COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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September 14, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DEPARTMENT OF REGIONAL PLANNING – REVIEW OF CASH HANDLING, TRUST FUNDS, AND ACCOUNTS PAYABLE**

As part of our ongoing responsibility to ensure that County resources are safeguarded, and that departments comply with County fiscal policies and procedures, we are reviewing County departments' controls over cash handling, trust funds, and accounts payable. Our reviews are intended to ensure departments are using cash, trust funds, and accounts payable in compliance with County fiscal requirements.

We have completed our review at the Department of Regional Planning (DRP or Department). Our review included interviews with DRP management and staff, and tests of Department records.

Summary of Findings

Our review indicates that DRP is generally using its trust funds for their intended purposes. However, DRP needs to strengthen its controls over cash handling, trust funds, and accounts payable. The following are examples of areas for improvement.

- County Fiscal Manual (CFM) Section 1.3 requires departments to ensure that all cash collections are accounted for and deposited. DRP currently reconciles receipts issued at the field offices to their bank deposits. However, because the receipts printed at each office are not numbered sequentially, this method may

not account for all cash collections. While we did not identify any missing collections, DRP needs to ensure they account for all cash collections.

DRP's attached response indicates the Department's field offices now use daily collection reports from their cashiering system to ensure all collections are accounted for and deposited. DRP is also working on implementing this recommendation at their central cashiering office.

- CFM Section 1 requires that mail containing payments be opened by two employees, that checks be restrictively endorsed upon receipt, and that departments keep cash in a secure area. We noted that DRP staff at the locations we visited did not always follow these controls. In addition, at one field office, staff sometimes took cash home at night because there was no secure place to keep it in the office.

  DRP's response indicates that mail is now being opened by two employees, and the Department has purchased safes so staff at all field locations have a secure place to store cash. DRP is also ensuring staff follow existing procedures to endorse checks upon receipt.

- DRP should modify the Department's electronic cashiering system to ensure staff cannot change the pre-set fees in the system, or require supervisors to ensure fee changes are appropriate. DRP should also require supervisors to approve voided transactions and other adjustments made by staff. We noted that the system could allow staff to change the fees without approval. While we did not identify any improper fee changes, DRP should modify the system to prevent any unauthorized changes.

  DRP's response indicates the Department has implemented procedures for supervisors to review and approve all fee changes, voided transactions, and adjustments to collections in the cashiering system.

- County landfill operators pay DRP fees based on landfill usage, to pay for environmental, educational, and other programs in communities near the landfills. DRP needs to ensure that landfill operators pay the correct fees by reconciling the fees paid to the landfill usage reports the operators send to the Department of Public Works (DPW). We noted that DRP was not verifying that the landfill operators paid the correct fees.

  DRP's response indicates they have partially implemented this recommendation, and now compare monthly payment information to landfill usage reports obtained from DPW.

- DRP needs to ensure staff review requests to spend landfill usage fees to ensure they are used for allowable projects. DRP should also follow up to ensure that the landfill usage fees were used for the intended purpose or returned to the trust fund. We reviewed five transfers from landfill trust funds, and noted that DRP did not document that the funds were to be used for an allowable purpose, and did not follow up to ensure all the funds were either used for the intended purpose or returned to the trust fund.

  DRP's response indicates they have established procedures for their executive management to verify and document proper use of the landfill usage fees. In addition, DRP has established procedures to work with the Executive Office of the Board of Supervisors to verify that all funds were used for the intended purpose or returned to the trust fund.

- CFM Sections 2.3.0 and 9.1.6 require departments to reconcile trust funds with balances over $5,000 to eCAPS monthly, and transfer monies from trust funds to revenue as the amounts are earned throughout the year. We noted that DRP did not reconcile its trust funds monthly, and did not transfer monies to revenue until late in the fiscal year.

  DRP's response indicates they have implemented procedures to reconcile trust funds timely, and to transfer monies from trust funds to revenue as the amounts are earned throughout the year.

Review of Report

We discussed our report with DRP management. The Department's response (Attachment II) indicates agreement with our findings and recommendations, and that they have implemented or will implement our recommendations.

