney
Grand Jury

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Executive Summary

Overview

The cash handling process begins when departments receive cash or other negotiable items at various identifiable locations. The cash handling work flow begins with payments made by customers at cash collection sites or via checks received by postal mail. Examples of fees collected by departments are: Weights and Measure device registration, pesticide use registration, dog licensing, spay and neuter services, plan check fees, area drainage plan fees, and child support collections. Cash register transaction receipts or Official County Receipts (OCRs) are issued; cash is verified, reconciled and reviewed by appropriate levels of management and bundled with supporting documentation at the point of collection, resulting in the collection site's deposit for the day. Cash receipts are recorded in PeopleSoft.

Checks received via postal mail are restrictively endorsed upon receipt and recorded on a mail log of all negotiable items received by the departments daily. Mail logs are maintained and reconciled to receipts deposited and recorded in PeopleSoft. A few departments have implemented check scanners to improve efficiency of the cash handling process.

Cash deposits are secured in department safes with limited access until picked up by armor courier services and delivered to the bank or delivered to the Treasurer by department personnel. In outlying areas, funds are deposited directly into Zero Balance Accounts (ZBA). The bank debits the ZBA for the amount of the deposit and transmits a credit for the amount to the Treasurer.

Auditor-Controller Standard Practice Manual 705 states, "At the close of each business day, monies collected must be reconciled to the receipts issued and then deposited in the Treasury, or an authorized Zero Balance Account (ZBA), or secured per an authorized daily deposit exemption. If the business day ends after the deadline for making Treasury deposits, the cash collected must be secured in a locked facility and deposited the next business day."

Detailed testing was performed on cash handling processes such as segregation of duties, security of deposits, timeliness of deposits, and monthly reconciliations. We tested to ensure departments have adequate internal controls over cash handling through observations, interviews, and analysis of completed documents as provided by the departments.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances;
- Conducted interviews and performed walkthroughs with department personnel;
- Utilized PeopleSoft queries to identify the volume, locations, and frequency of cash receipts;
- Verified appropriate levels of management review and approval;
- Selected samples of deposits to perform detailed testing; and
- Verified the safeguarding of cash.

Audit Conclusion

Based upon the results of our audit, we determined the Flood Control & Water Conservation District has adequate internal controls over cash handling. The Agriculture Commissioner's Office, Department of Animal Services, and Department of Child Support Services also have adequate internal controls over cash handling; however, we noted areas for improvement regarding timeliness of deposits, lack of segregation of duties, the use of mail logs, and restrictively endorsing checks upon receipt.

Agriculture Commissioner's Office

Background

The Agricultural Commissioner is charged with the protection of California agriculture, protection of the environment, as well as protection of the public's health and safety. These goals are accomplished through the management of programs designed to achieve the Agricultural Commissioner's mission through a combination of public outreach, industry education and various regulatory actions when appropriate. Examples of these programs are pest exclusion, detection, eradication and management, pesticide use enforcement, seed certification and nursery inspection.

Each year, Weights and Measures officials inspect and test packaged commodities and commercially used devices. Transactions derived from the use of such devices are also inspected for accuracy. In addition to inspection activities, Weights and Measures officials provide education and training to the public as well as the regulated industries.

Finding 1: Timeliness of Deposits

All four locations selected for detailed testing did not make timely deposits. We randomly selected a sample of 32 deposits during the period from July 1, 2010 to March 31, 2012 and determined 13 deposits made by the Riverside location were not made on a daily basis due to operational limitations. The daily deposit exemption approved by the Auditor-Controller's Office for the outlying locations requires cash receipts to be deposited if cash on hand is greater than \$1,000 or within five working days. Fourteen of the deposits made by the outlying locations were not made in accordance with the approved deposit exemption.

Recommendation 1

Ensure deposits are made on a daily basis in accordance with Standard Practice Manual 705 or in accordance with the approved exemption.

Management's Response

"Concur. Our department has an exemption (III-E-1-3.1) from daily deposits for our 3 district offices, due to limited staffing. We will take steps to ensure deposits are prepared on at least a weekly basis per the exemption, by having supervisors and clerical staff reprioritize this duty and to put reoccurring reminders on their outlook calendars.

Regarding our main office, due to a lack of staff coverage during absences, we have implemented a system of staff assignment rotations, to ensure coverage during absences."

The estimated date of correction action is August 20, 2012.

