

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: David Sasek, Director, General Services Agency

Date: March 5, 2019

From:  Jeffery S. Burgh

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

We have completed our audit of outside bank accounts for the General Services Agency ("GSA"). 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, GSA's Parks outside bank account allows park rangers the ability to deposit fees collected from patrons at numerous County park sites such as Rincon, Soule, and Steckel Parks. Disbursements from the account are either security deposit refunds to patrons for facility use or periodic transfers of accumulated fee collections to the County Treasury.

As of June 30, 2017, GSA maintained a total of three outside bank accounts with a combined bank balance of approximately \$76,000.

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 GSA's Parks outside bank account to review, which had a bank balance of approximately \$33,000 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 GSA 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, improvement was needed to account for the opening deposits for outside bank accounts and opportunities were available to migrate to a Treasury sub-account. Following are details of the areas where improvements were needed. GSA management initiated corrective action during the audit as noted.

1. **Account Origins.** Documentation could not be located with originating information about the Parks 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. Our testing confirmed that GSA was actively and accurately transferring collected monies to the County Treasury with no excess funds, such as the opening balance, maintained in the account. Whether the original opening balance had already been transferred back to the County Treasury or was otherwise lost or misappropriated could not be determined. 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. GSA 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. GSA management stated: "GSA concurs with the recommendation and will do so moving forward."

2. **Account Transfer.** Opportunities were available to reduce costs and streamline GSA's processes for the Parks account by migrating to a Treasury sub-account with Wells Fargo (i.e., the County's bank). This would allow park rangers to deposit directly into the Treasury, eliminating the outside bank account and the periodic transfer of funds. We confirmed that Wells Fargo locations are in close proximity to the current locations where Parks deposits are made. Additionally, during the 3-month review of activity, GSA accumulated nearly \$2,000 in combined Excessive Transaction and Cash Deposit Processing fees, which could be avoided by establishing a Treasury sub-account.

Recommendation. GSA should coordinate with the County Treasury the transfer of the Parks account to Wells Fargo and close the current Parks outside bank account.

Management Action. GSA management stated: "GSA concurs with the recommendation and will do so moving forward."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective action by August 31, 2019, for Recommendation 2 and immediately for Recommendation 1.

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