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COUNTY OF SAN BERNARDINO

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July 22, 2010

**Keith Lee, Deputy Administrative Officer**  
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**SUBJECT: REGIONAL PARKS CASH CONTROLS FOLLOW-UP AUDIT**

## Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a follow-up audit of Regional Parks Cash Controls audit concluded in 2008. The period covered by the follow-up audit was May 1, 2009 through July 31, 2009. Both audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors.

## Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether Regional Parks implemented the recommendations contained in the prior audit report, *Audit of Regional Parks Cash Controls* issued August 14, 2008. To achieve this objective we:

- Interviewed Regional Parks employees
- Reviewed and analyzed internal controls

## Conclusion

Most of the recommendations from the previous audit report were implemented. However, a few were only partially implemented. No further follow-up of the implemented recommendations will be necessary.

A draft report was delivered to Regional Parks on 12/22/2009, and the results were discussed on 1/13/2010. Regional Parks Management response was received on 2/23/2010. Management's responses have not been altered in any way and are included below as they were provided to us.

### **Prior Audit's Findings and Recommendations with Current Status**

The details of the prior audit's findings and recommendations and their implementation status are below:

#### **Regional Park Administration Office**

##### **Finding #1 Management of the Petty Cash Fund needs to be improved.**

The following conditions were disclosed during our review:

- Reconciliations are not performed on a monthly basis nor are they being conducted by someone other than the fund custodian or authorized signer on the checking account.
- There is \$166.68 in funds that exceed the \$5,500 authorized petty cash fund.
- The checks do not display the words "Void six months from issue date". Auditor noted the fund has two checks outstanding dated August 26, 2004 and January 20, 2005.
- Segregation of duties needs improvement. Auditor noted the Administrative Supervisor has the authority to approve expenditures, is an authorized signer on the account and has the duty of performing / overseeing reconciliations.

#### **Recommendation**

We recommend the administration office follow the petty cash fund and bank account guidelines listed in the Internal Control and Cash Manual. The administration office should assign a staff member who is not an authorized signer or fund custodian to perform reconciliations on a monthly basis. In addition, the phrase "Void six months from issue date" on the petty cash checks so they can automatically stale date and minimize the risk of misappropriation. The interest of \$166.68 earned on the bank account should be recorded as interest revenue and deposited accordingly. Furthermore, the department should cancel the two outstanding checks written in 2004 and 2005, and, if necessary, issue new checks to the payees.

#### **Current Status:**

Partially implemented. Regional Parks took corrective actions for 3 out of 4 bullets of this finding. However, a reconciliation was not conducted for the month of July. Also, for the month of June there was no evidence that the reconciliation was performed by an independent person and of a higher ranking position than the fund custodian.

**Management Response:** Regional Parks concurs with this finding and will ensure that reconciliations are performed on a monthly basis, as well as include supporting evidence that the reconciliation was performed by

someone other than the fund custodian or authorized checking account signer as directed by the county's ICCM.

**Auditor's Response:**

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

**Calico Ghost Town Regional Park**

**Finding #1 Account receivable procedures need to be improved.**

The account receivable procedures are not properly segregated between employees. Office assistants are allowed to receive checks in the post office, enter receipts into the register and prepare deposits. Due to the staff's lack of knowledge of account receivables policies and procedures, an account receivable ledger is not being maintained to indicate a balance due per account nor are they being reviewed by a supervisor. Additionally, employees have not received training or manuals on policies and procedures regarding the account receivable collection process or the Peachtree accounting system.

**Recommendation**

Management should implement the use of an accounts receivable ledger per account that complies with Chapter 14 of the Internal Controls Cash Manual and ensure duties are segregated so that the person collecting the checks is not the same person posting the accounts receivable or preparing the deposit. The park also needs to implement written procedures that address the accounts receivable collection process and provide employees with such procedures and access to the Internal Controls Cash Manual for guidance.

**Current Status:**

Partially implemented. Calico Ghost Town took corrective actions for most of this finding. However, the auditor noted during the field visit that segregation of duties still requires improvement. Also, the Superintendent should sign and date documents as evidence of her review.

**Management Response:** Regional Parks concurs with the finding and has immediately taken steps to ensure that one single individual is not responsible for the entire process of receiving, posting, and cashing park revenue. Also, the park Superintendent will be required to provide evidence (signature) of document review.

