

Office of the Auditor-Controller
Contra Costa County

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TO: Internal Operations Committee

FROM: Robert R. Campbell, Auditor-Controller
By: Sandi Bewley, Supervising Accountant-Auditor 

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 2022, and the attached "*Schedule of Internal Audit Examinations for 2021*" summarizes the status of the 2021 examinations.

In 2021, the Internal Audit Division completed twenty-two (22) of the thirty-three (33) scheduled examinations. Of the thirty (33) examinations scheduled, fieldwork has been completed for eight (8) examinations. The Internal Audit Division is in the process of scheduling exit conferences to issue the final examination report. Three (3) examinations were postponed to calendar year 2022 due to the COVID-19 pandemic and implementation of new financial software to prepare the Annual Comprehensive Financial Report.

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 Board Resolution 2020/1 ensuring MAC members have been trained on the Ralph M. Brown Act (Government Code §54950), the County Better Government Ordinance, Contra Costa County's conflict of interest policy, and submitting annual reports to the Contra Costa County Board of Supervisors.
- Lack of compliance with the Administrative Bulletins established for the cash collection process, petty cash, inventories of capital assets, county incentives such as gift cards and transportation vouchers, discharge of delinquent accounts, expense reimbursement, county volunteer programs, safeguarding of physical inventories; and,
- Lack of adherence to the procurement card manual.

Conditions:

Approximately thirty-one percent (31%) of the findings in 2021 were repeated from previous examinations. Common examination conditions included:

- Certificates of training not provided for MAC members and lack of annual reports submitted to the Contra Costa County Board of Supervisors;
- 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 submission of required application and documentation for volunteers;
- Lack of adequate procurement card supporting documentation, 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 2021 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, use of cardholder accounts by noncardholder(s) is prevalent and required supporting documentation for payments often is missing or inadequate.

2022 Scheduled Examinations

The Supervising Accountant-Auditor of the Internal Audit division and the Auditor-Controller performed a thorough review of existing and recurring examinations that should be incorporated in the 2022 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 and reoccurring examinations. Twenty (20) examinations have been scheduled for calendar year 2022. The 2022 schedule has been condensed from the prior year due to the implementation of the Contra Costa County Workday Finance Project.

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 Supervising Accountant-Auditor or the Auditor-Controller, a reoccurring examination may be scheduled 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 for 2021

Department Project Description		Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled For 2021	Estimated Hours 2021	Exam Hours 2021
Completed Examinations-Scheduled						
<u>Board of Supervisors</u>						
1102	District 2 General Department Examination (Including MACs)	06/13	4	X	100	145.50
<u>Auditor-Controller</u>						
0105	Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	06/20	1 (Law)	X	60	7.50
0116	Medical & Dental Premium Payments	04/14	2	X	220	321.00
0037	Misc A-C duties (ie Petty Cash ICQ;Relief of Shortage;Increase/New Petty Cash; Recons)		1	X	60	31.00
<u>Treasurer-Tax Collector</u>						
0151	Treasury Cash & Investments - 1st qtr	02/20	1/4 (Law)	X	50	35.00
0151	Treasury Cash & Investments - 2nd qtr	06/20	1/4 (Law)	X	50	30.00
0151	Treasury Cash & Investments - July 1	07/20	1/4 (Law)	X	50	32.00
0151	Treasury Cash & Investments - 3rd qtr (Auditor recommendation)	08/20	1/4 (Law)	X	50	34.00
0151	Treasury Cash & Investments - 4th qtr	12/20	1/4 (Law)	X	50	28.00
0151-A	Tax Collector Cash on Hand - 1st qtr	02/20	1/4	X	20	17.00
0151-A	Tax Collector Cash on Hand - 2nd qtr	06/20	1/4	X	20	16.00
0151-A	Tax Collector Cash on Hand - July 1	07/20	1/4	X	20	15.00
0151-A	Tax Collector Cash on Hand - 3rd qtr	08/20	1/4	X	20	16.00
0151-A	Tax Collector Cash on Hand - 4th qtr	12/20	1/4	X	20	26.50
0154	Supplemental Tax Collection	12/13	2	X	200	112.00
0172	Treasury Oversight Committee (calendar year)	12/19	1 (Law)	X	175	188.50
<u>Department of Information Technology</u>						
0147	General Department Examination	04/14	3	X	120	178.00
<u>Sheriff-Coroner</u>						
3005	Inmates' cash	12/13	2	X	400	231.50
<u>Agriculture</u>						
3351	General Department Examination	03/13	4	X	120	214.00
<u>Animal Services</u>						
3661	General Department Examination	05/17	2	X	350	434.00
<u>Health Services</u>						
4521	Environmental Health-Hazardous Materials Div	04/16	2	X	250	149.50
5403	Materials Management	03/13	3	X	200	167.50

