

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

*Larry Haugh*

DEPT: Auditor-Controller

BOARD AGENDA # \*B-1

Urgent

Routine

AGENDA DATE September 14, 2010

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Accept the Auditor-Controller's Report on Stanislaus County's Revolving Funds as of June 30, 2010

STAFF RECOMMENDATIONS:

Accept the Auditor-Controller's report on Stanislaus County's revolving funds as of June 30, 2010.

FISCAL IMPACT:

The total amount of the Revolving Funds as of June 30, 2010 was \$148,650.50. Of that total, \$91,845.00 was from the General Fund; \$47,044.00 was from Special Revenue Funds; \$4,850.00 was from the Enterprise Funds; \$1,200.00 was from the Internal Service Funds; and \$3,711.50 was from the Trust and Agency Funds. One new Revolving Fund and one new Change Fund were added over the prior Fiscal Year. Please refer to Attachment A for a detailed listing of revolving funds.

continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2010-559

On motion of Supervisor O'Brien, Seconded by Supervisor Chiesa  
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

**FISCAL IMPACT (continued):**

There were eight differences requiring reporting during Fiscal Year ended June 30, 2010:

During Fiscal Year 2009-2010 the Parks and Recreation Department, Woodward Reservoir replenished their Change Fund \$100 less than the established imprest amount recorded on the accounting records. This adjustment was the result of a theft that occurred during the year.

Three imprest funds were removed from the schedule during the year when the Office of Emergency Services was unable to verify a \$25 Revolving Fund and a \$25 Change Fund. In addition, the Probation Department, Juvenile Hall was unable to locate a \$400 Revolving Fund. The cash balance was established a number of years ago and the current staff did not have knowledge of the cash balance. The departments were unable to locate the cash resulting in adjustments made to the department general fund budget.

Four imprest funds were adjusted during the year to reflect the current needs and use of these funds. The Planning department increased both of their Change Fund amounts from \$100 to \$150 each. In addition the Health Services Agency increased one Change Fund from \$350 to \$1,000 and decreased a Revolving Fund from \$7,950 to \$1,318.

Further changes during the year included the addition of two Special Fund amounts assigned to the District Attorney's Office. These two funds were recorded on the accounting records but were not included as part of the imprest fund balances. The amounts of these funds are \$5,000 and \$50,000 respectively.

There were two losses requiring reporting that occurred during Fiscal Year ended June 30, 2010. On July 8, 2009, the Behavioral Health and Recovery Services, the Stanislaus Recovery Center (SRC) site located in Ceres reported a loss of client's property in the amount of \$900. During the July 4, 2009 weekend the Parks and Recreation department, Woodward Reservoir reported a loss of a full day's receipts of \$20,000 due to a break in and theft at the Ranger Entrance Station. Both of these losses were investigated by the appropriate law enforcement agencies and the Auditor-Controller's Internal Audit Division with reports issued. The funds were never recovered resulting in the County reimbursing the client for their loss and the Parks and Recreation department experiencing a loss of revenue. Please refer Attachment B and C regarding these two losses.

**DISCUSSION:**

A revolving fund is an account into which a fixed amount of money is placed for the purpose of minor disbursements or disbursements for a specific purpose (e.g., postage due). When disbursements are made, a voucher is completed to record the date, amount,

**DISCUSSION (continued):**

nature and purpose. From time to time, a report with substantiating vouchers is prepared; the account is replenished for the exact amount of the disbursements and appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers always should equal the total fixed amount of money set aside in the revolving fund.

Pursuant to Government Code Section 29321.1, "...the county auditor shall...render a written report to the board at the end of each fiscal year identifying the revolving funds in existence during the fiscal year, the amount of such fund, and the officer using the fund."

On December 5, 1989, the Board of Supervisors by resolution authorized the Auditor to "perform the function of the Board in establishing, increasing, reducing or discontinuing any of the revolving funds provided for in this article." Pursuant to the authority granted the Auditor, new funds have been established during the year. The establishment of revolving funds that exceed \$1,000 must still have Board approval.

**POLICY ISSUE:**

Acceptance of this report supports the Board's priorities of "Efficient delivery of public services" by helping improve the efficiency of County government processes. The Board must also confirm that the utilization and establishment of revolving funds is consistent with Government Code section 29321.1.

**STAFFING IMPACT:**

There are no staffing impacts associated with the adoption of this report. The Auditor-Controller's Office will continue to monitor and track the various funds and accounts maintained by departments.

