

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Auditor-Controller

BOARD AGENDA # B-13

Urgent

Routine

AGENDA DATE June 16, 2009

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Acceptance of Internal Audit Reports Prepared by the Internal Audit Division of the Auditor-Controller's Office - Auditor-Controller

STAFF RECOMMENDATIONS:

Accept Internal Audit Reports Prepared by the Internal Audit Division of the Auditor-Controller's Office

FISCAL IMPACT:

Auditing has become an integral element of government accountability. The internal audit function is critical to ensuring that policies and procedures adopted by the Board of Supervisors and County management are adhered to. Without an effective and comprehensive internal audit program, errors and irregularities could go undetected and the County's exposure to inefficiencies, loss and misuse of public funds would be increased.

Continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2009-411

On motion of Supervisor Chiesa, Seconded by Supervisor O'Brien
and approved by the following vote,
Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

- 1) Approved as recommended
- 2) Denied
- 3) Approved as amended
- 4) Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

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FISCAL IMPACT (continued)

The audits presented in the agenda item represent approximately nine months of service performed by the Internal Audit Division. The financial/compliance reviews consisted of reviewing an average balance of \$1,053,464,255 of Treasury assets for three quarters. We performed an engagement regarding the collection of Public Facility Fees from one city in the County that collected \$2,136,110 in fees for the period under review. Two engagements were performed to mitigate any potential cash losses and strengthen internal controls over cash receipts. In addition, \$233,395 of payroll reimbursement transactions and \$5,755,083 of purchasing card transactions were audited for compliance with the County Travel and Purchasing Card Policies. Included in the Internal Audit Division's services are engagements that are required by the State of California to ensure compliance with state law.

The cost to the County for services provided by the Internal Audit Division for this time period was \$328,609 in salaries. If these audits had been performed by a Public Accounting Firm the cost of the audits would have significantly increased as Public Accounting Firms generally charge from \$75 to \$300 an hour for their various audit personnel. The benefit of the services provided by the Internal Audit Division to the County clearly outweighs the costs for these services.

DISCUSSION:

The results of the engagements presented in this agenda item reflect significant improvement in terms of compliance with California Government Code Sections and County policies. These improvements reflect strengthened internal controls and efficiencies thereby reducing risk to the County. The County departments have performed in a highly responsible manner in their stewardship of public funds.

The Internal Audit Division provides services to the County by evaluating the adequacy of controls and the efficiency and effectiveness of processes resulting in improvements for the County. The Internal Audit Division also performs, on a limited basis, financial audits of County Departments and related Agencies, along with mandated engagements and special requests.

During the course of our work we must remain objective and consistent in our treatment of the various audits and departments thereby ensuring the results of our audit reports are accurately determined. The Internal Audit Division follows professional standards promulgated by the American Institute of Certified Public Accountants (AICPA), and the Government Accounting Office (GAO).

64 engagements are presented today as follows:

- One compliance examination
- Three financial and/or compliance reviews
- One agreed-upon procedures engagement regarding public facility fees

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DISCUSSION (continued):

- Two engagements of internal controls over cash handling procedures
- Eighteen payroll reimbursement compliance audits
- Thirty-nine purchasing card compliance audits

The Internal Audit Division completed two audits for Agencies either having separate governing bodies or were presented to the Board of Supervisors at an earlier date. In addition the division completed a review of the Property Tax Administration Cost Calculation at the request of the Auditor-Controller. These three engagements were completed in addition to the sixty-four engagements presented in this report. The three engagements are listed below.

Additional Work Performed

One financial/compliance audit was completed for the Children and Families Commission as of June 30, 2008. Total assets and total revenue as of June 30, 2008 respectively were \$22,476,748 and \$8,924,285. The audit was performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards. An unqualified opinion was rendered for this audit. This audit was presented to the Commission by the Internal Audit Manager in September of 2008.

The Redevelopment Agency financial/compliance audit as of June 30, 2008 was completed by the Internal Audit Division and presented to the Board of Supervisors by the Agency in December of 2008. Total assets and total revenue as of June 30, 2008 respectively were \$29,658,125 and \$7,826,095. The audit was performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards. An unqualified opinion was rendered for this audit.

The review of the Property Tax Administration Fee Cost Calculation was for the year ended June 30, 2008. This annual engagement is performed to provide an independent review of the appropriations and calculations determined by the Property Tax division in the Auditor-Controller's office. The engagement was performed in accordance with the American Institute of Certified Public Accountants and Government Auditing Standards.

Financial/Compliance Examinations

Endowment Investment Fund Compliance Examination for the year ended June 30, 2008. This engagement is required by the Investment Policy Securitization of the Tobacco Industry's Master Settlement Agreement and investment provisions to assure compliance with the investment policy as required by California Government Code Section 53601. The engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards. Based upon our examination, the Treasury Department is in compliance with the aforementioned provisions.

