

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Follow-Up of the Audit Report:
Northern Sonoma County
Air Pollution Control District**

For the Periods Ending:
June 30, 2012 and 2013

Engagement No: 3290
Report Date: July 15, 2016



Donna M. Dunk, CPA
Auditor-Controller-Treasurer-Tax Collector

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Executive Summary

As part of the 2015/2016 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) conducted a follow-up of the Audit Report for Northern Sonoma County Air Pollution Control District (District) dated September 18, 2014 (Audit Report). The following observations were noted as a result of this follow-up:

- The District now issues official receipts that have the District's name. These receipts are sequentially numbered allowing the District to account for all receipts in its custody.
- The District is not in compliance with Auditor-Controller-Treasurer-Tax Collector's Office Fiscal Policy (Fiscal Policy) C-2 that requires collections to be deposited at least weekly.
- The District reconciles burn permits issued each day with the receipts issued to ensure that appropriate fee was collected for all burn permit issued.
- The District implemented system controls that significantly reduce the risk that unauthorized burn permits will be issued. Once a burn permit is saved in the system it can only be altered by one of two authorized management employees. These employees are not involved in the preparation of burn permits.
- The District now submits appropriate invoices as support for monthly lease payments, reducing the risk of overpayments.
- The District performed a physical inventory of its fixed assets in 2015 and filed the necessary documents to record the retirement of a vehicle and purchase of a new one.

Background, Objective, Scope, and Methodology

Background

We conducted an audit of certain process of the District and issued our report dated September 18, 2014. The objective of this audit was to determine if the District had an adequate system of controls in place to ensure that:

1. Cash receipts from fees, fines and State funding were collected and deposited timely.
2. Disbursements, including grant payments, were properly authorized.
3. The District's capital asset records were properly updated for purchase, depreciation and retirement of capital assets as required by County policies.

Objective, Scope and Methodology

The objective of this follow-up audit was to determine the status of implementation of recommendations contained in the Audit Report and, where applicable, the impact of actions taken by the District's management.

Our procedures were limited to reviewing evidence supporting actions taken by the District, as of December 31, 2015, towards implementation of the recommendations contained in the Audit Report. To accomplish our audit objective we performed certain procedures including inquiry, observation, analysis and limited testing of transactions.

We conducted the follow-up audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). These Standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve the objective(s) of the audit. We believe that the evidence we obtained provides us a reasonable basis for the conclusions contained in our audit report. The Standards require that we establish a follow-up process to monitor and ensure that management has effectively implemented actions or that senior management has accepted the risk of not taking actions. We conducted this audit from November 2015 through December 2015.

Prior Findings, Recommendations and Current Status

The following is a discussion of the status of implementation of the Audit Report recommendations. Each recommendation is referenced to the section of the prior Audit Report where it is discussed.

Control Finding #1

The District uses receipt books purchased from a stationary store, instead of those issued by the County.

Recommendation 1:

The District should use official County of Sonoma receipt books.

Status: Implemented:

The District secured official receipt books with the District's name on each receipt. The receipts are sequentially numbered. The receipt books are held in a safe located at the Department of Transportation and Public Works (DTPW) main office. The procedures over the issuance of receipt books and return of used receipt books provides adequate accountability for receipt books purchased. All copies of voided receipts are required to be returned to reduce the risk of unauthorized use.

Control Finding #2

Checks for deposit were held at the District or DTPW office between 8 to 21 days before depositing to the County Treasury.

Recommendation 2:

The District should ensure that collections are deposited weekly or when they reach \$500, as required by Fiscal Policy C-2.

Status: Implemented:

The District obtained from ACTTC an exemption from Fiscal Policy C-2. ACTTC has allowed the District to make deposits every two weeks, provided the amounts are still relatively small.

Control Finding #3

The reconciliation between the permit database and receipts is not being performed daily.

Recommendation 3:

The District should reconcile receipts with the permit database reports on a daily basis to facilitate timely identification of errors and correction of the permit database.

Status: Implemented:

The District reconciles receipts issued with permits issued per the permit database reports on a daily basis. This process provides assurance that a permit was issued for each receipt issued.

Prior Findings, Recommendations and Current Status

Control Finding #4

The burn permit data contained in the permit database can be changed and permits reprinted an unlimited number of times after they have been issued.

Recommendation 4:

The staff making changes to burn permit data should be required to document the reasons for the change. Periodically, reports should be generated showing all changes to burn permits. An employee other than those assigned to issue burn permits should review these reports to ensure changes were for valid reasons.

Status: Implemented:

The District implemented system controls that significantly reduce the risk that unauthorized burn permits will be issued. Once a burn permit is saved in the system it can only be altered by one of two authorized management employees. These employees are not involved in the preparation of burn permits.

Control Finding #5

Prior to FY07-08, the County had a policy of a "zero encumbrance" process whereby departments with lease agreements, with standard monthly payments, could submit claims each month without attaching the full lease agreement.

Recommendation 5:

The District should stop using the zero encumbrance forms. Instead, a copy of the lease payment schedule should be provided as support for each monthly claim. ACTTC staff should not process the claim without adequate supporting documents.

Status: Implemented:

The County has a new accounting system that allows documents to be electronically attached to support payment requests. The District attaches a copy of the lease agreement as support for each lease payment.

Control Finding #6

The District disposed of assets purchased between 1990 and 1997, via the County's Surplus program. The exact timing of the disposal is unclear. In June 2012 the District notified ACTTC, as part of the asset certification process, that these assets had already been transferred as surplus. However, the "Accountability of Fixed Asset" transfer forms were not delivered until January 2013. As a result of the delay, the disposed assets remained assigned to the District for the entire FY12-13.

Recommendation 6:

When assets are disposed or transferred, an "Accountability of Fixed Assets" form must be completed and submitted to ACTTC so that the Fixed Asset System can be updated.

Status: Implemented:

Auditor obtained a report of all the District's assets. A vehicle from the asset list was disposed during fiscal year 2015. The Accountability of Fixed Asset form was completed by Fleet Operations and submitted to the Auditor-Controller-Treasurer-Tax Collector's Office. The district reported the disposal timely.

Prior Findings, Recommendations, Current Status and Staff Acknowledgement

Control Finding #7

The District and ACTTC could not locate the District's official signed fixed asset certification for FY12-13. The District's fixed asset reports for FY12-13 and FY13-14 were certified although they did not include an item purchased by the District in October of 2011. This item was assigned to the Roads Department in error which was corrected in May of 2014.

Recommendation 7:

When a purchase meets the capital asset criteria, a "Fixed Asset Form for Equipment Purchases" should be attached to the voucher and submitted timely to ACTTC.

Status: Implemented:

The District purchased a vehicle during fiscal year 2015. The "Fixed Asset Form for Equipment Purchases" was completed by Fleet Operations and submitted to the Auditor-Controller-Treasurer-Tax Collector's Office. The District reported the purchase timely.

Recommendation 8:

The District should physically verify assets under its control before certifying the capital assets report. Any discrepancy between the physical verification and the report should be investigated and resolved in a timely manner.

Status: Implemented:

The District physically verified assets in 2015. They added a new vehicle and disposed of an old vehicle in 2015. The vehicles were properly reported to the Auditor-Controller-Treasurer-Tax Collector's Office.

Staff Acknowledgement

We would like to thank the District staff for their helpfulness and cooperation in conducting this Follow-Up audit. If you have any further questions regarding this report, please contact Donna Crume at (707) 565-8301.