We thank DRP management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Richard J. Bruckner, Director, Department of Regional Planning
Public Information Office
Audit Committee

DEPARTMENT OF REGIONAL PLANNING
REVIEW OF CASH HANDLING, TRUST FUNDS, AND ACCOUNTS PAYABLE

Background

The Department of Regional Planning (DRP or Department) receives cash collections at its central Land Development Coordinating Center (LDCC) and nine field offices for various services, permits, and licenses; such as zoning, site plan, and business license reviews; conditional use permits; and environmental assessments. The Department also collects fees from landfill operators based on landfill usage. DRP collected approximately $10.5 million in fees in Fiscal Year (FY) 2011-12. Some of the fees are held in trust until they are earned (e.g., as permit applications are reviewed), or until they are used for their intended purposes (e.g., using landfill fees to mitigate traffic near the landfills).

DRP's Information and Fiscal Services Division is responsible for overseeing the Department's cash collections, trust funds, revolving funds, accounts payable, and commitments.

Scope

We reviewed DRP's compliance with County Fiscal Manual (CFM) requirements for cash handling, trust/revolving funds, accounts payable, and commitments. Our review included interviews with DRP management and staff, and reviews of DRP records.

COMMENTS AND RECOMMENDATIONS

Cash Handling

DRP uses a computer system, Kiva, also known as the electronic Development and Permit Tracking System (eDAPTS), to process most cash collections. The County Department of Public Works (DPW) administers Kiva for DRP and other departments, including the Fire Department and the Department of Public Health. DRP uses manual receipts for certain other transactions, such as landfill fees, and when Kiva is not available.

Reconciliations

CFM Section 1.3.3 requires departments to use sequential receipts for collections, and ensure that all receipts are accounted for. In addition, someone independent of the cash receipting and depositing functions should reconcile the receipts to the bank deposits to ensure that all collections are accounted for and deposited. This reconciliation should be completed within five days after the cash is deposited to ensure timely detection of shortages.

Our review indicates that DRP staff need to improve their reconciliation process for cash collections. Specifically:

- DRP did not ensure all Kiva collections were accounted for. DRP reconciled the printed receipts from Kiva to their bank deposits. However, Kiva does not issue sequentially numbered receipts for each location. The receipt numbering is shared among all offices and departments, Countywide, that use Kiva. As a result, DRP cannot be sure they have all Kiva receipts for each office to reconcile to the cash collections. DRP staff indicated that Kiva cannot report all receipts issued by location, but can report receipts issued by each cashier. DRP should require each office to print a daily collection report for each cashier, and reconcile the report(s) to each cashiers' cash collections to ensure all cash is accounted for and deposited.

- DRP did not review all manual receipt books issued to its field offices to ensure all manual receipts were accounted for, and that all collections were deposited.

We noted that DRP's Fiscal Services Division uses reports of collections by cashier to reconcile field office deposits to collections recorded in Kiva monthly. However, they only do monthly reconciliations, and DRP does not reconcile collections at LDCC, where most payments are received. Fiscal Services Division should reconcile bank deposits to collections for all DRP locations within five days after the cash is deposited.

CFM Section 1.3.3 states that cash registers should be used when there is a large volume of receipts. We noted that, from July 2010 to April 2011, DRP had non-Kiva collections totaling $3.3 million. Based on this large dollar volume, we recommend that DRP management consider using cash registers for all miscellaneous cash collections, instead of manual receipts.

Recommendations

DRP management:

1. **Require each location to print a daily collection report from Kiva for each cashier, and reconcile the report to each cashier's cash collections to ensure all cash is accounted for and deposited.**

2. **Reconcile manual receipt books to ensure all manual receipts are accounted for and all cash received is deposited.**

3. **Ensure staff independent of the cash receipting or depositing function (e.g., staff from Fiscal Services Division) reconcile receipts to bank deposits for all DRP locations within five days after the cash is deposited.**

4. **Consider using cash registers to record collections that are not entered in Kiva.**

Security Over Cash Collections

CFM Section 1 requires departments to have adequate security over cash at all times, including limiting access to cashiering areas. In addition, two employees should open payments received through the mail, and checks should be restrictively endorsed immediately upon receipt.