DISCUSSION (continued):

Financial/Compliance Reviews

Three Quarterly reviews of the Stanislaus County Treasurer's Statement of Assets in the Treasury for the quarters ending March 31, 2008, September 30, 2008, and December 31, 2008. Review reports for the quarter ending June 30th are not issued by the Internal Audit Division as the annual audit report for the entire County as of that date includes the Treasury asset amounts. These quarterly reviews are required under California Government Code Section 26920 and the Stanislaus County Investment Policy and were performed in accordance with standards established by the American Institute of Certified Public Accountants and Government Auditing Standards. Based on our reviews the assets held in the Treasury Department are in conformity with State Code and County Policy.

Agreed-Upon Procedures Engagement

The Internal Audit division is performing a series of engagements related to the County's portion of Public Facility Fees that is collected during the building permit process at the various cities located in the County. We are reviewing the permit and collection process for completeness and to mitigate any potential weaknesses in internal controls related to the process. We have completed one engagement with the City of Patterson which is included in this presentation. We reviewed the permits applied for at the City during fiscal year 2005-2006. The reports are written in terms of responsibility by both the City and the County not just the City. Major findings for this engagement were:

- The City had no procedures in place, prior to our engagement, to track the numerical sequence of permit numbers applied for during the time period under review.
- The City did not provide us with documentation to support the date the development maps were vested. The map vesting date is a crucial component in determining the County public facility fees. We were able to perform alternative procedures to determine an approximate vesting date where applicable.
- Based upon the information provided to us we believe the County was responsible for determining the rates applicable to the County portion of the Public Facility Fees for all properties except single family residential properties. We noted errors were made when determining the Public Facility Fees for certain industrial and commercial properties in our testing population. Most of the errors were due to the use of the wrong Public Facility Fee schedule. There were also errors in the calculations based upon the type or category of the industrial and commercial property. Approximately \$179,625 to \$264,850 of Public Facility Fees was underpaid to the County per our sample population.

DISCUSSION (continued):

The division is in the process of performing additional engagements of this type with three other cities in the County. One engagement, with the City of Turlock, is at the draft report stage, another engagement, with the City of Riverbank, is near completion of fieldwork and the third engagement, with the City of Modesto, we have just begun fieldwork. We have plans to review and test procedures at three other cities in the County.

Internal Controls Over Cash Handling Procedures

We have identified twelve departments which we consider to have cash handling transactions that are high risk. High risk was determined either by the volume and/or nature of these transactions and also if remote locations were involved. We documented the procedures in place and identified control weaknesses and process improvements. We then tested on a sample basis the procedures and controls documented to ensure operations existed and were effective.

The Internal Audit Division performed two cash handling engagements at the Sheriff's office at the Stanislaus Regional Training Center and Jail Alternatives. Major findings for these engagements were:

- We noted too many employees have access to the cash drawer and safe.
- Written documentation of cash handling procedures is limited.
- End of the day cash counts are not verified by a second employee.

The Internal Audit Division has, and will, continue to work on the cash handling procedures for those remaining departments deemed high risk that do not have completed engagements or it has been some time since the last engagement was performed.

Payroll Reimbursement Compliance Audits

The results of the recent audits we performed regarding payroll reimbursement transactions reflect significant improvement in terms of compliance with the County Travel Policy. The audits presented in this agenda item overall reflect the departments are in compliance with the policy and internal controls have been strengthened considerably thereby reducing risk to the County.

The Internal Audit Division has completed 18 Payroll Reimbursement Compliance Audits. The payroll reimbursement transactions were reviewed 100% for Department Head reimbursements and the remaining department reimbursements were tested on a sample basis, generally from 30% to 35% of the total reimbursements. These audits were based on compliance with the County Travel Policy and payroll reimbursement requirements.

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DISCUSSION (continued):

The 18 payroll reimbursement audits consist of 10 fiscal year 2004-2005 audits and 8 fiscal year 2006-2007 audits. We have completed 28 out of 29 payroll reimbursement audits for fiscal year 2004-2005 and 29 out of 30 payroll reimbursement audits for fiscal year 2006-2007. The total number of transactions tested and the related amounts for the 18 audits completed for this presentation is 6,439 transactions in the amount of \$233,395.

Of the audits presented today two out of the 18 audits had no major findings. Of the two remaining audits not completed as of this presentation, one for fiscal year 2004-2005 and one for fiscal year 2006-2007, the reports are being written and reviewed.

Our engagement procedures included but were not limited to determining the following:

- The reimbursement transactions are considered County business.
- Supporting documentation exists for the reimbursements.
- Appropriate approval was obtained and documented for each reimbursement.
- Determination of duplicate payments through the payroll reimbursement process and the purchasing card process.
- If the department has their own policy, determine if the policy is more stringent than the County policy and if so determine if the department complies with their policy.
- Identify any items that may be an abuse of County policy.

Major findings are determined by the number of occurrences for a particular finding, the amount associated with the finding and the nature of the finding. A summary of the major findings for the 18 payroll reimbursement audits by fiscal year is listed below to allow the reader to view the compliance requirements more accurately.

