

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

922



FROM: Auditor-Controller

SUBMITTAL DATE:
June 19, 2014

SUBJECT: Internal Audit Report 2014-305: Countywide Cash Handling Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-305: Countywide Cash Handling Follow-up Report

BACKGROUND:

Summary

We have completed a Follow-up Audit of Cash Handling for the Agricultural Commissioner's Office, Department of Animal Services and Department of Child Support Services. Our audit was limited to reviewing actions taken as of March 31, 2014, to correct findings noted in our original audit report (2012-015) dated October 30, 2012.

(Continued on page 2)

Paul Angulo, CPA, MA
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No
For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY:
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Benoit, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: July 15, 2014
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: _____ District: ALL Agenda Number: _____

2-10

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-305: Countywide
Cash Handling Follow-up Audit, [District: All]; [\$0]

DATE: June 19, 2014

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

The original audit report contained the seven findings, all of which required corrective action and; therefore, were reviewed as part of the follow-up audit:

- Two for Agricultural Commissioner's Office.
- Two for Department of Animal Services.
- Three for Department of Child Support Services.

Our follow-up audit found that corrective action was completed for all seven findings. For an in-depth understanding of original audit, please refer to Internal Audit Report 2012-015 at www.auditorcontroller.org.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-305

Internal Audit Report 2014-305

**Countywide Cash Handling
Follow-up Audit**

Report Date: June 3, 2014



**Office of Paul Angulo, CPA, MA
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www.auditorcontroller.org



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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
AUDITOR-CONTROLLER

June 3, 2014

Mr. John Snyder, Agricultural Commissioner, Agricultural Commissioner's Office
Mr. Robert Miller, Director, Department of Animal Services
Mr. John Repogle, Director, Department of Child Support Services

Subject: Internal Audit Report 2014-305: Cash Handling Follow-up

Dear Department Heads:

We have completed a Follow-up Audit of Cash Handling for the Agricultural Commissioner's Office, Department of Animal Services and Department of Child Support Services. Our audit was limited to reviewing actions taken as of March 31, 2014, to correct the findings noted in our original audit report (2012-015) dated October 30, 2012.

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. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The original audit report contained the following findings, all of which required corrective action and; therefore, were reviewed as part of this audit:

- Two for Agricultural Commissioner's Office.
- Two for Department of Animal Services.
- Three for Department of Child Support Services.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2012-015 at www.auditorcontroller.org.

This follow-up audit found that all seven findings were corrected.

Detailed statuses of the findings identified in the original audit are provided in the body of this report.

Internal Audit Report 2014-305: Cash Handling Follow-up

We appreciate the cooperation and assistance extended to us by staff of the Agricultural Commissioner's Office, Department of Animal Services, and Department of Child Support Services during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA
Auditor-Controller

Mark W. Cousineau

By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Agricultural Commissioner's Office

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.

Current Status 1: Corrected.

Based on the results of our testing, we determined that deposits were made in accordance with the approved deposit exemption.

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.

Current Status 2: Corrected.

The department has reassigned the reconciliation of deposits from Secretary 1 to the Office Assistant III, to ensure appropriate checks and balances and segregation of duties.

Department of Animal 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.

Current Status 1: Corrected.

The department now has an ACO approved Daily Deposit Exemption for its Blythe location.

Based on the results of our testing, we determined that deposits were made in accordance with the approved deposit exemption.

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.

Current Status 2.1: Corrected.

The department now restrictively endorses all checks upon receipt.

Current Status 2.2: Corrected.

The department designed a check log where all checks received are recorded as the mail is opened.

Current Status 2.3: Corrected.

The department implemented the following reconciliation procedures:

- Mail Clerk records checks in the mail log, and forwards checks to the department licensing staff for verification.
- Licensing Staff verifies checks, updates customer accounts, and forwards completed checks and log to department supervisor/lead.
- Supervisor/Lead verifies the checks and log to ensure completeness, and forwards them to department accounting division for processing into the daily deposit.

Department of Child Support 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.

Current Status 1: Corrected.

DCSS Administrative Services Division has assigned additional staff to the accounting team to ensure there is adequate staff to make deposits daily.

Based on the results of our testing, we determined that deposits were made in a timely manner.

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.

Current Status 2: Corrected.

One full-time and two part-time back-up accounting assistant 1 positions and one part-time accounting technician position have been reassigned to the DCSS administrative services team to further separate cash handling duties.

Specifically, the Supervising Accounting Technician in Administrative Services Division is no longer assigned to perform the following cash handling duties:

- Restrictively endorsing checks.
- Preparing deposit and County of Riverside Cash Receipt Treasury Deposit Permit for cash receipts deposited directly with the Treasurer/Tax Collector.
- Making deposits.
- Custodian of mail logs.

Based on the results of our testing, we determined that the duties of receiving, preparation, verification, recording, and reconciliation of deposit duties are properly segregated.

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

Internal Audit Report 2014-305: Cash Handling Follow-up

reconciled by the staff to the daily deposits and approved in writing by a supervisor/manager verifying review and approval of the reconciliation.

Current Status 3.1: Corrected.

Based on the results of our interview, we determined that the Accounting Assistant now restrictively endorses checks received via postal mail.

Current Status 3.2: Corrected.

Based on the results of our deposit testing, we determined that checks received via postal mail are recorded in the mail log.

Current Status 3.3: Corrected.

Based on the results of our review, we determined that the Supervising Accounting Technician reconciles the mail log to the daily deposits, and the reconciliation is approved in writing by the Administrative Manager.