



OFFICE OF INTERNAL AUDIT

Report to the County Treasurer And Board of Supervisors

Treasurer's Office Review of Treasury Accounts Follow-up

June 2012

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The Office of Internal Audit has completed a follow-up review of the Treasurer's Office - Audit of Treasury Accounts, completed in April 2011.

During the follow-up review, we found management has completed or made commendable progress in implementing the recommendations included in the April 2011 audit report.

Progress was noted in the following areas, pursuant to audit recommendations:

- Procedures were developed to review and manage dormant accounts. As a result, most dormant accounts identified in the original audit have been closed.
- The Treasurer's Office researched best practices of other Counties and determined excess short/over account funds may be returned to the general fund.
- The Treasurer's Office developed a monitoring system to ensure they maintain current signature authorizations from political subdivisions using the services of the Treasurer's Office.
- The Treasurer's Office developed a resolution for use by political subdivisions to designate individuals authorized to approve electronic fund transfers.
- The Pinal County Board of Supervisors designated specific county personnel to authorize electronic fund transfers.
- The Treasurer's Office developed procedures to review outstanding warrants on a quarterly basis to determine if the warrants should be voided.

Based on our review, further improvement may be needed as indicated below:

- Although Pinal County's policy allowing the Clerk of the Court to sign warrants for certain accounts is consistent with those of other counties, state statutes do not explicitly permit the practice. Additional research may be needed to definitively determine if this practice is allowable by state statute.

The following matrix provides further details of management's reported progress and our assessment, based on follow-up audit procedures performed. We would like to thank the Treasurer's Office, Finance Department, and Clerk of the Court staff for their assistance during the follow-up review.

Lori Brooks
Pinal County Internal Audit Officer

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Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<p><i>1. The Treasurer should annually review and validate current requirements or need for all accounts with the account owners; close accounts no longer necessary; and appropriately distribute the funds per the account owner and applicable statutes. Emphasis should be placed on accounts with no activity during the past year.</i></p>	Yes	<p>The Pinal County Treasurer's Office will develop a policy and procedure to review all accounts with the responsible county department or other political subdivisions using the service of the County Treasurer's Office.</p>	07/01/11	Levi Gibson	<p>COMPLETE</p> <p>We verified a new policy and procedure was developed. Most dormant accounts identified in the original audit are now closed.</p>
<p><i>2. The Finance Director should determine if there is a current need for the County Accounts listed above in this report (<u>Account 2-00003-1007, 2-00008-1020, 2-00008-1023, 2-00008-1024</u>) and work with Departments to close the accounts, if unneeded.</i></p>	Yes	<p>The Finance Department is in communication with the Sheriff's Office. We have requested that if the funds are not needed the accounts should be closed and all available funding reverted to the original source or the General Fund. Account 2-0003-1007 is not on the General Ledger and should be the responsibility of the Treasurer's Office.</p>	6/30/11	Yiannis Kalaitzidis for the Finance Department and Teresa Heaton for the Sheriff's Office	<p>COMPLETE</p> <p>We determined three of the four accounts are now closed. One account remains open, but the customer is working with the Treasurer's Office to determine final disposition.</p>

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<p>3. <i>The Treasurer should properly identify and code dormant accounts (having no activity and no balance) so only active accounts are included in the regular report to the Board of Supervisors.</i></p>	Yes	<p>The Pinal County Treasurer's Office will adopt a policy and procedure to identify accounts having no activity and zero balances mark them as inactive.</p>	12/31/11	Levi Gibson	<p>COMPLETE</p> <p>We reviewed the most currently available report and determined dormant accounts are no longer included.</p>
<p>4. <i>The Treasurer should annually review the balance in the over/short account and transfer the funds appropriately.</i></p>	Yes	<p>The Pinal County Treasurer's Office will adopt a policy and procedure to annually review the balance of the over/short account at the close of each fiscal year and if excess funds exist transfer those funds to the proper accounts.</p>	07/01/11	Levi Gibson	<p>COMPLETE</p> <p>We verified the Treasurer's Office has developed a policy to review balances in the over/short account. Excess funds are transferred to the general fund, per procedures identified in another jurisdiction.</p>