FISCAL YEAR 2004-2005 (2,744 transactions in the amount \$109,844 were tested)

- We noted 237 transactions without a clear business purpose documented.
- We also noted 80 reimbursements in the amount of \$1,814 lacked detailed receipts.
- We found 11 reimbursements, in the amount of \$959, lacked supporting documentation.
- We found 717 reimbursements missing destination codes or odometer readings as required by the Travel Policy. Destination codes help to support a clear County business purpose. Based on the employees job duties the reimbursements appear to be related to County business.
- We noted 79 reimbursements where an incorrect mileage amount was used and no documentation was maintained or provided to support the amounts claimed.

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DISCUSSION (continued):

- We noted 79 missing travel authorization forms to support supervisorial approval, and clear business purpose. We also noted 143 travel authorization forms lacked appropriate approvals from supervisors.
- We noted 36 transactions totaling \$445 which were part of our sample population related to long term travel. We were unable to audit these reimbursements as long term travel expenses are not addressed in the County Travel Policy.
- We noted 25 instances of the department not using the most cost effective mode of transportation including, but not limited to, use of personal versus rental or County owned vehicles, and carpooling.
- We noted missing signatures on time cards as follows, 43 missing supervisor signatures, 36 missing employee signatures, and 82 missing signatures from both the supervisor and the employee.
- We noted 44 reimbursements included expenses incurred more than 30 days prior to the request for reimbursement.

FISCAL YEAR 2006-2007 (3,695 transactions in the amount of \$123,552 were tested)

- We noted 130 transactions without a clear business purpose documented.
- We also noted 51 reimbursements in the amount of \$731 lacked detailed receipts.
- We found 36 reimbursements, in the amount of \$2,113, lacked supporting documentation.
- We found 421 reimbursements missing destination codes or odometer readings as required by the Travel Policy. Destination codes help to support a clear County business purpose. Based on the employees job duties the reimbursements appear to be related to County business.
- We noted 34 missing travel authorization forms to support supervisorial approval, and clear business purpose. We also noted 56 travel authorization forms lacked appropriate approvals from supervisors.
- We noted 10 instances of the department not using the most cost effective mode of transportation including, but not limited to, use of personal versus rental or County owned vehicles, and carpooling.
- We noted 14 meal reimbursements requested by an employee who purchased food while traveling and split the individual receipts into multiple meal reimbursements.

DISCUSSION (continued):

- We noted one reimbursement which included lodging charges that appear to be for luxury accommodations, i.e. a four-star rating. The excess amount of \$60 was reimbursed subsequent to our audits.
- We noted 13 instances of missing timecards.

In summary, the findings listed above primarily relate to lack of documentation to support the reimbursements and proper approval of reimbursements as required by the Travel Policy. In general we noted significant improvement of compliance with the Travel Policy requirements during the fiscal year 2006-2007 engagements.

Purchasing Card Compliance Audits

The results of the recent audits we performed regarding purchasing card transactions reflect significant improvement in terms of compliance with the County Purchasing Card and Travel Policy. In fact for the most recent period under review, fiscal year 2007-2008, 14 of the 29 audits completed during this time had no major findings. The departments have strengthened their internal controls considerably thereby reducing risk to the County.

The Board of Supervisors requested audits to review employee purchasing card transactions to ascertain the purchases were made in compliance with the County Purchasing Card Policy. The Internal Audit Division has completed 39 Purchasing Card Audits. The purchasing card transactions were reviewed 100% for Department Head transactions and the remaining department transactions were tested on a sample basis, generally from 10% to 25% of the total transactions.

The 39 purchasing card audits consist of 10 fiscal years 2003-2004 & 2004-2005 audits; and 29 fiscal years 2005-2006, 2006-2007, and 2007-2008 audits. The series of fiscal years 2003-2004 & 2004-2005 purchasing card audits has been completed. We have completed 29 out of 33 purchasing card audits for fiscal years 2005-2006, 2006-2007, and 2007-2008. The total number of transactions tested and the related amounts for the 39 purchasing card audits completed for this presentation is 23,166 transactions in the amount of \$5,755,083.

Of the purchasing card audits completed three had no major findings for the fiscal years 2005-2006 & 2006-2007; while 14 had no major findings for the fiscal year 2007-2008. Of the four remaining audits for the 2005-2006, 2006-2007, and 2007-2008 series as of this presentation, the reports have been written and we are waiting for department responses in order to complete the audits.

Our engagement procedures included but were not limited to determining the following:

- Supporting documentation exists for the purchases.

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DISCUSSION (continued):

- Examine the department's reconciliation of the monthly purchasing card statement.
- The purchasing card transactions are considered County business.
- Review purchasing card authorization for each card.
- If the department has their own policy, determine if the policy is more stringent than the County policy and if so determine if the department complies with their policy.
- Identify any items that may be an abuse of County policy such as purchase of personal items.

