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FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **DEPARTMENT OF AGRICULTURAL COMMISSIONER/WEIGHTS &
MEASURES – FISCAL REVIEW**

We have completed a review of the Department of Agricultural Commissioner/Weights & Measures' (ACWM or Department) fiscal operations. Our review focused on evaluating the Department's internal controls and compliance with County fiscal policies and procedures in key areas such as revenue/cash, expenditures, procurement, and payroll/personnel. We also reviewed the Department's budgetary performance, contracting operations, and fleet management.

The Department's budgeted appropriations for Fiscal Year (FY) 2003-04 are \$25.1 million, and the Department employs approximately 350 permanent employees.

Summary of Findings

We found the Department has consistently operated within its budget and that it was performing its basic accounting procedures in a satisfactory manner. However, we noted various areas where internal controls need to be improved to safeguard assets and ensure the integrity of financial transactions.

The most significant area for improvement is the Department's cash handling process. Department management needs to make significant changes to the current process to ensure cash is adequately safeguarded and that all revenue receipts are accounted for and deposited.

The County's Internal Control Certification Program (ICCP) is intended to give departments the ability to assess their own internal controls and take corrective action to ensure compliance with County policies and procedures. Many of the internal control weaknesses discussed in this report could have been identified and corrected if the Department had properly completed the ICCP as required. Department management

needs to conduct the annual reviews for its cash related operations in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the information to the Auditor-Controller. The Department should continue to conduct biennial ICCP reviews for its remaining fiscal operations.

REVIEW OF REPORT

We thank ACWM management and staff for their cooperation and assistance during our review. We discussed the results of our review with Department management. The Department's written response (attached) indicates general agreement with our findings and recommendations.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (626) 293-1101.

JTM:PTM:DR

Attachments

- c: David E. Janssen, Chief Administrative Office
- Cato Fiksdal, Director, Agricultural Commissioner/Weights and Measures
- Violet Varona-Lukens, Executive Officer
- Audit Committee
- Public Information Office

Los Angeles County
Department of Agricultural Commissioner
Weights & Measures

Fiscal Review

November 2003

Prepared by:
Department of Auditor-Controller

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Department of Agricultural Commissioner/Weights & Measures
Fiscal Review

Comments and Recommendations

Background

The Agricultural Commissioner/Weights & Measures Department (ACWM or Department) provides environmental and consumer protection by enforcing federal, State and county laws in the areas of health, safety and consumer affairs. Its services include ensuring the safe supply of food and water, protecting consumers and businesses from fraud, preventing the misuse of pesticides, overseeing pest management activities, preventing exotic pest infestations and enforcing apiary laws and regulations. The Department also works to minimize fire hazards from weeds and brush, and provides consumer and agricultural information to the public.

The Department's budgeted appropriations for Fiscal Year (FY) 2003-04 are \$25.1 million, and the Department employs approximately 350 permanent employees.

Budgetary Control and Adherence to County Budget

In examining the Department's adherence to its General Fund budget, we compared the Department's actual financial results to its adjusted budget for FYs 2000-01 and 2001-02, and 2002-03. The results are summarized below:

Budget to Actual Financial Results
Fiscal Year 2000-01

	<i>Budget</i>	<i>Actual</i>	<i>Over or (Under)</i>
Expenditures	\$ 21,847,000	\$ 20,088,439	\$ (1,758,561)
Intrafund Transfers	\$ 284,000	\$ 412,346	\$ 128,346
Revenue	\$ 18,024,000	\$ 16,208,235	\$ (1,815,765)
Net County Cost	\$ 3,539,000	\$ 3,467,858	\$ (71,142)

Budget to Actual Financial Results
Fiscal Year 2001-02

	<i>Budget</i>	<i>Actual</i>	<i>Over or (Under)</i>
Expenditures	\$ 24,124,000	\$ 20,883,862	\$ (3,240,138)
Intrafund Transfers	\$ 421,000	\$ 397,845	\$ (23,155)
Revenue	\$ 19,426,000	\$ 16,691,109	\$ (2,734,891)
Net County Cost	\$ 4,277,000	\$ 3,794,908	\$ (482,092)

Budget to Actual Financial Results
Fiscal Year 2002-03

	<i>Budget</i>	<i>Actual</i>	<i>Over or (Under)</i>
Expenditures	\$ 25,477,000	\$ 22,593,292	\$ (2,883,708)
Intrafund Transfers	\$ 447,000	\$ 462,366	\$ 15,366
Revenue	\$ 20,132,000	\$ 17,755,564	\$ (2,376,436)
Net County Cost	\$ 4,898,000	\$ 4,375,362	\$ (522,638)

Overall, the Department has operated within its budgeted Net County Cost (NCC). However, we noted the Department has under-realized revenues from between \$1.8 million and \$2.7 million during the last three fiscal years, and actual expenditures were under budget by a like amount. We analyzed the variances for the most recent two fiscal years and noted the budget variances are primarily attributable to the Department's difficulty in hiring Inspector positions due to insufficient interest in the positions. As a result, salary and employee benefit expenses were not incurred. To address this issue, the Department has both reduced some of the Inspector positions from its budget and has instituted an aggressive recruitment program in conjunction with the Department of Human Resources to fill remaining vacancies.

County Internal Control Certification Program

County Code Section 2.10.015 requires County departments to annually evaluate their fiscal controls using the Internal Control Certification Program (ICCP). The ICCP program is intended to give departments the ability to assess their own internal controls and take corrective action to ensure compliance with County policies and standards.

When the Department evaluated its fiscal controls using the ICCP, management certified controls were in effect when they were not. Many of the internal control weaknesses discussed in this report may have been identified if the Department had correctly completed its ICCP. In January 1996, our office granted the Department's request to conduct biennial ICCP reviews. In light of the internal control weaknesses we identified, the Department should conduct annual ICCP reviews for its cash related operations.

Department management needs to conduct annual cash related reviews in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the information to the Auditor-Controller. The Department should continue to conduct biennial ICCP reviews for its remaining fiscal operations, as required.

Recommendation

- 1. Department management conduct annual ICCP reviews for its cash related operations in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the ICCP to the Auditor-Controller.**

Revenue

The Department bills and receives payments for a variety of services including pest control and exclusion, weed abatement, and testing the accuracy of scales, scanners and meters. Total revenue for FY 2001-02 was approximately \$17 million.

Accounts Receivable

The Department's Budget & Fiscal Services section is responsible for billing, collecting and monitoring accounts receivable. CFM Chapter 9 requires that departments age accounts receivables to identify those receivables outstanding for 30, 60 and 90 days and initiate follow-up procedures timely.

The Department does not age its accounts receivable balance. We aged the Department's \$652,000 accounts receivable balance at June 30, 2002 and noted that \$421,877 (65%) related to State invoices that were paid in the subsequent month. In addition, we noted that only 10% of the receivable balance pertained to accounts outstanding for 60 days or more. While the majority of receivables are current, the Department should still age them so they can detect problems should they occur.

We also noted the Department does not follow-up timely on outstanding accounts receivable. Specifically, the Department reviews accounts more than 30 days past due approximately every two months, and sends out one reminder notice to the payee. Because of the bi-monthly review cycle, accounts may be close to 90 days old before the Department begins its follow-up. Accordingly, to maximize collections and pursue collections timely, ACWM staff should monitor outstanding receivables monthly.

Recommendation

- 2. Department management ensure staff age receivables and monitor outstanding receivables monthly.**

Billing Rates

The Department's Fiscal Services Section develops and adjusts billing rates for a variety of services, such as Environmental Toxicology studies, weed abatement, and pest control. Per CFM Section 8.1.3, departments are required to review their rates at least annually to maximize cost recovery. However, we noted that the Department does not always review its rates annually. For example, Fiscal Services has not reviewed or revised the Department's Environmental Toxicology Lab rates since FY 1999-00. As well, for those rates it does review annually, Fiscal Services does not always complete the rate reviews until well into the fiscal year. For example, the Department did not complete its FY 2001-02 rates for Vertebrate Pest, Noxious Weed and Weed Abatement until March 2002. In addition, we noted the Auditor-Controller's Accounting Division has not reviewed the Department's direct billing rates, or the methodology used to calculate these rates, since FY 1995-96.

To maximize cost recovery, ACWM management needs to ensure billing rates are updated timely to reflect changes in annual operating costs. In addition, the Department should have the Auditor-Controller's Accounting Division review its rates calculation methodology annually.

