

OFFICE OF AUDITS & ADVISORY SERVICES



REGISTRAR OF VOTERS OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Senior Audit Manager: Laura Flores, CIA, CFE, CGAP
Auditor II: Jenny Chen

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County of San Diego

TRACY M. SANDOVAL
GENERAL MANAGER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX: (619) 531-5219

FINANCE & GENERAL GOVERNMENT GROUP
1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

ASSESSOR/RECORDER/COUNTY CLERK
AUDITOR AND CONTROLLER
CHIEF ADMINISTRATIVE OFFICE
CIVIL SERVICE COMMISSION
CLERK OF THE BOARD
COUNTY COMMUNICATIONS OFFICE
COUNTY COUNSEL
COUNTY TECHNOLOGY OFFICE
GRAND JURY
HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

July 16, 2013

TO: Michael Vu, Registrar of Voters
Registrar of Voters

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: REGISTRAR OF VOTERS OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Registrar of Voters Officers' Transition Audit. We have reviewed your responses to our recommendations and have attached them to the audit report. The actions taken, in general, are responsive to the recommendations in the report.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:JLC:aps

Enclosure

c: David Estrella, Deputy Chief Administrative Officer, Community Services Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Kaye Hobson, Group Finance Director, Community Services Group

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Registrar of Voters (ROV). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Deborah Seiler, and incoming officer, Michael Vu, took appropriate actions and filed required reports as of December 28, 2012 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer.
Background	The County Charter requires that the OAAS conduct such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets and promote the County's General Management System (GMS), including its key disciplines of accountability, transparency and ethical conduct; fiscal stability; and continuous improvement and innovation.
Audit Scope & Limitations	<p>The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.</p> <p>This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.</p>
Methodology	OAAS reviewed all the reports filed by the outgoing and incoming officers, obtained supporting documentation, and performed limited internal control testing.

AUDIT RESULTS

Summary	In our opinion, there is reasonable assurance that the outgoing and incoming officers took appropriate actions and filed required reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition. However, we noted the following exceptions:
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Finding I:	Segregation of Duties for the Administration of Accounts Receivable Need Improvement OAAS found that one employee has the ability of handling multiple accounts receivable (A/R) related functions. Specifically, this employee is responsible for the following tasks:
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- Creating and recording A/R invoices.
- Making bank deposits.

- Maintaining the A/R tracking log.
- Performing bank reconciliations.
- Posting A/R transactions to Oracle.
- Reconciling month-end A/R balances.

According to ROV staff, the transition of cash deposit responsibility between the ROV and the Planning and Development Services inadvertently affected the separation of incompatible duties.

Insufficient segregation of duties increases the risk of misappropriation of assets and the possibility that errors and inappropriate activities will not be detected. Segregation of incompatible responsibilities is critical for an effective internal control system; it reduces the risk of both erroneous and inappropriate actions. In general, incompatible duties to be segregated are:

- Record keeping
- Authorization
- Assets custody
- Reconciliation

Recommendation:

ROV should segregate duties related to the administration of A/R. Specifically, responsibilities for creating invoices, depositing cash collections, recording of related transactions, and reconciling account balances should not be assigned to one employee.

Finding II:

Internal Controls Over Cash Handling Need to Be Strengthened

OAAS identified the following weaknesses over the cash handling process:

- The closing cashier counts the change fund alone.
- The cash register is shared by three cashiers.
- The cash register key is left in the lock during business hours.
- The combination of the safe is not changed routinely.
- Checks are not endorsed upon receipt.

Performing change fund counts by one employee could potentially lead to accountability issues if cash discrepancies are identified by the employee performing the count alone. Sharing the cash drawer results in a loss of individual accountability over cash collections. In addition, leaving the key in the cash register lock and not changing the safe combination periodically, increases the risk of misappropriation of funds. Last, if a check is lost or stolen, anybody could potentially cash or deposit the check if it has not been properly endorsed.