Major findings are determined by the number of occurrences for a particular finding, the amount associated with the finding and the nature of the finding. Due to the most recent audit period covering a three year period, the most recent fiscal year 2007-2008 findings have been listed separately in order to better reflect the current status of the departments' transactions. A summary of the major findings for the 39 purchasing card audits is listed below:

COMBINED FISCAL YEARS 2003-2004 AND 2004-2005: (12,422 transactions in the amount of \$2,191,203 were tested)

- We noted 32 transactions, in the amount of \$3,067 that were inappropriate County purchases. These transactions consisted of a variety of purchases; ten occurrences of valet parking, 25 watches purchased as employee recognition gifts, an airline ticket and a meal purchased for a spouse, an additional airline ticket purchased for a missed flight, purchase of groceries, vehicle upgrades with no known reason for the upgrade and two instances of luxury hotel accommodations.
- We noted 152 transactions lacking documentation of a County business purpose.
- We noted 219 transactions in the amount of \$35,456 were missing supporting documentation and we were unable to audit these transactions.
- We noted 383 transactions in the amount of \$28,490 with missing itemized receipts.
- We noted 196 transactions that lacked appropriate approval certification on the missing itemized receipt form.
- We noted the following exceptions related to trip authorization forms: 175 were missing, 131 trip authorization forms were approved after the travel occurred and 110 trip authorization forms were incomplete.

DISCUSSION (continued):

- We noted transactions related to meal purchases whereby 36 transactions had meal and tip overages in the amount of \$496 and 31 in-county meals in the amount of \$749 lacked Department Head approval. In addition, 20 meal purchases with multiple meals lacked documentation of employee's names to verify County business purpose.
- We noted 42 transactions in the amount of \$3,608 that appear to be before or after event lodging and thereby not a necessary County business expense along with eight transactions in the amount of \$499 for hotel no show charges.
- We noted 24 transactions for lodging charges where occupancy taxes were paid and the hotel accepts occupancy tax waiver forms, thus incurring \$901 in additional travel costs to the County.
- Department personnel incurred lodging charges that appear to be for luxury accommodations, a four-star rating. There was no documentation with these purchases stating the charge was conference/seminar rates. The extra cost as a result of these luxury accommodations is estimated at \$616.
- We noted four fuel transactions in the amount of \$105 that was purchased at the rental car company thereby incurring additional costs to the County. We were also unable to determine what type of vehicle either a rental, County owned or personal vehicle was used for nine fuel transactions in the amount of \$263. In addition, we noted one transaction where fuel was purchased for a personal vehicle rather than requesting mileage reimbursement through the payroll reimbursement process.
- We noted aircraft fuel was purchased for an aircraft whose use was donated to the County. The Board of Supervisors did not approve the use of this aircraft.
- We noted three departments did not retain purchasing card documentation for a total of 41 months, two departments did not certify the purchasing card reconciliation for a total of 25 months and three departments did not perform the purchasing card reconciliation in a timely manner for 24 months.
- We noted two departments had 95 purchasing cards with no activity during the time period under audit.
- Four departments had no procedures in place to review purchasing card and payroll reimbursement transactions for duplication.
- Four departments were missing the monthly Detailed Transaction Report for 54 months.

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DISCUSSION (continued):

- During the time period under audit the various departments did not certify the monthly Detailed Transaction Report or approve the report in a timely manner for a total of 114 months.
- One department had 338 transactions in the amount of \$45,110 for long term travel that was mandated by the State of California and part of our sample population. The Travel Policy does not contain provisions for long-term travel. The department did create a long-term travel policy to cover these types of expenses however this policy was never approved by the Board of Supervisors. Of the 338 transactions we were able to audit all of the expenses except for 37 transactions which consisted of purchases for groceries, and airline flights for non-county employees.
- Another department also had long-term travel costs associated with the Scott Peterson trial. The department obtained verbal approval from the Chief Executive Office for these costs but did not obtain written approval as an exception to the policy as required by the Travel Policy. There were 326 transactions in the amount of \$41,080 in our sample population associated with this long-term travel. We were unable to audit 97 of the 326 transactions due to these costs were related to dry cleaning, groceries, airfare and meals purchased for non-county employees.

COMBINED FISCAL YEARS 2005-2006 AND 2006-2007: (10,744 transactions in the amount of \$3,563,880)

- We noted 18 transactions, in the amount of \$947 that were inappropriate County purchases. These transactions consisted of a variety of purchases; two occurrences of valet parking, one purchase of vases and decorative items, four retirement and appreciation gifts, a lunch for a governor's aide, a purchase of fundraising event tickets, and nine costs for non-employee travelers.
- We noted 49 transactions in the amount of \$8,560 were missing itemized receipts.
- We noted the following exceptions related to trip authorization forms: 21 instances of missing approval dates on the forms by employee or supervisor; four out-of-county trips, while supported by a travel request form, were not pre-approved as required by County policy; and six out-of-county trips not supported by a trip authorization form.

