



To: Justin Taylor, Washoe County Treasurer

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Subject: Compensating Controls for WCSO regarding WCC 15.190

Per our discussion on September 9, 2024, this memorandum outlines recommended compensating controls to be implemented to mitigate the risks associated with the Washoe County Sheriff's Office (WCSO) making bank deposits twice a week rather than daily, as stated by Washoe County Code (WCC) 15.190. After reviewing the current deposit process and considering operational constraints, the Internal Audit Division recommends these compensating controls to ensure financial integrity and compliance.

The standard practice for Washoe County is to deposit funds daily. WCSO has requested an exemption from daily deposits, twice a week bank deposits, from the Washoe County Treasurer's Office as required by WCC 15.190. Compensating controls are necessary to address potential risks such as increased exposure to theft, misappropriation, or errors in cash handling.

Compensating Controls

To ensure that reducing the frequency of bank deposits does not compromise the security of funds collected by the WCSO, the following compensating controls are recommended:

- 1. Implement Desktop Deposit at WCSO:** Ensure all checks received are deposited daily using the Desktop Deposit system, streamlining the deposit process and enhancing efficiency.
- 2. Strengthen Segregation of Duties:** Ensure that no single individual is responsible for receiving, recording, and depositing funds. At least two individuals must be involved in handling and documenting all cash receipts, ensuring checks and balances are in place.
- 3. Secure Storage of Undeposited Funds:** Any funds not deposited on the day they are received must be securely stored in a locked safe or vault with restricted access, protecting the integrity of collected funds.
- 4. Maintain Detailed Deposit Logs:** A comprehensive log should be maintained to track funds deposited via Desktop Deposit, as well as funds pending inclusion in a physical bank deposit.
- 5. Reconciliation between Deposit Logs and Cash Desk Entries:** WCSO Fiscal Manager or Fiscal Compliance Officer should preform a reconciliation between the deposit logs recorded at initial drop, Desktop Deposits, physical bank deposit, and the cash desk/subsidiary ledger entries to ensure there are no discrepancies or errors.
- 6. Minimum Deposit Frequency:** A minimum of two bank deposits per week is required, preferably on consistent days (i.e., Tuesday and Thursday). However, additional deposits throughout the week are encouraged based on the volume of receipts.

7. **Immediate Bank Deposit for Jail ATM Collections:** Ensure that any funds collected from the Jail ATM are deposited next business day, minimizing risk and ensuring timely processing.
8. **Internal Audit Oversight:** The Internal Audit Division will review the newly implemented processes to ensure they are effective and identify any potential gaps or weaknesses in internal controls.

The Internal Audit Division recommends these compensating controls be implemented upon exemption approval from the Washoe County Treasurer and remain in place for as long as the twice-weekly deposit schedule is in effect.