Recommendations

Department management:

- 3. Ensure billing rates are updated timely to reflect increases in annual operating costs.**
- 4. Submit its billing rates annually to the Auditor-Controller's Accounting Division for review.**

During the course of our review, the Department began to submit some of its current billing rates to the Auditor-Controller's Accounting Division for review. The Accounting Division's review disclosed some discrepancies warranting further investigation. Accordingly, at the Department's request, we are conducting an additional review of selected Departmental rates, the results of which will be reported to the Department upon completion.

Expenditure Accruals/Commitments

Expenditure accruals represent amounts owed at the end of a fiscal year for items that the Department has received but has not yet paid for. Commitments represent funds reserved to pay future obligations on contracts and direct purchase orders. It is important that both expenditure accruals and commitments be accurately calculated and recorded to ensure the County's accounting records accurately reflect its financial position and results of operations at the end of the fiscal year.

We reviewed the Department's expenditure accruals and commitments and noted the Department appropriately established accruals for items received as of June 30, 2002, but not paid for until the subsequent fiscal year. In addition, the Department appropriately established commitments for future obligations and the commitments with current balances are still valid and should not be cancelled.

Recommendation

None.

Cash

The Department provides a variety of services to the public, including registering and calibrating weighing and measuring devices, inspecting produce and plants for pests, quality, etc., enforcing pesticide laws and regulations, and removing weeds and brush to

reduce fire hazards. The Department charges fees for each of these services and receives payment in the form of cash and checks directly in person from customers and through the mail. The primary collection sites include the Department's Headquarters in Arcadia, South Gate field office, and the downtown Los Angeles Produce Market, as well as other field offices and field inspectors.

As detailed throughout this section, Department management needs to make significant changes to the current cash handling process to ensure cash is adequately safeguarded and that all revenue receipts are accounted for and deposited.

Separation of Duties

CFM Section 1.1.3 requires that cash handling duties must be separated to ensure that no one individual controls all key aspects (e.g., receiving, receipting, depositing, disbursing, reconciling and recording) of a cash transaction. This is necessary to reduce the likelihood of losses occurring and going undetected.

At Headquarters the individual who maintains and controls Departmental Receipt books is also responsible for counting the cash and checks and for preparing the deposit permits. She also has access to the cash box containing daily receipts and the \$30 change fund. Another individual responsible for receiving and receipting collections prepares the deposit, and also follows up on questionable/unidentifiable payments. A Senior Typist Clerk in the Weights and Measures Bureau receives and receipts over the counter collections, prepares the locked bag for transfer to headquarters, and posts payments to the device registration billing system. When one individual controls all key aspects (e.g., receiving, receipting, depositing, disbursing, reconciling, and recording) of a cash transaction, losses may occur and go undetected.

Department management should review cash controls at all of its locations to ensure that cash handling duties are adequately separated.

Recommendation

- 5. Department management review cash controls at all locations to ensure cash handling duties are adequately separated.**

Safeguarding Collections

Chapter 1 of the CFM requires departments to establish controls over all phases of cash handling operations, such as limiting access to cash (defined as both cash and checks), placing daily receipts in a secured location until ready for deposit, immediately restrictively endorsing checks upon receipt, and depositing collections of \$500 or more daily. We noted the Department can improve procedures to better safeguard collections prior to deposit, as follows:

- Field inspectors provide a variety of services for which payments are collected in the field. For the vast majority of these services, the inspector issues a certificate to the customer certifying produce quality, etc. However, if the inspector neglects to (1) issue a Departmental Receipt (the control document when reconciling collections), and (2) turn in the Department's copy of the certificate, the Department would not detect the loss of these funds. To ensure all field collections are received and deposited, the Department needs to account for the sequence of certificates issued. We also noted that not all certificates are pre-numbered and the Department needs to ensure all certificates are prenumbered.
- Some inspectors take their collections home or leave collections locked in their County vehicle. Field inspectors sometimes carry collections around with them for periods of up to six weeks. Department management needs to ensure that collections are safeguarded and deposited in accordance with CFM requirements. Funds should never be taken home.
- At the South Gate Office cash collections awaiting pick up by the County messenger are placed in a locked bag in the outgoing box in the front lobby of the office with easy access to anyone entering or exiting the building. In addition, upon completing a cash count of the South Gate Office's \$100 petty cash fund, we noted the fund custodian left the unlocked cash box on her desk while she stepped away. We also noted two Headquarters employees have keys to the cash drawer containing daily collections and the \$30 change fund. One of these employees leaves her key in an unlocked drawer, which is accessed by other employees. A third employee places a locked bag containing the deposit in this cash drawer. The two employees who have keys to the cash drawer also have keys to the locked bag.
- Field inspectors do not always immediately restrictively endorse checks. In addition, we noted that the individual responsible for opening the mail at Headquarters does not restrictively endorse checks after opening the mail. Instead, he leaves all checks on his desk until the end of the day at which time he endorses all the checks opened during that day.
- The Department indicated that they are unable to assign two staff to open the mail and record receipts due to staffing constraints. However, we noted the Department's Headquarters received approximately \$670,000 in mail receipts during FY 2002-03 (we were unable to readily determine South Gates' mail total). Accordingly, the Department should consider assigning two employees to open the mail and record receipts as required by the CFM. In the "Cash Transfers" section below, we recommend all mail remittances be sent directly to the Headquarters site. This new procedure should make it easier for the Department to have two employees open the mail and record receipts. As an alternative, the Department could also consider installing cameras to monitor the opening of the mail and the receipting of collections.

- We noted ACWM's Headquarters office deposits funds received from all collection sites (i.e., South Gate, Produce Market, field inspectors, etc.) on a daily basis. However, we noted that the various collections sites and inspectors do not submit to Headquarters collections exceeding \$500 daily. For example, the South Gate Office and Produce Market staff turn in collections to Headquarters approximately twice each week, even if the collections exceed \$500 in a given day. In addition, we reviewed two deposits totaling \$41,000 and noted instances where Departmental Receipts issued by field inspectors were dated from up to six weeks prior to the deposit date. We also noted the safe at Headquarters is not adequately secured. All Fiscal staff have access to the keys to the locked storage room in which the Department keeps its safe. During business hours, the Department does not lock the safe.

Recommendations

Department management:

- 6. Establish mechanisms to ensure all field collections are received and deposited.**
- 7. Prohibit staff from taking collections home, secure cash to be left overnight in the safe (or deposit, etc.), and require collections exceeding \$500 to be deposited daily.**
- 8. Ensure all field staff have a check endorsement stamp and ensure all checks are immediately restrictively endorsed to the County of Los Angeles upon receipt.**
- 9. Ensure funds awaiting deposit or pick-up are secured in a locked drawer or safe.**
- 10. Consider assigning two employees to open the mail and record receipts.**
- 11. Ensure all funds, including petty cash and change funds, are secured at all times and access is limited.**
- 12. Ensure all collections are deposited within one day of receipt, or as required by CFM Section 1.3.7.**

Departmental Receipts

CFM Section 1.3.3.3 requires departments to establish strict controls over the issuance of Departmental Receipts. For example, new receipt books should not be issued until used books are returned with all receipts accounted for. Receipts with alterations or erasures must be marked "void" and a new receipt issued. Voided receipts should be

initialed by a supervisor, with a note as to why the receipt was voided. All voided receipts (originals and all copies except the anchor copy which should be left in the receipt book) should be immediately forwarded to the department's business office. In addition, the CFM states that the supply of unused receipts must be locked, with access limited to those responsible for controlling receipt books, and that signs should be posted requesting the payer to ask for a receipt. If possible, the sign should include a sample of the appropriate receipt.

The Department can improve controls over the accounting of Departmental Receipts, as follows:

- **Receipt Accountability**

The Department issues new receipt books without ensuring that previously issued receipt books are accounted for. For example, as of June 2003, we noted the Department issued new receipt books to 24 (53%) of 45 Departmental Receipt book users, although users had not yet returned previously issued books. Also, the Department does not regularly follow up on the status of receipt books that have been outstanding for lengthy periods of time. For example, we noted that 16 (7%) of 238 Departmental Receipt books were outstanding from 13 to 34 months from the date of issuance. Finally, we reviewed 20 receipt books each containing 25 receipts, to ensure individual receipts were accounted for and noted 28 (6%) receipts that had been voided or altered. Voided receipts were not initialed by a supervisor, nor was there a note as to the reason(s) the receipt was voided. Altered receipts were not marked "void" nor were new receipts issued. The staff person who reconciles receipts was not aware of the requirements of CFM Section 1.3.3.3.

