

County of San Bernardino

**Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section**

Regional Parks Department: Cash Controls Audit

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December 23, 2014

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SUBJECT: CASH CONTROLS AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Regional Parks Department for the period of July 2012 through June 2013. The primary objectives of the audit were to determine whether cash assets were properly safeguarded, deposits were made on a timely basis and cash funds were managed in accordance with the County's Internal Controls and Cash Manual. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on August 26, 2014 and discussed our observations with management on September 9, 2014. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Regional Parks Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By: 

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Regional Parks: Cash Controls Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department’s cash funds.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to our *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
Administration Office, Cucamonga-Guasti, Glen Helen, Lake Gregory, Mojave Narrows and Mojave River Forks Parks		
1	<p>Finding: Management of the Petty Cash Fund needs improvement.</p> <p>Recommendation: The Department should contact the appropriate agencies in the event of a possible loss due to fraud, embezzlement or theft. The Petty Cash Fund should be maintained by an individual with no depositing or accounts receivable posting duties. Only the fund custodian or the backup fund custodian should have access to the petty cash fund. The Department should also completely fill out their petty cash vouchers. Safe combinations should be changed at least annually, or when there are staffing changes.</p>	7
Cucamonga-Guasti, Glen Helen, Lake Gregory, Mojave Narrows and Mojave River Forks Parks		
2	<p>Finding: Management of the Cash Difference Fund needs to be improved.</p> <p>Recommendation: The Department should contact the appropriate agencies in the event of a possible loss due to fraud, embezzlement or theft. The department should maintain a single continuous log and monthly reconciliations of this fund should be performed. The fund should be replenished when accumulated shortages reach 75% of the authorized fund balance, or \$100, whichever is lower.</p>	11



Finding No.	Findings and Recommendations	Page No.
3	<p>Finding: Cash handling controls over safeguarding of cash receipts were not adequate.</p>	14
	<p>Recommendation: Management should properly communicate the necessary policies and procedures to assist the staff in effectively performing their job duties. Management should also reorganize assignments with existing staff to have effective segregation of duties. Park employees should obtain a supervisor's documented approval of the void at the time of the occurrence. We also recommend the void forms be completely filled out with both supervisor and reviewer signatures.</p>	
<p>Administration Office, Cucamonga-Guasti, Glen Helen, Lake Gregory and Mojave Narrows Parks</p>		
4	<p>Finding: Cash deposits were not made in a timely manner.</p>	16
	<p>Recommendation: We recommend the Department ensure that cash deposits are performed daily when receipts reach \$1,000, or weekly when lesser amounts are collected.</p>	
<p>Cucamonga-Guasti and Lake Gregory Parks</p>		
5	<p>Finding: Management was not adhering to the guidelines for properly reporting cash shortages or overages.</p>	18
	<p>Recommendation: For shortages exceeding \$200, the Department should submit a "Request for Relief of Liability" memo and submit an agenda item petitioning the Board of Supervisors for relief from liability for the shortage. In the event of a possible loss due to fraud, embezzlement, or theft, the Department should contact the appropriate agencies. Overages should be deposited into the County's Cash Overage Fund.</p>	



Finding No.	Findings and Recommendations	Page No.
Administration Office		
6	<p>Finding: Two cash funds kept on premises were not established or recorded with the Internal Audits Section.</p> <p>Recommendation: We recommend that the Department close both cash funds. We further recommend that any new cash funds be formally established through the ATC Internal Audits Section and ATC Accounts Payable Section.</p>	21



The Department

The Regional Parks Department is responsible for the operation and maintenance of nine regional parks located throughout the County. The Department hosts cultural, educational and special events through the use of park resources and contractual agreements with private and non-profit organizations. The Department is also responsible for maintaining 17.8 miles of open, accessible and usable trails through the County Trail Program.

The Administration Office has one authorized cash fund and each of the five parks we visited has three authorized cash funds.