We reviewed cash collection operations at LDCC and at two field locations, and noted the following:

- **Inadequate security over collections -** One field office stored cash collections in an unlocked desk drawer. Staff at this location indicated that funds that were not deposited at the end of the day were taken home by an employee, and returned the next workday. Another field office stored cash and checks in a locked safe. However, the key to the safe was kept in an unlocked drawer. This is especially risky since both field offices share space with other departments.

- **Mail collections not opened by two employees -** LDCC receives some payments through the mail. However, DRP did not require two individuals to be present when the mail is opened.

- **Checks not immediately endorsed** – Staff at one field office did not endorse checks until they prepared the bank deposit at the end of the workday.

DRP should ensure cash is appropriately secured, restrict access to cash to as few individuals as necessary, require two employees to open payments received through the mail, and ensure checks are immediately restrictively endorsed.

Recommendations

DRP management:

5. **Ensure staff have a secure area to store cash, and restrict access to cash to as few individuals as necessary.**

6. **Prohibit staff from taking collections home.**

7. **Require mail containing payments be opened by two employees.**

8. **Require checks to be restrictively endorsed immediately upon receipt.**

Kiva System Issues

Our review indicates some significant weaknesses with the Kiva system. Specifically:

- Users can change the established fees in Kiva without supervisory approval or subsequent review to ensure the changes were appropriate. DRP should work with DPW and/or the Kiva vendor to prevent users from being able to change the fees, or require supervisors to review and approve any changes to pre-set fees.

- Users can void or adjust transactions in Kiva without supervisory approval. For DRP field offices, DRP's centralized accounting section performs a monthly review of adjustments. However, supervisors should review and approve voided adjustment transactions as they occur, to ensure they are appropriate.

While we did not identify any inappropriate transactions, DRP should work with DPW and/or the vendor to improve controls over Kiva. DRP indicated that the County is planning to replace Kiva. However, until a new system is implemented, DRP should improve the controls in Kiva.

Recommendations

DRP management:

9. **Work with DPW and/or the Kiva vendor to prevent users from being able to change pre-set fees in the System, or require supervisors to review changes for appropriateness.**

10. **Require supervisors to review and approve voids and adjustments staff make to collections in Kiva.**

Trust Funds

Trust funds consist of money the County holds for other parties or jurisdictions, and money that is held in trust until it is earned and transferred to revenue. Departments must maintain proper controls over funds held in trust, and ensure the funds are used as intended.

As noted earlier, DRP has 49 trust funds, with a total balance of $26.2 million as of June 30, 2011. DRP uses trust funds primarily to hold permit fees until the Department has provided the corresponding services (e.g., reviewing plans), or transfers the fees to reimburse other County departments for eligible expenditures.

We reviewed three DRP trust funds with combined balances of $20.2 million. Two of the funds consisted of fees paid by landfill users based on the amount of waste they deposited at the landfills, as required by the landfills' Conditional Use Permits (CUP). The CUPs specify what the fees can be used for (e.g., for environmental, educational

and quality of life programs in the areas around the landfills, etc.), and how the expenditures must be approved. The third trust fund was for deposits from applicants for plans to divide property (e.g., to change the use of a lot from one single family home to two single family homes). DRP transfers monies from this trust fund to revenue as the Department incurs staff costs for reviewing/processing the plans, and refunds any remaining balance to the applicant when the plan is approved, denied, or withdrawn.

Deposits into Trust Funds

We reviewed seven deposits into the three trust funds, totaling $2.1 million, to ensure the deposits were appropriate and adequately documented. We noted that DRP did not verify that the landfill operators paid the correct amount as required by the CUPs. For example, one landfill sent DRP a memo stating the monthly payment amount, and the total quantity of solid waste deposited at the landfill. However, the landfill did not provide any documentation supporting their representations (e.g., a report from the landfill's system showing tons of solid waste deposited), and DRP did not verify that the information was accurate.

While we did not identify any discrepancies in the amounts paid by the landfill operators, DRP should periodically verify that the operators are paying the required fees. We noted that the operators also pay fees to DPW, and that they send DPW quarterly reports showing the amount of waste they deposited. DPW periodically audits the reports to ensure they are accurate. DRP management should obtain copies of the quarterly reports from DPW, and the results of audits, and verify the fees DRP receives are correct based on reported waste deposited.