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DISCUSSION (continued):

- Department personnel incurred lodging charges that appear to be for luxury accommodations, a four-star rating. There was no documentation with this purchase stating the charge was conference/seminar rates. The extra cost as a result of these luxury accommodations is estimated at \$4,737.
- We noted five travel charges (meals and/or lodging charges) before and/or after conferences or events. However, the travel expenses incurred before the events did not appear to be necessary. The reasons for the before and/or after event charges were not documented; therefore the additional charges appear to be personal. Estimated additional expenses totaled \$614. Subsequent to the audit reimbursement in the amount of \$387 was received by the County for some of the additional lodging charges.
- We noted 37 transactions for lodging charges where occupancy taxes were paid and the hotel accepts occupancy tax waiver forms, thus incurring \$1,161 in additional travel costs to the County.
- We noted two transactions (totaling \$448) where the invoice total did not agree to the amount charged on the credit card statement. In addition, we noted two charges that were disputed in the amount of \$344 where credits were never received by the County.
- For the monthly purchasing card reconciliation, we noted seven reconciliations were not performed timely. In addition, two credit card statements supporting 11 charges (totaling \$1,638) were missing.
- We noted six departments where the Purchasing Card Clerk responsible for reconciling the Department's purchasing cards also reconciled their own monthly card statements during the audit period.
- Each month the Department Head is required to review and approve the Detailed Transaction Report/Company Billing Statement. This report lists all of the purchasing card transactions for the period and allows the Department Head to review the purchases for appropriateness and authenticity. We noted 46 missing reports, 153 reports were not certified by the Department Head, and 108 reports were not reviewed in a timely manner.
- We noted a total of 14 credit limits that were changed without submitting a Purchasing Card Program Maintenance Form (PCPMF) to process the change on the purchasing card accounts. Since the PCPMF's were not completed for these adjustments we were unable to determine a time period when these adjustments occurred.

DISCUSSION (continued):

- One transaction in the amount of \$1,500 was paid to a non-county organization and related to an event for employee recognition. The department was unable to provide to us documentation to support how the dollar amount of the payment was determined. Based upon the information provided to us we were unable to determine whether this transaction represents an allowable County business expense.

FISCAL YEAR 2007-2008:

- We noted two transactions, in the amount of \$486 that were inappropriate County purchases. These transactions consisted of a purchase of nonrefundable airline tickets and one instance of costs for non-employee travelers. Subsequent to the audit reimbursement in the amount of \$100 was collected from one of the employees. The other employee has since retired.
- We noted five travel charges (meals and/or lodging charges) before and/or after conferences or events. However, the travel expenses incurred before the events did not appear to be necessary. The reasons for the before and/or after event charges were not documented; therefore the additional charges appear to be personal. Estimated additional expenses totaled \$528. Subsequent to the audit reimbursement in the amount of \$188 was received by the County for some of the additional lodging charges.
- We noted five transactions for lodging charges where occupancy taxes were paid and the hotel accepts occupancy tax waiver forms, thus incurring \$126 in additional travel costs to the County.
- We noted an employee traveled outside the border of the United States in order to have a meal and did not obtain advanced written approval from the Chief Executive Officer or Assistant Chief Executive Officer for the travel outside of the Country.
- One department transaction exceeded the allowable purchasing amount limit of \$5,000 per item. The department stated the purchase was an emergency. However, they failed to obtain the appropriate approval for the purchase as an exception to the Purchasing Card Policy from the Chief Executive Officer or the Assistant Chief Executive Officer and to consult with General Services Agency employees regarding the purchase.
- For the monthly purchasing card reconciliation, we noted seven reconciliations were not performed timely. In addition, three credit card statements supporting five charges (totaling \$384) were missing.

DISCUSSION (continued):

- We noted five departments where the Purchasing Card Clerk responsible for reconciling the Department's purchasing cards also reconciled their own monthly card statements during the audit period.
- Each month the Department Head is required to review and approve the Company Billing Statement. This report lists all of the purchasing card transactions for the period and allows the Department Head to review the purchases for appropriateness and authenticity. We noted two reports were missing, 15 reports were missing Department Head signatures, 30 reports were missing dates, and 35 reports were not reviewed in a timely manner.

The major findings primarily consisted of departments lacking sufficient procedures and controls, in some cases, to monitor the appropriateness of the purchasing card transactions. However, the most recent year transactions, FY 07-08 reflect increased improvement by the departments in their efforts to comply with the County Purchasing Card and Travel Policies as evidenced by the reduced findings. In conclusion, County departments are in compliance with the Purchasing Card and Travel Policies.

Once the four remaining audits in this series are completed which is expected to occur in the near future the Internal Audit Division will have achieved our goal of performing purchasing card audits that reflect the most recent fiscal year activity. The next series of purchasing card audits will reflect 2008-2009 activity only. We have started work on the planning process and review of procedures for this next series. The sample population for this series of audits will range from 10% to 25% as in the prior series of purchasing card audits. The sampling percentage used will be determined individually, per department, and will be based upon results from prior audits and the type of transactions. In addition, we will continue to audit the Department Head transactions at 100%.

Summary

The Internal Audit Division submits an annual audit schedule to the Board of Supervisors listing audits that are expected to be completed in the upcoming fiscal year. For fiscal year 2008-2009, the division was able to complete the majority of the audits listed on this schedule.