Finding 2: Lack of Segregation of Duties

Cash handling duties are not properly segregated. Specifically, the Secretary I and the Executive Assistant at the Riverside location receive cash, restrictively endorse checks, prepares the deposit, records receipts in PeopleSoft, and deposits the receipts. In addition, the Secretary I reconciles the deposits to the monthly revenue report.

Recommendation 2

Ensure the duties of receiving, preparation, verification, recording, and reconciliation of deposit duties are properly segregated.

Management's Response

"Concur. Our department has reassigned the reconciliation of deposits from the Secretary I to the Office Assistant III, to ensure appropriate checks and balances and segregation of duties."

The estimated date of correction action is August 20, 2012.

Department of Animal Services

Background

The Department of Animal Services provides animal-related services to the County of Riverside as well as to several cities within the county through service contracts. The department seeks to provide comfortable, humane shelters and nurturing care to animals. As an alternative to euthanasia, the department employs pet adoption, public education, and veterinary medical programs to reduce pet overpopulation. The Department of Animal Services operates four animal shelters throughout the county, providing the following services: adoptions, surrenders, field services, licensing, micro-chipping, vaccinations, and spay & neuter services.

Finding 1: Timeliness of Deposits

One of the four locations selected for detailed testing did not make timely deposits. For the Blythe location, we randomly selected a sample of five deposits for the period December 1, 2011 to March 31, 2012 and determined three of the deposits were not made timely due to lack of sufficient staff at that location.

Recommendation 1

Ensure deposits are made daily or request a daily deposit exemption from the Auditor-Controller's Office.

Management's Response

"Concur. Management has completed the daily deposit exemption request form and submitted it for approval."

The estimated date of correction action is August 22, 2012.

Finding 2: Restrictively Endorse Checks/Use of Mail Log

Checks received via postal mail are not restrictively endorsed upon receipt. Additionally, not all checks received are recorded in the mail log. At the Western Riverside location, checks received from the State, collections, and payment plan payments on balances due are not recorded in the mail log. In addition, the mail log is not reconciled by the staff to the daily deposits and approved in writing by a supervisor/manager verifying review and approval of the reconciliation.

Recommendation 2.1

Restrictively endorse all checks upon receipt.

Management's Response

"Concur. Management has implemented recommendation effective July 9, 2012."

Recommendation 2.2

Record all checks received via postal mail in the mail log.

Management's Response

"Concur. Management has implemented recommendation effective June 28, 2012."

Recommendation 2.3

Reconcile the mail log to the daily deposits and have the reconciliations approved in writing by a supervisor/manager to confirm the accuracy and completeness of the deposits.

Management's Response

"Concur. Management has implemented recommendation effective August 23, 2012."

Department of Child Support Services

Background

In 1999, former Governor Gray Davis signed legislation creating the California Department of Child Support Services whose stated mission "is to promote the well-being of children and the self-sufficiency of families by delivering effective child support services to help meet the financial, medical, and emotional needs of children." The legislation required each county within the state to form a department responsible for administering the Child Support Enforcement Program. In response, Riverside County formed the Department of Child Support Services (DCSS).

Riverside County DCSS is responsible for determining paternity and enforcing the obligation of non-custodial parents to provide financial and medical support to their minor children. DCSS achieves these responsibilities by locating non-custodial parents, investigating their income and assets, and taking any legal action necessary to obtain support for their children. DCSS collects child support payments and remits the payments to the California State Disbursement Unit for payment processing and disbursement. DCSS has two cash handling divisions: Child Support Collections and Administrative Services.

Finding 1: Timeliness of Deposits

Administrative Services did not make timely deposits. We randomly selected a sample of 17 deposits for the period July 1, 2010 to March 31, 2012 and determined four of the deposits were made in an untimely manner.

Recommendation 1

Ensure deposits are made daily or request a deposit exemption from the Auditor-Controller's Office.

Management's Response

"Concur. DCSS administrative services has assigned additional staff to the accounting team. This additional staff will ensure that there is adequate staff to make deposits daily,"

The estimated date of correction action is July 12, 2012.

Finding 2: Lack of Segregation of Duties

Cash handling duties are not properly segregated. Specifically, the Supervising Accounting Technician in Administrative Services receives cash, restrictively endorses checks, prepares the deposit, records receipts in PeopleSoft, and deposits the receipts.

Recommendation 2

Ensure the duties of receiving, preparation, verification, recording, and reconciliation of deposit duties are properly segregated.

