



AUDITOR'S OFFICE



AUDIT SERVICES

SUMMARY OF INTERNAL CONTROL REVIEW ACTIVITIES

REPORT NO. 24-01

February 2024

GREG KIMSEY, CLARK COUNTY AUDITOR

AUDIT SERVICES

Larry Stafford, Audit Services Manager

Arnold Pérez, Principal Internal Auditor

Michael Nash, Senior Internal Auditor

1300 Franklin Street Suite 575, P.O. Box 5000, Vancouver, WA 98666-5000

*For further information about this report contact: Clark County [Audit Services](#)
Via email AuditServices@clark.wa.gov or phone (564) 397-2310 ext.4795*

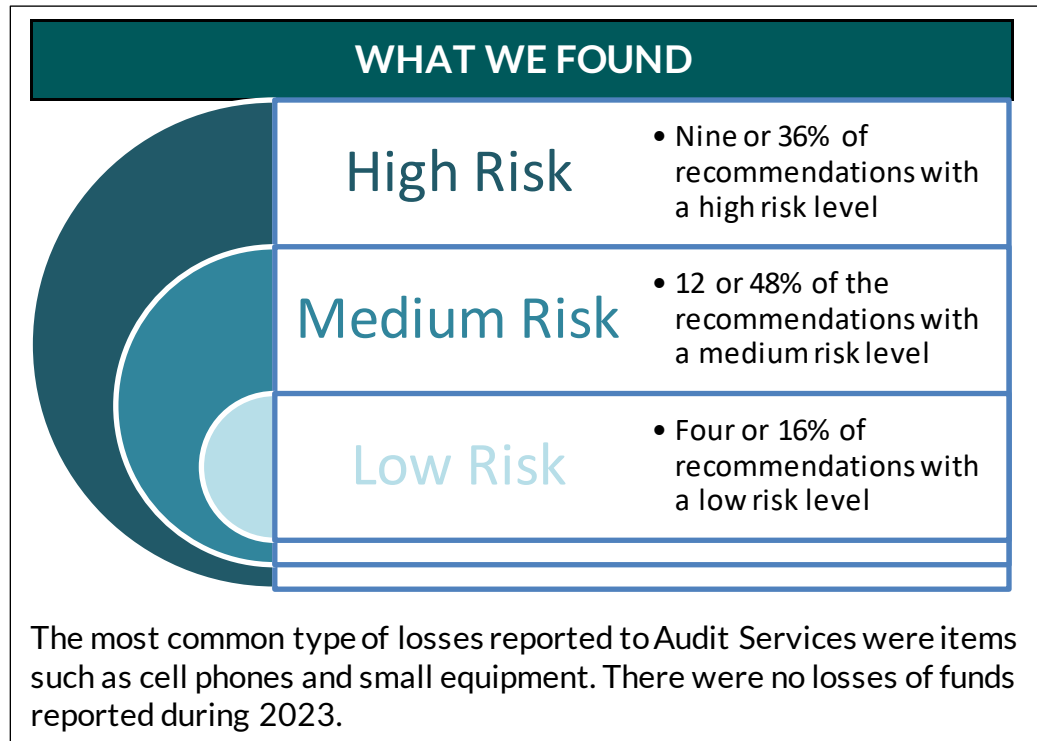
###

*For other formats, contact the [Clark County ADA Office](#): **Voice** (564) 397-2322
Relay 711 or (800) 833-6388; **Fax** (360) 397-6165; **E-mail** ada@clark.wa.gov*

SUMMARY OF INTERNAL CONTROL REVIEW ACTIVITIES

WHY IT MATTERS

Of the funds that perform financial transactions, staff reported that these funds handled approximately 239,365 transactions/activity with a pass-through revenue valued at approximately \$34,000,000.



WHAT WE DID

Audit Services' Internal Control Review (ICR) program evaluates controls implemented by Clark County departments to reduce the risks associated with receipting activities, checking accounts, and cash equivalent assets. In 2023, we conducted in person ICRs of imprest, petty cash, and other revolving funds. Our 18 reviews took place in eight departments and covered 11 funds.

WHAT WE RECOMMEND

Internal Control Reviews by our office provides an opportunity for department controls to be tested. After our testing we issued 25 recommendations with the most common recommendations being:

(High)	Management Reviews: Ineffective or Missing
(Medium)	Develop or Adjust Written Procedures
(Low)	Other low risk items

These reviews are designed in keeping with RCW 36.22.040 which calls for the audit of all claims, demands and accounts against the county. Clark County Code 2.14.020 also requires Audit Services to perform analytical reviews of internal controls and accounting records with the intent of evaluating the security of county assets as well as the accuracy and reliability of financial reports. These limited evaluations are a service that is not an audit under the Generally Accepted Government Auditing Standards (GAGAS). The design, implementation, and ongoing monitoring of internal controls are a management responsibility.

