



# WASHOE COUNTY

"Dedicated To Excellence in Public Service"

www.co.washoe.nv.us

CM/ACM \_\_\_\_\_  
 Finance \_\_\_\_\_  
 DA \_\_\_\_\_  
 Risk Mgt. \_\_\_\_\_  
 HR \_\_\_\_\_  
 Other \_\_\_\_\_

## STAFF REPORT

BOARD MEETING DATE: August 23, 2011

**DATE:** August 2, 2011  
**TO:** Board of County Commissioners  
**FROM:** Alison A. Gordon, Internal Auditor  
 328-3651, agordon@washoecounty.us  
**THROUGH:** Katy Simon, County Manager  
**SUBJECT:** Acknowledge Receipt of the Washoe County Cash Controls Follow-Up  
 Audit Report from the Internal Audit Division (All Commission Districts)

### SUMMARY

The purpose of the audit was to perform follow-up on the recommendations included in the Cash Controls Audit Report dated May 5, 2010. The County departments involved in the 2010 audit included the Alternate Public Defender, Animal Services, Regional Parks, Senior Services, Sheriff's Office, Social Services, and the Treasurer's Office.

An implementation plan establishing responsibilities and timelines for each recommendation will be updated with the departments participating in this review. This plan will then be reviewed with the Audit Committee and updated at each of their meetings. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval.

**Strategic Objective supported by this item:** Sustainable Economic, Natural, Organizational, and Social Resources

**Strategic Outcome supported by this item:** Sustainable relationship between resources and obligations

### PREVIOUS ACTION

The Cash Controls Audit Report was acknowledged by the Board of County Commissioners on May 25, 2010.

### RECOMMENDATION STATUS

The Internal Audit Division performed an audit of cash controls during fiscal year 2010. At that time, 27 recommendations were made to help improve the efficiency and effectiveness of department operations. Since that time the departments reviewed have made progress in addressing these recommendations. Of the 27 recommendations, 23 were implemented, 2 recommendations are partially implemented and 2 recommendations no longer applicable.

AGENDA ITEM # 86(2)

The results of the follow-up review indicated:

- Improvement has been made in the internal controls weaknesses previously identified including segregation of duties over cash receipting processes; safeguarding of cash assets, and recording daily sales activity.
- The departments are now following County Code requiring Board of County Commissioners approval for receiving donations and use donations as intended.
- All cash and negotiable instruments, e.g. checks and credit card payments are deposited on or before the next regular working day of receipt with certain exceptions.
- County change fund and operating monies are kept separate from employee personal cash.
- Change funds are correctly balanced at the end of each day.

### **FISCAL IMPACT**

This report has no fiscal impact. However, implementation of some recommendations may have fiscal impact.

### **RECOMMENDATION**

It is recommended the Board of County Commissioners acknowledge receipt of this follow-up audit report of Washoe County's Cash Controls Audit.

### **POSSIBLE MOTION**

Should the Board of County Commissioners acknowledge receipt of this follow-up audit report, a possible motion would be:

*"Move to acknowledge receipt of the Washoe County Cash Controls Follow-Up Audit Report from the Internal Audit Division".*

ag

Attachment

# Washoe County 2010 Cash Controls

## Internal Audit Follow-Up Report

August 2, 2011

## Executive Summary

### Follow Up Review Observations

1. Cash Handling Controls
  - a. Adequately separate cash handling duties and evaluate the risk of having only one employee responsible for handling cash - Implemented
  - b. Ensure safes are locked when not in use and secure safe combinations - Implemented
  - c. Restrictively endorse checks at the time of receipt - Implemented
  - d. Track cash box revenue by amount and type of sale – No Longer Applicable
  - e. Document change requests in a log - Implemented
  - f. Develop and implement petty cash voucher forms – Implemented
  - g. Review waived fee amounts – Implemented
  - h. Develop and implement cash handling policies and procedures - Implemented
2. Donations
  - Discontinue using the change fund that consists of \$100 in donations - Implemented
  - Report donations to the Board of County Commissioners - Implemented
3. Recording Credit Card Receipts
  - Identify causes for delays in credit card settlements - Implemented
  - Record two deposits, one for over-the-counter receipts and one for online credit card payments - Implemented
  - Identify and implement a final solution - Implemented
4. Change and Petty Cash Funds
  - Correctly balance cash drawers at the end of the day when amounts are over and short - Implemented
  - Report cash overages and shortages - Implemented
  - Record cash overages and shortages in a log and in SAP - Implemented
  - Require periodic supervisor review of the cash over/short log as well as the cash register balances tapes for voided transactions - Implemented
5. Employee Personal Monies
  - Ensure employee personal cash is not commingled with County cash register monies. - Implemented
  - Make sure employee money is not in County safes - Implemented
6. Petty Cash Monies
  - Separate the Administrative Office petty cash from non-petty cash money – Implemented