Park	Petty Cash	Change	Cash Difference	Total Amount of Funds
Administration Office	\$5,500			\$5,500
Cucamonga-Guasti	\$500	\$2,500	\$150	\$3,150
Glen Helen	\$1,000	\$3,000	\$150	\$4,150
Lake Gregory	\$250	\$3,000	\$150	\$3,400
Mojave Narrows	\$200	\$1,000	\$150	\$1,350
Mojave River Forks	\$100	\$500	\$50	\$650

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor-Controller/Treasurer/Tax Collector (ATC) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash difference funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash difference funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times, the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ATC Internal Audits Section performs surprise cash counts of these cash funds. Upon demand by the ATC or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ATC has documented general cash control guidelines in the ICCM for departments with cash funds. However, each department head or authorized



designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.



Scope and Objectives

Our audit examined whether the Regional Parks Department was conforming to the County's Internal Controls and Cash Manual in regards to the controls over their cash funds.

The objectives of our audit were to:

- Determine if cash assets were properly safeguarded.
- Determine if cash deposits were made on a timely basis.
- Determine if cash funds were managed in accordance with the County's Internal Controls and Cash Manual.

Methodology

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Performing surprise cash counts of all the authorized cash funds and undeposited cash sales of the Administration Office and the five parks visited.
- Reviewing cash deposits for the period of July 2012 through June 2013.
- Interviewing Park personnel regarding cash fund management.
- Inquiry of management regarding the communication of policies and procedures to the staff members.



Finding 1: Management of the Petty Cash Funds needs improvement.

According to the County's Internal Controls and Cash Manual, Chapter 2, access to assets should be controlled in order to safeguard them. All transactions and pertinent events should be accurately and properly recorded on documents and records. Chapter 4 states that departments must maintain a log recording each petty cash transaction. Any petty cash vouchers should be presented to the fund custodian, who is responsible for maintaining and disbursing from the fund. In addition, County departments must reconcile their cash funds at least once a month. An employee other than the fund custodian and of a higher-ranking job code should complete the fund reconciliation. The fund custodian may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job code.

Administration

The following conditions were disclosed during our review:

- Two other employees in addition to the fund custodian have access to the petty cash fund.
- The key to the supply cabinet where the cash box is stored was kept in an unlocked drawer.
- Petty cash (Cash Box)
 - Transactions were not being entered into the Petty Cash Account Summary Log. Eight out of eleven outstanding petty cash vouchers had not been entered on the log, dating as far back as July 11th, 2013.
 - Vouchers that were no longer being used or reimbursed were not being canceled.
 - There were two vouchers for the same transaction.
 - An old petty cash voucher for parking was not voided or canceled.
 - Monthly reconciliations were not performed.
- Petty cash (Checking)
 - Monthly reconciliations were not performed. The account has not been reconciled since April 2012.

Management is not enforcing the petty cash fund guidelines stipulated in the Internal Controls and Cash Manual. Accountability for the petty cash fund decreases when multiple employees are allowed to have access to the fund and when the fund is not adequately safeguarded. When monthly reconciliations are not performed and transactions are not accurately and properly recorded onto the Summary Log, there is an increased risk of misappropriation of petty cash funds.



Cucamonga-Guasti Park

The following conditions were noted during our review:

- Segregation of duties needs to be improved. The General Services Worker is able to disburse cash from the Petty Cash Fund and maintain the petty cash summary account log, as well as prepare the deposits and maintain the daily sales summary reports.
- Vouchers were not completely filled out. Five of the eight vouchers tested did not have an approval signature. One of the eight vouchers did not have a 'received by' signature.

If there is inadequate segregation of duties, there is an increased risk of misappropriation of cash funds. If there is no written documentation of supervisory approval or evidence that the employee received the funds, there is a risk of misuse of funds.

Glen Helen Park

The following conditions were noted during our review:

- The combination to the safe had not been changed annually.
- Since petty cash vouchers were not used, there was no written documentation of supervisory approval or evidence that the employee received the funds.
- Monthly reconciliations were performed by the fund custodian.

Management is unfamiliar with the guidelines and procedures in the Internal Controls and Cash Manual, and they do not reference the ICCM for guidance. Cash may not be adequately safeguarded when there have been no changes to the safe combination. There is an increased risk of misappropriation of cash assets if there is no supervisory approval on petty cash vouchers and reconciliations are not performed by someone other than the fund custodian.

Lake Gregory Park

The following conditions were noted during our review:

- Combinations to the safe were not changed annually.
- There was no log kept for the petty cash.
- Four other employees besides the fund custodian had access and could disburse monies from the petty cash fund.
- The last reconciliation was performed in April 2012.
- The petty cash fund was not being replenished at year-end or when the balance was 75% depleted, as required by the Internal Controls and Cash Manual.

The Park is currently using Cal Cards instead of the petty cash; therefore the staff is not using, reconciling or replenishing their petty cash fund. Accountability for the petty cash fund decreases when multiple employees are allowed to have



access to the fund. The risk of misappropriation of cash assets increases when Management does not properly manage their petty cash fund in accordance with the ICCM.

Mojave Narrows Park

The following conditions were noted during our review:

- Combinations to the safe were not changed annually. They were changed when there were staffing changes, but should have been done annually at the very minimum.
- Vouchers were not always completely filled out. Of the five samples tested, one had a voucher that did not contain an approval signature and one did not have a voucher attached to the receipt.
- There was no evidence of monthly reconciliations.
- The Petty Cash Fund was not being replenished at year-end.

Management is unfamiliar with the guidelines and procedures stated in the ICCM regarding the safeguarding of the petty cash fund. Cash may not be adequately safeguarded when there have been no changes to the safe combination. If petty cash fund expenditures are not being approved by a supervisor and reconciliations are not being performed on a monthly basis by someone other than the fund custodian, there is an increased risk of misappropriation of petty cash funds. In addition, the Petty Cash Fund may become depleted if it is not being replenished in accordance with ICCM guidelines.

Mojave River Forks Park

The following conditions were noted during our review:

- There was no evidence of reconciliations or reviews performed.
- Petty cash vouchers were not used for petty cash transactions; therefore, there was no written documentation of supervisory approval or evidence that the employee received the funds.
- Individuals other than the Fund Custodian were disbursing petty cash funds.
- The combination to the safe had not been changed annually.

Management is unfamiliar with the guidelines and procedures in the ICCM regarding the safeguarding of their petty cash fund. The conditions above increase the risk of potential misappropriation of cash funds.

Recommendation:

We recommend that the Petty Cash Fund be maintained by an individual with no depositing or accounts receivable posting duties. We further recommend that Management only allow the fund custodian to have access to the petty cash box. A backup fund custodian may also be appointed. We also recommend that the



key to the cash box is kept in a locked cabinet. Any petty cash transactions should be immediately entered into the Petty Cash Summary Log and vouchers that are no longer being reimbursed should be canceled. In addition, we recommend that reconciliations be performed on a monthly basis by someone other than the fund custodian and of a higher-ranking job code. If the fund custodian completes the reconciliation, then an employee of a higher-ranking job code should review and sign the reconciliation. The fund should also be replenished prior to the end of each fiscal year. If the Park no longer needs the petty cash fund, we recommend the Park eliminate the fund entirely to reduce the risk of misappropriation of cash assets. The petty cash fund can be replenished to its full authorized amount and then be closed in accordance with ICCM guidelines.

Management's Response:

Petty Cash funds: Regional Parks is considering eliminating Petty Cash funds at all of its parks. Cal-Cards can be used in most situations and cash is no longer considered a necessity. Parks administration will continue to examine the need for Petty Cash funds.

In the meantime, Parks Administration will take steps to ensure that staff at all parks have access to a copy of the ICCM and are familiar with it. The park staff will also be provided with training regarding the monthly reconciliation process. Park Administration has scheduled training that will cover responsibilities such as cash control, fund documentation/tracking and reconciliation.

Access to funds: In recent years Regional Parks has operated its parks with minimal staff. Managing such vast expanses of park lands with minimal staff, the parks occasionally have a situation where it is not always feasible to have only the fund custodian access the Petty Cash fund.

Segregation of duties: Due to minimal staffing levels at parks, more than one employee may be performing multiple fiscal duties that ordinarily would require a segregation of duties. Management will examine options, to limit as much as is feasibly possible to address the need for a separation of fiscal responsibilities.

Transactions/Vouchers: Parks Administration currently trains staff on cash-handling procedures, however, that focus is on employees working the front gate, cash registers, and opening and closing procedures. Training is being developed to properly address procedures when issuing vouchers, logs and disposition of vouchers.

Reconciliation: All park staff have access to the same monthly reconciliation form. Staff will be provided training about policies concerning the proper tracking and reconciliation process that is required monthly.



Safes: In the past parks have changed the combos on safes when an employee with access no longer worked at the park. However, discussions with Park Superintendents will focus on staff access and changing the combinations on safes with future consideration of which staff will be allowed access and the feasibility of changing combinations on a yearly basis.

Replenishment: Timely replenishments of funds were not processed per the policy contained in the County's ICCM manual. Training on procedures to request replenishment of funds will be provided to staff responsible for cash funds.

Auditor's Response:

The Department's actions and planned actions regarding their transactions/vouchers, petty cash reconciliation and replenishments will correct the deficiencies noted in the finding. Due to minimal staffing levels at parks causing employees to perform multiple fiscal duties and the costs associated with changing combinations on a yearly basis exceeding the benefits, the Department has assumed the potential risk involved for their access to funds, segregation of duties and safe combination changes.

Finding 2: The overall management of the Cash Difference Fund needs to be improved.

The County's Internal Controls and Cash Manual (ICCM), Chapter 5, states that a continuous record (log) must be maintained of each confirmed cash deficit indicating the date, amount, and name of the person who reported the deficit. It further states that the replenishment of the fund must occur when accumulated shortages reach 75% of the authorized amount or \$100, whichever is lower. The ICCM's Chapter 2 states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. In addition, Chapter 4 states County departments must reconcile their cash funds at least once a month.

Cucamonga-Guasti Park

The following conditions were noted during our review:

- There were multiple fund logs and there were discrepancies between the logs.
- The Park was not replenishing its Cash Difference Fund in a timely manner. The fund had been depleted to \$0.75 at one point during fiscal year 2012-2013.



- The Park was using cash from daily collections to compensate for cash shortages.
- Segregation of duties needs to be improved. The Fund was being maintained by an individual who prepared the deposits as well as posted sales summary reports.
- There were no reconciliations being performed of the Cash Difference Fund.
- Revenue was not properly recorded because cash was taken from daily collections to cover cash shortages.

Glen Helen Park

The following conditions were noted during our review:

- The Park was not replenishing its cash difference fund in accordance with the ICCM guidelines.

Lake Gregory Park

The following conditions were noted during our review:

- The cash difference fund was not being replenished when accumulated shortages reached 75% of the authorized amount or \$100, whichever was lower, or at year-end. At one point, the fund remained depleted with a balance of \$0.90 from July 2012 until April 2013.
- Revenue was understated when cash shortages occurred, due to the cash difference fund being depleted. Five out of twenty-one deposits that were tested had shortages.

Mojave Narrows Park

The following condition was noted during our review:

- The cash difference fund was not being replenished when accumulated shortages reached 75% of the authorized amount or \$100, whichever was lower, or at year-end.

Mojave River Forks Park

Currently, the Park is not keeping a log nor is it reconciling the Cash Difference Fund monthly.

Misappropriation of cash assets is more likely to occur when Management does not properly manage their Cash Difference Fund. There is an increased risk that the fund may not be intact and transactions may not properly be recorded if independent reconciliations are not performed. Also, the Cash Difference Fund may become depleted, causing the Park to use the cash from sales to compensate for any cash shortages.