**CONTACT INFORMATION:**

Lauren Klein, Assistant Auditor-Controller – 525-6588

Stanislaus County  
Imprest Cash Schedule  
June 30, 2010

ATTACHMENT A

<u>Department</u>	<u>Address</u>	<u>Change Fund</u>	<u>Special Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<b><u>GENERAL FUNDS</u></b>					
<b>Agricultural Commissioner</b> Weights & Measures Modesto Office	3800 Cornucopia Way, Ste B, Modesto	\$100.00		\$600.00	
<b>Animal Services</b> Rabies Control Rabies Control Change Fund	2846 Finch Rd, Modesto	\$300.00 \$400.00		\$100.00	
<b>Auditor-Controller</b> Postage Trust-Postage Due				\$4,000.00	***
<b>Assessor</b> Postage Due Change Fund	1010 10th St. 2nd Flr, Modesto	\$100.00		\$25.00	
<b>Board of Supervisors</b> Petty Cash	1010 10th St. 6th Flr, Modesto			\$30.00	
<b>Clerk-Recorder</b> Elections Clerk-Recorder Clerk-Recorder Vital Statistics Clerk-Recorder	1021 I Street, 1st Floor, Modesto	\$50.00 \$400.00 \$100.00 \$100.00		\$200.00	
<b>Cooperative Extension</b>	3800 Cornucopia Way, Ste A	\$100.00			
<b>District Attorney</b> Interstate Witness Contact Witness Protection Program	832 12th Street. Ste 300		\$5,000.00 * \$50,000.00 *		
<b>Environmental Resources</b> Oakdale Bulky Drop Off	551 S. Center St., Oakdale	\$200.00			
<b>General Services Agency</b> Mail Clerk Bulk Mailing Permit	1010 10th St. 5th Floor, Modesto			\$10.00 \$2,500.00	***
<b>Parks</b> Modesto Reservoir Woodward Reservoir Frank Raines Park La Grange Park Parks Permits Change Fund Modesto Reservoir - Gas Modesto Reservoir - Gas	3800 Cornucopia Way, Ste C, Modesto	\$2,525.00 \$2,350.00 \$475.00 \$250.00 \$25.00 \$200.00 \$200.00		\$50.00 \$250.00	
<b>Planning</b>	1010 10th St. 3rd Floor, Modesto	\$30.00			
<b>Probation</b>	2215 Blue Gum Ave, Modesto	\$200.00			
<b>Public Administrator</b> Probate	250 E. Hackett, Modesto			\$10,000.00	*
<b>Public Defender</b> Postage Due	1021 I st, 3rd Flr, Ste 3500, Modesto			\$25.00	
<b>Sheriff</b> Civil Division Petty Cash Fingerprint Alternate Work Program	801 11th St, Ste 2200, Modesto 250 E. Hackett, Modesto 250 E. Hackett, Modesto 801 11th St, Ste 3100, Modesto	\$150.00 \$200.00 \$200.00		\$300.00	