I. Table of Contents

I. Table of Contents.....	4
II. 2023 ICR Program Results.....	5
2023 Recommendations by Risk Level.....	5
High Risk: Nine or 36% of total recommendations.....	5
Medium Risk: 12 or 48% of the total recommendations.....	6
Low Risk: Four or 16% of total recommendations.....	7
Reported Losses in 2023.....	7
Department Self-review.....	8
III. Conclusions.....	8
Appendix A: Objectives, Scope, and Methodology.....	9
Appendix B: Summary of ICR Activities.....	10
Appendix C: Key References.....	11

Note

Please note that volume and cash value of transactions in this report were provided by departments and have not been audited and are not comparable. They are included as background for general context. Their purpose is to indicate the risk around each fund and the required controls. They should not be used to compare to other financial reports.

This report can be downloaded from the Clark County Auditor’s Office external web page, under Internal Audit Services/Audit Reports, at <https://www.clark.wa.gov/auditor/internal-control-review-reports>.

II. 2023 ICR Program Results

In 2023 Audit Services performed reviews of 18 department functions located in 8 county departments. Of the funds that perform financial transactions, staff reported these funds handled approximately 239,365 transactions/activity with a pass-through revenue valued at approximately \$34,000,000 (see table 1). We discussed, operations and related internal controls with staff and directly observed controls in operation. During in-person reviews we also performed physical counts of imprest, petty cash, and other revolving funds. We issued 25 recommendations, see Appendix B for a detailed list of recommendations by function.

Department	Dept. Functions Reviewed	Number of Transactions	Value of Transactions	Number of Recommendations
SW Regional Transportation Council*	1	1	\$ 15	2
Public Works	6	130,699	\$ 716,112	5
Law Library	1	394	\$ 4,712	0
Dept of Community Development	2	13,214	\$ 29,937,181	3
Sheriff's Office	2	N/A	\$ 367,762	2
General Services	2	94,388	\$ 2,666,346	4
Superior Court	1	N/A	N/A	3
Auditor's Office	1	12	\$ 4,900	2
Jail Services	2	657	\$ 421,949	4
Totals:	18	239,365	\$ 34,118,978	25

Table 1: Funds Reviewed in 2023

*Not a county department

2023 Recommendations by Risk Level

The High, Medium, and Low risk levels of the issues identified are based on best practices and auditor experience. Control deficiency categories rankings are based on historical occurrences and general risk guidance. Unique or less frequent issues are placed in the general "other" category for each risk level. The following are areas of improvement where we made recommendations for 2023. The recommendations are grouped by level and ordered by the most frequently identified issue. See Appendix B for a detailed list of recommendations by function.

High Risk: Nine or 36% of total recommendations

In 2023, there were nine recommendations which addressed High-Risk level issues. The most common high-risk issue identified was "Ineffective or lack of implementing management review". Lack of review can prolong undetected risks such as noncompliance, theft, or abuse. Management is responsible for performing reviews to ensure that internal controls are operating as designed and that associated operational risk are addressed.

Another issue was the “lack of segregation of duties”. There are several incompatible duties when transacting monies which include receipting, depositing and account reconciliation. Concentrating too much authority in one employee can greatly diminish the ability for management to detect if the employee diverts funds for unauthorized purposes. One person should not have control of two or more activities without the use of compensating controls which may include additional review.

We also found deficiencies when staff was performing “correction of logs or supporting documentation”. Staff should never use correction fluid. Its use eliminates the ability for management to determine the information that has been modified and by whom. If an adjustment must be made, staff should apply a single line through the error. The correction should include the initial from the person making it. The remaining two recommendations addressed issues identified that fell within “other” high risk issues.

Medium Risk: 12 or 48% of the total recommendations

Nearly half of the recommendations addressed issues that fell within the Medium Risk level. The most frequent issue addressed was for “management to develop or adjust written procedures”. Operating with outdated procedures can lead staff to perform activities no longer applicable and can lead to inefficient or ineffective activities. As operations change and adapt to an evolving work environment, written procedures should be updated to reflect the changes. This allows for existing and new employees to review the most current processes approved by management.

The second most frequent issue that recommendations addressed were for the “Reconciliation or replenishment” or “more staff training”. Not performing reconciliations on a timely manner increases the risk of loss. The Washington BARS manual requires that reconciliations and replenishments be conducted at a minimum monthly. Timely reconciliations allow management an opportunity to identify errors or loss of funds and perform corrective actions.