Recommendation:

We recommend that a single continuous record (log) be maintained by an individual with no depositing or accounts receivable posting duties and that the fund is replenished when accumulated shortages reach 75% of the authorized amount or \$100, whichever is lower. In addition, documented monthly reconciliations and reviews of this fund should be performed by the Park Superintendent or Assistant Park Superintendent to ensure that transactions have been correctly recorded and all assets are accounted for.

Management's Response:

Cash Difference funds: Parks Administration will take steps to ensure that staff at all parks have access to a copy of the ICCM and are familiar with it. The park staff will also be provided with training regarding the monthly reconciliation process. Park Administration is in the process of coordinating training regarding cash funds that will cover responsibilities such as cash control, fund documentation/tracking and reconciliation.

Access to funds: In recent years regional Parks has operated its parks with minimal staff. Managing such vast expanses of park lands with minimal staff, the parks occasionally have a situation where it is not always feasible to have only the fund custodian access the Cash Difference Fund. Management will review current employees with access and make changes to restrict access to only those necessary for daily operations.

Logs/Reconciliation: All park staff have access to the same monthly reconciliation form. Staff will be provided training about policies concerning the proper tracking and reconciliation process that is required monthly.

Cucamonga-Guasti: Following an extensive investigation it was discovered that a single employee was not handling and accounting for the Cash Difference Fund properly. Multiple incomplete logs were being kept which was largely due to a single park employee performing outside her normal duties for that position. This was an isolated event and following a lengthy investigation, the employee is no longer employed by the County. A new Fund Custodian has been assigned is aware of responsibility and policies concerning cash funds.

Segregation of duties: Due to minimal staffing at parks, more than one employee may be performing many fiscal duties that ordinarily would require a segregation of duties. Management will examine options, either through scheduling or increased staff to address the need for a separation of fiscal responsibilities.

Replenishment: Timely Replenishments of funds were not processed per the policy contained in the County's ICCM manual. Training on procedures to



request replenishment of funds will be provided to staff responsible for cash funds. Lake Gregory: Since January 2014 this park has been operated by a third party and therefore is not staffed by County employees.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in this finding.

Finding 3: Cash handling controls over safeguarding of cash receipts were not adequate.

Control procedures are effective only in a supportive control environment. The Internal Controls and Cash Manual, Chapter 2, states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or asset. According to Chapter 6, adequate controls must be practiced for both the cash receipting functions and voiding transactions. A supervisor's approval of a void should be obtained at the time of the occurrence. In addition, the Department's void forms provide for two reviewers' signatures which should both be used by different signers.

Cucamonga-Guasti Park

The following conditions were noted during our review:

- Segregation of duties needs improvement. The General Services Worker II prepares the deposit and maintains the records for revenue received.
- Supervisors were not approving voided transactions at the time of the occurrence.
- Void forms were not completely filled out. It was unclear as to who reviewed the voided transaction because the reviewer signatures were missing.

Glen Helen Park

The following conditions were noted during our review:

- Some employees had not received annual training or manuals on policies and procedures. One employee was unclear as to the location of a manual if it was needed for reference.
- Supervisors were not approving voided transactions at the time of the occurrence.
- Void forms were not completely filled out. It was unclear as to whether the transactions were approved or reviewed because the approver initials and reviewer signatures were missing.



Lake Gregory Park

The following condition was noted during our review:

- Employees can void their own transactions without a supervisor's approval.

Mojave Narrows Park

The following condition was noted during our review:

- Employees can void their own transactions without a supervisor's approval.

Mojave River Forks Park

The following conditions were noted during our review:

- Void Forms were missing the supervisor approval and reviewer signatures.

If policies and procedures are not made available to staff, Park staff will not be aware of the appropriate controls to adhere to when performing their respective job functions. If Management does not establish and enforce the appropriate controls to effectively safeguard their cash receipts, the Park's assets become more susceptible to theft, fraud and embezzlement.

