

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Registrar of Voters: Cash Funds Audit



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Registrar of Voters Department Cash Funds Audit

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March 23, 2020

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SUBJECT: CASH FUNDS AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter we have completed an audit of the Registrar of Voters Department’s (Department) cash funds for the period of July 2018 through June 2019. The primary objective of the audit was to determine whether the Department is in compliance with the Internal Controls and Cash Manual in regards to the controls over their cash funds. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on November 26, 2019 and discussed our observations with management on December 4, 2019. The Department’s responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Registrar of Voters who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's cash funds.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>The use of the petty cash checking account fund is not in compliance with the Internal Controls and Cash Manual (ICCM). We recommend that the Department familiarize themselves with the ICCM regarding petty cash and its limitations. We also recommend the Department follow the guidelines in the ICCM and obtain proper approval from ATC MSS to accept credit card and debit card payments. We further recommend the Department cease the use of the petty cash fund checking account to deposit credit card receipts. Additionally, we recommend the Department coordinate with ATC MSS to establish a ZBA in accordance with the ICCM.</p>	8
2	<p>Controls over the safeguarding of the change fund could be improved. We recommend supervisory personnel provide training to staff to familiarize them with the ICCM's policies and procedures. The Department should submit a Signature/Fund Custodian Authorization form to ATC Internal Audits Section (IAS) immediately. We also recommend segregating duties for receiving cash, preparing deposits and reconciling cash funds. We further recommend that access to the change fund be limited to as few employees as possible.</p>	9
3	<p>Controls over the disbursements from the petty cash fund could be improved. We recommend the Department review and follow the ICCM's guidelines regarding the use of petty cash vouchers and documentation of proper approvals for petty cash disbursements.</p>	11

Executive Summary



Finding No.	Findings and Recommendations	Page No.
4	Depositing procedures could be improved.	12
	We recommend that checks and money orders are immediately deposited in accordance with ICCM guidelines. The Department should work with ATC MSS to implement the use of a deposit scanner. In addition, we also recommend that Department supervisors perform a documented review for all deposits.	
5	Segregation of duties over the petty cash funds could be improved.	13
	We recommend the Department reorganize assignments with existing staff and segregate duties for issuing cash, maintaining records and reconciling cash funds in accordance with ICCM guidelines.	
6	Petty cash funds are not reconciled to their authorized amounts.	14
	We recommend that the petty cash fund and the petty cash checking fund are reconciled to \$500 and \$1,000, accordingly. If it is determined that the amounts cannot be reconciled, the Department should follow the proper procedures in the ICCM related to overages.	



CASH FUNDS AUDIT

The Department

The Registrar of Voters (ROV) is responsible for all aspects of the election process for San Bernardino County, which consists of 24 incorporated cities and over 65 unincorporated communities. With a population of over 2 million people, the County has more than 1 million registered voters. ROV administers all local, state and federal elections in the County, including the management of voting systems, the employment and training of poll workers, election ballot processing and vote tallying.

ROV also performs all voter registration functions, including the storage and maintenance of voter registration records. The Department typically operates year-round with a small staff of around 30 employees. Before elections, that number may increase to as many as 300 temporary employees and 3,000 poll workers.

ROV provides voting-related services to voters, elected officials, campaigns and other voting interest groups. ROV also conducts an extensive community outreach and education program, making speakers available to community groups and organizations.

Cash Funds

The Board of Supervisors, by resolution, establishes cash funds for County departments to facilitate their operations. Ordinarily these funds are used for buying small items, making customer change, or reimbursing cash shortages. The board has delegated to the County Auditor-Controller/Treasurer/Tax Collector (ATC) the authority to establish cash funds of up to \$2,500.

The Department has one change fund and two petty cash funds. The change fund is used to provide change to customers during day to day operations. The Department has a petty cash checking account with Wells Fargo and the other petty cash fund is kept on hand.

Audit Background



Below are the total Department funds that were counted during our fieldwork, all located at the Rialto Avenue office in the City of San Bernardino:

Location	Petty Cash Fund Checking	Petty Cash Fund	Change Fund	Total Amount of Cash Funds
Rialto Avenue	\$1,000	\$500	\$50	\$1,550



Scope and Objective

Our audit examined the Registrar of Voters Department's (Department) cash funds for the period of July 1, 2018 through June 24, 2019.

The objective of our audit was to determine if the Department is in compliance with the Internal Controls and Cash Manual in regards to the controls over their cash funds.

Methodology

In achieving the audit objective, the following audit procedures were performed including but not limited to:

- Review of Department's policies and procedures
- Performance of surprise cash counts of authorized cash funds
- Interview of Department staff
- Walk-through of activity
- Examination of original source documents and system generated reports



Finding 1: The use of the petty cash checking account fund is not in compliance with the Internal Controls and Cash Manual.