Department management should ensure staff collect previously issued receipt books and account for the sequence of all receipts prior to issuing new books. In addition, to reduce the risk of loss, management should ensure staff regularly follow up on the status of receipt books that have been outstanding for lengthy periods of time. Finally, management should ensure staff obtain approval from their supervisors when Departmental Receipt transactions are voided, ensure staff document the reasons for all receipt changes, that supervisors authorize the changes, and investigate unusual changes.

Recommendations

Department management:

- 13. Ensure staff collect previously issued Departmental Receipt books and account for the sequence of all receipts prior to issuing new books.**
- 14. Ensure staff regularly follow up on the status of receipt books that have been outstanding for lengthy periods of time.**

15. **Ensure staff maintain all copies of voided receipts and obtain approval from their supervisors when transactions are voided.**
16. **Ensure staff document the reasons for all changes to Departmental Receipts, ensure supervisors properly authorize the changes, and investigate unusual changes.**

- **Safeguarding Receipts**

The Department assigns unused receipt books to individual client locations (e.g., nurseries). This process enables the Department to use the receipt books to track, by the sequence of Departmental Receipts issued, revenue earned from each client. At various collection sites reviewed (i.e., Headquarters, South Gate, Lancaster), we noted receipt books are left out on the client's and/or staff's desks. In addition, staff with whom we spoke indicated that receipt books are shared. At the South Gate office, the person responsible for distributing new receipt books for the Weights and Measures Bureau keeps the unused receipt books on her desk.

The Department should store unused receipt books in a locked cabinet or drawer and restrict access to as few employees as possible. In addition, management should ensure receipt books are not shared. For receipt books assigned to individual client locations, the Department should require clients to sign a statement indicating that the client will limit access to receipts to ACWM inspectors, safeguard unused receipts, and assume responsibility for missing receipts.

Recommendations

Department management:

17. **Ensure staff store unused receipt books in a locked cabinet or drawer and restrict access to as few employees as possible.**
18. **Ensure receipt books are not shared to establish accountability.**
19. **Require client locations to sign a statement indicating that the client will limit access to receipts to ACWM inspectors, safeguard unused receipts, and assume responsibility for missing receipts.**

- **Signage**

We observed the areas where over-the-counter collections are received and noted that, at Headquarters, a sign requesting the payer to ask for a receipt is clearly posted. However, at the South Gate Office, there is a sign posted in one of its collection areas although the sign is not readily visible. At the second collection area, there is no sign posted.

Department management should ensure signs are clearly posted at all of its collection sites requesting payers to ask for a receipt.

Recommendation

- 20. Department management ensure signs are clearly posted at all of its collection sites requesting payers to ask for a receipt.**

Cash Transfers

Cash transfers among sections and staff reduce accountability and increase the risk of loss. As previously noted, the Department has several cash collection sites, including the collections that occur in the field by inspector staff. We noted through interviews with Department staff and observation of collection procedures that numerous cash transfers occur among and between the collection sites and inspector staff. For example, inspectors drop collections at the Department's Headquarters or South Gate offices, in a locked box at the downtown Los Angeles Produce Market, or they give collections to another inspector to drop at one of these locations for deposit. These transfers are rarely made with a record of the transaction verified by two individuals.

To improve controls, the Department should (1) require all mail remittances be sent directly to Headquarters, and (2) discontinue physically transferring cash among staff and the various collection sites, to the extent possible. The later could be accomplished by establishing a SWEEP account with the County's Treasurer and Tax Collector (TTC). Field and/or collection site staff could deposit daily collections at a local bank and the funds would be "swept" nightly into the Department's account with TTC. This process would increase security over daily collections by minimizing the number of hand-offs and ensuring collections are deposited timely.

When transfers are deemed necessary, two people should always count the cash and checks together, and sign and date a "record of money received" indicating the collection amount to be transferred.

Recommendations

Department management:

- 21. Require all mail remittances to be sent directly to the Headquarters site.**
- 22. To the extent possible, discontinue physically transferring cash among staff and the various collection sites through the establishment of a SWEEP account.**
- 23. When transfers are necessary, require two people to count the cash and checks together, and sign and date a transfer advice ticket indicating the collection amount to be transferred.**

Safe Inventories

CFM Section 1.1.4 states that safes should be used to store cash and other negotiable instruments and should be kept clear of personal belongings, artifacts, and other non-County valuables, etc. In addition, the CFM states that safes should be inventoried every six months and purged of non-negotiable items.

We reviewed the contents of the safes at both the Headquarters and South Gate Offices and noted the Department uses its safes to store cash and negotiable items. However, we noted the safe at the South Gate Office also contained a number of items which appear to be of little or no value (e.g., parking placards for three employees who are no longer with the Department, expired film, an expired price list, keys to file cabinets that staff believe are no longer in use). Department management needs to ensure safes are inventoried and purged of non-negotiable items in accordance with CFM requirements.

Recommendation

24. Department management ensure safes are inventoried and purged of non-negotiable items in accordance with CFM requirements.

Statements of Responsibility

CFM Section 1.6.3 states that custodians of all revolving funds, including sub-assignments, sign a Statement of Responsibility form, updated at least annually, or whenever the fund custodian changes, specifying the amount of the assigned fund for which they are responsible. In addition, CFM 1.6.7 requires the Statement of Responsibility form to include the amount of the assignment, the custodian's name and signature, the secondary custodian's name and the supervisor's signature approving the form.

The Department maintains two revolving funds, one petty cash fund for \$2,250 and one "undercover" fund for \$1,000. The petty cash fund is used for emergency purchases, and is divided into four subassignments. The undercover fund is used to make "undercover" purchases, including purchases of petroleum which the Department tests for volume accuracy.

We noted the Department does not maintain updated Statement of Responsibility forms for the custodians of the petty cash funds or the undercover fund. For example, the Statement of Responsibility form for the Headquarters petty cash fund had not been revised to reflect a \$1,000 increase in 1993. The remaining Statement of Responsibility forms were over two years old and did not contain current information (i.e., fund balance, custodian name, fund location).

Department management needs to ensure that all employees who have custody of change funds/petty cash funds, annually sign a Statement of Responsibility form that includes the appropriate information and to retain the form in the department's business

office. Department management also needs to ensure that the Statement of Responsibility forms include the appropriate information.

Recommendation

- 25. Department management ensure that all employees who have custody of change funds annually sign a Statement of Responsibility form that includes the appropriate information and to retain the form in the department's business office.**

Trust Funds

The Department maintains one trust fund with 29 trust accounts to account for funds received until earned from produce quality and structural fumigation inspections. As of March 2003, the Department's trust fund had a balance of \$242,000.

Trust Fund Reconciliations

CFM section 2.3.0 requires departments to perform monthly reconciliations of their trust records to the Countywide Accounting and Purchasing System (CAPS). The monthly reconciliations must be reviewed and approved by the department's chief fiscal officer or accounting officer. This is necessary to ensure reconciling items are resolved promptly and any trust monies earned are transferred to revenue timely.

We reviewed trust fund reconciliations for the period June 2002 through February 2003 and noted the Department's Fiscal Officer does not document her review and approval of the monthly trust fund reconciliations.

Recommendation

- 26. Department management require the Department's Fiscal Officer to document her review and approval of the monthly trust fund reconciliations.**

Transfers to Revenue

CFM Section 8.1.6 states that unearned funds should be deposited into a trust account and transferred to revenue when earned. The transfers to revenue should occur throughout the year and also at year-end prior to closing. Postponing the transfer or accrual of revenue is not appropriate.

We reviewed trust activity for the period January through March 2003 and noted transfers to revenue are made monthly for all but one account, the Pesticide Use Enforcement (PUE) account. Fiscal staff stated they transfer PUE revenue annually because they need PUE staff to compile and provide inspector service records documenting the amount of revenue to transfer, which generally occurs once each year.

However, staff agreed they could obtain these records more timely, if necessary. As of February 2003, the Department had approximately \$186,000 in the PUE account that had been earned but not transferred to revenue.

To ensure the timely and proper recognition of revenue, Department management should ensure PUE monies received and earned are transferred to revenue timely, at a minimum, quarterly.

Recommendation

27. Department management ensure PUE monies received and earned are transferred to revenue timely, at a minimum, quarterly.

Procurement

The Department's Procurement Section has overall responsibility for the procurement functions and is responsible for reviewing the requisitions and bid information. The Department's Accounts Payable staff are responsible for reviewing the invoices for accuracy, and comparing invoices to purchase orders and receiving reports before authorizing payment. Once the documents have been matched, the Accounts Payable staff enter the payment voucher into the Countywide Accounting and Purchasing System (CAPS) to initiate payment to the vendor.

Non-Agreement Purchases

Non-agreement vendor purchase orders should only be used when purchasing supplies that are not provided by agreement vendors. The Internal Services Department's (ISD) purchasing guidelines state that, for purchases less than \$1,500, two solicitations are encouraged, and at least three price quotes should be obtained for each purchase between \$1,500 and \$5,000. In November 1998, ISD granted the Department an increase in delegated purchasing authority to make non-agreement purchases up to \$15,000 without direct ISD involvement.

We reviewed 20 non-agreement vendor purchases and noted the following:

- For 6 (30%) purchases, the Department either did not obtain bids, or did not obtain the required number of bids.
- For 4 (20%) sole source transactions, the Department did not have adequate documentation to justify the reasons for making sole source purchases, or they were unable to locate the documentation to justify the sole source purchases.

To ensure the Department receives the best possible prices, ACWM management should ensure procurement staff obtains required price quotes and that all relevant quote or solicitation information is documented. The Department also needs to ensure that procurement staff document the justification for making sole source purchases.

Recommendations

Department management:

- 28. Ensure Procurement staff obtains required price quotes and that all relevant quote or solicitation information is documented.**
- 29. Ensure Procurement staff document the justification for making sole source purchases.**

Agreement Purchases

ISD's Purchasing Standard 988-6, Department Instructions for Agreement Various Vendors Blanket Purchase Order, discusses policies and procedures for using agreement vendors. The guidelines specifically state that departments using agreement vendors are responsible for verifying the accuracy of invoices against the agreement terms before processing payment.

We judgmentally selected 10 payment vouchers for review and noted that nine (90%) purchases, totaling \$7,040, had no evidence of review or verification conducted to confirm the invoice price to agreement price. We obtained the agreement prices from the Internal Services Department (ISD) and noted the following:

- For two purchases, the Department overpaid approximately \$40.
- For three purchases, Procurement staff used an agreement purchase order to purchase items totaling \$711 not covered by the agreement. In these instances, Procurement staff should have tried to obtain lower prices through the use of vendor solicitations.
- For one purchase, the Department purchased non-agreement items totaling \$221 from a non-agreement vendor, but charged the items against an agreement purchase order. We reviewed FY 2001-02 agreement purchases to determine if the Department made additional purchases from this non-agreement vendor. We identified two additional purchases, totaling \$348, that the Department charged against an agreement purchase order.

To ensure the Department pays the agreed-upon prices for goods/services, Department management needs to ensure that individuals authorizing payment documents have verified the correct amount to be paid. In addition, the Department should ensure Procurement staff obtain vendor solicitations when purchasing items not covered by a vendor agreement. Finally, Department management should ensure purchases from non-agreement vendors are charged against non-agreement purchase orders.

Recommendations

Department management:

30. Ensure that individuals authorizing payment documents have verified the correct amount to be paid.
31. Ensure Procurement staff obtain vendor solicitations when purchasing items not covered by a vendor agreement.
32. Ensure purchases from non-agreement vendors are charged against non-agreement purchase orders.

Miscellaneous Vendor Codes

The Countywide Accounting and Purchasing System (CAPS) maintains a Vendor Table (VEND) containing over 49,000 records. Information on the VEND includes the vendor's name, vendor code, address, and total current and prior year payments. CFM Section 4.3.6 requires that vendor codes be used to the fullest extent possible when processing vendor payments. The use of vendor codes reduces online data entry time, enables the ability to retrieve historical vendor payment data, edits for duplicate invoice payments, provides automated year-end 1099 reporting to the IRS, automates the Community Business Enterprises activity, and provides summary reporting on Countywide purchasing activity. Generally, departments should only use the miscellaneous vendor code ("MISC 01") for payments to employees or, if the department is fairly certain it will not make any future payments, to vendors.

We reviewed miscellaneous vendor code transactions for FY 2001-02 and identified 15 vendors where the Department used the miscellaneous vendor code more than once. For nine (60%) of the 15 vendors, the Department should have requested specific vendor codes, as the Department made two or more purchases from these vendors and expects to make future purchases from them. The Department either requested vendor codes or does not plan to make future purchases from the remaining six vendors.

The Department should request the Auditor-Controller establish vendor codes for vendors from whom the Department makes two or more purchases.

Recommendation

33. Department management request the Auditor-Controller establish vendor codes for vendors from whom the Department makes two or more purchases.

Timeliness of Payments

Board policy requires departments to take all available vendor discounts and to pay vendors within 30 days of receiving the vendors' invoice. To maximize County cash flow, departments normally should not pay vendors earlier than 30 days, unless there is a discount or the vendor requires earlier payment.

We reviewed 20 vendor payments and noted that the Department is not making payments in accordance with County policy. Although there were no lost discounts for these 20 payments, 17 (85%) of the 20 invoices were paid an average of 26 days late. We did note during our agreement testwork (above) that untimely payments for two of ten purchases resulted in very minimal late fees and lost discounts. ACWM management should ensure all available vendor discounts are taken and vendor payments are made in accordance with the invoice terms or within 30 days as required by County policy.

Recommendation

- 34. Department management ensure that all available vendor discounts are taken and payments to vendors are made in accordance with the invoice terms or within 30 days.**

Contracting

In FY 2001-02, the Department had eight State service agreements, ten solicited contracts with outside vendors, and an umbrella services agreement with various cities, totaling approximately \$7.8 million. The Department had no service purchase orders (POs) aside from intergovernmental POs, and there were no sole source contracts. We reviewed a listing of the Department's contracts and noted none of the contracts have been split to avoid purchasing thresholds.

We reviewed two solicited contracts for weed abatement services to ensure compliance with County contracting requirements. Specifically, we reviewed the solicitation methods the Department used to procure the services and the Department's use of an Evaluation Committee to rate proposals.

Evaluation Committee Review

The integrity of the competitive bid proposal process is enhanced when an evaluation committee of three or more individuals is assigned to review all proposals received. An evaluation committee helps to ensure that all aspects of each proposal are fairly evaluated. Each member of the evaluation committee should independently review each proposal received using an evaluation rating instrument. An evaluation rating instrument contains a series of questions about the proposal that must be answered based on criteria specified in the solicitation documents.

General contracting practice is for evaluators to independently judge the proposals, sign off on them, and then reconvene as a committee to ensure that evaluations are consistent and ratings can be justified by the facts in the proposals. For the two weed abatement solicitations we reviewed, there was no indication that the three committee members independently evaluated the proposals. The Department was able to provide only one completed bid evaluation instrument, but it was not signed. In the future, the Department should require all evaluation committee members to independently complete, and sign and date, rating instruments. The Department should also require evaluation committee members to meet to discuss scores and reconcile any significant scoring differences. The Department should also maintain the evaluation instruments in its contract solicitation files.

Recommendations

Department management:

- 35. Require all evaluation committee members to independently complete, and sign and date, rating instruments.**
- 36. Require evaluation committee members to meet to discuss scores and reconcile any significant scoring differences.**
- 37. Maintain the evaluation instruments in its contract solicitation files.**

We noted that the evaluation instrument for these two weed abatement solicitations reviewed only rated cost and not the additional factors of 1) quality of proposer's equipment, 2) past experience, and 3) financial responsibility used to evaluate the bids. Department staff stated that they have notes in their files regarding comments and scores in this area, but this information was not organized or formally documented. In the future, the Department should utilize an evaluation instrument that rates all the criteria disclosed in the solicitation document, with sufficient space for evaluators to document their scores.