**Auditor's Response:**

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

**Finding #2 Management of the Cash Funds needs to be improved.**

The following conditions were disclosed during our review:

- The \$5,000 festival change fund was only counted twice since fiscal year 06/07 began.
- The cash difference fund is not counted or reconciled by someone other than the fund custodian.
- The petty cash fund is not reconciled on a monthly basis.
- Per statements of park personnel the reconciliations that are performed are conducted by the custodian and signed off by a supervisor later.

**Recommendation**

Management should perform monthly cash counts/reconciliations to minimize the risk of misappropriation.

**Current Status:**

Partially implemented. Calico Ghost Town took corrective actions for 3 out of 4 bullets of this finding. However, there was no evidence of Petty Cash fund reconciliations for the months of May and July 2009.

**Management Response:** Park staff has been notified that, per the county's ICCM, all funds must be reconciled on a monthly basis by someone of a higher position than the fund custodian.

**Auditor's Response:**

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

**Moabi Regional Park**

**Finding #1 Cash handling controls, as they relate to the staff performing their assigned job functions, were determined to be inadequate.**

Our audit disclosed that the Park's operating personnel did not practice the appropriate controls when they were performing their respective job functions.

The following internal control deficiencies were noted:

- The instruction materials used to specifically train the cashiers were outdated; the cash manual used for training was drafted in 2002.
- Cashiers did not restrictively endorse 2 checks received as payment for park activities
- Cashiers did not count their cash drawers in the presence of a supervisor at their end of their shifts.
- Cashiers were not properly completing their count slips (e.g., totaling the cash received).

- There was no key to lock the cash register drawer when the cashier was on break or lunch.

#### **Recommendation**

To strengthen cash handling controls, we recommend that management maintain the current version of the County's Internal Control and Cash Manual at the Park's location. In doing this, management will then be able to conduct routine training to properly communicate the necessary policies and procedures to assist the Park's personnel in effectively performing their job duties.

#### **Current Status:**

Partially implemented. Regional Parks took corrective actions for part of this finding and provided a key to lock the cash register drawer. However, there was one cash drawer left unlocked while the cashier was not present, and since there were no end of day receipt signed by a Supervisor, there was no evidence that cashiers count their cash drawers in the presence of a supervisor at the end of their shifts.

**Management Response:** Regional Parks concurs with this finding and has verified that cashiers are aware of the requirement, as indicated in the department's Cash Handling Manual, to lock cash drawers when not present. Also, Regional Parks will ensure that end of day/shift cash count envelopes and cashier banks are verified by a supervisor or the park Superintendent.

#### **Auditor's Response:**

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

#### **Finding #2 The cash handling controls for safeguarding of the Change Fund were not adequate.**

The Park was not in compliance with the Internal Control and Cash Manual when practicing cash handling controls for the safeguarding of the Change Fund.

Several discrepancies were discovered, which included the following:

- The supervisors performing the close out procedures for the cashiering systems failed to properly complete and sign-off on the Daily Revenue Report forms.
- The supervisors were not approving voided transactions at the time of occurrence.
- The Fund Custodian did not perform frequent cash counts for the Change Fund.
- The combination to the safe was not changed when staffing changes occurred.

- Supervisors were not accurately reconciling the total cash receipts being deposited with the total cash receipts indicated on the Z-Tape from the register.

#### **Recommendation**

We recommend that management immediately establish, using the County's Internal Control and Cash Manual as a basis, the necessary cash handling controls to effectively safeguard the Park's Change Fund. Once these controls are placed in operation, management must continuously monitor these controls to ensure that they are being carried out as planned. The resulting benefit will be that the cash handling process will become more efficient and the risk of the misappropriation of cash assets will be significantly reduced.

#### **Current Status:**

Implemented.

#### **Finding #3 Deposits are not being performed in a timely manner.**

The Park was depositing the cash from the daily sales activity 3 times per week. The Park scheduled the deposits to be transported, by the armored truck company, to the bank on a Monday, Friday, and Saturday because of the increased cost the Park would incur if these services were to be rendered on a daily basis. Maintaining large amounts of cash on the Park's premises significantly increases the risk of misappropriating cash assets. In addition, this demonstrates the lack of adequately safeguarding the cash generated from the Park's sales activities.

#### **Recommendation**

We recommend the Park should ensure that the cash generated from the daily sales activity is deposited by the next business day. Therefore, management should have the armored truck company transport the cash deposits on a daily basis. Implementing this function would serve to strengthen cash controls, while reducing the risk of theft as it relates to cash assets.