**Stanislaus County  
Imprest Cash Schedule  
June 30, 2010**

**ATTACHMENT A**

<u>Department</u>	<u>Address</u>	<u>Change Fund</u>	<u>Special Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<b>Treasurer-Tax Collector</b>	1010 10th St. 2nd Flr, Modesto				
Over, Short, Postage Due				\$300.00	
Registered Mail, Writs of Execution				\$5,000.00 *	
Change Fund		\$3,000.00			
Collection Division		\$1,800.00			
<b>TOTAL GENERAL FUND</b>		<b>\$13,455.00</b>	<b>\$55,000.00</b>	<b>\$23,390.00</b>	<b>\$91,845.00</b>
<b><u>SPECIAL REVENUE</u></b>					
<b>Area Aging</b>	121 Downey Ave., Suite 102				
Petty Cash				\$200.00	
<b>Behavioral Health &amp; Recovery</b>	800 Scenic Drive, Modesto				
Change Fund		\$50.00			
Petty Cash				\$80.00	
Homeless				\$8,000.00 *	
Emergency Revolving Fund				\$120.00	
WMRS Change Fund	500 N. 9th St, Modesto	\$50.00			
TRS Change Fund		\$50.00			
Alcohol & Drug Treatment Program				\$51.00	
Stanislaus Recovery Center	1904 Richland Ave, Ceres	\$200.00			
Training Change Fund		\$100.00			
<b>Child Support Services</b>	251 E Hackett Rd, Modesto				
Revolving				\$100.00 *	
Petty Cash				\$500.00	
<b>Community Service Agency</b>	251 E Hackett Rd, Modesto				
Revolving				\$1,900.00 *	
Cashier		\$300.00			
Office Services				\$500.00	
Postage Due				\$22,000.00	
Emergency Client Services				\$250.00	
Turlock Out Station	101 Lander Ave Turlock	\$200.00			
<b>District Attorney</b>	832 12th Street, Suite 300				
Child Abduction Unit			\$5,000.00 *		
<b>Environmental Resource</b>					
Change Fund	3800 Cornucopia Way, Ste C, Modesto	\$700.00			
Petty Cash	3800 Cornucopia Way, Ste C, Modesto			\$100.00	
<b>Health Services Agency</b>					
Vital Statistics	820 Scenic Drive, Modesto	\$100.00			
Communicable Disease	820 Scenic Drive, Modesto	\$1,000.00			
Crippled Children	830 B Scenic Drive, Modesto			\$2,500.00 *	
Aids Case Management	2030 Coffee Rd, Modesto			\$1,318.00 *	
IHCP Change Fund	820 Scenic Drive, Modesto	\$50.00			
<b>Library</b>	1500 I Street, Modesto				
Main-Circulation		\$300.00			
Main-Xerox		\$100.00			
Main-Reference		\$100.00			
Ceres	2250 Magnolia Ave, Ceres	\$100.00			
Hughson	2412 A Third St, Hughson	\$50.00			
Newman	1305 Kern, Newman	\$50.00			
Salida	4835 Sisk Rd, Salida	\$150.00			
Turlock	550 Mineret Ave, Turlock	\$80.00			
Waterford	324 E St, Waterford	\$50.00			
Keyes	4420 Maud Ave, Keyes	\$50.00			
Oakdale	151 S. First Ave. Oakdale	\$70.00			
Denair	4801 Kersey, Denair	\$50.00			
Empire	18 S. Abbie, Empire	\$50.00			
Patterson	46 N. Salado, Patterson	\$50.00			
Riverbank	3442 Santa Fe, Riverbank	\$50.00			
Share Acct- Safety Deposit Box	1419 J St, Modesto			\$25.00	
Petty Cash		\$100.00			

Stanislaus County  
Imprest Cash Schedule  
June 30, 2010

ATTACHMENT A

<u>Department</u>	<u>Address</u>	<u>Change Fund</u>	<u>Special Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<b>Planning</b>					
Building Permits	1010 10th St. 3rd Flr, Modesto	\$100.00			
Building Permits	1010 10th St. 3th Flr, Modesto	\$100.00			
<b>TOTAL SPECIAL REVENUE</b>		<u>\$4,400.00</u>	<u>\$5,000.00</u>	<u>\$37,644.00</u>	<u>\$47,044.00</u>
<b><u>ENTERPRISE FUNDS</u></b>					
<b>Fink Road Landfill</b>					
Fink Road Landfill	4000 Fink Rd, Crows Landing	\$1,000.00			
<b>Health Services Agency - Clinics</b>					
Business Office	830 Scenic Drive, Modesto			\$1,000.00	
Hughson Clinic	2412 3rd St, Hughson	\$300.00			
Outpatient		\$150.00			
Specialty Clinic		\$200.00			
Ceres Medical Office	3109 Whitmore Ave, Ceres	\$200.00			
MAB Pediatrics		\$100.00			
Physical Therapy (REHAB)		\$100.00			
Business Office Petty Cash				\$350.00	
Business Office Window		\$100.00			
Turlock	800 Delbon St, Ste A, Turlock	\$300.00			
McHenry	1209 Woodrow, Modesto	\$300.00			
West Modesto Clinic	401 Paradise Rd, Modesto	\$450.00			
<b>Public Works - Transit</b>					
Transit - Postage Due				\$300.00 ***	
<b>TOTAL ENTERPRISE FUNDS</b>		<u>\$3,200.00</u>	<u>\$0.00</u>	<u>\$1,650.00</u>	<u>\$4,850.00</u>
<b><u>INTERNAL SERVICE FUNDS</u></b>					
<b>Risk Management</b>					
General Liability - Minor Claims	1010 10th St., 5th Floor, Modesto			\$1,000.00	
<b>Strategic Business Technology</b>					
SBT Local Purchases	801 11th St, Ste 4100, Modesto			\$200.00	
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1,200.00</u>	<u>\$1,200.00</u>
<b><u>TRUST AND AGENCIES</u></b>					
<b>Law Library</b>					
Law Library	1101 - 13th St, Modesto	\$55.00		\$3,556.50 *	
<b>StanCERA</b>					
StanCERA	832 12th St, Ste 600, Modesto			\$50.00	
<b>Stan COG</b>					
Stan COG	1111 I St, Modesto	\$50.00			
<b>TOTAL TRUST AND AGENCIES</b>		<u>\$105.00</u>	<u>\$0.00</u>	<u>\$3,606.50</u>	<u>\$3,711.50</u>
<b>TOTAL IMPREST CASH FUNDS</b>		<u>\$21,160.00</u>	<u>\$60,000.00</u>	<u>\$67,490.50</u>	<u>\$148,650.50</u>