Recommendations

DRP management:

11. **Require landfills to provide details on the amount of solid waste deposited each month to validate that the payments are correct.**

12. **Obtain landfill reports and audit results from DPW, and ensure the monthly fees received from landfills are correct.**

Disbursements/Transfers from Trust Funds

As noted earlier, DRP places landfill fees in a trust fund to be used to mitigate the impact of the landfill on the neighboring communities by funding environmental, educational and quality of life programs. The allowable uses of the funds are documented in each landfill's CUP. DRP typically transfers trust fund monies to Board offices or other County departments that make the expenditures.

We reviewed five transfers from landfill trust funds, and noted that DRP did not document that the funds were to be used for an allowable purpose. In addition, DRP did not follow up to ensure all monies were either used for the intended purpose or returned to the trust fund. For example, DRP transferred $80,000 to the Department of Parks and Recreation (Parks) for sidewalk repairs. However, DRP did not have any documentation that Parks actually used the funds for that purpose. As the trust administrator, DRP should ensure the funds are used for purposes allowed under the CUP or returned to the trust fund.

We also noted that, for the trust fund we reviewed that contains applicant deposits, DRP issued a $4,149 refund to the wife of the check signer, instead of the business that wrote the check.

Recommendations

DRP management:

13. **Review requests for landfill trust fund monies to ensure the proposed use is consistent with the CUP.**

14. **Ensure all landfill trust fund monies are used for the intended purpose or returned to the trust fund.**

15. **Ensure refunds from trust funds are paid to the business or individual that made the payments.**

Trust Fund Reconciliations

CFM Section 2.3.0 requires departments to reconcile trust funds with balances over $5,000 to the County's official accounting records monthly.

For the three trust funds we reviewed, which all had balances over $5,000, DRP reconciled two trust funds quarterly, and one trust fund semi-annually. In addition, DRP completed six (60%) of ten reconciliations an average of 49 days after the period end. We also noted that staff completed one reconciliation by adjusting the amount of revenue in order to make the reconciliation balance, instead of using the actual amount of revenue earned.

Recommendation

16. **DRP management ensure that trust fund reconciliations are completed accurately on a monthly and timely manner as required by the CFM.**

Revenue Recognition

As noted earlier, DRP keeps fees in trust until they are earned and transferred to revenue. CFM Section 9.1.6 states that unearned revenue held in trust funds should be transferred to revenue throughout the year as expenditures are incurred and revenue is earned.

We reviewed four trust funds, and noted DRP did not always transfer monies to revenue timely. For example, for two trust funds, DRP only transferred monies to revenue twice a year: in March and at the end of the fiscal year. However, DRP earned these fees throughout the year by providing case processing and inspection services. DRP indicated they did not transfer the money to revenue because they were waiting for approved annual billing rates from the Auditor-Controller. However, we noted DRP did not transfer funds to revenue until three to five months after they received the approved billing rates. DRP also stated inspectors often submitted property inspection reports late, which delays recognizing revenue from the inspection fees trust fund. DRP management should ensure inspectors submit reports timely.

Recommendations

DRP management:

17. **Ensure the Department transfers monies from trust funds to revenue as it is earned throughout the year.**

18. **Ensure inspectors submit property inspection reports timely.**

Revolving Funds

A revolving fund is a fixed sum of money that departments use to make change, or for petty cash purchases. DRP has three revolving funds totaling $2,000: a $100 change fund, a $300 petty cash fund, and a $1,600 petty cash checking account.

CFM Section 1.6.3 requires departments to have fund custodians sign a Statement of Responsibility Form for each revolving fund assignment annually, or whenever the fund custodian changes. In addition, fund custodians should reconcile revolving funds to the assigned amount each day that the fund is used.

We noted that DRP's Statements of Responsibility for the petty cash funds had the incorrect fund amounts, and were not completed annually as required. DRP also did not have a Statement of Responsibility for the change fund.

The fund custodians also did not reconcile the funds regularly as required, resulting in undetected errors. For example, just before our review, DRP reconciled the petty cash fund checking account, and identified a $1,470 overage. It appears the overage was due to errors, such as not adjusting the revolving fund balance for voided checks for

which DRP had requested replenishment. Some of these errors went undetected for up to three years.

We also noted that DRP did not retain the original list of authorized check signers. As a result, there could be authorized signers on record with the bank that the Department is unaware of. In addition, DRP's petty cash fund checks did not require two signatures for checks over $500, or indicate that the checks are "not good for over $1,000," as required by CFM Section 4.6.4.

CFM Section 1.6.3 requires departments to conduct surprise cash counts of revolving funds quarterly, or annually if the fund balance is less than $200, by employees with no cash handling responsibilities over the fund being counted. We noted that DRP had only conducted one surprise cash count in the last several years, and that the count was conducted by staff who also receive and deposit checks to replenish the petty cash fund. In addition, the fund custodian did not sign and date the cash count documents to indicate agreement with the count result.

Finally, we noted that DRP sometimes used the petty cash fund for incidental expenses, but did not keep a log of incidental expenses as required by CFM Section 4.9.2.

Recommendations

DRP management:

19. **Obtain statements of responsibility for each revolving fund assignment annually, or whenever a fund custodian changes, that indicate the assigned fund amount.**

20. **Obtain a record of all authorized check signers from the bank for the revolving fund checking account, update the authorized signers if needed, and keep a complete list of authorized signers on file.**

21. **Ensure that revolving fund custodians reconcile the funds to the assigned amount each day the funds are used.**

22. **Ensure checks have two signature lines, and state that two signatures are required for checks over $500, and that checks are not valid over $1,000.**

23. **Require surprise revolving funds cash counts to be conducted as required, by employees with no cash handling responsibilities over the fund being counted, and that the fund custodian signs and dates cash count documents to indicate agreement with the count.**

24. **Ensure staff maintain a complete log of incidental expenses.**

Petty Cash Fund

We reviewed two months of activity for the Department's $300 petty cash fund, consisting of 18 transactions totaling $468, and noted that DRP staff did not mark petty cash receipts "paid" as required by CFM Section 4.6.8.

In addition, we noted that DRP used the petty cash fund to reimburse employees for parking expenses five times, totaling $66. CFM Section 4.6.5 states that parking expenses should not be reimbursed using revolving funds.

Recommendations

DRP management:

25. **Ensure that petty cash expenditure documentation is marked "paid" to prevent reuse.**

26. **Ensure that petty cash is not used to reimburse parking expenses.**

Accounts Payable and Commitment Encumbrances

At the end of each fiscal year, County departments establish accounts payable for services and supplies that were received, but were not paid for, by the end of the year. Departments also establish commitment encumbrances (commitments) for services and supplies that were ordered or contracted for, but were not received, by the end of the year.

We noted that DRP cancelled approximately half of its accounts payable for three consecutive fiscal years, indicating that the payables may not have been needed. We also reviewed 20 payments: ten charged to prior year commitments and ten charged to current year encumbrances. We noted that, for two (10%) payments, the services/supplies were received before the end of the prior fiscal year, and therefore DRP should have established accounts payable for these purchases.

Recommendation

27. **DRP management ensure fiscal staff establish and use accounts payable and commitments appropriately.**

Internal Control Certification Program

The Auditor-Controller developed the Internal Control Certification Program (ICCP) to assist County departments in evaluating and improving internal controls over fiscal operations. Departments must review and evaluate controls in key fiscal areas and certify that proper controls are in place or that action is being taken to correct any deficiencies or weaknesses noted.

Many of the issues we noted in DRP's trust fund, commitment, accounts payable and cash operations should have been identified when DRP completed the ICCP for FY 2008-09. However, DRP's certification did not identify all control weaknesses. DRP management should ensure that the ICCP questionnaires are accurately completed, all internal control weaknesses are identified and an improvement plan is developed to address each weakness.

Recommendation

28. DRP management ensure the Department's ICCP questionnaires are accurately completed, all internal control weaknesses are identified and an improvement plan is developed to address each weakness.