- If needed, request additional petty cash funds through the Treasurer's Office – No longer applicable
- Reimburse the Special Investigations petty cash fund for the \$600 and \$1,902.46 expenditures – Implemented
- Resolve the shortfall in the Special Investigations petty cash fund – Partially Implemented
- Separate the Special Investigation petty cash money from non-petty cash money – Partially Implemented
- Replenish petty cash funds timely – Implemented

7. Forensic Division Bank Account

- Close the Forensic Division's training bank account - Implemented
- Move the training and badge money to an authorized Sheriff's Office bank account - Implemented

## Observations and Recommendations

### 1. Internal Controls/Policies and Procedures

**Recommendation 1.a:** Animal Services and the Sheriff's Office should ensure cash receipt duties are adequately separated, and County management should evaluate the risk of only having one employee responsible for cash handling at the Regional Parks' May Museum and Davis Creek Park.

**Implementation Status:** Implemented

**Follow-Up Review:** Animal Services has an employee independent from the cash receipting process review the end of day balancing. This employee does not have access to the cash receipting system.

The Sheriff's Office Civil Division downtown Reno office has been closed and the staff has been moved to the Civil Division office at Parr Blvd. This step has allowed the Civil Division to separate the duties for accepting payments and issuing receipts from end of day balancing and preparing the deposit. Also, the end of day balancing and deposit is reviewed by another employee.

Regional Parks has evaluated the risk of only having one employee responsible for cash handling at the May Museum and Davis Creek Park. Given the current budget situation, re-assigning staff is not an option. However, efforts have been made to increase supervisor review at these two sites and several internal surprise cash counts have been performed during FY2011 with no exceptions noted.

**Recommendation 1.b:** Senior Services in Sparks and the Sheriff's Office need to ensure their safes and offices containing cash are kept locked when not in use. Also the Sheriff's Office should secure its safe combinations so access is limited to those with authority to open the safe and ensure the duffel bag is used to transport deposits to the bank.

**Implementation Status:** Implemented

**Follow-Up Review:** Senior Services Sparks staff was reassigned to the Reno office and there is no longer a cash drawer at the Sparks site.

While performing the cash counts of the Sheriff's Office change fund, petty cash fund and buy funds, it was noted all safes were locked and the offices containing cash had these monies secured in a locked drawer. Also, safe combinations were found to be adequately secured and limited to those with authority to open the safes. Finally the Sheriff's Office counseled staff to use the duffel bags to transport cash to the bank. No instances have been reported to management that these bags were not being used.

***Recommendation 1.c:*** Regional Parks, Senior Services in Sparks and the Sheriff's Office Civil Division should restrictively endorse checks at the time of receipt.

***Implementation Status:*** Implemented

***Follow-Up Review:*** Regional Parks has provided endorsement stamps at each site and performed surprise cash counts to ensure staff is restrictively endorsing checks received at the time of receipt. During these cash counts, no unendorsed checks were found.

Senior Services' staff in Sparks was reassigned to the Reno office and there is no longer keeps a cash drawer at the Sparks site.

The Sheriff's Office Civil Division staff has been counseled to restrictively endorse checks upon receipt. During the Civil Division change fund cash count, it was observed that the checks in the cash drawer were all restrictively endorsed.

***Recommendation 1.d*** Senior Services in Sparks needs to track daily sales by amount and type of sale, i.e. lunch money.

***Implementation Status:*** Recommendation 1.d is no longer applicable.

***Follow-Up Review:*** Senior Services Sparks staff were reassigned to the Reno office and there is no longer keeps a cash drawer at the Sparks site.