\* Held in outside checking account.

\*\* Held in County Treasury.

\*\*\*On deposit with the Post Office.



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Auditor - Controller

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**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
BEHAVIORAL HEALTH AND RECOVERY SERVICES  
STANISLAUS RECOVERY CENTER  
CASH LOSS OF CLIENT PROPERTY REPORT**

ENGAGEMENT PURPOSE

The Auditor-Controller's Office was notified by the CEO – Risk Management Division of a loss that occurred at Stanislaus Recovery Center (SRC), in Ceres. The loss involved client's property in the amount of \$900.00 in cash that was discovered missing on July 8, 2009. The money was given to an employee for safekeeping.

Whenever theft is reported to the Internal Audit Division, the Division gathers information regarding the theft and evaluates the Department's controls over the relevant assets. The auditor then determines the extent of any testing required in order to confirm the controls are operating effectively. Due to this incident, Internal Audit was asked to observe the policies and procedures related to safeguarding client's property at Stanislaus Recovery Center. We performed limited procedures which will consist primarily of inquiry and observation of Stanislaus Recovery Center personnel.

OBJECTIVE

The objective of this evaluation was to identify the policies and procedures utilized by the Stanislaus Recovery Center to receive, handle, and safeguard client property. We evaluated such procedures for any significant weaknesses regarding internal controls over client property, also noting any potential inefficiency related to operational aspects.

SCOPE AND METHODOLOGY

The scope of this evaluation was the policy and procedure related to client property in place at Stanislaus Recovery Center at the time fieldwork was performed.

The information used to perform this limited evaluation was obtained primarily through:

- Review of written procedures.
- Discussion with Stanislaus Recovery Center staff.
- Observation of Stanislaus Recovery Center operations related to client property.

DESCRIPTION OF CASH LOSS

On July 1, 2009 a patient was allowed an outside day pass, to obtain some items while he was in treatment. When he returned to the facility the same day, he had \$900 in cash which he did not want on his person but needed in order to pay his rent as soon as he completed treatment. The money was given to a SRC Coordinator for safekeeping. He placed the money in a locked drawer in his office. The Coordinator locked his office and left for vacation. Upon return of his vacation on July 8, 2009 the Coordinator noticed the money was missing from his locked drawer. The Coordinator's Supervisor was on vacation at the time the money was discovered missing. Consequently, the Coordinator chose to wait until his Supervisor returned from vacation in order

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
BEHAVIORAL HEALTH AND RECOVERY SERVICES  
STANISLAUS RECOVERY CENTER  
CASH LOSS OF CLIENT PROPERTY REPORT**

to notify anyone of the incident. Due to this delay of notification the City of Ceres Police Department was not notified of the incident until after July 14, 2009. A police report is on file. No further legal action was taken, but the employee did receive a formal incident letter and a copy of that letter was placed in his personnel file. The cash was not recovered and the County was left responsible for reimbursing the patient for his lost funds.

### STANDARDS

We considered the use of *Government Auditing Standards* for this engagement and concluded the use of these standards were not necessary due to the non audit service status of this engagement. *Government Auditing Standards* do not cover non audit services. We are not issuing a formal opinion for this engagement such as required by audit or attestation, including examination, review or agreed-upon procedures, again, due to the non audit status of this engagement.