Recommendation:

We recommend the Park Superintendent or Assistant Park Superintendent obtain a copy of the ICCM for guidance. The necessary policies and procedures should be properly communicated to assist the Park staff in effectively performing their job duties. Management should reorganize assignments with existing staff to have effective segregation of duties and reduce the risk that any one person could conceal errors or irregularities. We also recommend the Park obtain a supervisor's approval of the void at the time of the occurrence and that the void forms are completely filled out with both supervisor and reviewer signatures.

Management's Response:

Cash Receipts: Parks Administration will take steps to ensure that staff at all parks have access to a copy of the ICCM and are familiar with it. The park staff will also be provided with training regarding the monthly reconciliation process. Park Administration was already in the process of coordinating training regarding cash funds that will cover responsibilities such as cash control, fund documentation/tracking and reconciliation.

Logs/Reconciliation: Logging receipts and performing reconciliations were not being performed monthly as they should have. All park staff have access to the



same logs and monthly reconciliation forms. Staff will be provided training about policies concerning the proper tracking and reconciliation process that is required monthly. Cucamonga-Guasti: Multiple incomplete logs were being kept which was largely due to single park employee acting outside the course of performing her normal duties. This was an isolated event and following a lengthy investigation she is no longer employed by the County. A new Fund Custodian has been assigned is aware of responsibility and policies concerning cash funds.

Voids: Register voids were being performed by an employee not authorized to perform voids. Supervisors are supposed to approve and facilitate voids. In addition, void forms were not being properly filled out. Seasonal employees are provided training prior to the Parks busy summer season however additional training sessions will be offered as a refresher. Training will also be provided to Supervisors and Managers. Lake Gregory: Since January 2014 this park has been operated by a third party and therefore is no longer staffed by County employees.

Training: Parks Administration has offered training on proper cash handling for regular employees operating cash registers and offers training to seasonal employees prior to the busy summer season. Seasonal employees may not have received training on the ICCM manual or policies due to their temporary status. Parks Administration is developing training regarding cash funds that will cover responsibilities such as cash control, fund documentation/tracking and reconciliation for regular employees.

Segregation of duties: Due to minimal staffing at parks the one employee may be performing many fiscal duties that ordinarily would require a segregation of duties. Management will examine options, either through scheduling or increased staff to address the need for a separation of fiscal responsibilities.

Replenishment: Timely Replenishments of funds were not processed per the policy contained in the County's ICCM manual. Training on procedures to request replenishment of funds will be provided to staff responsible for cash funds.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in the finding.

Finding 4: Deposits were not made in a timely manner.

The County's Internal Controls and Cash Manual, Chapter 3, states that deposits must be made by the next business day when the amount of receipts (including



cash, checks and money orders) reaches \$1,000, or at least weekly if lesser amounts are collected.

Administration

A review of six cash deposit transactions between the period of July 1, 2012 and June 30, 2013, disclosed two exceptions in which cash deposits were not deposited in accordance with the County policy. One exception had receipts exceeding \$1,000 that were not deposited within one business day. The other exception had receipts that were less than \$1,000 which were not deposited within a week.

Cucamonga-Guasti Park

A review of 70 cash deposit transactions between the period of July 1, 2012 and June 30, 2013, disclosed fifty-one exceptions in which cash deposits were not deposited in accordance with the ICCM. Thirty-one out of fifty-one exceptions (61%) were receipts exceeding \$1,000 that were not deposited within one business day. Twenty out of fifty-one exceptions (39%) were receipts that were less than \$1,000, but the combined total with previous days' receipts exceeded \$1,000; therefore they should have been deposited within the next business day. Management currently has armored truck pickup only on Mondays and Fridays.

Glen Helen Park

A review of 24 cash deposit transactions between the period of July 1, 2012 and June 30, 2013, disclosed 13 exceptions in which cash deposits were not deposited in accordance with the ICCM. Eleven out of thirteen exceptions (85%) were receipts exceeding \$1,000 that were not deposited within 1 business day. Two out of thirteen exceptions (15%) were receipts that were less than \$1,000, but the combined total with previous days' receipts exceeded \$1,000; therefore they should have been deposited within the next business day. The Park currently has armored truck pickup on Mondays, Wednesdays, and Fridays.

Lake Gregory Park

A review of 21 cash deposit transactions, between the period of July 1, 2012 and June 30, 2013, disclosed 10 exceptions in which cash deposits were not deposited in accordance with the ICCM. All ten exceptions were receipts over \$1,000 that were not deposited within the next business day. The Park has armored truck pickups once a week.

Mojave Narrows Park

A review of 34 cash deposit transactions, between the period of July 1, 2012 and June 30, 2013, disclosed 9 exceptions in which cash deposits were not deposited in accordance with the ICCM. Three out of nine exceptions were receipts exceeding \$1,000 that were not deposited within one business day. Six out of nine exceptions were receipts that were less than \$1,000, but the combined total



with previous days' receipts exceeded \$1,000; therefore they should have been deposited within the next business day. The Park currently has armored truck pickup on Mondays, Wednesdays, and Fridays.

The Department is not adhering to the guidelines on depositing cash. Maintaining large amounts of cash on the Park's premises significantly increases the risk of misappropriating cash assets.

Recommendation:

We recommend the Department ensure that cash deposits are performed daily when receipts reach \$1,000, or at least weekly if lesser amounts are collected, as stated in the ICCM to minimize the risk of misappropriation. With the high volume of sales the Park encounters, armored truck pickup should transport the cash deposits on a daily basis.

Management's Response:

Parks employees handling cash should be aware of the policies concerning the properly handling and securing of cash, checks, etc. All Regional Parks locations should have a copy of the ICCM. Administration will ensure all employees are aware of its location and become familiar with its policies.

Parks Admin: Parks Administration, periodically receives payments from its concessionaires, renters and management companies operating 2 of the 9 Regional Parks. Total receipts will occasionally exceed \$1,000. Administration will review its procedures regarding policies concerning deposit limit requirements.

Parks: Parks have armored pickup scheduled throughout the year. Instances of receipts not being deposited (picked up by armored truck) can be solved by adjusting or increasing the armored truck pickup schedule.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.

Finding 5: Management was not adhering to the guidelines for properly reporting cash shortages or overages.

The County's Internal Controls and Cash Manual, Chapter 5, states that every County department under the jurisdiction of the Board of Supervisors must report



cash shortages to the Auditor-Controller/Treasurer/Tax Collector (ATC). It also states that certain steps must be followed when a loss occurs due to fraud, embezzlement or theft for any cash funds. In addition, Chapter 6 states that any overages should be deposited into the Cash Overage Fund (Fund AOV-Dept OVR).

Cucamonga-Guasti Park

The following conditions were noted during our review:

- The Petty Cash Fund was missing \$227.19, and as of January 29th, 2014, no reports of cash shortages due to fraud, embezzlement or theft had been reported to the appropriate departments, in accordance to the guidelines stated in the Internal Controls and Cash Manual.
- The Department had reason to believe that the fund was stolen over time as the fund balance was completely depleted. As of January 29th, 2014, no reports of cash shortages due to fraud, embezzlement or theft had been reported to the appropriate departments, in accordance to the guidelines stated in the Internal Controls and Cash Manual.

Because no reports had been filed with the appropriate agencies, IAS and other agencies were not able to perform a timely investigation on the circumstances concerning the embezzlement.

Lake Gregory Park

The following conditions were noted during our review:

- The change fund was short \$1,100 of its authorized amount since September 2011. A bank account was used to deposit daily sales, which were transferred to the County Treasury, but there were no reconciliations being performed. At one point, the bank account became overdrawn and the change fund was used to cover the shortage. This shortage was not reported to ATC.
- Park staff discovered \$50 missing when they performed a count of the change fund. Accumulated money found throughout the Park in the amount of \$48 was used to replace the missing cash. The Park could not determine the time period of the loss because counts of the change fund were not being performed. This shortage was not reported to ATC.
- Overages were added as snack bar revenue instead of properly depositing the amounts into the Cash Overage Fund.