The Internal Controls and Cash Manual (ICCM) Chapter 4-10 "Petty Cash – Limitations" states that an authorized petty cash fund is used for payment of miscellaneous expenses or charges incurred while performing official County business. Chapter 11-2 "Receipts-Credit Cards/Other Automated Payment Systems" states that the Auditor-Controller/Treasurer/Tax Collector (ATC) must review all plans to accept credit cards, debit cards or other automated payment systems for payment of services and fees. In addition, Chapter 11-3 "Credit Card Bank Activity" states that when a department accepts payments via electronic credit card payments, it is standard practice to establish a clearing account (zero balance account or ZBA) with a bank to accommodate the department's credit card related banking activity. Departments must contact ATC Management Services Section (MSS) to establish this account.

The following conditions were identified during our review of 8 out of 16 transactions totaling approximately \$106,170:

- The Department was using their petty cash checking account to accept credit card and debit card payments instead of a ZBA.
- All 8 transactions were for unallowable uses of the petty cash fund, such as transferring and refunding monies collected from credit card receipts.

The Department is not familiar with the ICCM procedures pertaining to petty cash limitations nor the procedures for credit card, debit card and automated payment systems. Misappropriation of assets and errors in accounting records are more likely to occur when the Department does not properly administer oversight and monitoring of activity from its petty cash fund checking account as well as the use of unauthorized payment systems.

Recommendation:

We recommend that the Department familiarize themselves with the ICCM regarding petty cash and its limitations. We also recommend the Department follow the guidelines in the ICCM and obtain proper approval from ATC MSS to accept credit card and debit card payments. We further recommend the Department cease the use of the petty cash fund checking account to deposit credit card receipts. Additionally, we recommend the Department coordinate with ATC MSS to establish a ZBA in accordance with the ICCM.



Management's Response:

The Department is working with ATC to transfer the credit card payments to the existing Zero Balance Account with Wells Fargo. The Department is in the process of updating the current credit card procedures for review and approval from ATC. The Department will assess the need to have a petty cash checking account and if found unnecessary, the Department will work with ATC to close the account.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 2: Controls over the safeguarding of the change fund could be improved.

The ICCM Chapter 4-4 "Fund Custodian" states that every department with a cash fund must designate an employee to be the fund custodian in charge of the fund. In addition, when a cash fund is initially established, the department must submit a Signature/Fund Custodian Authorization form to ATC Internal Audits Section (IAS). Chapter 3-2 "Guidelines" states that departments must assign duties so that no one individual has access to the entire cash process. Cash receipting, bank deposits, bank reconciliation, cash disbursements and accounts receivable posting should be segregated. Chapter 3-3 "Safeguarding Cash" states that access to areas where cash is handled should be limited.

The following conditions were identified:

- There was no Signature/ Fund Custodian Authorization form on file for the change fund.
- The employee handling the change fund also receives cash, counts the daily receipts, performs reconciliations, prepares and verifies bank deposits, and enters and uploads bank information into SAP.
- The key to the drawer that holds the change fund is kept in a central location that is accessible to all employees.

The Department is not familiar with the fund custodian procedures outlined in the ICCM. The Department is also unaware of ICCM guidelines regarding the safeguarding of cash. In addition, due to staffing limitations at the Department,



there is inadequate segregation of duties, resulting in one employee having complete oversight of the change fund. When a fund custodian is not properly designated in accordance with ICCM requirements, there is no accountability of departmental change funds. The absence of effective segregation of duties increases the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

Recommendation:

We recommend supervisory personnel provide training to staff to familiarize them with the ICCM's policies and procedures. The Department should submit a Signature/Fund Custodian Authorization form to ATC IAS immediately. We also recommend segregating duties for receiving cash, preparing deposits and reconciling cash funds. We further recommend that access to the change fund be limited to as few employees as possible.

Management's Response:

Supervisory personnel will review the ICCM's policies and procedures with staff and will include this review with all new staff. The Department completed an updated Signature/Fund Custodian Authorization form and sent to ATC for process on November 27, 2019. The Department's Communication Staff consisting of Election Technician(s), Office Specialist(s) and Office Assistant IV will receipt in the cash, check and credit card transactions. Fiscal Specialist or Fiscal Assistant will perform reconciliations, prepare the bank deposit. The Chief Deputy Registrar of Administration will review and approve the bank deposit and will initial the bank deposit slip. After deposit is completed, the Staff Analyst will enter the deposit in EFMS and maintain the records. The Department has removed the change fund from the front desk and is kept in the safe at all times. Communication staff will bring to the Fiscal Staff all cash and checks upon receipt. Only the Fiscal Staff has the combinations to the safe and are the only staff who has access to the change fund.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.



Finding 3: Controls over the disbursements from the petty cash fund could be improved.

The ICCM Chapter 4-10 “Petty Cash – Disbursements” states that a department employee completes a petty cash voucher stating the date, purpose of the expenditure and the maximum amount expected to be expended. An authorized department employee approves the voucher. The authorizing employee must be of a higher-ranking job classification than the requestor. In addition, “Petty Cash – Limitations” states that an authorized petty cash fund is used for payment of miscellaneous expenses or charges incurred while performing official County business. No disbursement from the petty cash is allowed, regardless of the amount, for employee travel, meals or mileage expenses unless expressly authorized in writing by the ATC Accounts Payable Supervisor.