#### **Current Status:**

Implemented.

#### **Finding #4 Management is not adhering to the guidelines for properly managing the Petty Cash Fund.**

The department was not adhering to the guidelines governing the maintenance and reconciliation of the petty cash fund. The following conditions were noted:

- People other than the fund custodian disbursed petty cash funds.
- Reconciliations were not performed on a monthly basis by someone other than the fund custodian.
- Employees receiving cash advances were not signing the petty cash voucher.

#### **Recommendation**

We recommend the park obtain a copy of the updated Internal Controls and Cash Manual (8/05) and follow the petty cash fund guidelines. Furthermore, the fund custodian needs to ensure that employees receiving cash advances are signing the petty cash voucher, the fund custodian should be approving the disbursement of petty cash funds, and reconciliations should be performed on a monthly basis by someone other than the fund custodian. Management would minimize the risk of misappropriation by continuously practicing and monitoring the cash management controls.

#### **Current Status:**

Partially implemented. Regional Parks took corrective actions for part of this finding. However, there were two out of nine transactions tested that did not have a petty cash voucher, and people other than the fund custodian continue to disburse petty cash funds.

**Management Response:** Regional Parks concurs with this finding and will ensure that all transactions are supported with a petty cash voucher. However, due to the fact that Moabi operates on a 7-day a week schedule, it is sometimes necessary for someone other than the fund custodian (Superintendent or Assistant Superintendent) to disburse the funds. Regional Parks is open to suggestions on any alternatives in allowing access to petty cash on occasions when the fund custodian is not available (sick), or not scheduled to work.

#### **Auditor's Response:**

The Department's actions will partially correct the deficiencies noted in the finding. Further suggestion would be to split your petty cash fund into two or more funds, insuring that at least one fund custodian is scheduled to work on all days the park is open.

#### **Finding #5 The Park's management of the Cash Difference Fund needs to be improved.**

Management did not perform monthly reconciliations of the Cash Difference Fund. Management is not aware of the general guidelines stipulated in the Internal Control and Cash Manual for effectively managing the Cash Difference Fund.

**Recommendation**

The Park Superintendent should reconcile the Cash Difference Fund at least once a month to ensure the cash funds are properly used by operating personnel.

**Current Status:**  
Implemented.

**Prado Regional Park**

**Finding #1 Cash handling controls for the Change Fund need to be improved.**

The cashiers are allowed to use cashier register codes assigned to other cashiers to perform sales transactions. In addition, the supervisors frequently did not initial the voided receipts when approving voided transactions. Out of the 4 voided transactions reviewed, all 4 transactions did not have evidence of a supervisor's approval. The Park Superintendent did not always ensure supervisors are fully performing their duties of managing the Change Fund.

**Recommendation**

The park superintendent should ensure the cashiering codes of the operating personnel remain secure to prevent the improper use by other cashiers. Additionally, the Park Superintendent should ensure the supervisors properly approve voided transactions. Furthermore, the performance of these controls should be periodically monitored.

**Current Status:**  
Partially implemented. Prado Regional Park implemented most of the recommendations in this finding. However, the cash register system is still unable to create additional cashier register codes to assign to new cashiers.

**Management Response:** Due to the current technology of our cashiering system, Regional Parks is unable to ensure that cashiering codes remain secure. We are currently in the process of attempting to obtain the funds needed to purchase a more advanced cashiering system (Point of Sale) which would then ensure against improper use of cashiering codes.

**Auditor's Response:**  
We will continue to monitor this finding.

**Finding #2 Management of both the Petty Cash Fund and Cash Difference Funds need to be improved.**

The following conditions were disclosed during our review:

- Supervisory approval was not documented on the petty cash vouchers.
- One expense was not issued or accompanied by a voucher.
- The park is not replenishing the cash difference fund as stated in the County's Internal Controls Cash Manual. The fund had been depleted to \$.11 prior to the fund custodian requesting replenishment on 04/25/2007.
- Reconciliations for both the Petty Cash and Cash Difference Fund were not being performed on a monthly basis or by someone other than the fund custodian prior to April 2007.

**Recommendation**

Management should ensure the Petty Cash Fund is replenished when 75% of the authorized fund balance has been depleted and the Cash Difference Fund is replenished when accumulated shortages reach 75% of the authorized fund balance or \$100 whichever is lower. In addition management should ensure funds are reconciled on a monthly basis by someone other than the fund custodian, and disbursed according to the guidelines prescribed in the County's Internal Controls and Cash Manual.

