

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Barry Zimmerman, Director, Human Services Agency

Date: March 5, 2019

From: Jeffery S. Burgh

Subject: AUDIT OF OUTSIDE BANK ACCOUNTS FOR THE HUMAN SERVICES AGENCY

We have completed our audit of outside bank accounts for the Human Services Agency ("HSA"). The results of our audit are summarized below.

BACKGROUND

County money is held either within the County Treasury or in bank accounts outside the Treasury system ("outside bank accounts"). County money within the Treasury system is safeguarded by a number of significant Countywide controls, whereas County money in outside bank accounts is primarily protected by department-level controls. Departments must provide sufficient justification to establish a bank account outside the County Treasury.

For example, HSA's Homeless Assistance Program outside bank account provides timely aid to residents who are currently homeless or facing homelessness. Assistance may include rental deposits, short-term rental payments, utility payments, and/or moving and storage costs. Assistance checks are provided to clients and the State of California reimburses HSA through the California Work Opportunity and Responsibility to Kids Information Network ("CalWIN") reporting system.

As of June 30, 2017, HSA maintained a total of three outside bank accounts with a combined bank balance of approximately \$29,000.

SCOPE

Our overall audit objective was to determine whether departmental use and control of outside bank accounts was appropriate and compliant with County policy for the period July 1, 2016, through June 30, 2017. Specifically, we determined whether:

- outside bank accounts were established and used for valid business purposes in compliance with County policy; and
- departments had adequate controls over outside bank accounts to ensure safeguarding of funds.

We judgmentally selected HSA's Homeless Assistance Program outside bank account to review, which had a bank balance of approximately \$20,000 as of June 30, 2017. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

FINDINGS

Overall, we found that HSA satisfactorily managed the outside bank account and complied with County policy. For example, our audit confirmed that:

- Account activity appeared appropriate, and bank reconciliations were documented.
- Assignments and duties were properly delegated and segregated.
- Checks were appropriately safeguarded.

However, improvements were needed to: account for the opening deposits for outside bank accounts; ensure that all check signers are deputized by the Auditor-Controller; and remove reassigned or terminated employees as authorized check signers in a timely manner. Following are details of the areas where improvements were needed. HSA management initiated corrective action during the audit as noted.

1. **Account Origins.** Documentation could not be located with originating information about the Homeless Assistance Program outside bank account. Specifically, the original justification, noting pertinent information such as request date and subsequent approval, funding source, and initial deposit were unknown. Currently, departments must submit a written request to open an outside bank account to be approved by the Auditor-Controller and Treasurer-Tax Collector, with the opening balance taken from the departmental budget. For July 2016 through June 2017, HSA reconciled to a department balance of \$25,000; however, whether this amount accurately represented the original opening balance was unclear. Because the account activity is outside of the Ventura County Financial Management System ("VCFMS"), greater due diligence is needed to account for the money used to open or increase outside bank accounts.

Recommendation. HSA should maintain a file of originating account information that identifies the initial deposit amount and any account increases to ensure that County funds would be returned in the event of an account closure.

Management Action. HSA management stated: "Documentation from the originating account for the Homeless Outside Bank Account (opened over 20 years ago) could not be found in HSA records. Going forward HSA will maintain the original documents submitted to Treasury and the Auditor Controller's office regarding the initial deposit amount."

2. **Deputized Auditor-Controllers.** Although a request was made by HSA to deputize staff as deputy auditor-controllers, many staff were signing checks prior to securing Auditor-Controller approval. California Government Code Section 24102 states that deputies must be appointed as such by the Auditor-Controller. Although our sampling of 13 checks issued in May 2017 were signed with dual signatures, none of the 17 individuals who signed the checks were deputized at the time. HSA communicated the need to deputize additional staff in April 2016; however, the individuals were not deputized until June 2017 (i.e., the month after the checks were signed). Additionally, we noted that one employee who signed checks has not yet been deputized.

Recommendation. HSA should confirm with the Auditor-Controller that staff have been deputized prior to signing checks.

Management Action. HSA management stated: "HSA has revised its processes to ensure that all signers are deputized prior to signing checks."

3. **Authorized Signers.** HSA needed to ensure that individuals who are no longer authorized to sign checks are removed in a timely manner from all authorized signer lists. During our testing of the Homeless Assistance Program account, we noted that the bank's list of authorized signers on another account included 10 employees that needed to be removed from the bank's authorized signer list. Of the 10 individuals:

- 4 were still working for HSA;
- 3 were no longer working for HSA, but were active County employees; and
- 3 were separated from County employment.

The six that were no longer working for HSA remained on the bank's authorized signer list for an average of nearly 8 years before being removed due to our audit. The bank signature card defined an "Authorized Signer" as having "the authority, acting alone, to (a) sign checks drawn on and make cash or other withdrawals from the Accounts(s), (b) request and withdraw stop payment orders for checks drawn on the Account(s), and (c) initiate funds transfers by ACH, wire or other means out of the Accounts(s)." Any changes will not be effective until the amended signature card is received by the bank, which could provide inappropriate access for those employees that should be removed.

Recommendation. HSA should improve monitoring of employees who have check signing authority to identify when reassignment or termination occurs and amend bank signature cards immediately. HSA should also periodically request lists from the Treasurer-Tax Collector of HSA-related Wells Fargo bank accounts to review whether authorized signers were accurate and current. For example, this task could be performed in conjunction with the annual department delegation of authorized signers that is submitted to the Auditor-Controller.

Management Action. HSA management stated: "HSA has improved the monitoring of employees who are signing checks to ensure that once an employee leaves the agency, paperwork is submitted to the bank to remove the employee from the approved signer list."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. HSA management stated that corrective action was completed on January 1, 2019.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Barry Zimmerman, Director, Human Services Agency

March 5, 2019

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cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kelly Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer