



Auditor's Office

Audit Services



Summary of Internal Control Review Activities

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Report Highlights

Summary of Internal Control Review (ICR) Activities

What We Did

Audit Services performed 13 internal control reviews (ICR) of receipting and cash handling functions across 7 county departments in 2024.

Observed manual receipting processes for Courts during a statewide system outage to identify risks, provide resources, and make recommendations.

Why it Matters

In total, the 42 accounts monitored by audit services have authorized cash balances of \$322,610.

The 13 funds reviewed in 2024 reported 154,208 annual transactions totaling more than \$204 million.

What We Found & What We Recommended

We made 28 recommendations to address issues identified during ICRs:



High Risk: 5 Recommendations

We made 5 recommendations to address high-risk issues in 2024. One department reviewed had two related high-risk issues that fell into the "other" category. We made two recommendations to reduce the risk that funds will not be properly receipted and deposited.



Medium Risk: 14 Recommendations

The most common medium risk issue was failure to reconcile and replenish funds consistent with the requirements in the Washington State Budgeting, Accounting and Reporting System (BARS) Manual.



Low Risk: 9 Recommendations

Out of nine recommendations to address low risk issues, six fell into the "other" category. These were generally related to documentation and record keeping issues.



No Losses Reported to State Auditor in 2024

All known or suspected losses of public funds (cash, checks), assets (county property) or illegal activities are to be reported to the Washington State Auditor's Office (SAO). We did have potential losses reported to Audit Services, but determined those losses were not reportable.

Department Self-Reviews

To ensure internal controls are operating as intended, management should perform periodic internal reviews. In 2024, several departments reported these self-reviews to Audit Services:

Treasurer's Office
Joint Lobby

Public Works
Fleet

Community Development
Permit Center

Internal Services
Tri-Mountain Golf Course

We appreciate the efforts of all the departments that performed periodic self-review in 2024 and provided the results to Audit Services.

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I. 2024 ICR Program Results

In 2024 Audit Services performed 13 internal control reviews (ICR) of receipting and cash handling functions across 7 county departments. All 13 reviews for 2024 were done in-person with auditors directly observing department operations and related internal controls. For functions with cash or other psychical assets, auditors preformed counts and reviewed supporting documentation. Audit Services issued a total of 28 recommendations, as shown in Figure 1 below. See Appendix B for the full list of ICRs performed.

Figure 1. 2024 Internal Control Reviews by Department

Department	Dept. Functions Reviewed	Number of Recommendations
Public Works	2	4
Sheriff's Office	4	12
Internal Services	2	4
Prosecuting Attorney	1	4
Human Resources	2	3
Treasurer	1	0
Superior Court	1	1
Totals:	13	28

Source: Auditor generated

Audit Services did not complete planned ICRs at auto licensing and District Court. In early 2024, one auditor was temporarily reassigned to manage the Auto Licensing Office. Audit Services chose not to perform the ICR to avoid concerns over auditor independence.

Days before a planned ICR for District Court, unauthorized activity forced state systems offline. Those systems are used by the courts to manage and track cases and record payments. The outage resulted in significant impacts to District Court, Superior Court, and the Clerk's Office. These departments switched to manual receipting processes to continue operations during the outage. As a result, we did not perform a typical ICR during these events. We did assess risk related to manual receipting processes and provide additional support to affected departments. See section 2 for further information.

2024 Recommendations by Risk Level

At the conclusion of each ICR, Audit Services issues recommendations to address potential risks. Issues are classified as high, medium, or low risk based on best practices and auditor experience.

There were no systematic patterns to the issues identified. Of the 28 recommendations from our 2024 reviews, 18 fell into the other category for their respective finding level. The issues we encountered were specific to the fund / department operations.

High Risk: 5 Recommendations, 18% of total

We made 5 recommendations to address high-risk issues in 2024. There were no systematic patterns to the high-risk issues identified. However, one department reviewed had two related high-risk issues that fell into the “other” category. First, customers / donors were not given receipts for monies (primarily checks) receipted through the mail and processed manually. Second, there was no check log in place to record checks receipted through the mail. Absent these key controls the risk that funds will not be properly receipted and deposited increases, including the risk of misappropriation.

Medium Risk: 14 Recommendations, 50% of total

The most common medium risk issue was failure to reconcile and replenish funds consistent with the requirements in the Washington State Budgeting, Accounting and Reporting System (BARS) Manual. BARS requires funds to be reconciled and replenished to authorized amounts at least monthly. In four instances we found that was not happening due to infrequent usage of petty cash. Even with low usage, the funds must be managed consistent with BARS and timely reconciliations help to reduce the risk of error or misappropriation.