Recommendation

- 38. Department management utilize an evaluation instrument that rates all the criteria disclosed in the solicitation document, with sufficient space for evaluators to document their scores.**

Personnel & Payroll

The Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) allows departments to process personnel actions such as hires, changes of employees' status and terminations. It also maintains a variety of other personnel data pertaining to employees' key dates (e.g., birth dates, hire dates, etc.), social security number, residency information and employee characteristic information such as ethnicity, sex,

veteran status, disabilities and aliases. In addition, CWTAPPS maintains a complete work history of each employee, including a record of every County job held, salary changes and a record of every bonus and industrial accident. CWTAPPS automates the leave process, including leave balances for time accrued and used and the disposition of balances at year-end.

We examined the Department's compliance with County payroll and personnel policies to determine whether adequate safeguards are in place to ensure employees are properly paid and the integrity and confidentiality of payroll and personnel data is protected. Our review included interviews with staff and testwork related to time and attendance records, overtime, bonuses, terminations, CWTAPPS security, compensatory time, supplemental warrants, leave accounting and overpayments.

Manual Master Time Cards

The CWTAPPS master time card is the employee's official timekeeping record. CFM Section 3.1.6 states that, with the implementation of CWTAPPS, manual master time cards are no longer required. We noted that the Department's payroll staff continue to maintain manual master time cards.

The Department stated that they continue to use manual master time cards because permanent employees only submit time records once per month. Accordingly, timekeepers submit a weekly report to payroll documenting employees' non-regular earnings (i.e., vacation or sick time). Payroll staff posts the data to a manual master time card for entry into CWTAPPS. However, if staff submitted time records each pay period, as opposed to once a month, these steps would not be necessary.

We attempted to determine the accuracy of leave balances on ten manual master time cards to the balances in CWTAPPS. Payroll staff indicated the manual master time cards for the six permanent employees in our sample were not current, but that the manual master time cards for the four daily employees in our sample were current. Accordingly, we compared the leave balances for four daily employees' manual master time cards for 2002 to the balances on CWTAPPS. In three (75%) instances, the balances did not agree. In total, overtime and sick leave balances were understated per the manual master time cards by 27 and 2 hours, respectively. In addition, in two (50%) instances, the manual master time cards' leave balance information was not completed for the entire year.

To improve the efficiency and effectiveness of the Department's Payroll operations, the Department should require employees to complete time records each pay period and discontinue the use of manual master time cards.

Recommendations

Department management:

39. Require employees to complete time records each pay period.

40. Eliminate the use of manual master time cards.

CWTAPPS Overtime Pay Codes

CWTAPPS has an automatic feature that calculates “premium” overtime pay (the “half” time employees receive when eligible for “time and a half”) when payroll staff enter the appropriate overtime earnings codes into CWTAPPS. However, we noted that the Payroll Unit does not rely on the CWTAPPS automatic overtime calculation feature. Instead, we noted Payroll staff manually calculates whether employees are entitled to receive premium overtime by counting the number of hours worked in a given week. Errors can occur if staff are not clear regarding the “types” of hours (e.g., sick, vacation) that should be included when determining whether the employee has exceeded a 40 hour work week.

We selected ten employees with the highest overtime earnings between January and November 2002 to determine if the Department correctly calculated employees’ premium overtime. Due to errors in staff’s manual calculations of premium overtime, we found that one employee was underpaid on two different occasions, which resulted in a total underpayment of \$140.

According to Section 6.15.070 of the County Code, employees eligible for overtime pay can elect, in certain circumstances, how they get paid for the overtime hours worked. For example, some employees can elect to accrue the overtime hours, while others can opt to get paid for the hours. Although employees indicate on the Overtime Authorization Form how they want to be paid for overtime, Payroll staff does not always consider the employees’ preferences when coding the overtime pay in CWTAPPS. Instead, Payroll staff automatically accrues overtime hours if the employee worked less than 40 hours in a week, and automatically pays employees for overtime if the employee worked more than 40 hours in a week.

Manually calculating the amount of overtime earned by employees increases the likelihood of errors. In addition, utilizing the codes in the manner described does not always allow employees to be paid in the manner desired. The Department needs to develop procedures that incorporate the utilization of the CWTAPPS’ automatic overtime calculation feature as Department policy, and ensure the proper overtime codes are utilized.

Recommendations

Department management:

- 41. Develop procedures that incorporate CWTAPPS's automatic overtime calculation feature as Department policy.**
- 42. Ensure proper CWTAPPS' overtime codes are utilized.**

FLSA Status Overrides

In accordance with the Fair Labor Standards Act (FLSA), CWTAPPS lists the overtime status (i.e., exempt, covered) and overtime pay method (i.e., accrue) that should be used for each employee item number. An employee can be overpaid if the overtime status and overtime pay method is changed on an item number and it should not have been. For example, if an exempt employee works overtime and is inappropriately coded as a covered employee, the employee will be paid for the overtime even though he or she should not be.

Section V.B.3 of the Interpretive Pay Manual states that departments can override the status and overtime pay method in CWTAPPS, but are only allowed to do so with CAO approval. In three instances, we noted that the Department overrode the status and overtime pay method in CWTAPPS without obtaining CAO approval. The Department should request approval from the CAO for the overrides and determine if the employees were over or under paid.

Recommendations

Department management:

- 43. Request CAO approval for the override of the overtime status and overtime pay method.**
- 44. In conjunction with the CAO, determine if the employees were over or under paid.**

Bonuses

A personnel bonus (e.g., out-of-class assignment) represents a payment added to an employee's base salary. Pay period bonuses, such as an Agricultural Inspector Standardization bonus, represent additional compensation paid each pay period to employees possessing and using a special job skill.

CFM Section 3.1.7 states that Personnel management should review employee work assignments annually to ensure only appropriate employees receive bonuses. At ACWM, this review is not performed. Four (20%) of 20 employees we sampled

continued to receive pay period bonuses after transferring to another unit that did not qualify for the bonus. This resulted in minimal overpayments to the employees.

The Department needs to annually review the work assignments of employees receiving bonuses to ensure eligibility. In addition, upon receiving a transferred employee, managers should determine whether the employee is receiving a bonus that needs to be cancelled.

Recommendations

Department management:

- 45. Annually review the work assignments of employees receiving bonuses to ensure eligibility.**
- 46. Ensure managers, upon receiving a transferred employee, determine whether the employee is receiving a bonus that should be cancelled.**

To ensure accurate payments to employees, departments must comply with Auditor-Controller deadlines for processing personnel and payroll bonus transactions into CWTAPPS. Failure to meet these deadlines could result in employee bonuses being paid late.

We reviewed 20 bonus transactions and noted that for three of the transactions, employee bonus data was entered an average of 41 days late. This resulted in bonuses being paid to employees late. Department management needs to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.

Recommendation

- 47. Department management ensure bonus transactions are entered into CWTAPPS by Auditor-Controller deadlines.**

Terminations

Per CFM Section 3.1.7, personnel management (or someone independent of entering job and time card adjustment data on CWTAPPS) should trace the names of terminated employees to the Payroll Sequence Register for at least three consecutive months to ensure terminated employees are removed from the payroll and are not paid. Department staff indicated that they do not perform this function.

We traced 10 terminated employees' names to the Payroll Sequence Register for three consecutive months after termination and noted no inappropriate payments. However, we noted the Department annually employs a large number of seasonal/temporary employees for weed abatement and other services. During FY 2002-03, the Department terminated approximately 175 seasonal/temporary employees.

Accordingly, to ensure no inappropriate payments are made to terminated employees, the Department should implement this important control.

Recommendation

- 48. Department management require someone with no payroll responsibilities to trace terminated employees' names to the Payroll Sequence Register for three consecutive months after termination.**

Security Profiles

CFM Section 3.1.5 requires departments to limit CWTAPPS access to the scope of the employee's job responsibilities. We noted that two employees can make changes to both personnel and payroll information, although the employees' job responsibilities only require entering personnel information. To strengthen security controls, the Department should ensure that employees' profile assignments are restricted to the scope of the employee's job responsibilities.

Recommendation

- 49. Department management ensure that profile assignments are restricted to the scope of the employee's job responsibilities.**

Processing Centers

CFM Section 3.1.5 states that payroll/personnel sections should be set up so payroll and personnel staff do not have access to their own personnel/payroll information on CWTAPPS. Departments should set up CWTAPPS processing centers so that employees do not have access to their own data. We noted that ACWM has not established processing centers and the Department's three payroll/personnel employees have access to their own data. In addition, in the Budget and Fiscal Section, we noted that four employees responsible for processing mileage claims also have access to their own mileage data.

To strengthen internal controls over CWTAPPS information, the Department should set up CWTAPPS processing centers so that employees do not have access to their own data.

Recommendation

- 50. Department management set up CWTAPPS processing centers so that employees do not have access to their own data.**

Time Card Data Verification

CFM Section 3.1.6 states that each quarter, someone independent of personnel and payroll should select a random sample of time cards and verify that the data was entered accurately into CWTAPPS. The Department stated it does not perform this verification. Failure to verify the accuracy of data entered into CWTAPPS could result in errors in employees' pay and/or errors in employees' leave and/or benefit balances.

Department management should ensure that someone with no payroll and personnel responsibilities performs a quarterly review of a sample of time cards and verifies that the data was entered accurately in CWTAPPS.

Recommendation

- 51. Department management ensure that someone with no payroll or personnel responsibilities performs a quarterly review of a sample of time cards and verifies that the data was entered accurately on CWTAPPS.**

Payroll Distribution

Section 3.1.13 of the CFM states that the individual responsible for investigating unclaimed warrants and notices of direct deposit should not have any personnel or payroll responsibilities. Our review of the Department's payroll distribution process disclosed that someone independent of the Payroll/Personnel Section does not investigate unclaimed warrants. Payroll staff conduct the investigations.

Recommendation

- 52. Department management ensure unclaimed warrants and notices of direct deposit are returned for investigation to someone independent of the payroll/personnel functions.**

Supplemental Warrants

Supplemental payroll warrants are issued when an employee is paid incorrectly (e.g., employee is underpaid) or needs an Emergency Salary Advance. CFM Section 3.2.3 requires that someone independent of Personnel/Payroll verify that there is written approval for each supplemental warrant issued. The Department does not perform this verification.

We tested 10 supplemental warrants issued between January and November 2002. While we did not find any inappropriate supplemental warrants, the Department should ensure that staff independent of Personnel/Payroll verifies that written approval exists for each supplemental warrant issued to ensure they represent a valid payment.

Recommendation

53. Department management require staff independent of Personnel/Payroll to verify that written approval exists for each supplemental warrant issued.

Leave Accounting

Employees who are out on workers' compensation or extended sick leave are limited in how they can use their accumulated benefits. For example, once employees start using part-pay sick leave, they cannot use full-pay sick leave, unless specifically authorized by the department head.

We reviewed the time records of 10 employees on extended sick leave and noted that Payroll staff improperly coded two employees. This resulted in incorrect employee benefit leave balances and an overpayment of \$45 and an underpayment of \$44, respectively.

Department management needs to ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS.

Recommendation

54. Department management ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS.

Asset Management**Fixed Assets**

CFM Section 6.1.3 requires departments to conduct annual physical inventories of all fixed assets and portable equipment and to reconcile the results to the department's master listing. We noted that ACWM most recently completed its annual inventory in January 2003.

We sampled 15 fixed asset items listed on the Department's fixed asset listing and noted the following:

- Five (33%) items did not have a property tag (County identification number) attached. Per CFM Section 6.1.4, a property tag should be attached to the fixed asset when the asset is received.
- For five (33%) items, the serial number on the item did not agree with the serial number on the Department's fixed asset listing.

- Two (13%) items were not located in the area indicated on the Department's fixed asset listing.
- One (7%) item was not in use and had not been disposed of, although Department staff indicated they had no intention of using the item again.

We also sampled 10 fixed asset items from throughout the Department (three of which were vehicles) and traced them to the Department's fixed asset listing. We noted the following:

- Two (20%) items did not have a property tag (County identification number) attached.
- For two (20%) items, the serial number on the item did not agree with the serial number on the Department's fixed asset listing.
- For three (30%) items, we were unable to locate the item on the Department's fixed asset listing.

The Department needs to ensure that it maintains accurate fixed asset listings, that fixed asset items are tagged in accordance with CFM requirements, and that missing items are investigated. Also, the Department needs to remind staff of the importance of notifying the Fixed Assets Manager of inventory changes to facilitate inventory record accuracy.

Recommendations

Department management:

- 55. Ensure the Department's fixed assets listing is accurate and that missing items are investigated.**
- 56. Ensure that a property tag (County identification number) is securely affixed to all fixed asset items as they are received.**
- 57. Remind staff of the importance of notifying the Fixed Assets Manager of inventory changes to facilitate inventory record accuracy.**

Portable Equipment

CFM Section 6.8.2 requires departments to maintain a department-wide list of all portable equipment items and the name of the individual each item is assigned to. At each location, all items not permanently assigned to individuals should be assigned to one individual who is responsible for securing/controlling the items when they are not being used. These requirements are designed to minimize the risk of portable items

being misappropriated without being detected and to help ensure that the accounting records are accurate and complete.

The Department's Fixed Assets Manager is responsible for maintaining the master portable equipment inventory listing. Additionally, Bureau Chiefs are responsible for maintaining a list of portable equipment items assigned to staff within their Bureaus. We sampled 10 portable equipment items listed on the Department's master portable equipment listing and noted the following:

- Three (30%) items were not in use and had not been disposed of, yet Department staff indicated that they should have been.
- One (10%) item was not located in the area indicated on the Department's master portable equipment listing.
- One (10%) item had been salvaged and removed from the Bureau's inventory listing. However, it had not been removed from the Department's master portable equipment listing.

We also sampled 10 portable equipment items located from throughout the Department and traced them to the Department's master portable equipment listing. We noted the following:

- One (10%) item which was listed on the Department's master portable equipment listing as missing was actually in use.

The Department needs to ensure that it maintains accurate portable equipment listings and that items no longer in use are disposed of and removed from the listing. Also, the Department needs to remind each Bureau of the importance of notifying the Fixed Assets Manager of inventory changes (i.e., location and status) to facilitate inventory record accuracy.

Recommendations

Department management:

- 58. Ensure that portable equipment listings are accurate and that items no longer in use are disposed of and removed from the Department's master portable equipment listing.**
- 59. Remind each Bureau of the importance of notifying the Fixed Assets Manager of inventory changes.**

Warehouse Controls

Fiscal Manual Section 5.2.6 requires that perpetual inventory records be established for large inventories, with additions and reductions of inventory items recorded as they occur, to the extent possible. The CFM also requires departments to perform periodic reviews of inventory records to identify slow moving, obsolete, and/or overstocked items.

The Department maintains an inventory balance with a value of approximately \$100,000, consisting primarily of herbicides, pesticides and trapping devices. We noted the Department maintains perpetual inventory records and conducts annual physical inventories. In addition, the Department appears to have adequate controls in place to secure the warehouse.

Fleet Management

At the time of our fieldwork, the Department maintained a fleet of 285 vehicles. Accordingly, we reviewed the Department's controls over gasoline credit cards.

Gasoline Credit Cards

The Department uses a gasoline credit card account (Voyager) to cover the refueling expenses of approximately 95% of its fleet (272 of 285 vehicles). The remaining vehicles obtain fuel at other County facilities (i.e., ISD, Department of Public Works). The Department assigns individual credit cards to specific vehicles.

The Department's written procedures governing the use of gasoline credit cards are not adequate. In addition, we identified control weaknesses with respect to storing and safeguarding gasoline credit cards, as follows:

- Staff do not always secure the credit cards. We noted that staff sometimes store the credit cards in the car's visor, under the floor mat, or in the glove compartment. This makes the credit cards easily accessible.
- Credit card passwords are not unique to the user and staff are aware of this. The use of passwords in this manner increases the risk of misuse of the gas cards.
- The Department does not have documented and uniform procedures in place to detect unauthorized gasoline purchases. Department management stated that the individual Bureaus are responsible for reconciling the Voyager bill to the Department's monthly vehicle reports (which lists gas purchases) and receipts to ensure they agree. However, two of the six Bureaus are either not reconciling or not consistently reconciling these documents. The type and level of review performed by the other four Bureaus varies. For example, one Bureau looks at the average miles per gallon for reasonableness, while another Bureau

compares employees' work locations to total miles driven for reasonableness, which is subjective and difficult to evaluate.

The improper storage of credit cards and the failure to adequately and consistently monitor credit card purchases creates the potential for abuse. Management should develop specific written procedures governing employee use of gasoline credit cards, enhance security over the credit cards, and establish documented and uniform procedures to detect unauthorized gasoline purchases. For example, the procedures could include a review of purchases made on the weekends or on employees' days off, a periodic comparison of odometer readings per the employee mileage reports to ISD maintenance records, and a periodic comparison of actual miles driven to the gasoline purchased for the vehicle.

Recommendation

60. Department management develop specific written procedures governing employee use of gasoline credit cards, enhance security over the credit cards, and establish documented and uniform procedures to detect unauthorized gasoline purchases.

Other Issues

Telecommunications

We agreed in our County Toll-Free Numbers Review report, dated September 6, 2001, to evaluate the implementation status of the recommendations while conducting Fiscal Reviews at various County departments. The 2001 report identified existing toll-free systems which were not operating as intended. For example, "scripting" errors (message narration), programming glitches such as "looping," "dead-ends," conflicting options, and incorrect call routing options were noted, all of which frustrate customers and reinforce negative perceptions of government services.

We reviewed the Department's toll-free lines and noted the Department has three incoming toll-free lines. A live person answers two of the lines. The remaining line is a fully automated system maintained by Pacific Bell under contract through ISD. This line enables customers to determine who to call to obtain vector control services. We tested the line, entered a zip code as instructed, and the line indicated who to call to obtain vector control services. We noted no problems.



Cato R. Fiksdal
Agricultural Commissioner/
Director of Weights and Measures

COUNTY OF LOS ANGELES

**Department of
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Robert G. Atkins
Chief Deputy

November 12, 2003

TO: J. Tyler McCauley
Auditor-Controller

FROM: Cato R. Fiksdal
Agricultural Commissioner
Director of Weights and Measures

SUBJECT: FISCAL REVIEW RECOMMENDATION RESPONSES

Attached you will find our Department's responses to the Fiscal Review Recommendations. With the exception of a few minor notes, we concur and will comply with the findings of the audit.

I would like to express the Department's appreciation to the Auditor-Controller's office for the professional way this audit was handled. Your staff was courteous and cooperative.

If you have any questions or require further information, please contact Richard Russell at (626) 575-5454.

CRF:RGA:RAR:ap

Enclosure

c: Richard Russell
Robert Atkins
Sharon Butterworth

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

County Internal Control Certification Program

Recommendation #1 - Department management conduct annual ICCP reviews for its cash related operations in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the ICCP to the Auditor-Controller.

Department's Response – Department agrees with recommendation and will begin annual reviews of its cash related operations.

Revenue - Accounts Receivable

Recommendation #2 - Department management ensure staff age receivables and monitor outstanding receivables monthly.

Department's Response – Department agrees with recommendation, conversion of current account receivable system is required to implement.

Revenue - Billing Rates

Recommendation #3 - Department management ensure billing rates are updated timely to reflect increases in annual operating costs.

Department's Response – Department agrees with recommendation. Additional staffing or alternative assistance (Auditor Controller Cost Accounting Division) is required to implement.

Recommendation #4 - Department management ensure staff submit its billing rates annually to the Auditor-Controller's Accounting Division for review.

Department's Response – Department agrees with recommendation, see response to Recommendation #3.

Cash - Separation of Duties

Recommendation #5 – Department management review cash controls at all locations to ensure cash handling duties are adequately separated.

Department's Response – Department will comply and review all cash controls at its various locations.

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

Cash - Safeguarding Collections

Recommendation #6 - Department management establish mechanisms to ensure all field collections are received and deposited.

Department's Response – Department will comply.

Recommendation #7 - Department management prohibit staff from taking collections home, secure cash to be left overnight in the safe (or deposit, etc.), and require collections exceeding \$500 to be deposited daily.

Department's Response – Department agrees. Department will contact Treasurer/Tax Collector for information regarding the use of a Sweep Account and the feasibility of its use for the Department's field staff.

Recommendation #8 - Department management ensure all field staff have a check endorsement stamp and ensure all checks are immediately restrictively endorsed to the County of Los Angeles upon receipt.

Department's Response – Department will comply.

Recommendation #9 - Department management ensure funds awaiting deposit or pick-up are secured in a locked drawer or safe.

Department's Response – Department will comply.

Recommendation #10 - Department management consider assigning two employees to open the mail and record receipts.

Department's Response – Department will consider assigning two employees to open the mail.

Recommendation #11 - Department management ensure all funds, including petty cash and change funds, are secured at all times and access is limited.

Department's Response – Department will comply.

Recommendation #12 - Department management ensure all collections are deposited within one day of receipt, or as required by CFM Section 1.3.7.

Department's Response – See response to Recommendation #7.

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

Cash - Departmental Receipts

Recommendation #13 - Department management ensure staff collect previously issued Departmental Receipt books and account for the sequence of all receipts prior to issuing new books.

Department's Response – Department will comply.

Recommendation #14 - Department management ensure staff regularly follow up on the status of receipt books that have been outstanding for lengthy periods of time.

Department's Response – Department will comply.

Recommendation #15 - Department management ensure staff maintain all copies of voided receipts and obtain approval from their supervisors when transactions are voided.

Department's Response – Department will comply.

Recommendation #16 - Department management ensure staff document the reasons for all changes to Departmental Receipts, ensure supervisors properly authorize the changes, and investigate unusual changes.

Department's Response – Department will comply.

Recommendation #17 - Department management ensure staff store unused receipt books in a locked cabinet or drawer and restrict access to as few employees as possible.

Department's Response – Department will comply.

Recommendation #18 - Department management ensure receipt books are not shared to establish accountability.

Department's Response – Department will comply.

Recommendation #19 - Department management require client locations to sign a statement indicating that the client will limit access to receipts to ACWM inspectors, safeguard unused receipts, and assume responsibility for missing receipts.

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

Department's Response – Department agrees. Department will prepare a statement to all client locations to assume responsibilities for departmental receipt books kept at their facilities.

Recommendation #20 - Department management ensure signs are clearly posted at all of its collection sites requesting payers to ask for a receipt.

Department's Response – Department will comply.

Cash - Cash Transfers

Recommendation #21 - Department management require all mail remittances to be sent directly to the Headquarters site.

Department's Response – Department will comply.

Recommendation #22 – To the extent possible, Department management ensure staff discontinue physically transferring cash among staff and the various collection sites through the establishment of a SWEEP account.

Department's Response – See response to Recommendation #7.

Recommendation #23 – Department management, when transfers are necessary, require two people to count the cash and checks together, and sign and date a transfer advice ticket indicating the collection amount to be transferred.

Department's Response – Department agrees. Changes in the current paperwork and procedures will need to be distributed before implementation.

Cash - Safe Inventories

Recommendation #24 - Department management ensure safes are inventoried and purged of non-negotiable items in accordance with CFM requirements.

Department's Response – Department will comply.

Cash - Statements of Responsibility

Recommendation #25 - Department management ensure that all employees who have custody of change funds annually sign a Statement of Responsibility form that includes the appropriate information and to retain the form in the department's business office.

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

Department's Response – Department will comply.

Trust Funds - Trust Fund Reconciliations

Recommendation #26 - Department management require the Department's Fiscal Officer to document her review and approval of the monthly trust fund reconciliations.

Department's Response – Department will comply.

Trust Funds - Transfers to Revenue

Recommendation #27 - Department management ensure PUE monies received and earned are transferred to revenue timely, at a minimum, quarterly.

Department's Response – Department will comply.

Procurement - Non-Agreement Purchases

Recommendation #28 - Department management ensure Procurement staff obtains required price quotes and that all relevant quote or solicitation information is documented.

Department's Response – Department will comply.

Recommendation #29 - Department management ensure Procurement staff document the justification for making sole source purchases.

Department's Response – Department will comply.

Procurement - Agreement Purchases

Recommendation #30 - Department management ensure that individuals authorizing payment documents have verified the correct amount to be paid.

Department's Response – Department agrees and will comply as staffing is available.

Recommendation #31 – Department management ensure Procurement staff obtain vendor solicitations when purchasing items not covered by a vendor agreement.

**County of Los Angeles
Agricultural Commissioner / Weights and Measures
Response to Recommendations - Fiscal Review**

Department's Response – Department agrees. Instances noted by the audit staff indicated a total dollar amount of \$711.00 for three purchases. The Department is encouraged (not required) to obtain two quotes for purchases under \$1,500.00.

Recommendation #32 – Department management ensure purchases from non-agreement vendors are charged against non-agreement purchase orders.