Management's Response

"Concur. One full-time and two part-time backup accounting assistant I positions and one part-time accounting technician position have been reassigned to the DCSS administrative services team to further separate handling of these duties. The accounting assistant I's and accounting technician I will now receive cash; the accounting assistant I's and the senior administrative analyst now restrictively endorse checks; the accounting assistant I's now prepare the deposit; the supervising accounting technician, accounting assistant I's and accounting technician I now record receipts in PeopleSoft while the accounting assistant I's now deposit the receipts."

The estimated date of correction action is July 12, 2012.

Finding 3: Restrictively Endorse Checks/Use of Mail Log

Checks received via postal mail are not restrictively endorsed upon receipt. Not all checks received are recorded in the mail log. For 28 of the Administrative Services checks selected for testing, 21, or 84 percent, were not recorded in the mail log. In addition, the mail log is not reconciled by the staff to the daily deposits and approved in writing by a supervisor/manager verifying review and approval of the reconciliation.

Recommendation 3.1

Restrictively endorse all checks received via postal mail upon receipt.

Management's Response

"Concur. All checks received via postal mail by administrative services are now restrictively endorsed by the accounting assistant 1."

The estimated date of correction action is June 27, 2012.

Recommendation 3.2

Record all checks received via postal mail in the mail log.

Management's Response

"Concur. Checks received via postal mail by administrative services are, after endorsement, logged by the accounting assistant I in the mail log."

The estimated date of correction action is July 12, 2012.

Recommendation 3.3

Reconcile the mail log to the daily deposits and ensure reconciliations are approved in writing by a supervisor/manager.

Management's Response

"Concur. The supervising accounting technician now reconciles the administrative services mail log to the daily deposits and then provides that reconciliation to the senior administrative analyst who approves them in writing."

The estimated date of correction action is July 12, 2012.

Flood Control & Water Conservation District

Background

The mission of the Flood Control & Water Conservation District is to protect people, property and watershed from damage or destruction from flood and storm waters and to conserve, reclaim and save such waters for beneficial use. The District operates and maintains major flood control facilities such as dams, flood basins, levees, open channels, and major underground storm drains. The District is charged with the daily maintenance and emergency repair of the District drainage system. The District reviews both subdivision and land use cases in unincorporated areas within the District's boundaries. Examples of fees collected include plan review fees, area drainage plan fees, and encroachment permit fees.

Results

We noted the cash handling process followed good internal control procedures where cash collections were restricted to specified locations for departmental receipting. Receipts were stored in locked cabinets or safes with access limited to only appropriate staff. Checks were restrictively endorsed upon receipt and Official County Receipts (OCRs) were issued for all monies received. Deposits are made in a timely manner and there is a proper segregation of duties over the cash handling function. In addition, the District monitors all of its cash balances on a daily basis for accounting discrepancies and reconciliations between PeopleSoft and cash receipts processed by the Auditor-Controller's Office are reconciled on a quarterly basis.

Conclusion

Based upon the results of our audit, we determined the Flood Control & Water Conservation District has adequate internal controls over cash handling.



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JOHN SNYDER


Agricultural Commissioner
Sealer of Weights & Measures

WEIGHTS & MEASURES DIVISION

2950 WASHINGTON STREET
P.O. BOX 1480
RIVERSIDE, CA 92502-1480
PHONE (951) 955-3030
FAX (951) 276-4728

DATE: August 30, 2012

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM:  John Snyder, Agricultural Commissioner/Sealer of Weights & Measures

SUBJECT: Reply to Draft Audit Report (2012-015)

Recommendation 1:

Ensure deposits are made on a daily basis in accordance with Standard Practice Manual 705 or in accordance with the approved exemption.

Management position concerning the recommendation: Concur

Our department has an exemption (III-E-1-3.1) from daily deposits for our 3 district offices, due to limited staffing. We will take steps to ensure deposits are prepared on at least a weekly basis per the exemption, by having supervisors and clerical staff reprioritize this duty and to put recurring reminders on their outlook calendars.

Regarding our main office, due to a lack of staff coverage during absences, we have implemented a system of staff assignment rotations, to ensure coverage during absences.

Actual/estimated Date of Corrective Action: August 20, 2012

Estimated cost to implement recommendation (if material): \$ 0.00

Recommendation 2:

Ensure the duties of receiving, preparation, verification, recording and reconciliation of deposit duties are properly segregated.

Management position concerning the recommendation: Concur

Comments:

Our department has reassigned the reconciliation of deposits from the Secretary I to the Office Assistant III, to ensure appropriate checks and balances and segregation of duties.