### CONCLUSION

The employee involved in the specific cash loss incident did not adequately safeguard the patient's cash entrusted to him, as noted below. Furthermore, we noted during the day of observation that the policies and procedures at Stanislaus Recovery Center were not all documented and were and not clearly defined. The Stanislaus Recovery Center adopted Stanislaus Behavioral Health Center's procedures and policies about eight years ago, but clear written procedures for Stanislaus Recovery Center are limited. While some procedures clearly pertained to the Recovery Center other procedures did not apply.

The Stanislaus Recovery Center was cooperative and receptive during our evaluation. We sincerely appreciate the courtesy and cooperation extended to us during our evaluation.

### MANAGEMENT COMMENTS

**Observation:** The Coordinator discovered the patient's cash missing on July 8, 2009 but did not notify his immediate supervisor until July 14, 2009 when she returned from vacation. Although the immediate supervisor was on vacation, another supervisor was available and could have been notified. Due to the delay in filing a report with the City of Ceres Police Department recovering the cash was made more difficult.

**Recommendation:** We recommend the Department review its procedures to ensure staff notifies management whenever a cash shortage is discovered. Staff should also be informed of the operational hierarchy should a cash shortage occur and the immediate supervisor is not available. Once notified, management should then contact the Auditor-Controller's Office of the shortage.

**Observation:** The Coordinator did not report the patient's \$900 in cash on the Patient's Cash/Valuables Report. The money was also not placed in the site safe nor was the reception office contacted to safeguard the money in the larger safe. Instead the Coordinator opted to store the money in a locked drawer in his office. Safeguarding assets, including cash and client



**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
BEHAVIORAL HEALTH AND RECOVERY SERVICES  
STANISLAUS RECOVERY CENTER  
CASH LOSS OF CLIENT PROPERTY REPORT**

property, is a critical component of internal controls to prevent loss. The controls in place over the procedures for handling client property appear to be sufficient. However, the Coordinator did not follow the procedures in place that lead to the loss.

**Recommendation:** The Department should review their policies and procedures to ensure controls over client property, including cash, are in place and are adhered to on a daily basis.

**Observation:** Stanislaus Recovery Center does not have clear, written procedures related to client personal property. Two procedures provided for review were specific to Stanislaus Recovery Center but other procedures provided were for the Stanislaus Behavioral Health Center which no longer exists. Some of the Stanislaus Behavioral Health Center procedures applied to Stanislaus Recovery Center, but it was difficult to determine which ones they were. In an attempt to clarify which policies and procedures adopted from the Stanislaus Behavioral Health Center applied to Stanislaus Recovery Center, the Site Administrator initialed the written procedures.

Written procedures document business processes, personnel responsibilities, and departmental operations, promote uniformity in executing and recording transactions, and serve to strengthen internal controls. Thorough policies and procedures serve as effective training tools for employees and in addition help to safeguard County assets.

**Recommendation:** We recommend Stanislaus Recovery Center document all significant business practices, processes, and policies related to client property. Once formalized, management should:

- Make the procedures available to all applicable personnel.
- Ensure procedures are accurate, complete, and current at all times.
- Communicate significant changes to all affected personnel immediately to make certain they are aware of any revisions to their daily duties and responsibilities.
- In the event that there are changes in personnel, documented procedures will facilitate training and provide guidelines for respective positions.

Policies and procedures are only effective if people are aware and understand them. It should be noted that at the time the observations and fieldwork was performed, Stanislaus Recovery Center was in the process of documenting their procedures related to client property.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
BEHAVIORAL HEALTH AND RECOVERY SERVICES  
STANISLAUS RECOVERY CENTER  
CASH LOSS OF CLIENT PROPERTY REPORT**

**ATTACHMENT B**

**Observation:** While we were performing our observation regarding the cash loss we noted the following:

- The safe at the Counselor's Station contained sixteen envelopes. Of the sixteen envelopes, nine did not contain the signature of staff on the envelope flap as required in section B of the Safeguarding Resident's Property/Clothing and Valuables Inventory procedure. According to Administration and the Facility's procedure, the signature is a control in place to evidence tampering.
- One entry on the safe log was documented for \$100.00 with the set of two staff initials and date evidencing when it was placed in the safe. However, there was no indication that the money was transferred to the reception office safe as stated in their procedures. Staff opened the safe and the \$100 was still there. When asked why the money was not taken to reception, the Coordinator stated that it appears a step may have been overlooked and reception may not have been contacted. The Site Administrator stated that per the Stanislaus Behavioral Health Center procedures, it was her understanding that only money over three hundred dollars was sent to reception. Per further staff inquiry, the operating procedure is to contact reception for any cash over twenty-five dollars.