We are continuing our efforts to review internal controls over cash handling procedures for departments that were deemed high risk as stated earlier in this agenda item. We are also performing an engagement with the new e-payment process utilized by one department in the County thus far.

DISCUSSION (continued):

We are also performing engagements related to the new check writing system developed by the County. Three departments in the County utilize this payment system for checks issued to individuals on a one time basis such as refunds for property tax payments and election poll workers.

In summary, the division continues to work towards completing meaningful and timely engagements that provide accountability to the Board of Supervisors and the public.

Policy Issue

Per Government Section Code 26833, the Board of Supervisors shall have the power to require that the County Auditor-Controller shall audit the accounts and records of any department, office, board or institute under its control.

The Internal Audit Division helps to determine whether financial and operating information is accurate and reliable; risks are identified and minimized; policies and procedures are followed; resources are used efficiently and effectively; and objectives are effectively achieved.

The work performed by the Internal Audit Division provides accountability to the Board of Supervisors and the public. In addition, the work performed by the Internal Audit Division is in alignment with the Board's priority of ensuring efficient delivery of public services.

The division is committed to issuing reports on a timely basis. In order to continue to improve on the timing of the issuance of reports and the overall efficiency of the division, the Internal Audit Division presentations to the Board of Supervisors will continue to be performed on a bi-annual basis.

Staffing Impact

The Internal Audit Division currently consists of the Internal Audit Manager and five Internal Auditors. Currently, three Internal Audit staff are Certified Public Accountants. Two positions are presently vacant due to decreases in the department's budget. We will continue to perform to the best of our abilities despite our reduced numbers engagements that safeguard the public's assets.

**INTERNAL AUDIT
DIVISION
BOARD PRESENTATION**

ENGAGEMENTS

- ◆ One compliance examination
- ◆ Three financial/compliance reviews
- ◆ One agreed upon procedures engagement concerning County Public Facility Fees

ENGAGEMENTS CONT'D

- ◆ Two non-audit engagements of internal controls over cash receipts
- ◆ Eighteen payroll reimbursement audits
- ◆ Thirty-nine purchasing card audits

FINANCIAL AND/OR COMPLIANCE EXAMINATIONS AND REVIEWS

- ◆ All four engagements were in compliance with either State Code and/or County Policy.

COUNTY PUBLIC FACILITY FEES

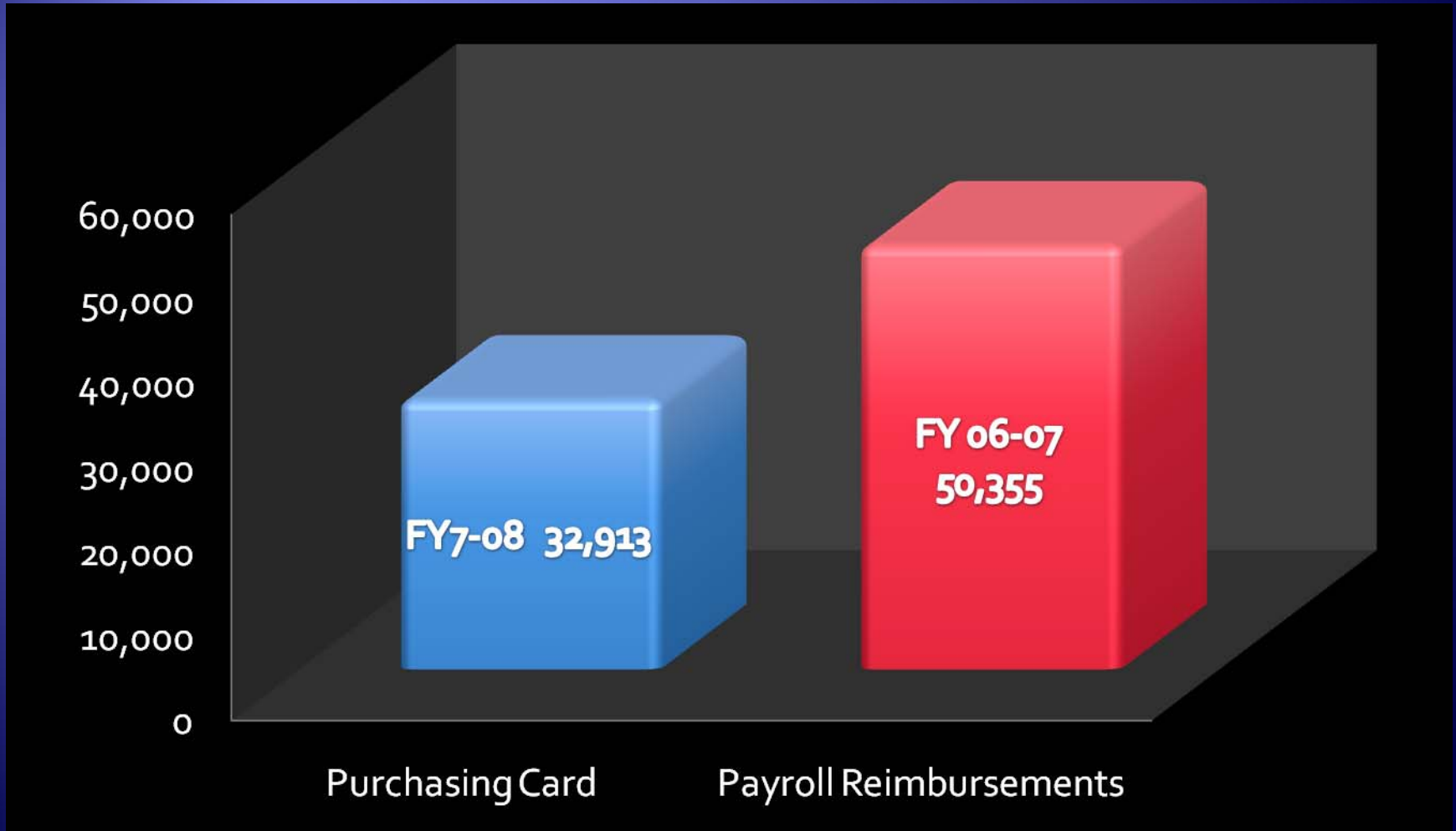
- ◆ The City of Patterson did not provide documentation to support the date the development maps were deemed complete.
- ◆ The County calculated the Public Facility Fees incorrectly resulting in an under collection of fees between \$179,625 to \$264,850.