The following conditions were identified when we tested four transactions representing the entire population, totaling approximately \$150:

- All 4 transactions did not have a petty cash voucher.
- All 4 transactions did not have an approval from an employee of a higher classification.

The Department is not familiar with the ICCM guidelines for petty cash disbursements and its limitations. Unallowable petty cash fund expenditures could lead to an increased risk of misappropriation of assets.

Recommendation:

We recommend the Department review and follow the ICCM’s guidelines regarding the use of petty cash vouchers and documentation of proper approvals for petty cash disbursements.

Management’s Response:

The Department will begin using a petty cash voucher for the disbursements of petty cash funds. The Department primarily uses this account for reimbursement of election expenses, which can be for gas or meals. Most of the reimbursements are for temporary staff employees of which the County Staff specifically Election Technician R42 manages. The County Staff requests the reimbursement and will obtain approval from his/her supervisor of a higher rank (Chief Deputy Registrar). Once the voucher is approved it will be taken to the Fund Custodian for



disbursement. The Department will request approval from the ATC Accounts Payable Supervisor for such election expenses prior to each election.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 4: Depositing procedures could be improved.

The ICCM Chapter 9-4 "Bank Deposit Guidelines" states that deposits of cash must be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. For receipts of checks and money orders, deposits should be processed immediately. To facilitate this process, it is recommended that the department obtain a desktop scanner. It also states that supervisors must verify that deposits are intact and document evidence of review.

The following conditions were identified when we tested 149 deposit transactions totaling approximately \$431,290:

- 81 checks totaling approximately \$365,770 were not deposited immediately.
- All 149 deposit transactions tested did not have documented supervisory review.

Due to limited staffing, the Department allows receipts to accumulate until staff is available to make a bank deposit. The Department was not aware of the requirement for a supervisory review prior to deposits being made. Maintaining checks longer than necessary increases the risk of loss, theft, or embezzlement. In addition, when an independent review is not performed by an employee of a higher-ranking job classification, transactions may not have been correctly recorded and accounted for.

Recommendation:

We recommend that checks and money orders are immediately deposited in accordance with ICCM guidelines. The Department should work with ATC MSS to implement the use of a deposit scanner to reduce the need to hold checks longer than necessary. In addition, we also recommend that Department



supervisors perform a documented review for all deposits to ensure accuracy and timeliness.

Management's Response:

The Department will process checks as they are received or next business day and will process cash and coin at a minimum of weekly. The Department has been issued a desktop scanner, however, the Department is writing use procedures for review and approval by ATC. The Chief Deputy Registrar of Administration will review and approve the deposits to verify the deposits are intact and will initial the deposit slip.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 5: Segregation of duties over the petty cash funds could be improved.

The ICCM Chapter 2-3 "Segregation of Duties" states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. In addition, Chapter 4-7 "Reconcile Cash Funds" states that an employee other than the fund custodian and of a higher-ranking job classification completes the fund reconciliation. The fund custodian may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job classification.

The following conditions were identified:

- The petty cash fund custodian solely issues cash, maintains records and reconciles the fund.
- The petty cash checking fund custodian solely maintains records and reconciles the checking fund.

When there is inadequate segregation of duties, there is an increased risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.



Recommendation:

We recommend the Department reorganize assignments with existing staff and segregate duties for issuing cash, maintaining records and reconciling cash funds in accordance with ICCM guidelines.

Management's Response:

Department will evaluate and reorganize staff to have more separation of duties and will complete the necessary paperwork if needed. The Staff Analyst will continue to reconcile the petty funds on a monthly basis and have it reviewed and approved by the Chief Deputy Registrar of Administration.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 6: Petty cash funds are not reconciled to their authorized amounts.

The ICCM Chapter 4-7 "Reconcile Cash Funds" states that County departments must reconcile their cash funds at least once per month and any differences should be researched and resolved. Chapter 6-8 "Remittance Overages" states that Departments should deposit all overages into the Cash Overage Fund (Fund 1046 – Dept 241) using the agency's Department's code (680) as the Org code and SAP GL Account 40809970 – Other Revenue (California Government Code Section 29375).

The following conditions were identified:

- The \$500 petty cash fund had an overage of \$10 during our cash count.
- The \$1,000 petty cash checking fund reconciliation showed a balance of approximately \$35,440 as of 05/20/19.

The \$10 overage was additional cash that was discovered when the Department replaced the old safe. The approximate excess \$34,440 in the petty cash checking account is caused by the Department accepting credit card payments into the account. When funds are not reconciled to their authorized amounts, errors could remain undetected for a significant period of time.



Recommendation:

We recommend that the petty cash fund and the petty cash checking fund are reconciled to \$500 and \$1,000, accordingly. If it is determined that the amounts cannot be reconciled, the Department should follow the proper procedures in the ICCM related to overages.

Management's Response:

Petty cash funds will be reconciled monthly and the Department will research/resolve any differences. Should an overage occur the Department will deposit the monies in accordance with ICCM Chapter 4-7. The current overage of \$10 will be deposited and recorded as an overage in SAP. The petty cash checking account will be reconciled and the Department will deposit the monies accordingly.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.