The need for “more staff training” addresses the risk that staff may be performing operations with an unacceptable error rate. A high error rate could lead to financial transaction errors or poor customer service. If management identified staff errors in the operations of controls, additional training on adopted procedures may be required to aid staff in reducing the frequency of those errors.

Another issue addressed by our recommendations was that of staff receipting “mailed funds” alone. If an employee conducts this activity alone the risk may be that transactions may be unrecorded and monies diverted. The ideal control would

be for two people to open the mail to ensure proper segregation of duties. The remaining recommendations fell within “other” medium risk issues.

Low Risk: Four or 16% of total recommendations

We identified an issue with outdated “custodial records”. Risk associated with having outdated records is that the person(s) who transacted variances, maintained poor record keeping, or performed incomplete reconciliation is not the custodian of record. BARS 3.8.8.20.14 requires that a list of revolving funds that includes their custodians be maintained. This list is maintained by the Treasurer’s Office who should be notified when custodial assignments change, or when staff turnover occurs. A designated person is responsible for the security, replenishments, and appropriate use of the fund.

The remainder of the recommendations fell within the “other” low risk issues. They covered subjects such as ensuring the alternate custodian is familiar with fund access controls, management should evaluate if a fund is still needed, and obtaining manual receipt books for use during offline transactions.

Reported Losses in 2023

Departments can experience a loss of funds, equipment, or other items. This may be due to theft, miscount, or misplacement. Revised Code of Washington RCW 43.09.185, all known or suspected loss of public funds (cash, checks), assets (county property) or illegal activities are to be reported to the Washington State Auditor’s Office. In Clark County, this is done through Audit Services in the Auditor’s Office. Departments must report known or suspected losses to the office, and the office will review with department to determine if the activity is reportable to the SAO.

In 2023, there were no reported loss of funds. Receipting locations may experience over and short situations which must be evaluated by management to determine if they are normal and reasonable (BARS3.10.2.50). A single incident of an inconsequential cash drawer overage or underage that the supervisor determined was acceptable is not required to be reported. These transactions should be recorded and be monitored by cashier for any unusual trends. When in doubt, ask Audit Services. Department management are encouraged to reach out to Audit Services for any assistance when evaluating their variances for normalcy and reasonableness.

Also, this year there were no reportable losses of assets to the SAO. The county experienced the loss of several items, but their circumstances did not require reporting to the state. Cell phones were the most common lost item. Any technology item loss should include notification to IT to ensure that any data concerns are addressed. Best practices recommends that a report be filed with the respective local law enforcement agency to aid in the possible recovery.

Department Self-review

Management should perform internal self-reviews of fund activity or high-risk items to ensure internal controls are operating as intended. The frequency of reviews should be balanced with the value of the funds and the associated risks. In 2023, Community Development, the Treasurer's Office and Public Works conducted self-reviews and reported the results to Audit Services. Public Works maintains inventory on hand and conduct quarterly reviews. They provided a copy of their fourth quarter review which found that they managed 2,145 distinct items (26,477 in stock) with a value of \$452,179.32. The Treasurer's Office maintains a \$14,750 change fund that is divided into one \$8,750 vault and 24 \$250 tills which they reported 49,165 transactions valued at \$200,955,303.31 in 2023. They conduct 12 partial monthly counts and four complete tills quarterly reviews. Community Development maintains a \$1,400 change fund that is divided into six tills which are periodically reviewed by management. Performing and documenting a periodic self-review is an important step to demonstrate management's commitment to maintain effective internal controls.

III. Conclusions

Department management is responsible for designing and implementing internal controls to address the risks of managing funds and/or inventory. Internal Control Reviews by Audit Services provide an opportunity to independently test those controls. The goal of the ICR program is to help departments identify weaknesses and develop improvements to increase the effectiveness of controls. Please contact us if you have any questions or are not sure.

Appendix A: Objectives, Scope, and Methodology

Objective: Audit Services works with petty cash funds, change funds, checking accounts, receipting functions and cash equivalents (“assets”). That work includes testing a range of internal controls including balancing cash or checking accounts; reviewing supporting records; and performing a limited review of those controls associated with the processing and depositing of payments received.

Scope: More specifically, internal control reviews focus on determining that:

- All funds are properly authorized and at their approved amounts,
- Procedures and practices are in place to ensure funds and assets are properly safeguarded and accounted for, and
- Transactions are approved and records are maintained which adequately support the administration and activity of the fund.

