

**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Honorable Gregory Totten, District Attorney

Date: March 5, 2019

From: *Jeffery S. Burgh*

Subject: AUDIT OF OUTSIDE BANK ACCOUNTS FOR THE DISTRICT ATTORNEY'S OFFICE

We have completed our audit of outside bank accounts for the District Attorney's Office ("DAO"). 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, DAO's Special Fund outside bank account provides timely funds for special investigations pursuant to California Government Code Sections ("GC §§") 29401 and 29406. Assistance may include hotel/motel expenses, semi-permanent lodging, meals, and incidentals related to the California Witness Relocation and Assistance Program ("CalWRAP"). DAO issues checks to reimburse expenses incurred by assisting law enforcement officers, and the State of California ("State") reimburses DAO for eligible disbursements. CalWRAP expenses are subject to periodic audits by the State.

As of June 30, 2017, DAO maintained a total of five outside bank accounts with a combined bank balance of approximately \$37,000.

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 DAO's Special Fund outside bank account to review, which had a bank balance of approximately \$13,000 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 DAO 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.
- Check signers were deputized by the Auditor-Controller.

However, improvements were needed to account for the opening deposits for outside bank accounts and record expenses in the Ventura County Financial Management System ("VCFMS"). Following are details of the areas where improvements were needed. DAO management initiated corrective action during the audit as noted.

1. **Account Origins.** Documentation could not be located with originating information about the Special Fund 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. Regarding the Special Fund specifically, GC § 29401 states: "At the beginning of each fiscal year...the board of supervisors shall make available to the district attorney's special appropriation an amount sufficient to make the sum of five thousand dollars (\$5,000) in the special appropriation. The board may transfer additional amounts to the special appropriation." During the months of March through June 2017, DAO reconciled to a bank balance of \$13,029.44; however, whether this amount accurately represented the original opening balance or the amount appropriated by the Board of Supervisors was unclear, although unlikely in light of Finding 2 below. Because the account activity is outside of VCFMS, greater due diligence is needed to account for the money used to open or increase outside bank accounts.

Recommendation. DAO 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. DAO management stated:

"Management agrees. The DAO will continue to work with the Auditor's Office to preserve records concerning outside bank accounts, including the Special Fund. The Special Fund was established in 1999 at the request of the DAO and with the approval of the Auditor's Office. The DAO cannot establish an outside bank account without the approval of the Auditor's Office, and importantly, without the Auditor's Office processing a financial transaction to fund the new account."

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"Though the origination of the fund cannot be established, as neither the DAO nor Auditor's Office possess records from the fund's inception, both parties agree that if the account were to close, the funds should return to the General Fund."

2. **Accounting for Disbursements.** DAO did not always account for Special Fund disbursements from the outside bank account in accordance with GC § 29406. After DAO disburses money from the Special Fund, reimbursement of the outside bank account is requested from the County's General Fund, which thereby recognizes the expense in VCFMS. Accounting for the expense in VCFMS appears to meet the requirements for DAO's Special Fund in accordance with GC § 29406, which states: "The district attorney shall file vouchers with the auditor at the end of each fiscal year, and may file vouchers from time to time during the year, showing the disposition he has made of any money received from the special appropriation and the particular purpose for which it was spent." However, we identified one \$500 disbursement from the Special Fund during fiscal year 2016-17, which was not an eligible CalWRAP expense, for which DAO did not request reimbursement from the County's General Fund. DAO also did not otherwise file a voucher with the Auditor-Controller.

Recommendation. DAO should ensure that all outside bank account disbursements are properly expensed and recorded within VCFMS to reduce the risk of any misappropriation of funds.

Management Action. DAO management stated: "Management agrees. The DAO timely reports all disbursements from the Special Fund to the Auditor. Although the \$500 expenditure was not immediately reported to the Auditor, all supporting documents of the lawful expense were maintained. The DAO has now filed a voucher for this expense. The expense in question was just one in over fifty transactions in that fiscal year. All other Special Fund transactions were properly and timely reported. At the end of each fiscal year, the DAO will reconcile every Special Fund expenditure to ensure a voucher was reported to the Auditor."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. DAO management stated that corrective action was completed on February 7, 2019.

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

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