Actual/estimated Date of Corrective Action: August 20, 2012

Estimated cost to implement recommendation (if material): \$ 0.00



*Department of Animal Services
Robert P. Miller, Director*

August 23, 2012

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: Robert Miller, Director 
Department of Animal Services

SUBJECT: Reply to Draft Audit Report [2012-015]

Recommendation 1:

Request a daily deposit exemption from the Auditor-Controller's Office.

Management position concerning the recommendation: **Concur**

Comments:

Management has completed the daily deposit exemption request form and submitted it for approval.

Actual/Estimated Date of Corrective Action: **Submitted August 22, 2012**

Recommendation has been implemented.

Recommendation 2.1

Restrictively endorse all checks upon receipt.

Management position concerning the recommendation: **Concur**

Comments:

Management has implemented recommendation effective July 9, 2012.

Actual/Estimated Date of Corrective Action: **July, 9 2012**

Recommendation has been implemented.

Recommendation 2.2

Record all checks received via postal mail in the mail log.

Management position concerning the recommendation: **Concur**

Comments:

Management has implemented recommendation effective June 28, 2012.

Actual/Estimated Date of Corrective Action: **June 28, 2012**

Recommendation has been implemented.

Recommendation 2.3

Reconcile the Mail log to the daily deposits and have the reconciliations approved in writing by a supervisor/manager to confirm the accuracy and completeness of the deposits.

Management position concerning the recommendation: **Concur**

Comments:

Management has implemented recommendation effective August 23, 2012.

Actual/Estimated Date of Corrective Action: **August 23, 2012.**

Recommendation has been implemented.



County of Riverside
DEPARTMENT OF CHILD SUPPORT SERVICES



John Replogle, Director

2041 Iowa Avenue, Riverside, CA 92507

DATE: August 30, 2012
TO: Auditor-Controller's Office
Audits and Specialized Accounting Division
FROM: John Replogle, Director *John Replogle*
Department of Child Support Services
SUBJECT: Reply to Draft Audit Report 2012-015

Recommendation 1:

Ensure deposits are made daily or request a deposit exemption from the Auditor-Controller's Office.

Management position concerning the recommendation: Concur

Comments:

DCSS administrative services has assigned additional staff to the accounting team. This additional staff will ensure that there is adequate staff to make deposits daily.

Actual/estimated Date of Corrective Action: July 12, 2012

Estimated Cost to Implement recommendation (if material): \$ 0.00

Recommendation 2:

Ensure the duties of receiving, preparation, verification, recording and reconciliation of deposit duties are properly segregate.

Management position concerning the recommendation: Concur

Comments:

One full-time and two part-time backup accounting assistant I positions and one part-time accounting technician position have been reassigned to the DCSS administrative services team to further separate handling of these duties. The accounting assistant I's and accounting technician I will now receive cash; the accounting assistant I's and the senior administrative analyst now restrictively endorse checks; the accounting assistant I's now prepare the deposit; the supervising accounting technician, accounting assistant I's and accounting technician I now record receipts in PeopleSoft while the accounting assistant I's now deposit the receipts.

Actual/estimated Date of Corrective Action: July 12, 2012

Estimated Cost to Implement recommendation (if material): \$ 0.00

Recommendation 3.1:

Restrictively endorse all checks received via postal mail upon receipt.

Management position concerning the recommendation: Concur

Comments:

All checks received via postal mail by administrative services are now restrictively endorsed by the accounting assistant I.

Actual/estimated Date of Corrective Action: 6/27/12

Estimated Cost to Implement recommendation (if material): \$ 0.00

Recommendation 3.2:

Record all checks received via postal mail in the mail log.

Management position concerning the recommendation: Concur

Comments:

Checks received via postal mail by administrative services are, after endorsement, logged by the accounting assistant I in the mail log.

Actual/estimated Date of Corrective Action: 7/12/12

Estimated Cost to Implement recommendation (if material): \$ 0.00

Recommendation 3.3:

Reconcile the mail log to the daily deposits and ensure reconciliations are approved in writing by a supervisor/manager.

Management position concerning the recommendation: Concur

Comments:

The supervising accounting technician now reconciles the administrative services mail log to the daily deposits and then provides that reconciliation to the senior administrative analyst who approves them in writing.

Actual/estimated Date of Corrective Action: 7/12/12

Estimated Cost to Implement recommendation (if material): \$ 0.00