

Office of the Auditor-Controller
Contra Costa County

Robert R. Campbell
Auditor-Controller




Harjit S. Nahal
Assistant Auditor-Controller

625 Court Street
Martinez, California 94553-1282
Phone (925) 335-8600
Fax (925) 646-2649

February 8, 2021

TO: Internal Operations Committee

FROM: Robert R. Campbell, Auditor-Controller
By: Joanne Bohren, CPA, Auditor-Controller Division Manager 

SUBJECT: Internal Audit-Annual Report

The Board of Supervisors adopted a policy on June 27, 2000, directing the Auditor-Controller to annually report to the Internal Operations Committee on the proposed schedule of Internal Audit examinations for the following calendar year. The attached "*Schedule of Internal Audit Examinations*" provides the proposed examination schedule for 2021, and the attached "*Schedule of Internal Audit Examinations for 2020*" summarizes the status of the 2020 examinations.

In 2020, the Internal Audit Division completed twenty-three (23) of the twenty-eight (28) scheduled examinations. Five (5) examinations were postponed to calendar year 2021 due to the COVID-19 pandemic.

Examination Report

Objectives:

The necessary tests and procedures were conducted to determine if, within the scope of the examinations, the following financial conditions existed:

- Assets were adequately safeguarded.
- Appropriate internal controls were in place and functional.
- Records were accurate and reliable.
- Statutory, contractual, and administrative requirements were followed.

General Findings:

There is an overall lack of adherence to several of the County's administrative requirements. Many of the departmental examinations included the recommendations in the following areas:

- Lack of compliance with the Administrative Bulletins established for the cash collection process, inventories of capital assets, service recognition and awards for County employees, discharge of delinquent accounts, expense reimbursement, and petty cash;
- Lack of adherence to the procurement card manual; and,
- Subsidiary ledgers not maintained and reconciliations to the finance ledger not performed.

Conditions:

Approximately fifty-six percent (56%) of the findings in 2020 were repeated from previous examinations. Common examination conditions included:

- Lack of segregation of duties over cash handling;
- Lack of timeliness of deposits when receiving and depositing cash;
- Nonuse of a mail/transfer record to record cash received;
- Lack of annual replenishment of petty cash;
- Lack of adequate procurement card supporting documentation and lack of approving official authorization of cardholder charges; and,
- Lack of an official County asset tag affixed to capital assets.

In order to timely correct issues and mitigate repetitive findings, the Internal Audit division follows-up with auditees six months after the issuance of the examination report to determine if the recommendations were implemented. No data is available yet on the status of the 2020 findings.

Procurement Card

The quarterly procurement card review continues to reflect compliance issues in the use of the card for recurring payments, services, memberships, printing services, meal payments, software, and capital asset purchases. Per the Procurement Card Manual, Section V.G., the use of a procurement card for recurring payments, services, memberships, printing services, meal payments, software, and capital asset purchases is prohibited. Cardholders are also prohibited from using the procurement card for purchases not authorized in the County's Administrative Bulletins. Additionally, the required supporting documentation for payments often is missing or inadequate.

2021 Scheduled Examinations

The Auditor-Controller Division Manager of the Internal Audit division and the Auditor-Controller performed a thorough review of existing and recurring examinations as well as identified potential new examinations that should be incorporated in the 2021 schedule. The emphasis and priority in scheduling examinations is based on the perceived risk to the County. The schedule is composed of legally required examinations, such as the Treasury cash counts, reoccurring examinations, and new examinations. Thirty-three (33) examinations have been scheduled for calendar year 2021.

Legally required examinations have their basis in government code. Reoccurring examinations have a preferred cycle attached to them based on their perceived amount of inherent risk. If a concern comes to the attention of the Auditor-Controller Division Manager or the Auditor-Controller, a reoccurring examination may be planned prior to it being due based on the preferred cycle.

The County's financial operations are subject to audit by a firm of independent external auditors, Macias Gini & O'Connell, LLP, Certified Public Accountants (MGO). The external auditors are responsible for performing an annual audit of the general-purpose financial statements of the County and the Public Financing Authority. The external auditors also perform an annual "Single Audit" of the County's federal financial-assistance programs. Other independent auditors perform annual audits of the Contra Costa County Housing Authority, state grant programs, and the FIRST 5 Contra Costa Children and Families Commission.

Attachments

Schedule of Internal Audit Examinations
Calendar Year 2021

Department		Historical		Prefd.	Scheduled	Exam
Project Description		Estimated	Last Done	Examination	For	Hours
		Hours	Through	Cycle (yrs)	2021	2021
Board of Supervisors						
1102	District 2 General Department Examination (Including MACs)	100	06/13	4	X	100
Assessor						
0016	General Department Examination	160	12/16	4	X	160
Auditor-Controller						
0105	Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	60	06/20	1 (Law)	X	60
0016	Medical & Dental Premium Payments	220	04/14	2	X	220
0037	Misc A-C duties (ie Petty Cash ICQ;Relief of Shortage;Increase/New Petty Cash; Recons)	60		1	X	60
Treasurer-Tax Collector						
0151	Treasury Cash & Investments - 1st qtr	50	02/20	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 2nd qtr	50	06/20	1/4 (Law)	X	50
0151	Treasury Cash & Investments - July 1	50	07/20	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 3rd qtr (Auditor recommendation)	50	08/20	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 4th qtr	50	12/20	1/4 (Law)	X	50
0151-A	Tax Collector Cash on Hand - 1st qtr	20	02/20	1/4	X	20
0151-A	Tax Collector Cash on Hand - 2nd qtr	20	06/20	1/4	X	20
0151-A	Tax Collector Cash on Hand - July 1	20	07/20	1/4	X	20
0151-A	Tax Collector Cash on Hand - 3rd qtr	20	08/20	1/4	X	20
0151-A	Tax Collector Cash on Hand - 4th qtr	20	12/20	1/4	X	20
0154	Supplemental Tax Collection	200	12/13	2	X	200
0172	Treasury Oversight Committee (calendar year)	175	12/19	1 (Law)	X	175
Department of Information Technology						
0147	General Department Examination	120	04/14	3	X	120
Sheriff-Coroner						
3005	Inmates' cash	400	12/13	2	X	400
Agriculture						
3351	General Department Examination	120	03/13	4	X	120
Conservation and Development (DCD)						
3571	North Richmond Mitigation Fund	250	06/17	4	X	250
Animal Services						
3661	General Department Examination	350	05/17	2	X	350

