

OFFICE OF AUDITS & ADVISORY SERVICES



COUNTY COUNSEL OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Christopher Efirid, CPA
Auditor I: Mercedes Pereira-Trent, MBA
Auditor I: Nicholas Gierut
Auditor I: Vincent Campbell

Intentionally Left Blank



County of San Diego

TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5530 OVERLAND AVENUE, SUITE 330, SAN DIEGO, CA 92123-1261
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

April 13, 2023

TO: Claudia Silva
County Counsel

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: COUNTY COUNSEL OFFICERS' TRANSITION AUDIT

Enclosed is our report on the County Counsel Officers' Transition Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

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

JUAN R. PEREZ
Chief of Audits

AUD:MPT:nb

Enclosure

c: Ebony N. Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the County Counsel. The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Lonnie Eldridge, and incoming officer, Claudia Silva, took appropriate actions and filed required reports as of September 13, 2022, 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, Section 801.1(a), requires that 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's (GMS) Evaluation and Accountability component, as well as the County's Sustainability/Resilience and Empower/Transparency and Accountability strategic initiatives.

Audit Scope & Limitations The reports are the responsibility of the officer who signs them. OAAS' responsibility is to provide an opinion on the reports based upon the audit.

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.

Methodology OAAS reviewed the reports filed by the outgoing and incoming officers for accuracy and completeness, obtained supporting documentation, and performed limited internal control testing. Additionally, we reviewed the County Counsel Continuity of Operations Plan (COOP) to ascertain if it has been recently updated and tested.

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 an opportunity to improve internal controls over revolving funds.

Finding I: **Internal Controls Over Revolving Funds Need Improvement**
A sample of four revolving funds were selected for review (two petty cash and two bank accounts). OAAS identified the following exceptions:

- The two locations that have a safe do not maintain a safe activity log.
- County Counsel does not change the combination of the safes regularly, and only one individual knows the combination.
- Bank reconciliations were not performed monthly and were not properly signed and dated by the preparer and reviewer.

Inadequate internal controls over revolving funds increases the risk of mishandling or misappropriation of funds.

County Administrative Manual Item No. 30-21 states that checking accounts should be balanced monthly. Additionally, this section incorporates by reference the Treasurer-Tax Collector's Cash Handling Policies and Procedures (CHPP), which states supervisors and managers have the overall responsibility and accountability for ensuring that safe combinations are changed periodically and always when permanent custody changes (i.e., employee turnover). Furthermore, access to the safe must be monitored through a written access log.

Recommendation: To improve internal controls over revolving funds management County Counsel should:

1. Ensure that all employees that receive and handle cash review and understand County policies regarding revolving funds.
2. Establish appropriate internal controls to address the revolving fund deficiencies noted.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE
(COUNTY COUNSEL)



COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

April 11, 2023

TO: Juan R. Perez, Chief of Audits
Office of Audits and Advisory Services (OAAS)

FROM: Claudia G. Silva, County Counsel
Office of County Counsel

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: COUNTY COUNSEL
OFFICERS' TRANSITION AUDIT

Finding I: Internal Controls Over Revolving Funds Need Improvement

OAAS Recommendations:

- (1) Ensure that all employees that receive and handle cash review and understand County policies regarding revolving funds.
- (2) Establish appropriate internal controls to address the revolving fund deficiencies noted.

Action Plan: County Counsel (CC) agrees with OAAS' recommendations relating to its revolving funds and agrees that the recommendations will strengthen CC's internal controls to minimize the risk of fraud.

CC has completed its implementation of all recommendations set forth in the report as follows:

Recommendation (1)

CC's revolving fund custodians have received and reviewed the most recent County policies regarding revolving funds, including County Administrative Manual Item No. 30-21 and the Treasurer-Tax Collector's Cash Handling Policies and Procedures (CHPP). CC's revolving fund custodians have acknowledged their understanding of the policies by their e-signatures on said policies. CC's Principal Accountant will undertake this process on an annual basis at the start of each new fiscal year.

Recommendation (2) Regarding Safe Activity Log and Safe Code Combination

CC has created a Safe Activity Log similar to the sample contained in the Treasurer-Tax Collector's CHPP. CC's two revolving fund custodians are now using this log to track when they access their assigned safes. Additionally, CC has changed its safe code combinations on

both safes. Further, CC has updated its Accounting Team Desk Manual to reflect specific requirements relating to its safes' combinations, which include:

- 1) The safes' code combinations must be changed on an annual basis at the start of a new fiscal year or when there is a permanent custodian change;
- 2) Access to each safe and to the code combination will be limited to only the assigned custodian and his/her supervisor (or manager); and
- 3) The custodian and supervisor (or manager) must be present to verify the new code combination when a code combination change is processed.

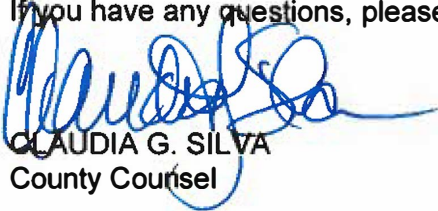
Recommendation (2) Regarding Monthly Bank Reconciliations

CC has created an electronic sign-off form to track its monthly bank reconciliations, which CC's two revolving fund custodians are now using. In addition, updates to the Accounting Team's Desk Manual now reflect the requirement to complete the electronic sign-off form after performing the monthly reconciliations.

Planned Completion Date: April 13, 2023

Contact Information for Implementation: Yvette LeFever, Chief, Dept. Admin. Services

If you have any questions, please contact me at (619) 531-4903.



CLAUDIA G. SILVA
County Counsel

CGS:yl