

# AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

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**LARRY WALKER**  
Auditor-Controller/  
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November 25, 2013

Michelle Scray Brown, Chief Probation Officer  
Probation Department  
175 West Fifth Street  
San Bernardino, CA 92415-0460

**SUBJECT: REVIEW OF PROBATION CASH FOLLOW-UP**

## **Introductory Remarks**

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 02-02 entitled Internal Operational Auditing, we have completed a follow-up review of the Probation Department's cash controls. We conducted our review in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

## **Objectives, Scope and Methodology**

The objective of this review was to determine whether the Department implemented the three recommendations contained in the prior audit report, *Probation Cash Controls Audit*, issued June 9, 2009. Fieldwork for this review was completed on May 6, 2013. To determine the implementation status of the recommendations, we:

- interviewed Department staff
- performed walk-throughs of activities
- reviewed policies, procedures, the last audit file, and pertinent documents
- examined original source documents received from the Department

## **Conclusion**

The Department has implemented two recommendations and partially implemented one. We sent a draft report to the Department and discussed our observations with management on September 5, 2013. The prior findings and recommendations along with their current implementation status are below.

**Prior Audit's Findings and Recommendations with Current Status (by site)**

**Probation Administration Office**

**Finding: Management of the Petty Cash Funds needs to be improved**

The County's Internal Controls and Cash Manual (1/08), Chapter 2 – Internal Controls, states all transactions and pertinent events should be accurately and properly recorded on documents and records. Chapter 4 – Cash Funds, states cash funds must be replenished prior to the end of each fiscal year to ensure expenditures are recorded in the year in which they were incurred. Chapter 4 further states that at the end of a fund reconciliation process the reconciled amount should equal the fund total.

The following conditions were disclosed during our review:

- The petty cash fund did not have a detailed record of all transactions that occurred, including a current fund balance.
- The petty cash (checking) fund had outstanding advances dating back to 2003.
- The petty cash (checking) fund was not reconciled to the authorized fund amount.
- The exact amount the fund contained was undetermined due to incomplete records of the advances given.

The department has a high risk of cash being misappropriated by not practicing the required guidelines for cash fund management as stated in the Internal Controls and Cash Manual.

**Recommendation:** We recommend that management implement procedures to have a register for every cash fund and reconcile bank and book balances of the checking account to the authorized amount. If a shortage is discovered, the department should follow the steps listed in Chapter 5 of the ICCM. In addition, management should ensure cash funds are replenished prior to the end of the fiscal year.

**Current Status:** Partially Implemented. During testing, we found that the petty cash (checking) fund was not reconciled to the authorized amount. The other conditions listed in the original finding have been corrected.

**Management's Response:** The petty cash fund is being reconciled to the authorized amount and will be completed no later than November 8, 2013. Alice Rivera, Accounting Technician; Juan Munoz-Barajas, Fiscal Specialist and Wafaa Ambrossi, Accountant III are working together to reconcile the balances and will take appropriate action based on the ICCM, chapter 5, if necessary.

**Auditor's Response:** The Department's planned response will correct the deficiencies noted in the finding.

## **Central Juvenile Hall**

### **Finding 1: Management of Petty Cash Funds needs to be improved**

The County's Internal Controls and Cash Manual, Chapter 2 – Internal Controls, states all transactions and pertinent events should be accurately and properly recorded on documents and records. Chapter 3 – Cash Controls, states safe combinations should be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. Chapter 4 – Cash Funds, states cash funds should be reconciled at least once a month by someone other than the fund custodian and of a higher ranking job code. Chapter 4 further states cash funds must be replenished prior to the end of each fiscal year to ensure expenditures are recorded in the year in which they were incurred.

The following conditions were disclosed during our review:

- The petty cash funds did not have a detailed record of all transactions that occurred, including a current fund balance.
- The safe combination had not been changed in over two years.
- Reconciliations on the petty cash funds were not performed at all.
- One cash fund contained a receipt dated 8/26/05. Another cash fund included four advances given in 2006 and 2007 which remained outstanding.

The department is not practicing the required guidelines for cash fund management as stated in the Internal Controls and Cash Manual. By failing to change safe combinations, the department is at risk of an unauthorized individual acquiring knowledge of the combination which can result in cash losses. In addition, not performing monthly reconciliations can result in errors, omissions, and fraudulent activity not being discovered in a timely manner, or not being discovered at all.

**Recommendation:** We recommend that management implement procedures to have a register for every cash fund. We recommend that management ensure safe combinations are changed at least annually and cash funds are reconciled on a monthly basis by someone other than the fund custodian. In addition, management should ensure cash funds are replenished prior to the end of the fiscal year.

**Current Status:** Implemented.

### **Finding 2: Petty Cash Funds were not kept segregated**

The County's Internal Controls and Cash Manual, Chapter 4 – Internal Controls, states cash funds are to be kept physically separate from all other cash funds. A surprise cash count revealed a shortage in the amount of \$19 in one fund and an overage in the amount of \$20 in another fund. The fund custodian stated the shortage and overage resulted from

“mixing up the accounts.” Since petty cash funds are not kept segregated, there is a higher risk of monies being lost or misappropriated.

**Recommendation:** We recommend that management ensure cash funds be kept segregated from all other department funds.

**Current Status:** Implemented.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

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San Bernardino County

By:



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LDW:DLM:GEL:aeb

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