Schedule of Internal Audit Examinations
Calendar Year 2021

Department		Historical		Prefd.	Scheduled	Exam
Project Description		Estimated	Last Done	Examination	For	Hours
		Hours	Through	Cycle (yrs)	2021	2021
Health Services						
4521	Environmental Health-Hazardous Materials Div	250	04/16	2	X	250
5403	Materials Management	200	03/13	3	X	200
Employment & Human Services						
5001	Administration	200	06/16	3	X	200
Public Works						
1481	Print and Mail Inventory	120	06/14	3	X	120
Public Works-Purchasing Division						
1493	Procurement Card Program - 4th qtr	60	12/19	1/4 (CAO)	X	60
1493	Procurement Card Program - 1st qtr	60	03/20	1/4 (CAO)	X	60
1493	Procurement Card Program - 2nd qtr	60	06/20	1/4 (CAO)	X	60
1493	Procurement Card Program - 3rd qtr	60	09/20	1/4 (CAO)	X	60
Veterans Affairs						
0580	General Department Examination	100	NEW	4	X	100
Contra Costa Fire Protection District						
9502	General Department Examination	300	03/14	2	X	300
9501	Other Supplies Inventory	80	06/13	3	X	80

Schedule of Internal Audit Examinations for 2020

Department Project Description		Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled For 2020	Estimated Hours 2020	Exam Hours 2020
Completed Examinations-Scheduled						
Risk Management						
0043	General Department Examination	05/14	2	X	250	274
Auditor-Controller						
0105	Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	06/19	1 (Law)	X	60	13
0037	Misc A-C duties (ie Petty Cash ICQ; Relief of Shortage; Increase/New Petty Cash; Recons)		1	X	60	10
Treasurer-Tax Collector						
0151	Treasury Cash & Investments - 1st qtr	03/19	1/4 (Law)	X	50	35
0151	Treasury Cash & Investments - 2nd qtr	05/19	1/4 (Law)	X	50	48
0151	Treasury Cash & Investments - July 1	07/19	1/4 (Law)	X	50	30
0151	Treasury Cash & Investments - 3rd qtr (Auditor recommendation)	08/19	1/4 (Law)	X	50	22.5
0151	Treasury Cash & Investments - 4th qtr	11/19	1/4 (Law)	X	50	32.5
0151-A	Tax Collector Cash on Hand - 1st qtr	03/19	1/4	X	20	16
0151-A	Tax Collector Cash on Hand - 2nd qtr	05/19	1/4	X	20	15
0151-A	Tax Collector Cash on Hand - July 1	07/19	1/4	X	20	15
0151-A	Tax Collector Cash on Hand - 3rd qtr	08/19	1/4	X	20	16
0151-A	Tax Collector Cash on Hand - 4th qtr	11/19	1/4	X	20	14
0172	Treasury Oversight Committee (calendar year)	12/18	1 (Law)	X	175	276
Clerk-Recorder						
3551	General Department Examination	05/15	2	X	420	226
Probation						
3081	General Department Examination	01/18	2 (Law)	X	240	126.5
Conservation and Development (DCD)						
3571	General Department Examination	04/12	2	X	500	505
Public Works						
0791	Craft inventories and Custodial Supplies Inventory (combined)	06/14	3	X	100	105
0632	Vehicle Inventory	06/13	3	X	150	81
Purchasing						
1493	Procurement Card Program - 4th qtr	12/18	1/4 (CAO)	X	110	120
1493	Procurement Card Program - 1st qtr	03/19	1/4 (CAO)	X	110	110
1493	Procurement Card Program - 2nd qtr	06/19	1/4 (CAO)	X	110	115
1493	Procurement Card Program - 3rd qtr	09/19	1/4 (CAO)	X	110	116
Examinations carried to 2021						
Auditor-Controller						
0016	Medical & Dental Premium Payments	04/14	2	X	220	0

Schedule of Internal Audit Examinations for 2020

Department		Last Done	Prefd.	Scheduled	Estimated	Exam
Project Description		Through	Examination	For	Hours	Hours
			Cycle (yrs)	2020	2020	2020
Treasurer-Tax Collector						
0154	Supplemental Tax Collection	12/13	2	X	200	0
Agriculture						
3351	General Department Examination	03/13	4	X	120	0
Veterans Affairs						
0580	General Department Examination	NEW	5	X	100	0
Contra Costa Fire Protection District						
9502	General Department Examination	03/14	2	X	200	0