



Audit of the Human Services Agency's Controls Over Cash Handling

Report Date: December 12, 2024

Office of the Auditor-Controller
County of Ventura, California
Jeffery S. Burgh, Auditor-Controller

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Melissa Livingston, Director, Human Services Agency

Date: December 12, 2024

From:  Jeffrey S. Burgh

Subject: AUDIT OF THE HUMAN SERVICES AGENCY'S CONTROLS OVER CASH HANDLING

We have completed our audit of the Human Services Agency's (HSA) controls over cash handling. Our overall objective was to determine whether HSA's cash controls were adequate to ensure the accuracy and security of cash receipts during Fiscal Year 2023-24.

Executive Summary

Overall, we found that HSA's cash handling controls were adequate to ensure the accuracy and security of cash receipts. For example, staff roles and responsibilities were appropriately separated for each phase of the cash handling process and HSA properly maintained complete and accurate records of cash transactions.

However, we identified opportunities to improve cash handling processes. Specifically, we found that:

- Installation of security cameras at cash handling/holding areas would benefit the agency in case of theft.
- Cash receipts were not always recorded or deposited timely.
- The integrity of the change fund could be compromised due to staff using personal funds to make change and lack of surprise cash counts.

HSA management initiated corrective action to address our findings. Corrective action was completed by November 30, 2024.

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

cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Janice S. Parvin, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Jeff Gorell, Board of Supervisors
Honorable Vianey Lopez, Board of Supervisors
Sevet Johnson, Psy.D., County Executive Officer

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Background

The Human Services Agency (HSA) is the central resource in the County of Ventura (County) for public services that promote personal independence and a strong community. HSA services roughly 25 percent of the County's population and provides a safety net for individuals and families needing assistance with basic necessities, such as food, housing, and health care.

HSA receives cash (i.e., currency and coin) from clients and employees at the HSA Administration reception desk and at payment centers throughout the County. For Fiscal Year (FY) 2023-24, HSA received more than \$150,000 in cash payments and was assigned a change fund of \$400. Once HSA receives a cash payment and a receipt is issued, the cash payment is verified by HSA Fiscal staff and prepared for deposit. The deposit is recorded as a cash receipt (CR) in the Ventura County Financial Management System (VCFMS), then the deposit bag is sealed for pickup by armored car and delivered to the County Treasury.

Scope

Our overall audit objective was to determine whether HSA's cash handling controls were adequate to ensure the accuracy and security of cash receipts during FY 2023-24. Specifically, we determined whether:

- change funds were intact and accounted for properly;
- HSA had formally developed and implemented adequate cash handling procedures;
- duties were appropriately separated for the receipt, approval, and reconciliation of cash;
- HSA maintained complete, accurate, and timely records of cash transactions; and
- adequate physical controls were in place for the proper safeguarding of cash.

Our audit procedures were applied to cash processes at HSA Administration. The audit was performed 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's controls over cash handling were adequate to ensure the accuracy and security of cash receipts. For example:

- Cash handling duties were appropriately documented and separated.
- HSA maintained complete and accurate cash receipt records.
- The documented controls related to the storage of change funds were adequate, in place, and operating effectively.

However, we identified opportunities to improve cash handling processes as discussed below. HSA management initiated corrective action in response to the audit as noted.

1. Security Cameras

Security cameras were not installed to oversee key cash handling and holding areas. County Administrative Policy No. Chapter VII(A)-9, *Cash Handling Responsibilities and Guidelines*, stated: "Adequate physical security should be provided at all times over locations where cash is stored and processed." Although cash transactions are performed within secured areas, the addition of security cameras at the reception desk and within rooms where safes are located would help deter theft of funds and identify responsible individuals in case of theft.

Recommendation. HSA management should consider installing security cameras over key locations where cash transactions are performed.

Management Action. HSA management stated: "Cash is handled and held in secure and safe areas in all HSA locations. HSA requires two employees to be present for cash handling. We will consider installing security cameras in light of other considerations, including but not limited to requirements for bargaining such matters with SEIU, as recommended."

2. Cash Receipt Processing

Cash receipts were not always recorded in VCFMS and deposited in a timely manner. We found that 7 (13%) of the 53 bundled cash transactions received by HSA Fiscal that we reviewed were entered into VCFMS between 2 and 8 business days after Fiscal received the payment. Cash was then deposited in the County Treasury after being entered into VCFMS. We also found that HSA's Cash Receipt Procedures lacked timelines for recording and depositing cash receipts, which may have contributed to the inconsistent processing times. Although the cash was secured in a locked safe, delays in processing may compromise the security and accountability of cash receipts.

Recommendation. HSA management should formally establish timelines in the agency's Cash Receipt Procedures to ensure that all cash receipts are recorded in VCFMS and deposited in a timely manner.

Management Action. HSA management stated: "We agree with this finding. Cash receipt procedures have been updated to include expectations for timely recording and depositing. The 7 delayed deposits occurred during a period when HSA was working with an employee on timely completion of duties."

3. Change Fund Integrity

The integrity of HSA's change fund could be compromised due to staff using personal funds to make change and lack of surprise cash counts. While performing a surprise cash count at the HSA reception area, we found that the change fund was \$1 over the amount delegated. Further inquiry disclosed that the employee used \$1 of personal funds to make change for a transaction with the intention of providing good customer service but mistakenly added the dollar to the change fund. Had the change fund been subject to surprise counts, the discrepancy might have been addressed by HSA Fiscal management in a timely manner.

Recommendation. HSA management should ensure that the change fund is comprised of sufficient currency and coin denominations to suit the agency's business needs. HSA management should also conduct periodic surprise counts of the change fund and investigate any discrepancies.

Management Action. HSA management stated: "We agree with this finding. The change fund is now comprised of sufficient currency and coin."

Auditor's Evaluation of Management Action

We believe that management actions taken or planned were responsive to the audit findings. HSA management completed corrective action by November 30, 2024.