Methodology: Reviews Based on Risk Analysis

Audit Services conducts an annual risk analysis of petty cash funds, change funds, checking accounts, receipting functions and cash equivalents (“assets”), 43 total. Our work plan is reviewed by the Audit Oversight Committee and approved by the County Auditor.

In selecting funds for review, we consider:

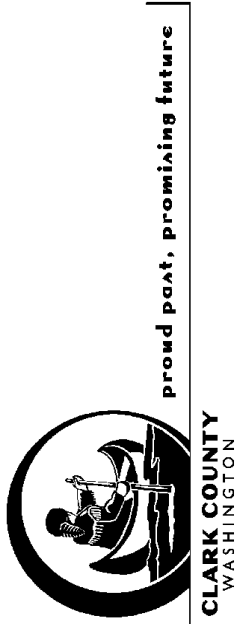
- The date of the last review.
- Issues from the last review.
- Type of fund or account.
- Financial exposure (fund balance).
- Management oversight of the fund.
- Fund status (e.g., new, established, or inactive)
- Number and total value of fund transactions

County Funds

In 2023, Clark County and its affiliated agencies had a total of \$50,270 in cash or asset management funds.

Appendix B: Summary of ICR Activities

ICR #	Owner - Fund Name	Annual Pass-Thru Value	Est. Annual Transactions	Low Risk Level >			Medium Risk Level >>				High Risk Level >>>							
				Control Deficiency Category	Number of Recommendations Made	2023 low risk: %	2022 low risk: %	2021 low risk: %	Control Deficiency Category	Number of Recommendations Made	2023 medium risk: %	2022 medium risk: %	2021 medium risk: %	Control Deficiency Category	Number of Recommendations Made	2023 high risk: %	2022 high risk: %	2021 high risk: %
667	TRANS - SW Reg. Trans Council	\$ 15	1	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
668	PW - Real Property Services	\$ 259,510	6	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
669	Law Library	\$ 4,712	394	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
670	DCD - Animal Control	\$ 25,248		Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
671	DCD - Permit Center	\$ 29,911,933	13,214	Account Inactive: Elevated Risk	1	0	0	0	0	0	0	0	0	0	0	0	0	0
672	Sheriff - Civil Change Fund	\$ 467,616		Account Inactive: Elevated Risk	2	0	0	0	0	0	0	0	0	0	0	0	0	0
673	Sheriff - Downtown Reception	\$ 200,146		Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
674	IS - Fairgrounds - non-fair activities receipting	\$ 990,309	197	Account Inactive: Elevated Risk	1	0	0	0	0	0	0	0	0	0	0	0	0	0
675	PW - Survey			Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
676	SC - Juvenile Intake			Account Inactive: Elevated Risk	3	0	0	0	0	0	0	0	0	0	0	0	0	0
677	IS - Fair Revolving Fund	\$ 1,676,037	94,191	Account Inactive: Elevated Risk	3	0	0	0	0	0	0	0	0	0	0	0	0	0
678	PW - Parks - Frenchmans Bar Park	\$ 114,150	32,673	Account Inactive: Elevated Risk	3	0	0	0	0	0	0	0	0	0	0	0	0	0
679	PW - Parks - Vancouver Lake Park	\$ 114,150	32,673	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
680	PW - Parks - Lewisville Park	\$ 114,151	32,673	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
681	PW - Parks - Salmon Creek Park	\$ 114,151	32,674	Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
682	Auditor - Advance Travel	\$ 4,900	12	Account Inactive: Elevated Risk	2	0	0	0	0	0	0	0	0	0	0	0	0	0
683	Jail Services - Inmate Trust Fund	\$ 421,949	657	Account Inactive: Elevated Risk	4	0	0	0	0	0	0	0	0	0	0	0	0	0
684	Jail Services-Work Center			Account Inactive: Elevated Risk	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Est. total		\$ 34,118,978	239,365		25	2023 low risk: 16%	2022 low risk: 21%	2021 low risk: 14%		12	2023 medium risk: 48%	2022 medium risk: 66%	2021 medium risk: 57%		9	2023 high risk: 36%	2022 high risk: 13%	2021 high risk: 29%
2023 Issues by Category				2023 Estimates	25													
18	ICRs in 2023	\$ 34,118,978	239,365															
2022 Issues by Category				2022 Estimates	38													
23	ICRs in 2022	\$ 306,074,591	422,457															
2021 Issues by Category				2021 Estimates	7													
7	ICRs in 2021	\$ 1,936,965	68,920															



Appendix C: Key References

Involvement of the governing body in establishing, changing or closing revolving funds is a requirement of the Washington State Auditor's Office (SAO) for imprest, petty cash, and other revolving funds under Budgeting, Accounting and Reporting System ([BARS](#)) manual chapters 3.8.8.15 and 3.8.8.20. The SAO promulgates the BARS manual and requirements for local governments under RCW 43.09.200. Below are a highlighted selections of requirements that are important to be familiar with.