Nine of the 14 recommendations made to address medium risk issues fell into the “other” category. These include management of traffic during the Clark County Fair, the transport of funds for deposit, and how receipts are filled out.

Low Risk: 9 Recommendations, 32% of total

Out of nine recommendations to address low risk issues, six fell into the “other” category. These were generally related to documentation and record keeping issues.

II. Ongoing Risks in 2024: Continuity of Operations During System Outages

Clark County continues to invest in technology to efficiently deliver services to residents. County departments use a variety of software programs, including cloud-based systems. Some software and systems are required to be used, such as software used by the Courts, while others are purchased for county use. When those systems are unavailable, either due to outages or attacks, county departments and offices are unable to continue typical operations.

The county has experienced significant operational disruptions due to system outages over the past two years. Internal systems were compromised in October 2023, disrupting operations for the Treasurer's Office among others. An outage caused by a software vendors disrupted operations countywide in July 2024.

In September 2024, statewide systems managed by the state Administrative Office of the Courts (AOC) were compromised and taken offline. District Court, Superior Court, and the Clerk's Office were not able to use state systems to take payments, schedule court hearings, or access many court-related documents. In response, these departments manually receipted payments and processed documents to continue operating.

Audit Services had planned an ICR for District Court for that same week but canceled upon learning that statewide systems were compromised. Instead, Audit Services pivoted to observing and reviewing manual receipting processes for the affected departments. We included staff from the Treasurer's Office, who manually receipted transactions after a similar outage in 2023. After observing manual receipting for District Court and the Clerk, we shared our insights and made some recommendations. The Treasurer's Office shared draft policies and provided additional insights on how they responded to their outage.

These observations helped to identify risks related to manual receipting and connect court staff to other county departments who navigated similar situations.

Operational disruptions due to system outages will remain a significant risk for the County going forward. Audit Services believes there is value in ensuring that Departments are prepared to implement manual receipting to continue operations. We plan to ask about continuity of operations considerations during ICRs in 2025 and to observe manual receipting processes in the event of a future system outage or other operational disruption.

III. Losses Reported in 2024

Under Revised Code of Washington (RCW) 43.09.185, all known or suspected losses of public funds (cash, checks), assets (county property) or illegal activities are to be reported to the Washington State Auditor's Office (SAO). 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.

We did not report any losses of funds to the SAO in 2024. We did have potential losses reported to Audit Services, but determined those losses were not reportable.

In one instance, \$4 was taken from a wallet being held as found property at the parking fee collection booth at Lewisville Regional Park. When the wallet was found on July 8th, it contained \$123 in cash. On July 16th, the wallet only had \$119 and the denominations had changed.

The manager reported that during this period, there were no external break-ins or signs of inappropriate access to the booth. Several parks' staff worked in the booth during this period.

After consulting with the SAO, we determined that the loss was not reportable.

In August 2023, we recommended that parks update their lost and found policy. Since the loss was discovered, parks implemented new policy and additional controls over lost and found items. Additional controls implemented since the loss include:

- An updated lost and found tracking log that captures a description of the items found, the date, and provides space for someone claiming the item to sign (or the manager who takes custody of the items).
- Pre-numbered, single-use seal security bags to secure lost and found items.
- Repurposing unused floor safes at some parks locations to secure lost and found items separately from county-owned cash and cash equivalents.

Audit Services also visited the booths at Lewisville and Frenchman's Bar to conduct additional follow-up on our previous ICR memo.

IV. Department Self-Reviews

To ensure internal controls are operating as intended, management should perform periodic internal reviews. The frequency of these reviews should be balanced with against risk involved, with especially risky activities or those involving significant county assets or cash reviewed more frequently.

In 2024, several departments reported these self-reviews to Audit Services. The Treasurer's Office maintains a \$14,750 change fund used to transact and receipt more than \$200 million annually. Management performs monthly counts of the change vault as well as quarterly audits of the change vault and all cashier tills.

Within Public Works, Fleet manages a parts inventory of more than 27,000 items worth roughly \$340,000. In 2024, Fleet performed quarterly reviews and adjustments of parts inventory on hand.

Community Development's permit center has a \$1400 change fund used to receipt more than \$29 million in revenue. Permit center management performed monthly reviews of the change fund in 2024.

Although Tri-Mountain Golf Course is operated by a vendor, the pro-shop inventory is owned by Clark County. Following prior ICR recommendations, Internal Services completed an annual inventory review in March 2024.