The County of San Diego Administrative Manual 0030-21 requires that cash is counted in the presence of at least two employees. Additionally, the County Treasurer-Tax Collector Cash Handling Policies and Procedures, Section 4.2.1 and 4.2.3, states that

employees should be responsible for their cash trays and should not be shared with other employees. Also, it specifies that employees should maintain physical custody of cash drawer keys and not leave them unattended in the cash register lock.

Recommendation:

To establish adequate internal controls over the cash handling process and to maintain proper accountability of cash collections, ROV should:

- Ensure that the count of the change fund is performed under dual custody and signed off by two individuals.
- Assign unique ID codes to staff with access to the cash register or consider utilizing individual lockable cash trays for each staff assigned to the cash register.
- Assign the custody of the register key to the staff authorized to access the cash register.
- Change safe combination periodically and immediately when the safe custodian is changed.
- Endorse checks immediately upon receipt.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

DEPARTMENT'S RESPONSE



County of San Diego

MICHAEL VU
Registrar of Voters

CYNTHIA L. PAES
Assistant Registrar of Voters

REGISTRAR OF VOTERS
5201 Ruffin Road, Suite I, San Diego, California 92123-1693

Office: (858) 565-5800
Fax: (858) 694-2955
TDD: (858) 694-3441
Toll Free: (800) 696-0136

July 12, 2013

RECEIVED

TO: Juan R. Perez
Chief of Audits

JUL 16 2013

FROM: Michael Vu, Registrar of Voters
Registrar of Voters

OFFICE OF AUDITS &
ADVISORY SERVICES

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: REGISTRAR OF VOTERS OFFICERS' TRANSITION AUDIT

The purpose of this letter is to provide a response to the transition audit findings. In addition, we wish to thank you for your complete and thorough review of our department's processes and procedures.

Finding I: Segregation of duties for the administration of Accounts Receivable need improvement

OAAS Recommendation: ROV should segregate duties related to the administration of A/R. Specifically, responsibilities for creating invoices, depositing cash collections, recording of related transactions, and reconciling account balances should not be assigned to one employee.

Action Plan: The Registrar's office concurs with the Auditor's conclusion regarding the segregation of duties for the administration of account receivables. We have segregated the AR duties by having the Administrative Analyst I reconcile, prepare and make the bank deposit. The Staff Accountant will create the AR invoices, reconcile the monthly bank statement, post the AR transactions to Oracle and perform the monthly AR reconciliation. The Administrative Services Manager will review and approve the deposit and the Oracle MTB-D. The Administrative Analyst III will approve the transactions in the Oracle General Ledger Module. We will cross train staff so that they will be able to handle either the AA I or Staff Accountant tasks.

Planned Completion Date: Completed during the Field Work process.

Contact Information for Implementation: Jennifer Uebbing, Administrative Services Manager II

Finding II: Internal controls over cash handling need to be strengthened

OAAS Recommendation: To establish adequate internal controls over the cash handling process and to maintain proper accountability of cash collections, ROV should:

- Ensure that the count of the change fund is performed under dual custody and signed off by two individuals.
- Assign unique ID codes to staff with access to the cash register or consider utilizing individual lockable cash trays for each staff assigned to the cash register.
- Assign the custody of the register key to the staff authorized to access the cash register.
- Change safe combination periodically and immediately when the safe custodian is changed.
- Endorsed checks immediately upon receipt.

Action Plan: The Registrar's office concurs with the Auditor's conclusion regarding the strengthening of the internal controls over cash handling. We have revised procedures so that:

- The count of the change fund is performed under dual custody and signed off by two individuals.
- Assigned unique ID codes to staff with access to the cash register.
- The custody of the register key has been assigned to the Office Assistant.
- The safe combination has been changed.
- Checks are endorsed immediately upon receipt.

Planned Completion Date: All items were completed by July 11, 2013

Contact Information for Implementation: Jennifer Uebbing, Administrative Services Manager II

If you have any questions, please contact me at (858) 694-3402.



MICHAEL VU
Registrar of Voters

MV:jmu