**Current Status:**

Partially implemented. Prado Regional Park implemented most of the recommendations in this finding, except that Regional Parks still needs improvement in replenishing their cash funds. The Cash Difference fund had been depleted to \$0.01 in May and June 2009.

**Management Response:** Regional Parks concurs with the finding regarding replenishing of cash funds; the department's cash handling manual directs fund custodians to replenish the cash difference fund when shortages reach \$25.00.

**Auditor's Response:**

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

**Finding #3 Cash deposits were not made in a timely manner.**

A review of cash deposits, which consisted of 5 weeks between July 1, 2006 and December 31, 2006, disclosed 7 exceptions in which cash deposits were not made within 7 days.

### **Recommendation**

Management should ensure that the cash deposits are performed at a minimum within 7 days or daily when receipts reach \$1,000 as stated in the County's revised Internal Control and Cash Manual to minimize the risk of misappropriations.

**Current Status:**  
Implemented.

### **Yucaipa Regional Park**

#### **Finding #1 Safeguards for cash need to be improved.**

The cashiers did not have a key to lock the cash register while they were on either their breaks or lunches. Also, the office assistant did not keep cash received for reservations in a locked drawer and out of public view. Park Superintendent did not communicate or enforce the proper cash handling controls to operating personnel.

### **Recommendation**

The Park Superintendent should communicate, and enforce, the cash handling guidelines stipulated in the County Internal Controls and Cash Manual. Furthermore, the Park Superintendent should periodically monitor these controls to ensure they are being properly performed.

**Current Status:**  
Implemented.

#### **Finding #2 The supervisory controls related to the Change Fund need to be improved.**

The supervisors performing the close out procedures for the cashiering systems did not always properly complete and sign-off on the Daily Revenue Reports. In addition, the supervisors frequently did not initial the voided receipts when approving voided transactions. Out of the 14 voided transactions reviewed, only 6 had evidence of a supervisor's approval. The Park Superintendent did not always ensure supervisors are fully performing their duties of managing the Change Fund.

### **Recommendation**

The Park Superintendent should ensure that supervisors properly complete and sign-off on the Daily Revenue Reports, and approve voided transactions; further the performance of these controls should be periodically monitored.

**Current Status:**

Implemented.

**Finding #3 Management of both the Petty Cash Fund and Cash Difference Funds need to be improved.**

The following conditions were disclosed during our review:

- Since the Petty Cash Vouchers were not used for either cash advances or reimbursements, there was no written documentation of supervisory approval or evidence that the employee received the funds.
- Individuals other than the fund custodian were allowed to disburse petty cash funds.
- Reconciliations for the cash funds were neither performed on a monthly basis nor by someone other than the fund custodian.

**Recommendation**

The Park Superintendent should ensure both the Petty Cash and Cash Difference Funds are reconciled at least monthly by someone of a higher ranking than the fund custodian and Petty Cash vouchers are utilized for all cash advances and reimbursements.

**Current Status:**

Partially implemented. Yucaipa Regional Park implemented some of the recommendations in this finding, except:

- Yucaipa Park was not always completing the petty cash vouchers, used for petty cash advances/reimbursements, properly with the signature of the employee receiving the cash and/or approving signature.
- Individuals other than the fund custodian were still allowed to disburse petty cash funds.
- There was no evidence of July 2009 reconciliation for the Cash Difference fund.

**Management Response:** Regional Parks concurs with most of this finding and will ensure that the procedures outlined in the county's ICCM regarding proper usage of petty cash vouchers is followed, including proper authorized signatures. Park staff has also been notified that, per the ICCM, all funds must be reconciled on a monthly basis by someone of a higher position than the fund custodian. Yucaipa Regional Park, however, operates on a 7-day a week schedule, therefore it is sometimes necessary for someone other than the fund custodian (Superintendent or Assistant Superintendent) to disburse the funds. Regional Parks is open to suggestions on any alternatives in allowing access to petty cash on occasions when the fund custodian is not available (sick), or not scheduled to work.

**Auditor's Response:**

The Department's actions will partially correct the deficiencies noted in the finding. Further suggestion would be to split your petty cash fund into two or more funds, insuring that at least one fund custodian is scheduled to work on all days the park is open.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

**Larry Walker**

Auditor-Controller/Recorder/Treasurer/Tax Collector

By:

**MARK COUSINEAU**  
Chief Deputy Auditor

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