Los Angeles County
Department of Regional Planning

Planning for the Challenges Ahead

Richard J. Bruckner
Director

July 10, 2012

To: Wendy L. Watanabe
Auditor-Controller

From: Richard J. Bruckner
Director

RESPONSE TO THE AUDITOR-CONTROLLER'S CASH HANDLING, TRUST FUND, AND ACCOUNTS PAYABLE REVIEW

Attached you will find the Department of Regional Planning's (DRP) response to the findings and recommendations contained in the Auditor-Controller's Cash Handling, Trust Fund, and Accounts Payable Review. We agree with all of the recommendations.

DRP is currently seeking funding options to implement electronic payment transactions. In addition to promoting paperless payment processing, enhancing customer service and addressing building and personnel security, electronic payment transactions would address many of the recommendations identified by your staff in their review. In the meantime, DRP has taken corrective actions as indicated in our response.

We appreciate the opportunity to include our response in your report, and thank your staff for their professionalism and objectivity during this review.

Should you require additional information, please contact me or your staff may contact Ania Onley, Acting Administrative Deputy, at (213) 974-6533 or via e-mail at aonley@planning.lacounty.gov.

RJB:AO:KC:dw

Attachment

c: Chief Executive Office (Baker)

K_IFS_071o12_M_AUDITOR CONTROLLERS AUDIT REVIEW

DEPARTMENT OF REGIONAL PLANNING

RESPONSE TO THE AUDITOR-CONTROLLER'S AUDIT REVIEW CASH HANDLING, TRUST FUNDS, AND ACCOUNTS PAYABLE

Recommendation 1: Require each location to print a daily collection report from Kiva for each cashier, and reconcile the report to each cashier's cash collections to ensure all cash is accounted for and deposited.

DRP Response: Agree

The Field Offices staff have been instructed to print the daily collection report from KIVA, our electronic permit tracking system, and reconcile the report to the cashier's cash collections (KIVA report and deposit ticket). Field Offices are currently in full compliance with this recommendation. The Land Development Coordinating Center (LDCC) is currently working with Budget and Accounting Services (BAS) staff to implement this recommendation.

Target Date: July 31, 2012

Recommendation 2: Reconcile manual receipt books to ensure all manual receipts are accounted for and all cash received is deposited.

DRP Response: Agree

The Department has implemented procedures to review and reconcile all manual receipt books quarterly and ensure that all cash received is deposited.

Target Date: Implemented

Recommendation 3: Ensure staff independent of the cash receipting or depositing function (e.g., staff from Fiscal Services Division) reconcile receipts to bank deposits for all DRP locations within five days after the cash is deposited.

DRP Response: Agree

Currently, BAS reconciles the receipts to the bank deposit slip and bank statements by each cashier (15-30 cashiers) on a monthly basis, and verifies all deposits made by all locations. Planners assigned to the LDCC work the front counter on a rotational basis.

Working the front counter requires that the planner collect payments from customers. For this reason, the number of cashiers fluctuates on a monthly basis. We agree with the recommendation, however, existing resources do not allow BAS staff to reconcile all transactions within five days after cash is deposited. The Department is currently seeking feasible solutions to address this issue.

Target Date: December 31, 2012

Recommendation 4: Consider using cash registers to record collections that are not entered in Kiva.

DRP Response: Agree

BAS staff is currently working with Systems Analysis staff to create additional codes in KIVA for each landfill and other collections taken in by manual receipt. Once the new codes are created, all collections will be entered in KIVA eliminating the need for cash registers.

Target Date: December 31, 2012

Recommendation 5: Ensure staff have a secure area to store cash, and restrict access to cash to as few individuals as necessary.

DRP Response: Agree

The Department has purchased additional safes, and all offices currently have a secured area to store cash. Access is restricted to a few individuals.

Target Date: Implemented

Recommendation 6: Prohibit staff from taking collections home.

DRP Response: Agree

The Department has implemented procedures that prohibit staff from taking any collections home. Additional safes have been purchased. Today all locations have a secured area to store cash collections at night and during breaks.

Target Date: Implemented

Recommendation 7: Require mail containing payments be opened by two employees.

DRP Response: Agree

The Department has implemented procedures to ensure mail containing payments be opened in the presence of two employees at all times. In addition, all payments received in the mail are logged and verified by two employees.

Target Date: Implemented

Recommendation 8: Require checks to be restrictively endorsed immediately upon receipt.