Schedule of Internal Audit Examinations for 2021

Department Project Description		Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled For 2021	Estimated Hours 2021	Exam Hours 2021
Employment & Human Services						
5001	Administration	06/16	3	X	200	282.50
Public Works						
1481	Print and Mail Inventory	06/14	3	X	120	88.00
Public Works-Purchasing Division						
1493	Procurement Card Program - 4th qtr	12/19	1/4 (CAO)	X	60	129.50
1493	Procurement Card Program - 1st qtr	03/20	1/4 (CAO)	X	60	152.00
1493	Procurement Card Program - 2nd qtr	06/20	1/4 (CAO)	X	60	151.00
Veterans Affairs						
0580	General Department Examination	NEW	4	X	100	85.00
Contra Costa Fire Protection District						
9502	General Department Examination	03/14	2	X	300	140.00
9501	Other Supplies Inventory	06/13	3	X	80	168.00
Examinations carried to 2022						
Assessor						
0016	General Department Examination	12/16	4	X	160	129.00
Conservation and Development (DCD)						
3571	North Richmond Mitigation Fund	06/17	4	X	250	34.00
Public Works-Purchasing Division						
1493	Procurement Card Program - 3rd qtr	09/20	1/4 (CAO)	X	60	27.00

Schedule of Internal Audit Examinations
Calendar Year 2022

Department Project Description		Historical Estimated Hours	Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled For 2022	Exam Hours 2022
Auditor-Controller						
0105	Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	60	06/21	1 (Law)	X	60
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	02/21	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 2nd qtr	50	04/21	1/4 (Law)	X	50
0151	Treasury Cash & Investments - July 1	50	07/21	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 3rd qtr (Auditor recommendation)	50	09/21	1/4 (Law)	X	50
0151	Treasury Cash & Investments - 4th qtr	50	12/21	1/4 (Law)	X	50
0151-A	Tax Collector Cash on Hand - 1st qtr	20	02/21		X	20
0151-A	Tax Collector Cash on Hand - 2nd qtr	20	04/21		X	20
0151-A	Tax Collector Cash on Hand - July 1	20	07/21		X	20
0151-A	Tax Collector Cash on Hand - 3rd qtr	20	09/21		X	20
0151-A	Tax Collector Cash on Hand - 4th qtr	20	12/21		X	20
0172	Treasury Oversight Committee (calendar year)	175	12/20	1 (Law)	X	175
Employment & Human Services						
5005	In Home Supportive Services (IHSS)	175	03/15	3	X	175
Health Services						
3641	Public Administrator	120	01/16	2	X	120
Probation						
3081	General Department Examination	240	04/20	2(Law)	X	240
Purchasing:						
1493	Procurement Card Program - 3rd qtr	60	09/21	1/4 (CAO)	X	100
1493	Procurement Card Program - 2nd qtr	60	06/21	1/4 (CAO)	X	100
1493	Procurement Card Program - 1st qtr	60	03/21	1/4 (CAO)	X	100
1493	Procurement Card Program - 4th qtr (2021)	60	12/20	1/4 (CAO)	X	100