INTERNAL CONTROLS OVER CASH RECEIPTS

Major Findings:

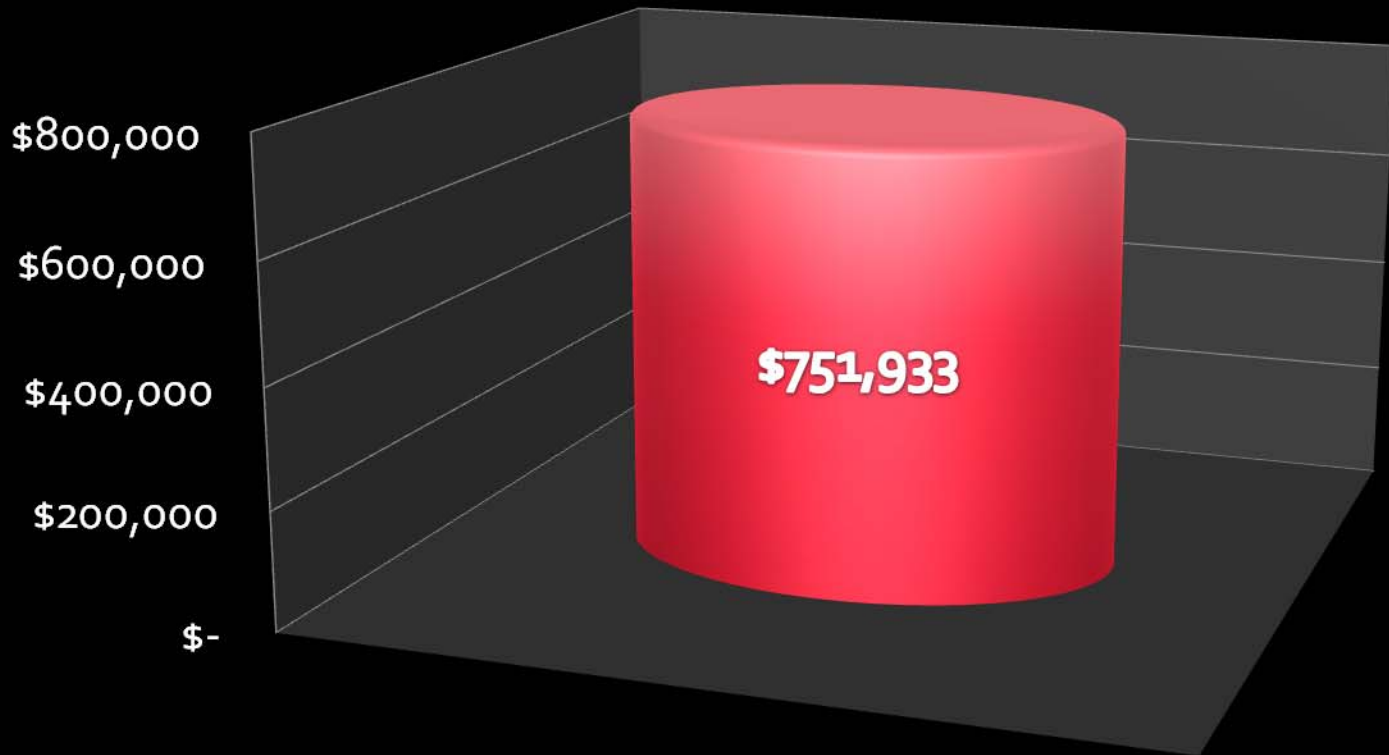
- ◆ Written documentation of cash handling procedures is limited.
- ◆ Security over cash could be strengthened.