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<p>5. <i>The Treasurer should obtain current and proper authorization, by governing boards in accordance with state statute, to sign warrants for all accounts that use blank warrant stock.</i></p>	Yes	<p>The Pinal County Treasurer's Office will adopt a policy and procedure to ensure that the governing board of each of the political subdivisions using the services of the County Treasurer properly authorizes those individuals having the ability to sign warrants.</p>	07/01/11	Levi Gibson	<p>COMPLETE</p> <p>We verified the Treasurer's Office developed a tracking system to ensure proper authorizations were obtained. We also verified most political subdivisions have complied. The Treasurer's Office is working with the remaining agencies to achieve compliance.</p>

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<p>6. <i>For Pinal County accounts, the Treasurer should only accept warrants signed by the Chairman of the Board of Supervisors and Clerk of the Board, unless otherwise approved by Board resolution or supported by written legal opinion.</i></p>	Yes	<p>The Pinal County Treasurer's Office will review our policies and procedures for accepting county issued warrants in consultation with legal counsel and will adopt or amend our current policies based upon this council.</p>	07/01/11	Levi Gibson	<p>PARTIALLY COMPLETE</p> <p>Treasurer's Office research has determined Pinal County's signature authority policy is similar to other counties; however, the statutory basis for the Clerk of the Court's authority has not been documented.</p>
<p>7. <i>The Treasurer should annually revalidate authority to sign warrants for all accounts.</i></p>	Yes	<p>The Pinal County Treasurer's Office will adopt policies and procedures to revalidate authority to sign warrants for all accounts.</p>	07/01/11	Levi Gibson	<p>COMPLETE</p> <p>We verified a monitoring system was developed to annually revalidate signature authority for all accounts.</p>

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8. <i>The Treasurer should establish policies to ensure, in all instances, the use of Treasury Checks complies with state statutes.</i>	Yes	The Pinal County Treasurer's Office will adopt policies and procedures to ensure that the use of Treasury Checks complies with state statute.	07/01/11	Levi Gibson	COMPLETE We verified the Treasurer's Office has determined appropriate legal uses for Treasury Checks signed by Treasury personnel.
9. <i>The Treasurer should establish dual signature requirements for Treasury Checks at a defined dollar threshold.</i>	No	At this time the Pinal County Treasurer's Office can not adopt this additional control, primarily due the size of our office and the additional costs associated with acquiring dual signature check stock.			N/A - Management did not agree to implement this recommendation.
10. <i>The Treasurer should obtain designation from each governing board identifying individuals authorized to approve EFT's.</i>	Yes	The Pinal County Treasurer's Office will adopt policies and procedures to obtain designation from each governing board identifying those individual authorized to approve EFT's.	07/01/11	Levi Gibson	COMPLETE We verified the Treasurer's Office drafted a new resolution, for use by political subdivisions, to identify individuals authorized to approve electronic fund transfers.

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<p><i>11. The Assistant County Manager for Administrative Services should draft a resolution for the Board of Supervisors' approval, designating the individuals authorized to approve EFT's. We suggest as a minimum, the Finance Director be given this authority.</i></p>	Yes	<p>A resolution has been drafted and will be presented to the Board of Supervisors for approval.</p>	6/30/11	Manny Gonzalez	<p>COMPLETE</p> <p>We verified the BOS has designated personnel to authorize electronic fund transfers.</p>

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<p><i>12. The Treasurer should coordinate with the Finance Director, other Elected County Officials, and officials from other subdivisions to ensure warrants outstanding more than one year are promptly voided and funds are properly transferred back to the appropriate accounts.</i></p>	Yes	<p>The Pinal County Treasurer's Office will develop policies and procedures to notify the Finance Director, other Elected County Officials, and officials from other political subdivisions to the existence of warrants outstanding for more than one year to ensure that they are voided and that the funds are transferred back to the appropriate accounts.</p>	07/01/11	Levi Gibson	<p>COMPLETE</p> <p>We verified the Treasurer's Office has developed procedures for quarterly review and voiding of stale warrants.</p>