DRP Response: Agree

The Department currently has procedures in place to ensure that all checks are endorsed upon receipt. However, these procedures were not followed at one location, since then, the Department has taken immediate action to ensure all locations comply with these procedures.

Target Date: Implemented

Recommendation 9: Work with DPW and/or the Kiva vendor to prevent users from being able to change pre-set fees in the System, or require supervisors to review changes for appropriateness.

DRP Response: Agree

One of the system's features is the ability to adjust pre-set fees. This feature is needed on occasion to adjust transactions. Depending on the type of case, a single case may take anywhere from 1 to 20 years to complete. Fees are increased annually per the Consumer Price Index (CPI). In some cases, the Department collects the fee for one type of permit, but later it is determined that it should be changed to another type of permit with a different fee. The adjustment is needed to change the fee back to the amount before the fee increase. If the new permit fee is upgraded or downgraded, then the Department must collect or refund the difference to the customer. The Department has developed procedures to ensure that supervisors review and approve any adjustments. The new procedures require that any adjustments be documented by entering a justification in the comments area in KIVA. The justification includes the receipt number, project number, adjustment amount, and the first initial and last name of the person making the adjustment. The supervisor then reviews the adjustment for accuracy and approves if correct.

Target Date: Implemented

Recommendation 10: Require supervisors to review and approve voids and adjustments staff make to collections in KIVA.

DRP Response: Agree

The Department developed policies and procedures to ensure that all voids, adjustments, and changes in KIVA are reviewed and approved in writing by a supervisor. The new procedures require that any adjustments be documented by entering a justification in the comments area in KIVA. The justification includes the

receipt number, project number, adjustment amount, and the first initial and last name of the person making the adjustment. The supervisor then reviews the adjustment for accuracy and approves if correct.

Target Date: Implemented

Recommendation 11: Require landfills to provide details on the amount of solid waste deposited each month to validate that the payments are correct.

DRP Response: Agree

The Department currently receives activity reports from each landfill Permittee reflecting the payment amount and the total quantity of solid waste deposited each month. These reports are now compared to quarterly reports obtained from the Department of Public Works' (DPW) Disposal Facility Annual Activity Report 19 to verify the payments are correct.

Target Date: Partially implemented
Full implementation December 31, 2012

Recommendation 12: Obtain landfill reports and audit results from DPW, and ensure the monthly fees received from landfills are correct.

DRP Response: Agree

Please see response to Recommendation 11.

Target Date: Partially implemented
Full implementation December 31, 2012

Recommendation 13: Review requests for landfill trust fund monies to ensure the proposed use is consistent with the CUP.

DRP Response: Agree

The Department has established procedures requiring executive management to verify and document proper use of the funds.

Target Date: Implemented

Recommendation 14: Ensure all landfill trust fund monies are used for the intended purpose or returned to the trust fund.

DRP Response: Agree

The Executive Office of the Board of Supervisors (Board) is responsible for verifying the funds are used for the intended purpose. The Board is also responsible to ensure that any unused fund be returned to the trust fund. As discussed with Auditor-Controller staff, the Department has established procedures to ensure that the Board verifies the use of the funds. In addition, the Board is to provide supporting invoices to determine whether any remaining unused balance is to be returned to the trust fund.

Target Date: Implemented

Recommendation 15: Ensure refunds from trust funds are paid to the business or individual that made the payments.

DRP Response: Agree

The Department is currently developing procedures to ensure that all refunds are paid to the appropriate payee listed on the check.

Target Date: September 30, 2012

Recommendation 16: DRP management ensures that trust fund reconciliations are completed accurately on a monthly and timely manner as required by the CFM.

DRP Response: Agree

The Department has implemented procedures to ensure trust fund/account reconciliations are completed on a monthly basis and timely based on County Fiscal Manual guidelines.

Target Date: Implemented

Recommendation 17: Ensure the Department transfers monies from trust funds to revenue as it is earned throughout the year.

DRP Response: Agree

The Department has developed procedures to transfer monies from trust funds/accounts to revenue as the revenue is earned throughout the year. For those funds/accounts billed according to the billing rates, the Department transfers the monies as soon as the new billing rates are received from the Auditor-Controller.

Target Date: Implemented

Recommendation 18: Ensure inspectors submit property inspection reports timely.