Safeguarding cash is a critical component of internal controls and protective measures must be taken to ensure assets are maintained in a properly controlled and secured environment. In addition, the Facility should abide by their established operating procedures.

**Recommendation:** We recommend Stanislaus Recovery Center ensure the procedures and controls in place to safeguard cash are communicated clearly to staff and adhered to on a daily basis.

**Observation:** During staff inquiry, it was noted that a Coordinator had access to both keys required to open the safe. The Site Administrator stated that it was against policy for him to have access to both keys, but the Coordinator appeared unaware of that policy. Strengthening controls by limiting and securing access is an important part of safeguarding assets.

**Recommendation:** We recommend Management consider implementing controls over keys to the safe by limiting physical access to appropriate personnel.



## ATTACHMENT C

AUDITOR-CONTROLLER

Larry D. Haugh  
Auditor - Controller

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### STANISLAUS COUNTY EXECUTIVE SUMMARY PARKS AND RECREATION DEPARTMENT – WOODWARD RESERVOIR OBSERVATION REPORT

#### ENGAGEMENT PURPOSE

The Auditor-Controller's Office was notified by the Parks Department of a loss that occurred at Woodward Reservoir just outside of Oakdale during the July 4, 2009 holiday. The loss occurred at the Ranger entrance station at the front of the park. A small safe located inside the Ranger Station was removed after the station had closed for the day. The safe held all of the prior day's receipts and the related sales and cash reconciliation documentation. The July 4<sup>th</sup> weekend has increased activity at the Reservoir due to the holiday. The Parks Department estimates approximately \$20,000 in cash was lost with the safe.

Whenever theft is reported to the Internal Audit Division, the Division gathers information about the theft and evaluates the Department's internal controls over the relevant assets. The Department then determines the extent of any testing required in order to confirm the controls are operating effectively. Due to this incident, the Internal Audit division was asked to observe the policies and procedures related to safeguarding of cash at Woodward Reservoir. There have been cash shortages reported at Woodward Reservoir in the past to employee change funds and several years have past since a cash handling engagement was performed at the Reservoir. Due to these circumstances it was determined a cash handling engagement should be performed at the Reservoir.

#### OBJECTIVE

The objective of this evaluation was to gather information regarding the theft and to identify the procedures utilized by Woodward Reservoir to receive, handle, safeguard, and deposit cash and cash equivalents; and to evaluate such procedures for any significant weaknesses regarding internal controls over cash and cash equivalents, also noting any potential inefficiency related to the cash handling procedures.

#### SCOPE AND METHODOLOGY

The scope of this evaluation was the cash handling procedures in place at the Woodward Reservoir at the time fieldwork was performed. For purposes of this engagement, cash receipts included cash and cash equivalents, such as currency, money orders, and checks. Testing of transactions included the period July 2009.

The information used to perform this limited evaluation was obtained primarily through:

- Discussion with Woodward Reservoir staff.
- Observation of Woodward Reservoir operations related to cash handling.
- Review of written procedures.
- Examination and testing of the accounting records and documentation pertaining to cash handling at Woodward Reservoir.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PARKS AND RECREATION DEPARTMENT – WOODWARD RESERVOIR  
OBSERVATION REPORT**

BACKGROUND AND DESCRIPTION OF THE THEFT

Woodward Reservoir is a County park located a few miles north of Oakdale. The regional park is 3,767 acres in size and has camping facilities onsite. Visitors using the park must pay a fee and fees are charged for the various uses in the park. The park is open twenty four hours a day. In order to gain access to the park, visitors must first drive through an entrance station located at the front of the park. The entrance station contains two ranger stations where fees are collected and traffic is monitored in and out of the park. One of the stations is larger and considered the main station and the second station is only open during the busy season. When the Rangers stations are closed, visitors can pay the fees by using the Iron Ranger box at the front of the entrance station which is a large drop tube where payments can be inserted. Small envelopes are provided at the Iron Ranger for the customers to complete and insert the payments.

