

**County of Ventura**  
**AUDITOR-CONTROLLER**  
**MEMORANDUM**

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**To:** Jeff Pratt, Director, Public Works Agency

**Date:** June 28, 2018

**From:** Jeffery S. Burgh

**Subject: VALIDATION OF THE 2015 CONTROL SELF-ASSESSMENT FOR THE  
VENTURA COUNTY PUBLIC WORKS AGENCY**

We have completed our engagement to validate the internal controls reported in the 2015 Control Self-Assessment for the Ventura County Public Works Agency ("PWA"). The results of our validation are summarized below.

### **BACKGROUND**

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In an effort to promote strong internal controls Countywide, the Auditor-Controller and County Executive Office have jointly established a Control Self-Assessment ("CSA") Program. The CSA Program requires departments to formally assess the adequacy of internal controls at least once during the multi-year program cycle and report the results to the Auditor-Controller's Office for review and validation. The 2015 CSA for PWA was fully submitted as of February 23, 2017.

PWA delivers services to the citizens of Ventura County by planning, designing, constructing, operating, and maintaining roads, water and sanitation, flood protection, and other County facilities. Additional services include land development review, integrated waste management, recycling, water resource protection, and ecosystem restoration. PWA was authorized 386 positions and appropriations of \$246.6 million for fiscal year 2017-18.

### **SCOPE**

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Our overall objective was to evaluate, on a test basis, the information reported in PWA's CSA. Specifically, we:

- verified that selected internal controls were in place and operating effectively as reported in the department's CSA; and
- verified the status of planned internal control improvement actions reported in the department's CSA.

We performed tests and evaluations using documents and records provided by PWA for the period February 2016 through June 2018. The engagement was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

This engagement does not provide an opinion on the design and implementation of the department's overall system of internal control.

## **VALIDATION RESULTS**

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In general, we found that the selected internal controls were in place and operating effectively as reported in the department's CSA, although internal controls over the cash handling process could be strengthened. We also confirmed that four selected planned internal control improvement actions were complete, and one was no longer applicable. Following are details of our validation results.

1. **Control Existence and Operating Effectiveness.** Of the five internal controls we selected for validation, we found that four were in place and operating effectively as reported by the department and one was in need of improvement. For example, we found that the PWA has established and implemented:

- A formal vision, mission, and values statement that has been communicated throughout the agency.
- A code of professional ethics and conduct that has been made available to all PWA employees.
- Procedures for appropriate review of actual expenditures and revenues compared to budgeted amounts.
- Safeguarding of all monies (including coin, checks, money orders, etc.) in a physically secure area.

However, we identified an area where PWA could further enhance existing controls over cash handling as detailed below.

**Control Needing Improvement: Counting Cash Drawers in Dual Custody.** As previously noted in our August 2010 report regarding the audit of change in director for PWA, the \$100 change fund for the Engineering Services Survey Counter was counted by only one person. As a best practice, a second person should verify the amount of cash in the drawer at the beginning and end of the day. Having a second person verify the amount of cash helps to prevent errors or theft, and can also protect an employee if any money goes missing.

**Recommendation.** PWA management should take additional steps to ensure that change funds are counted in the presence of a second person, or identify compensating controls if the cash will be counted by a single person. Any changes to cash handling procedures should be reflected by updating the cash handling manuals.

**Management Action.** PWA management stated: "While the \$100 change fund is a low risk to misappropriation or errors due to its low dollar value and limited access to staff, PWA Management concurs with the recommendation to further strengthen internal controls. PWA will institute the following additional change fund reconciliation procedures: On the first business day of the month, before the opening of the counter, the change fund custodian will count the cash drawer and the custodian's supervisor/manager will verify the assigned change fund amount. The change fund reconciliation will be signed by both parties and maintained for audit verification purposes. A surprise audit will be performed on a quarterly basis by a PWA Senior Accountant to verify the assigned change fund amount. The results

of the surprise audit will be logged and maintained for audit verification purposes. Implementation of these procedures will occur beginning the first business day in July 2018. PWA also plans to update the cash handling manual to reflect the new processes by July 31, 2018.”

2. **Status of Planned Improvement Actions.** Of the five planned internal control improvement actions we selected for validation, we found that four were completed and one is no longer applicable. Specifically, PWA has:

- Updated the cash and check handling procedures for the Development, Survey, and Transportation departments.
- Updated fiscal desk manuals, including the Road Fund Desk Manual and Accounts Payable Desk Manual for Roads, the Watershed Protection District, Unincorporated Stormwater, and Fox Canyon Groundwater Management Agency.
- Developed separate accounts receivable aging reports for non-utility accounts tracked in Access and in the Accela Land Use Management System.

#### **AUDITOR’S EVALUATION OF MANAGEMENT ACTION**

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We believe that management actions taken or planned were responsive to the validation finding. Management planned to complete corrective actions by July 31, 2018.

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

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