BARS3.1.3.100 Accounting – Accounting Principles and Internal Control (*extract*)

The Washington State Auditor's Office does not require specific controls to be implemented by governments. Management is only required to ensure that whatever controls they choose to implement be adequate to **provide reasonable assurance** regarding compliance and financial reporting risks. **The burden of demonstrating the adequacy of internal controls rests on management**, since management is responsible both for the achievement of objectives and the determination of the design and operation of controls.

BARS 3.6.1 Accounting- Revenues: Cash Receipting (*extracts*)

1. Every public officer and employee, whose duty it is to collect and receive payments should deposit receipts with the treasurer of the local government **at least once every 24 hours**. The treasurer of the local government may grant an exception where such daily transfers would not be administratively practical or feasible (RCW 43.09.240).
2. **Deposits must be made intact**, meaning all payments received must be deposited without substitution. This is evidenced by the composition of checks and cash listed on the deposit slip matched to related receipt records.
3. **Checks must be restrictively endorsed** "For Deposit Only" immediately upon receipt.

BARS 3.6.1.40 Accounting– Revenues: Internal Control

The following are minimum expected controls for cash receipting:

1. More than one employee should open the daily mail and prepare a list of cash and checks received (remittance list). If dual custody is not feasible, the government should consider compensating controls such as having mail opened in an area observable by other employees or stronger monitoring controls over revenues.

2. Deposits may be prepared by the person who received the payment. The government should implement a system of supervisory review of the remittance list and bank deposits to ensure deposits are made intact.
 3. Checks received in the mail should be briefly reviewed for accuracy (e.g., proper payee, date, signature of payor, etc.). Checks with obvious inaccuracies should not be included in the deposit. In such a case, the entity should contact the payor and request that the payment be corrected or reissued.
 4. The daily remittance list should be compared (reconciled) to daily deposit slips and to the cash receipts journal (or check register) on a regular basis. This should be performed by someone other than the employee who prepared the remittance list. Any shortage should be resolved.
 5. A duplicate copy of the bank-validated deposit slip showing the composition of receipts should be retained by someone other than the employee making up the deposit.
 6. The bank statement reconciliation should be performed by a person who does not have custody of or access to cash during any point in the receipting and depositing process. This reconciliation should include comparing deposits per bank to recorded receipting transactions in the general ledger.
 7. Deposits should be physically safeguarded using bank bags with locks or other tamper-proof devices.
 8. Receipts should be physically safeguarded during the operating day and secured in a safe or vault overnight. Access to the cashiering area should be appropriately restricted whenever possible.
 9. Access to the safe or vault should be limited, and combination should be changed periodically.
- In addition, the safe and vault combination should be changed after employees terminate employment.
10. If the government utilizes cash registers, there should be one change fund and one cash register (or drawer) per cashier. This enables assignment of responsibility for cash to a specific individual at all times.
 11. Policies should contain instructions for identifying cash receipts and for dating cash receipts journal entries for that day's receipts.

BARS 3.8.8.15 Accounting- Expenditures: Imprest, Petty Cash and Other Revolving Funds – Accounting (*extracts*)

The authorized balance of imprest, petty cash and other revolving funds should be reported as cash in the general ledger in whichever fund expenditures are expected to be paid from. Expenditures should be recorded when such funds are replenished to their authorized balance.

BARS 3.8.8.20 Accounting- Expenditures: Imprest, Petty Cash and Other Revolving Funds – Controls (*extracts*)

The following are minimum expected controls for revolving funds:

1. The governing body must authorize each revolving fund in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount.

4. On at least monthly basis, the fund should be reconciled to the authorized balance and to the actual balance per bank statements or a count of cash on hand. If this reconciliation is done by the custodian, it should be checked or re-performed periodically by someone other than the custodian. It is recommended that independent checks not be scheduled with the custodian but be done on a surprise basis.

7. Whenever disbursements are made, the fund must be replenished at least monthly by warrant or check. The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized balance.

11. Whenever a revolving fund is abolished or an individual's appointment as custodian is terminated, the fund must be replenished to the authorized amount, reviewed, and certified as being turned over to the treasurer or new custodian.

This Page Intentionally Left Blank

www.clark.wa.gov



1300 Franklin Street
PO Box 5000
Vancouver, WA 98666
564.397.2000