Department's Response – Department agrees. Instances noted by the Audit staff indicate that a total dollar amount of \$569.00 of non-agreement purchases were charged against an agreement purchase order. Department will monitor non-agreement vendor purchase as staffing allows.

Procurement - Miscellaneous Vendor Codes

Recommendation #33 - Department management request the Auditor-Controller establish vendor codes for vendors from whom the Department makes two or more purchases.

Department's Response – Department agrees and will comply.

Procurement - Timeliness of Payments

Recommendation #34 - Department management ensure that all available vendor discounts are taken and payments to vendors are made in accordance with the invoice terms or within 30 days.

Department's Response – Department agrees. The Audit staff was unable to find any significant loss of discounts or late fees due to the Department processing invoices beyond the 30-day policy. The Department currently has limited staffing to process payment vouchers.

Contracting - Evaluation Committee Review

Recommendation #35 - Department management require that all evaluation committee members to independently complete, and sign and date, rating instruments.

Department's Response – We agree. The Department will implement this recommendation immediately.

Recommendation #36 - Department management require evaluation committee members to meet to discuss scores and reconcile any significant scoring differences.

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Department's Response – We agree. The Department will implement this recommendation immediately.

Recommendation #37 - Department management require staff to maintain the evaluation instruments in its contract solicitation files.

Department's Response – We agree. The Department will implement this recommendation immediately.

Recommendation #38 - Department management utilize an evaluation instrument that rates all the criteria disclosed in the solicitation document, with sufficient space for evaluators to document their scores.

Department's Response – We agree. The Department will implement this recommendation immediately.

Personnel & Payroll - Manual Master Time Cards

Recommendation #39 - Department management require employees to complete time records each pay period.

Department's Response – The department concurs with this recommendation. The department will develop procedures and modifications to the existing time card policy to implement this recommendation.

Recommendation #40 - Department management eliminate the use of manual master time cards.

Department's Response – The department partially concurs with this recommendation. The department is fully aware that the manual master time cards are not the official time records. According to the audit, manual master time cards are maintained because permanent employees only submit time records once per month. The manual master time card is used for multiple purposes, including notations relating to employee bonuses, steps, industrial injury status and work schedule changes. Upon the implementation of the pay period time card procedure, payroll staff will discontinue posting of variances to manual master time cards as the source document for CWTAPPS data entry.

Personnel & Payroll - CWTAPPS Overtime Pay Codes

Recommendation #41 - Department management develop procedures that incorporate CWTAPPS's automatic overtime calculation feature as Department policy.

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Department's Response – The department concurs with this recommendation.

Recommendation #42 - Department management ensure proper CWTAPPS' overtime codes are utilized.

Department's Response – The Department concurs with this recommendation. Departmental interpretation of MOU's and FLSA provided payroll staff with the task of determining eligibility of the overtime method to utilize. To implement this recommendation, the Department will review MOU's and discuss the situation with employee relations representatives for correct interpretation, modify existing departmental policies and procedures, and notify employees of changes in the handling of overtime compensation. Payroll staff will be provided with overtime code methods to utilize as a result of interpretation changes.

Personnel & Payroll - FLSA Status Overrides

Recommendation #43 - Department management request CAO approval for the override of the overtime status and overtime pay method.

Department's Response – The department concurs with this recommendation.

Recommendation #44 - Department management, in conjunction with the CAO, determine if the employees were over or under paid.

Department's Response – The department concurs with this recommendation.

Personnel & Payroll - Bonuses

Recommendation #45 - The Department annually review the work assignments of employees receiving bonuses to ensure eligibility.

Department's Response – The department concurs with this recommendation. A procedure is now in place for a monthly review of Standardization and Driving Bonuses. The department will develop procedures to fully implement this recommendation.

Recommendation #46 – The Department ensure managers, upon receiving a transferred employee, determine whether the employee is receiving a bonus that should be cancelled.

Department's Response – The department concurs with this recommendation.

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Recommendation #47 - Department management ensure bonus transactions are entered into CWTAPPS by Auditor-Controller deadlines.

Department's Response – The Department concurs with this recommendation. Established Auditor Controller deadlines are met on a regular basis. The transactions noted in the audit were entered late due to circumstances that were out of the control of personnel staff. Occasionally, the approvals result in retroactive payments, which was the case in these situations.

Personnel & Payroll - Terminations

Recommendation #48 - Department management require someone with no payroll responsibilities to trace terminated employees' names to the Payroll Sequence Register for three consecutive months after termination.

Department's Response – The Department concurs with this recommendation. The Department will identify appropriate staff personnel and provide training to conduct this review.

Personnel & Payroll - Security Profiles

Recommendation #49 - Department management ensure that profile assignments are restricted to the scope of the employee's job responsibilities.

Department's Response – The Department concurs with this recommendation. The Department realizes the potential of inappropriate transactions that could result from employees having access to both personnel and payroll and monitors the transactions on CWTAPPS . With the small staff available to provide these services, it is operationally necessary for the back-up to the payroll function and personnel function to be handled by the same individual who only serves in one capacity at any given time. Procedures are currently in place so that this individual who is making personnel transactions does not also make corresponding payroll transactions and vice-versa. It should be noted that the audit did not find any inappropriate transactions. A review of job responsibilities will be conducted and appropriate profile assignments will be made accordingly, considering limitations in which the department must work within to provide services.

Personnel & Payroll - Processing Centers

Recommendation #50 - Department management set up CWTAPPS processing centers so that employees do not have access to their own data.

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Department's Response – The Department concurs with this recommendation. Prior to this audit, the auditor-controller did not require the Department to establish multiple processing centers. There were no inappropriate transactions noted in the audit. The Department realizes the potential of inappropriate transactions that could result by employees having access to their own data. Departmental management routinely reviews CWTAPPS update reports to ensure transactions are being made by appropriate personnel. Implementation of this recommendation would require establishing 10 additional processing centers where only one employee is identified in each of these processing centers. The department will work with the auditor-controller to identify the most reasonable approach to comply with this recommendation.-

Personnel & Payroll - Time Card Data Verification

Recommendation #51 - Department management ensure that someone with no payroll or personnel responsibilities performs a quarterly review of a sample of time cards and verifies that the data was entered accurately on CWTAPPS.

Department's Response – The Department concurs with this recommendation. The Department will identify appropriate staff personnel and provide training to conduct this review.

Personnel & Payroll - Payroll Distribution

Recommendation #52 - Department management ensure unclaimed warrants and notices of direct deposit are returned for investigation to someone independent of the payroll/personnel functions.

Department's Response – The Department concurs with this recommendation. The Department will identify appropriate staff personnel to comply with this recommendation.

Personnel & Payroll - Supplemental Warrants

Recommendation #53 - Department management require staff independent of Personnel/Payroll to verify that written approval exists for each supplemental warrant issued.

Department's Response – The Department concurs with this recommendation. The audit review did not identify any inappropriate supplemental warrants issued. The Department will identify the appropriate staff personnel and develop procedures to comply with recommendation.

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Personnel & Payroll - Leave Accounting

Recommendation #54 - Department management ensure continuous sick leave codes are properly utilized and recorded in CWTAPPS.

Department's Response – The Department concurs with this recommendation.

Asset Management - Fixed Assets

Recommendation #55 - Department management ensure the Department's fixed assets listing is accurate and that missing items are investigated.

Department's Response – Department will comply.

Recommendation #56 - Department management ensure that a property tag (County identification number) is securely affixed to all fixed asset items as they are received.

Department's Response – Department will comply.

Recommendation #57 - Department management remind staff of the importance of notifying the Fixed Assets Manager of inventory changes to facilitate inventory record accuracy.

Department's Response – Department will comply.

Asset Management - Portable Equipment

Recommendation #58- Department management ensure that portable equipment listings are accurate and that items no longer in use are disposed of and removed from the Department's master portable equipment listing.

Department's Response – Department will comply.

Recommendation #59 - Department management remind each Bureau of the importance of notifying the Fixed Assets Manager of inventory changes.

Department's Response – Department will comply.

Fleet Management - Gasoline Credit Cards

Recommendation #60 - Department management develop specific written procedures governing employee use of gasoline credit cards, enhance security

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over the credit cards, and establish documented and uniform procedures to detect unauthorized gasoline purchases.

Department's Response – Department will comply.