Performing periodic self-reviews reduces the risk of error or misappropriation and demonstrates management's commitment to maintaining effective internal controls. We appreciate the efforts of all the departments that performed periodic self-review in 2024 and provided the results to Audit Services.

V. Conclusion

The Internal Control Review (ICR) program continues to provide significant value to Clark County. These reviews provide an opportunity for Audit Services help departments identify weaknesses and develop improvements to increase the effectiveness of controls and reduce risk to the County.

Additionally, ICRs allow Audit Services to build and maintain relationships with other departments. When issues arise after an ICR, those departments proactively contact Audit Services for assistance. This allows Audit Services to address and mitigate risks before the impact becomes more significantly and more costly.

Finally, the ICR programs helps to identify trends and issues that can be addressed by our other bodies or work, including our annual training program, performance audits, and best practice white papers and guides.

VI. 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:

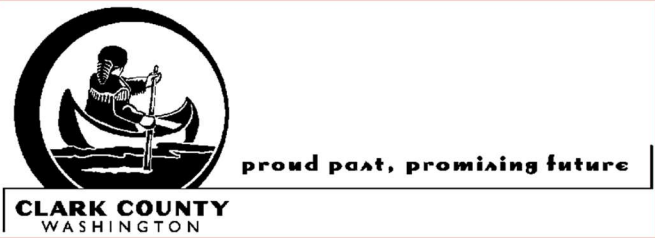
- All funds are properly authorized and at their approved amounts,
- Procedures and practices are in place to ensure funds and assets are properly safeguarded and accounted for, and
- Transactions are approved and records are maintained which adequately support the administration and activity of the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

Methodology: Reviews Based on Risk Analysis

Audit Services conducts an annual risk analysis of 42 total petty cash funds, change funds, checking accounts, receipting functions and cash equivalents (“assets”). 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

VII. Appendix B: Summary of ICR Activities

				Low Risk Level >						Medium Risk Level >>				High Risk Level >>>								
ICR #	Owner - Fund Name	Annual Pass-Thru Value	Est. Annual Transactions	Number of Recommendations Made	Control Deficiency Category						Control Deficiency Category				Control Deficiency Category							
					Account Inactive: Elevated Risk	Custodial Records: Treasurer not Current	Excess Funds: Need to Reduce Balance	Excess Funds: Need to Escheat Funds to State	Receipts: Cancel or Mark to Prevent Reuse	Other low risk issues (multiple reasons)	Account Balance: Over/Short	Deposits: Not Timely	Mailed Funds: Dual Opening Recommended	Develop or Adjust Written Procedures	Reconcile & Replenish funds consistent w/BARS	Training: More staff training recommended	Other medium risk issues	Checks: Not Endorsed When Received	Correcting logs & records: only line through	Key Duties: Not Separated	Management Reviews: Ineffective or Missing	Improve Security: Funds, Records, Valuables
685	PW - Roads Permits	\$ 129,039	2,614	4			1	1									1		1			
686	Sheriff - MCU Informant Fund	n/a	n/a	4				1														
687	Sheriff - MCU Petty Cash	n/a	n/a	4				1					1									
688	IS - Parking Meters	\$ 12,966	7,555	1																		1
689	HR - CTR Bus Passes	n/a	176	2					1													1
690	HR - COBRA	\$ 410,000	210	1							1											
691	PA - Children's Justice - receipting			4					1													
692	PW - Parks Shelter & Sports Field Rental	\$ 4	2,111	0																		2
693	DTF - Drug Task Force - Petty Cash	n/a	n/a	2		1							1									
694	DTF - Drug Task Force - Drug Buy Fund	n/a	n/a	2		1							1									
695	SC - Superior Court Drug Court Fee	n/a	n/a	1																		1
696	Treasurer - Vault and Change Funds	\$ 200,954,177	49,458	0																		
697	IS - Fair			3					1													1
	Est. total	\$ 201,506,186	62,124	28	0	2	0	1	0	6	0	1	0	0	4	0	9	1	0	1	0	3
	2024 Issues by Category		2024 Estimates	28	2024 low risk: 32%						2024 medium risk: 50%				2024 high risk: 18%							
14	ICRs in 2024	\$ 201,506,186	62,124																			
	2023 Issues by Category		2023 Estimates	25	2023 low risk: 16%						2023 medium risk: 48%				2023 high risk: 36%							
18	ICRs in 2023	\$ 34,118,978	239,365																			
	2022 Issues by Category		2022 Estimates	38	2022 low risk: 21%						2022 medium risk: 66%				2022 high risk: 13%							
23	ICRs in 2022	\$ 306,074,591	422,457																			

VIII. 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.