***Recommendation 1.e*** The Treasurer's Office needs to use a change fund log when issuing change.

*Implementation Status:* Implemented

*Follow-Up Review:* The Treasurer's Office has implemented a change fund log and staff now requests change using a form identifying the change needed.

***Recommendation 1.f*** The Alternate Public Defenders Office and the Treasurer's Office need to develop and use petty cash voucher requests. Also, the Sheriff's Office should ensure buy fund forms are fully completed.

*Implementation Status:* Implemented

*Follow-Up Review:* Both the Alternate Public Defenders Office and the Treasurer's Office have developed and now use petty cash voucher requests.

The Sheriff's Office has counseled its staff to fully complete buy fund forms. A review was performed of the buy fund forms issued subsequent to the issuance of the FY2010 audit report. It was found all these forms were completed in compliance with Sheriff's Office policies and procedures.

***Recommendations 1.g*** The Sheriff's Office Civil Division supervisor needs to periodically review waived fees for reasonableness and ensure waived fees are always recorded in the automated system.

*Implementation Status:* Implemented

*Follow-Up Review:* The Sheriff's Office identified a report that would show the fees waived by the Civil Division staff in accordance with direction provided by judges. This report is now used to perform a monthly review of waived fees. Several of these reports were randomly reviewed which showed this monthly review was occurring.

***Recommendation 1.h*** The Sheriff's Office Civil Division needs to develop policies and procedures for its cash receipts processes.

*Implementation Status:* Implemented

*Follow-Up Review:* During the follow-up review at the Sheriff's Office, we found the Civil Division has developed policies and procedures for its cash receipt processes.



**Recommendation 2.1:** Animal Services and the Sheriff's Office should report all donations to the Board of County Commissioners

*Implementation Status:* Implemented

*Follow-Up Review:* Animal Services has removed the donations being used as a change fund from the fourth cash drawer and has reported these to the Board of County Commissioners. In addition, the Treasurer's Office performed a surprise cash count of the Animal Services change funds during May 2011 and found no exceptions.

The Sheriff's Office reported the donations to the Board of County Commissioners for the Sheriff's Incline Substation at the May 25, 2010 meeting.

**Recommendation 2.2:** Animal Services should close the fourth cash drawer.

*Implementation Status:* Implemented

*Follow-Up Review:* Animal Services has removed the cash donations from the fourth cash drawer and replaced these funds with a portion of the funds that were kept in the safe as a cash bank. This was verified during the Treasurer's Office May 2011 surprise cash count.

**Recommendation 3.1:** Animal Services should work with the Treasurer's Office to identify the cause(s) for the delay in credit card settlements.

*Implementation Status:* Implemented

*Follow-Up Review:* Animal Services has worked with the Treasurer's Office and identified a solution to address the delays in credit card settlements. See follow-up review for Recommendation 3.2 below.

**Recommendation 3.2:** Record two deposits each day – one for over-the-counter receipts and one for online credit card payments.

*Implementation Status:* Implemented

*Follow-Up Review:* Animal Services now records two deposits each day – one for the over-the-county receipts and one for online credit

card payments, which was verified by the Treasurer's Office.

***Recommendation 3.3:*** Work with the Treasurer's Office to identify and implement a final solution.

*Implementation Status:* Implemented

Follow-Up Review: See follow-up review for Recommendation 3.2 above.

***Recommendation 4.1:*** Regional Parks should ensure cash drawers are correctly balanced at the end of the day when amounts are over and short.

*Implementation Status:* Implemented

Follow-Up Review: Regional Parks' fiscal staff has performed three training sessions on cash counting and processing cash receipts at the Rifle Range as well as surprise cash counts. Also supervisors are performing periodic monitoring.

***Recommendation 4.2:*** Regional Parks should ensure cash over and short amounts are reported as part of daily balancing.

*Implementation Status:* Implemented

Follow-Up Review: Regional Parks' fiscal staff has performed three training sessions on cash counting and processing cash receipts. Also department fiscal staff have observed that cash over and short amounts are now being reported.

***Recommendation 4.3:*** Regional Parks should ensure change fund over and short amounts are recorded in a log and in SAP.