The theft was discovered Monday morning by Woodward Reservoir employees and the employees believe the theft occurred sometime late Sunday evening or early Monday morning before the Entrance Station opened. Staff estimates approximately \$20,000 in cash was stolen. The entire safe was removed from the Entrance Station and hauled away from the park. Woodward Reservoir employees believe the theft was performed by a prior employee or someone acquainted with an employee as the alarm code was used to turn off the alarm and the individuals responsible for the theft appear to have known where all of the cameras in the entrance station were located as they avoided being identified on the cameras. The individuals responsible for the theft also appear to have known the Entrance Station hours and when the Sheriff would be on patrol at the reservoir. According to the Woodward Reservoir employees, the individuals responsible for the theft were also aware of the location of the safe which is not apparent to someone unfamiliar with the Entrance Station. A video tape recorded the two perpetrators during the theft.

A report was filed with the Sheriff's department to investigate the theft.

STANDARDS

We considered the use of *Government Auditing Standards* for this engagement and concluded the use of these standards were not necessary due to the non audit service status of this engagement. *Government Auditing Standards* do not cover non audit services. We are not issuing a formal opinion for this engagement such as required by audit or attestation, including examination, review or agreed-upon procedures, again, due to the non audit status of this engagement.

CONCLUSION

Our review of the incident indicates that other than the exceptions listed in the Management Comments section below, the unit's internal control process appears to be functioning effectively. The theft appears to have been an inside job as the alarm code was used to disable the alarm and the perpetrators avoided detection from the security cameras and appeared aware of Ranger Station routines and hours of operation. At the time of the theft, the Department used one alarm code that was shared by all those employed at the Reservoir. Because a shared code was used, the Parks Department cannot trace the code to a particular employee. As of the date of this engagement, the Parks Department is unable to determine the individuals responsible for this theft. The theft could have been avoided had the Reservoir used unique alarm codes and had the safe been securely fastened to the floor.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PARKS AND RECREATION DEPARTMENT – WOODWARD RESERVOIR  
OBSERVATION REPORT**

PROCEDURES IMPLEMENTED BY THE DEPARTMENT AS A RESULT OF THE THEFT

**Sales Documentation Listing Credit Card Numbers:** Staff informed the Internal Audit Division that the sales documents included with the cash that was stolen listed customer credit card numbers. As a result, the security of these credit cards was compromised. Woodward Reservoir staff informed the Internal Audit Division that they contacted the credit card provider who in turn contacted the park visitors listed on the credit card reports of this security breach. As a result of this theft credit card equipment was purchased that no longer prints credit card numbers in total on the receipts or other sales documents thereby decreasing the risk the credit card numbers will be compromised in the future.

**Alarm Codes:** Staff informed us that prior to the cash theft, the Reservoir used a single alarm code shared by all employed to disable the alarm protecting the entrance station where the theft occurred. This appears to have been a factor in the theft as the alarm was disabled before the theft occurred. Subsequent to the theft, unique alarm codes were created for each employee thereby discouraging future theft.

**Floor Safe Bolted to the Floor:** Staff informed us that the stolen floor safe was not bolted to the floor. Because the floor safe was not secured, the individuals responsible for theft were able to remove the safe from the Ranger Station. The new safe is bolted to the floor and the bolts are only accessible from inside of the safe.

MANAGEMENT COMMENTS PERTAINING TO THE OBSERVATION AND REVIEW OF THE RESERVOIR'S CASH HANDLING PROCEDURES AND TESTING OF JULY 2009 CASH HANDLING TRANSACTIONS

**Observation:** For 27 out of the 31 days of the month, at least one cashier did not document that they counted their change fund at the end of the day. For those counts that were documented, the counts were not documented with a signature or a date. Due to the number of change fund counts that were not documented, it appears the cash transfer forms are not being properly reviewed by the appropriate personnel.

**Recommendation:** The Department should implement procedures to ensure employees document the count of their change funds with a signature and a date. Appropriate personnel should review the cash count forms to ensure all of the cash count forms submitted by the cashiers contain a signature and a date documenting that the change counts were performed.

**Department Response:** The Department agrees with this recommendation and will implement procedures. Staff will be responsible for verifying change fund at the beginning of shift and at the end of shift. This will be done through a signature, date, and time process on the Daily Cash Transfer Form. The date and time will be in alignment of a staff persons' daily worked schedule.

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**Observation:** The Reservoir's cash handling procedures include comparing the closing X-tape cash register balance with the opening Z-tape cash register balance. Staff stated they perform this procedure; however, completion of the procedure was not documented with a signature and a date.

**Recommendation:** The Department should implement procedures to ensure the employee reconciling the closing X-tape cash register balance with the opening Z-Tape cash register balance document this step with a signature and a date.