DRP Response: Agree

The Department has implemented procedures to ensure that the property inspection reports are submitted on a monthly basis as recommended by the Auditor-Controller.

Target Date: Implemented

Recommendation 19: Obtain statements of responsibility for each revolving fund assignment annually, or whenever a fund custodian changes, that indicate the assigned fund amount.

DRP Response: Agree

The Department has implemented procedures to ensure that statements of responsibility for each revolving fund assignment are received each year or whenever a fund custodian changes. The statements of responsibility also indicates the assigned fund amount.

Target Date: Implemented

Recommendation 20: Obtain a record of all authorized check signers from the bank for the revolving fund checking account, update the authorized signers if needed, and keep a complete list of authorized signers on file.

DRP Response: Agree

The Department has implemented procedures to obtain a record of authorized check signers from the bank to ensure the authorized check signers list is current. The Department also ensures that on occasions when authorized signers change, a request to update the check signer list is submitted to the bank in a timely manner.

Target Date: Implemented

Recommendation 21: Ensure that revolving fund custodians reconcile the funds to the assigned amount each day the funds are used.

DRP Response: Agree

The Department has been reconciling and documenting each of the revolving funds. However, according to the Auditor-Controller, the documentation was not adequate. Samples of the Petty Cash and Checking Account Reconciliation Forms were provided

by the Auditor-Controller in October 2010; and since then, the Department has been using those forms as documentation. Our revolving funds (Petty Cash and Checking Account) are reconciled each time the funds are used.

Target Date: Implemented

Recommendation 22: Ensure checks have two signature lines, and state that two signatures are required for checks over $500, and that checks are not valid over $1,000.

DRP Response: Agree

New check stock has been ordered to include two signature lines. The new checks include statements stating checks are not good for over $1,000, and two signatures required for amounts over $500.

Target Date: Implemented

Recommendation 23: Require surprise revolving funds cash counts to be conducted as required, by employees with no cash handling responsibilities over the fund being counted, and that the fund custodian signs and dates cash count documents to indicate agreement with the count.

DRP Response: Agree

Per County Fiscal Manual Section 1.6.3, departments are required to conduct surprise cash counts of revolving funds quarterly or annually if the fund balance is less than $200. This surprise cash counts are to be conducted by employees with no cash handling responsibilities over the fund being counted. The Department has implemented this procedure and will ensure that surprise cash counts are conducted at least annually for funds containing a balance less than $200. In addition, the custodian and the person conducting the cash count are required to sign and date the cash count report to indicate agreement with the count.

Target Date: Implemented

Recommendation 24: Ensure staff maintain a complete log of incidental expenses.

DRP Response: Agree

The Department has implemented this procedure. As of July 2011, the log now includes a detailed description/justification as required by the Auditor Controller.

Target Date: Implemented

Recommendation 25: Ensure that petty cash expenditure documentation is marked "paid" to prevent reuse.

DRP Response: Agree

As recommended by the Auditor-Controller, all petty cash supporting documentation is stamped paid to prevent reuse.

Target Date: Implemented

Recommendation 26: Ensure that petty cash is not used to reimburse parking expenses.

DRP Response: Agree

As recommended by the Auditor-Controller, the Department has implemented procedures to ensure that all parking expenses be processed according to County Fiscal Manual guidelines, that is through a mileage claim or an expense claim.

Target Date: Implemented

Recommendation 27: DRP management ensures fiscal staff establishes and uses accounts payable and commitments appropriately.

DRP Response: Agree

Department management has implemented procedures to ensure that fiscal staff establishes accounts payable and commitments appropriately. The Department follows existing procedures which require that all requested services and supplies are identified and confirmed to be received by the end of the fiscal year before the accounts payable are set up for payment.

Target Date: Implemented

Recommendation 28: DRP management ensure the Department's ICCP questionnaires are accurately completed, all internal control weaknesses are identified and an improvement plan is developed to address each weakness.

DRP Response: Agree

DRP management will ensure the Department's ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.

The Department is in the process of developing policies and procedures to address the existing weaknesses. Management will periodically review this financial review and the ICCP weaknesses to ensure the weaknesses have been corrected.

Target Date: Implemented