*Implementation Status:* Implemented

Follow-Up Review: Regional Parks' has implemented a cash over/short log and is recording all amounts over or short in SAP. I reviewed SAP and found cash over/short amounts have been recorded during FY2011.

***Recommendation 4.4:*** Regional Parks should ensure supervisory staff periodically reviews the cash over/short log as well as the cash register balancing tapes.

*Implementation Status:* Implemented

*Follow-Up Review:* As noted in Recommendation 4.3, Regional Parks has implemented a cash over/short log and has its supervisory staff perform periodic review of this log and well as cash register tapes for monitoring voided transactions.

***Recommendation 5.1:*** Regional Parks needs to ensure employee personal cash is not commingled with County cash register money.

*Implementation Status:* Implemented

*Follow-Up Review:* Regional Parks' fiscal staff has performed three training sessions on cash counting and processing cash receipts and supervisors are performing additional monitoring. Also, three internal surprise cash counts have been performed over the last year with no exceptions noted.

***Recommendation 5.2:*** Regional Parks needs to ensure employee money is not stored in County safes.

*Implementation Status:* Implemented

*Follow-Up Review:* Regional Parks' fiscal staff has performed three training sessions on cash counting and processing cash receipts and supervisors are performing additional monitoring. Also, three internal surprise cash counts have been performed over the last year. During each of these surprise cash counts, the safe was inspected and no employee money was found.

***Recommendation 6.1:*** The Sheriff's Office should separate the Administrative Office petty cash from the non-petty cash money.

*Implementation Status:* Implemented

*Follow-Up Review:* During the follow-up review performed at the Sheriff's Office, we verified the Administrative Office petty cash has been separated from the non-petty cash money.

***Recommendation 6.2:*** If needed, the Sheriff's Office should request additional petty cash funds through the Treasurer's Office.

*Implementation Status:* No longer applicable

Follow-Up Review: The Sheriff's Office performed analysis of the administrative petty cash fund and determined that no additional funds were needed.

**Recommendation 6.3:** The Sheriff's Office should reimburse the Special Investigations petty cash fund for the \$600 and \$1,902.46 in expenditures.

*Implementation Status:* Implemented

Follow-Up Review: A review of the County's financial system, SAP, showed the Sheriff's Office reimbursed the Special Investigations petty cash fund for the \$600 and the \$1,902.46 in expenditures in April 2010.

**Recommendation 6.4:** The Sheriff's Office should work with the Treasurer's Office to resolve the shortfall in the Special Investigations petty cash fund.

*Implementation Status:* Partially Implemented

Follow-Up Review: The Sheriff's Office has been working with both the Treasurer's Office and the Comptroller's Office to resolve this issue. However as of the date of this report it is decision still needs to be made on how to best handle the shortfall in the Special Investigations petty cash fund.

**Recommendation 6.5:** The Sheriff's Office should separate the Special Investigations petty cash money from non-petty cash money.

*Implementation Status:* Partially Implemented

Follow-Up Review: The Sheriff's Office received approval on July 28, 2011 from the Comptroller's Office to move the Special Investigations petty cash funds to its ATAC unit. However, until the shortfall in this petty cash fund is resolved as previously discussed, these funds are being held in the Sheriff's Office Administrative Investigations account and are being separately tracked.

**Recommendation 6.6:** The Sheriff's Office should ensure petty cash funds are replenished timely.

*Implementation Status:* Implemented

Follow-Up Review: The Sheriff's Office requires staff to have their petty cash replenishment requests reviewed by its fiscal staff. This allows the fiscal staff to monitor the replenishment requests for timeliness.

***Recommendation 7.1:*** The Sheriff's Office should close the Forensic Division's training bank account.

***Implementation Status:*** Implemented

Follow-Up Review: The Sheriff's Office has closed the Forensic Division's training bank account. This was verified by a review of the records showing this account was closed.

***Recommendation 7.2:*** The Sheriff's Office should move the training and badge money to an authorized Sheriff's Office bank account.

***Implementation Status:*** Implemented

Follow-Up Review: A review of the records showed the Sheriff's Office has moved the training and badge monies to authorized Sheriff's Office bank accounts.