



Lori Jones  
Agency Director

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December 29, 2011

Honorable Board Members  
Administration Building  
Oakland, CA 94612

Dear Board Members:

**SUBJECT:** Replenishment of Petty Cash Fund

**RECOMMENDATION:**

It is recommended that your Board:

- Authorize the Auditor-Controller to replenish the revolving petty cash fund in the Social Services Agency (SSA) Information Services Division in the amount of \$131.55.

**DISCUSSION**

This letter requests action by your Board, based on recommendation of the Auditor-Controller's Office, to request replenishment of the SSA's petty cash fund for its Information Services Division (ISD) in the amount of \$131.55 for a loss suffered in January 2010. Upon completion of an investigation by the District Attorney's Office, the Auditor-Controller conducted a review of the SSA-ISD Petty Cash Fund to determine the effectiveness of internal controls. The Auditor-Controller's Office issued a report on October 31, 2011 summarizing its findings and including a number of recommendations.

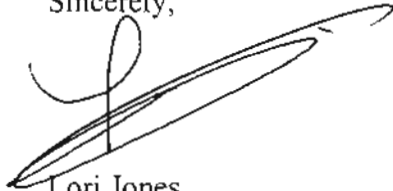
SSA agrees with the audit findings and recommendations and implemented a plan to incorporate all of the recommendations to ensure that the Agency complies with the Alameda County Manual of Accounting Policies and Procedures. SSA's Finance Department has also hired an accountant, whose role will include conducting regular on-site audits of petty cash.

Upon approval of your Board, SSA will submit a replenishment request to the Auditor-Controller's office.

**FINANCING:**

Funding is available within the Agency's budget for FY 2011-2012. There are no additional net county costs.

Sincerely,

A handwritten signature in black ink, appearing to be 'Lori Jones', written over a horizontal line.

Lori Jones  
Agency Director

ATT: Auditor-Controller's Report

c: County Administrator  
County Counsel  
Auditor-Controller

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**ALAMEDA COUNTY**  
**AUDITOR-CONTROLLER AGENCY**  
**PATRICK O'CONNELL**  
AUDITOR-CONTROLLER/CLERK-RECORDER

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October 31, 2011

Lori Jones, Agency Director  
Alameda County Social Services Agency  
2000 San Pablo Avenue  
Oakland, CA 94612

**Report on Cash Loss Review**

On February 7, 2011, the Social Services Agency (SSA) reported to the District Attorney that a \$119 petty cash loss had occurred on January 26, 2010 at the Agency's Information Services Department (ISD). Upon completion of investigation by the District Attorney's Office and as required by the Manual of Accounting Policies and Procedures (Section 8.4 of the Cash Manual), we conducted a review of ISD's petty cash fund.

**OBJECTIVE**

We conducted our review in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. The objective of our review was to verify the amount of the cash loss, review the internal control over the petty cash, and recommend action to replenish the amount of the loss.

**REVIEW PROCEDURES**

We reviewed SSA's report on the cash loss and documentation regarding its petty cash fund. We also interviewed the petty cash custodian at ISD, counted the petty cash, reviewed internal control over the petty cash fund and tested petty cash disbursements for internal control effectiveness. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

**CONDITIONS IDENTIFIED**

Based on the evidence available to the audit team:

1. We could not confirm the amount of the loss because the cash on-hand did not always agree with the petty cash log. According to our cash count conducted on July 27, 2011, the petty cash was short by \$131.55, or \$12.55 more than what was reported on February 7, 2011. Also, SSA performed surprise cash counts on February 25, 2010 and June 10, 2010 and found shortages of \$116.71 and \$114.17, respectively.
2. We identified the following:
  - a) **Proper Approval:** The petty cash custodian uses her supervisor's signature stamp to approve:
    - Her own reimbursable expenses.
    - The Petty Cash Replenishment Reports.

In addition, two claims were missing the appropriate supervisor's signature.

Management's approval is important to ensure claims are for legitimate business expenses, and that they comply with County/Department policies. This control is rendered ineffective when a signature stamp is used because its use cannot be properly accounted for.

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- b) **Cash Counts:** The custodian does not prepare cash count sheets and reconcile the cash on-hand to the imprest balance. We also noted that the cash counts were not independently reviewed and that surprise-cash counts were not conducted on a regular basis, or at least once a month per SSA's guidelines. Independent review coupled with periodic surprise test counts helps to ensure the validity of the cash counts.
- c) **Petty Cash Replenishment Report:** The petty cash replenishment report is prepared by the custodian but it is not independently reviewed at the department level. Independent review ensures transactions are processed accurately.
- d) **Cash Loss Reporting:** The cash loss occurred on January 26, 2010. Although the physical custodian reported the cash loss immediately to her immediate and alternate supervisors on the day the cash loss occurred, the District Attorney was not notified of the loss until February 7, 2011 (Section 8.4 of the Cash Manual).

#### **RECOMMENDATION**

- a) **Proper Approval:** Discontinue the use of the signature stamp and ensure all claims are properly approved.
- b) **Cash Count Sheet:** As needed, prepare a cash count sheet, reconcile it to the imprest balance, and document the review and the approval. Also, independently conduct a surprise cash count and document its results.
- c) **Petty Cash Replenishment Report:** Ensure the petty cash replenishment report is independently reviewed before it is submitted to SSA's Finance Department.
- d) **Cash Loss Reporting:** Update SSA's petty cash guidelines to include the procedure for reporting cash losses and suspected fraud.

We also recommend SSA to request the Board to authorize the replenishment of the \$131.55 shortage and upon approval of the Board, submit a replenishment request to the Auditor-Controller's Office.

#### **MANAGEMENT RESPONSE**

We agree with the audit findings and recommendations stated above. Effective immediately, SSA will put a process in place to assure that the department is adhering to MAPP.

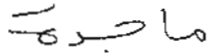
- 1. SSA Finance Department will provide training to all Petty Cash Custodians to process Petty Cash transactions following MAPP guidelines to implement the recommendations described above.
- 2. SSA Finance Department recently hired an Accountant; one of the main functions is to conduct surprise on-site audits of petty cash in a regular basis.
- 3. SSA Finance will coordinate with SSA Program Integrity Department to ensure timely reporting on cash loss.

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This report is intended for the information and use of the Social Service Agency and County Risk Management, and is not intended to be and should not be used by anyone other than these specified parties.

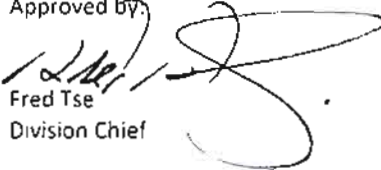
We appreciate the courtesy and cooperation extended to us by the staff at SSA throughout the course of this review.

Prepared by:



Majda Jenison  
Internal Auditor

Approved by:



Fred Tse  
Division Chief

cc: Barbara Lubben, County Risk Manager  
Brad Kearns, Chief of Inspectors  
Daniel Kaplan, Social Services Agency  
Don Edwards, Social Services Agency  
Minerva Mendoza, Social Services Agency  
Patrick O'Connell, Auditor-Controller  
Steve Manning, Chief Deputy Auditor  
Susan Muranishi, County Administrator