Misappropriation of cash assets is more likely to occur when Management does not properly manage their change fund by performing independent counts to ensure the fund is intact. If Management is not familiar with the ICCM policies and procedures, the appropriate departments may not be notified nor the appropriate procedures followed. Furthermore, Management cannot communicate to Park staff the appropriate procedures they are supposed to adhere to.



Recommendation:

We recommend that in the event there is a shortage exceeding \$200, the Department should submit a "Request for Relief of Liability" memo for the amount. In addition, the Department must submit an agenda item petitioning the Board of Supervisors for relief from liability for the shortage. We also recommend that in the event of a possible loss due to fraud, embezzlement, or theft, the Department should adhere to the procedures found in the Internal Controls and Cash Manual (5-6) which state that the initial response is to "report cash shortages...of any amount that appear to be due to fraud, embezzlement, or theft directly and immediately to the Department Head, Law Enforcement Agency having jurisdiction, Risk Management Division, Human Resources Department and the ATC Internal Audits Section (IAS)". This must occur in order for IAS to grant authorization for the relief from liability. We further recommend that all overages be deposited into the County's Cash Overage Fund (Fund AOV) in accordance with the ICCM guidelines.

Management's Response:

Lake Gregory: A single employee was responsible for managing and reconciling the bank account the park used for its cash deposits. The employee was not properly reconciling the bank account and a series of NSF fees for checks written against the account and subsequent overdraft fees went unresolved that resulted in the loss. Due to an unrelated incident, the employee is no longer employed by the County.

Coins and change found on the park premises were not being properly deposited to ATC.

Since January 2014 Lake Gregory has been operated by a third party and therefore is no longer staffed by County employees.

Cucamonga-Guasti: The Petty Cash fund was being overseen and reconciled by a single employee that was not properly logging and reconciling transactions. Following an incident in which the employee was placed on administrative leave and subsequent investigation into the status of the Petty Cash fund, Parks Management allowed Human Resources to take the lead on the investigation. Ensuing miscommunication resulted in a delayed notification to the Auditor per the policy contained in the ICCM. Following an extensive investigation and findings detailing inappropriate activities on the part of the employee, the employee is no longer employed by the County. A new Fund Custodian has been assigned and is aware of responsibility and policies concerning cash funds.



Auditor's Response:

The Department's actions will correct the deficiencies noted in this finding.

Finding 6: Two cash funds kept on premises were not established or recorded with the Internal Audits Section.

The County's Internal Controls and Cash Manual, Chapter 4, states that the establishment of cash funds should be reviewed and approved by the Auditor-Controller/Treasurer/Tax Collector (ATC). A memo containing the purpose and justification of the fund, along with a completed questionnaire and a signature/fund custodian authorization form should be sent to ATC Internal Audits Section (IAS) and ATC Accounts Payable Section (A/P) for review.

Administration

The following conditions were disclosed during our review:

- A Stamps cash fund was discovered in a zippered pouch in the locked cabinet, containing \$30.73, fifty-eight Forever stamps and two 2-cent stamps. These stamps could either be used for business or personal use. When used for personal use, the employee would 'purchase' the stamp and put money in the pouch.
- A Uniform Change Fund was discovered in a separate lockbox, containing \$50.25. This was used for Admin employees to give change to Park employees when they purchased their uniforms at the Admin office.

The potential risk of fund misappropriation increases when cash funds and internal controls governing these funds are not officially established or reviewed through ATC.

Recommendation:

We recommend that the Department close both cash funds. We further recommend that any new cash funds be formally established through ATC IAS and ATC A/P.

Management's Response:

Stamps: A stamp "fund" was being used for business and/or employees needing postage. The fund is not needed for business as employees have other options available to them to mail items. As such this fund is being eliminated.

Uniform Change Fund: Regional Park employees are required to wear specific uniform items that are sold from the Administrative Office. A change bank was



established for the purpose of providing change back to employees purchasing uniforms. This fund is needed at Parks Administration and it will be formally established with ATC.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies noted in this finding.