Transaction Amounts



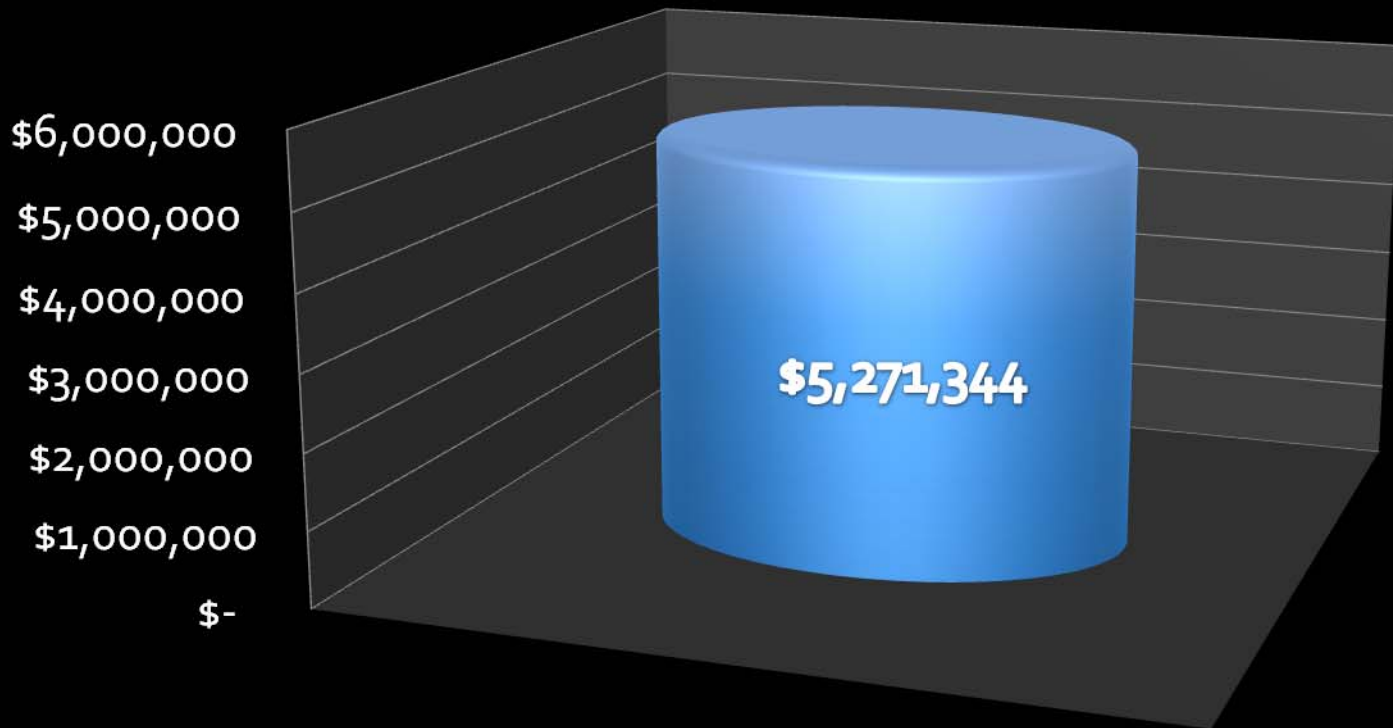
Financial FY 2006-2007

Payroll Reimbursements



Financial FY 2007-2008

Purchasing Card Charges



PAYROLL REIMBURSEMENT ENGAGEMENTS

- ◆ Periods audited FY 2004-2005 and FY 2006-2007.
- ◆ 18 audits are presented today.
- ◆ Total number of transactions tested was 6,439 in the amount of \$233,395.
- ◆ Two of the 18 departments presented today had no major findings.

PAYROLL REIMBURSEMENT ENGAGEMENTS CONT'D

FY 2006-2007 Major Findings:

- ◆ Lack of documentation for a clear business purpose.
- ◆ Mileage reimbursements lacked destination codes or odometer readings
- ◆ Missing Travel Authorization Forms
- ◆ Travel Authorization Forms lacking approval

PURCHASING CARD ENGAGEMENTS

- ◆ Periods audited FY 2003-2004 through FY 2007-2008.
- ◆ 39 audits are presented today.
- ◆ Total number of transactions tested was 23,166 in the amount of \$5,755,083.
- ◆ During FY 2007-2008, 14 departments had no major findings.

PURCHASING CARD ENGAGEMENTS CONT'D

FY 2007-2008 Major Findings:

- ◆ Clerks responsible for performing the monthly purchasing card reconciliation's reconciled their own transactions in five departments.

PURCHASING CARD ENGAGEMENTS CONT'D

FY 2007-2008 Major Findings Continued:

- ◆ The monthly reports that are reviewed by the Department Head lacked signatures and dates and were not performed timely.

BOARD PRIORITIES

- ◆ The work performed by the Internal Audit Division of the Auditor-Controller's Office is in alignment with the Board Priority of ensuring efficient delivery of public services.