**Department Response:** The Department agrees with this recommendation and will implement procedures. After reconciliation of the tapes (X and Z), all tapes will be signed and dated by an Account Clerk I/II, Parks Maintenance Worker II/III, Parks Supervisor, or Manager on a daily basis.

**Observation:** We noted the following regarding the count of the day's cash receipts:

- The cashier and staff reviewing the count both document the count with a signature, however, the documentation of the count is not dated
- Three daily counts were missing a staff signature documenting the count was reviewed.
- On one count, the cashier signed the form as both the cashier and the staff person resulting in a lack of segregation of duties.

**Recommendation:** The Department should revise its procedures to ensure the count of the day's cash receipts is documented with a signature and date. In order to maintain proper segregation of duties, the review of the count should be made by someone other than the cashier.

**Department Response:** The Department agrees with this recommendation and will revise procedures.

Cash Transfer Form – any staff member reviewing the count of the day's receipts will document with a signature and date.

The Department will ensure the segregation of duties is compliant with recommendation. No Park Aide/Cashier will have the authority to reconcile a Cash Transfer Form including signature and date. This duty is the responsibility of an Account Clerk I/II, Parks Maintenance Worker II/III, Parks Supervisor, or Manager.

**Observation:** The documentation of the count of the prior day's receipts is made on the Daily Revenue Report, which is an Excel Worksheet. For fifteen days out of the month, the individual performing the count documented the count by typing his/her name on the Daily Revenue Report. The count was not signed or dated. For the remaining fifteen days, the count was documented with a signature but not dated. The instances whereby the name was typed in rather than a hand signature indicates a control weakness as anyone who has access to the Excel file can type in a name.

**Recommendation:** The Department should revise their procedures to ensure the individual performing the count of the prior day's receipts document the count with a signature and a date on the Daily Revenue Report.

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**Department Response:** The Department agrees with this recommendation and will implement procedures. The Daily Revenue Report will be signed and dated by hand. This duty is the responsibility of an Account Clerk I/II, Parks Maintenance Worker II/III, Parks Supervisor, or Manager.

**Observation:** We noted one manual receipt total did not agree to the cash register tape total generated by cash register. The manual receipt total is \$100 and the cash register tape total is \$86. There was no documentation explaining the \$14 variance.

**Recommendation:** The Department should design and implement procedures to ensure variances are investigated and documentation supporting the variances is attached to the manual receipts.

**Department Response:** The Department agrees with this recommendation and will implement procedures. Department staff will ensure that any variances of credit based on the purchase of an annual pass on a same day purchase will reflect the credit on the manual (hand written) receipt.

**Observation:** We were informed by Woodward Reservoir staff that some of the cashiers were calculating the change due to customers manually rather than having the cash register calculate the change due. Due to the large numbers and long lines of vehicles present during the busy season, manually calculating the change due customers can result in calculation errors, frequent cash shortages and overages as a result.

**Recommendation:** The Department should implement procedures so that all the employees are using the cash registers to calculate the change due customers in order to minimize calculation errors.

**Department Response:** The Department agrees with this recommendation and will implement procedures. Any cashier responsible for receipting cash received by a customer will input the amount of cash received to reflect the correct amount of change given.

**Observation:** We noted a \$143 cash shortage from one of the cashier's daily cash counts. The cashier stated on the cash count sheet that the shortage was due to the cash receipt tape not advancing and it appears based on subsequent information provided by staff that the shortage may have been caused by the employee recording the transaction more than once in the cash register in order to generate a receipt for a customer.

**Recommendation:** The Department should implement procedures to ensure cashiers seek the assistance of supervisors when problems arise with the cash registers. The Department should also setup alternative procedures which could include the use of manual receipts when a cash register receipt is not available. The Department should also ensure that cashiers are properly trained in the use of the cash registers and the procedures to follow when the cash registers malfunction.

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**Department Response:** The Department agrees with this recommendation and is in the process of researching options including:

Option 1 – Staff is researching the ability to disengage the “Alpha Stop” feature of the cash registers which can be engaged at any time, accidentally or purposefully. If available, staff will disengage this function.

Option 2 – If it is determined this feature cannot be disengaged, staff will be trained to notify and locate their supervisor to determine malfunction of a cash register. Until the malfunction can be determined and rectified, the immediate procedure of manual (hand written) receipts will be implemented.