COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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ASST. AUDITOR-CONTROLLERS

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JUDI E. THOMAS

July 1, 2011

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SAN GABRIEL CHILDREN'S CENTER - A GROUP HOME FOSTER CARE CONTRACT PROVIDER - FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of San Gabriel Children's Center (SGCC or Agency) from July 1, 2008 through June 30, 2009. SGCC is licensed to operate six group homes (GH), each with a resident capacity of six children. SGCC is located in the Fifth Supervisorial District.

DCFS and the Probation Department (Probation) contract with SGCC to care for foster children placed in the Agency's homes. DCFS paid SGCC $6,694 per child per month, based on a rate determined by the California Department of Social Services, for a total of $1,718,246 in Fiscal Year 2008-09.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable SGCC to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on July 9, 2010.

Summary of Findings

We identified $688 in unallowable expenditures and $3,608 in unsupported/inadequately supported expenditures. SGCC also needs to strengthen its

controls over its fixed assets and bank reconciliations. Details of our findings are discussed in Attachment I of this report.

We have recommended that DCFS resolve the questioned costs, and collect any disallowed amounts. DCFS should also ensure that SGCC management take action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with SGCC management and DCFS on March 1, 2011. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency's general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including but not necessarily limited to Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank SGCC 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:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Jackie Contreras, Ph.D., Acting Director, DCFS
Donald H. Blevins, Chief Probation Officer
Reaver E. Bingham, Deputy Chief Probation Officer
Porfirio Rincon, Chief Executive Officer, San Gabriel Children's Center
Board of Directors, San Gabriel Children's Center
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

San Gabriel Children's Center
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $688 in unallowable expenditures, and $3,608 in unsupported/ inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

San Gabriel Children's Center (SGCC) is required to operate its group home (GH) in accordance with the following federal, State and County regulations and guidelines:

- GH Contract, including the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

A-C Handbook Section C.1.5 states that only expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable. In addition, Circular A-122 states that expenditures such as late fees, interest, penalties and alcoholic beverages are unallowable.

We identified $688 in unallowable expenditures:

- $398 in late fees paid to the Los Angeles County Tax Collector
- $278 in interest, late fees and non-sufficient funds (NSF) charges
- $12 in credit card charges for alcoholic beverages

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, canceled checks or other documentation. Unsupported expenditures will be disallowed upon audit. A-C Handbook Section C.1.5 states that

only expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable.

We indentified $3,608 in unsupported/inadequately supported expenditures. Specifically:

- $3,147 in inadequately supported expenditures related to ATM cash withdrawals. SGCC management indicated that the cash was used for Agency activities and food purchases. However, the Agency did not provide sufficient documentation, such as original itemized receipts or invoices, to show how these funds were used and how the expenditures benefitted the GH program.

- $366 in other unsupported expenditures. The Agency indicated that these expenses were related to relocating their administrative offices and to general GH activities. However, the Agency was unable to provide documentation to establish how these expenditures benefited the Agency's GH program.

Recommendations

1. **DCFS management resolve the $4,296 ($688 + $3,608) in unallowable and unsupported/inadequately supported expenditures, and collect any disallowed amounts.**

SGCC management:

2. **Ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency.**

3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted some contract compliance issues and internal control weaknesses. DCFS should ensure that SGCC management takes action to address each of the contract compliance and internal control recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Fixed Assets Inventory

A-C Handbook Section B.4.2 states that an inventory of all assets should be conducted at least once each year to ensure that fixed assets are accounted for and maintained in proper working order. SGCC had not conducted an inventory of fixed assets within the last year.

Recommendation

4. **SGCC management conduct an inventory of fixed assets at least once a year to ensure that all assets are accounted for and maintained in proper working order.**

Bank Reconciliations

A-C Handbook Section B.1.4 requires bank reconciliations to be prepared within 30 days of the bank statement date. We reviewed the Agency's monthly bank reconciliations, and noted that five (42%) of 12 reconciliations for the general operating account were not prepared within 30 days of the bank statements. The reconciliations were between two and five months delinquent.

Recommendation

5. **SGCC management ensure bank reconciliations are prepared within 30 days of the bank statement date.**

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

ANTONIA JIMÉNEZ
Acting Director

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

April 14, 2011

Porfirio Rincon, Chief Executive Officer
San Gabriel Children's Center
2200 E. Route 66, #100
Glendora, CA 91740

Dear Mr. Rincon:

AUDITOR-CONTROLLER'S FISCAL AUDIT REPORT ON SAN GABRIEL CHILDREN'S CENTER - A GROUP HOME FOSTER CARE CONTRACTOR

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller's fiscal audit report for the period of July 1, 2008 through June 30, 2009. The FCAP fully addresses the audit report five (5) recommendations (see Attachment I). In addition, the one recommendation directed to DCFS was fully addressed.

DCFS requires that San Gabriel Children's Center, as agreed to submit a check drawn on non-foster care funds in the total amount of **$4,296.00**. The Department requires that you identify the source of the funds from which payment will be made. Please make your check payable to **DCFS Cashier** and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place, Room 304
Los Angeles, CA 90020

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.
Sincerely,

Latisha Thompson

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachment

c: Mike McWatters, Chief Audit Division (via electronic mail only)
Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

ATTACHMENT I

FISCAL REVIEW OF
SAN GABRIEL CHILDREN'S CENTER - A GROUP HOME FOSTER CARE CONTRACTOR

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP submitted April 11, 2011 by San Gabriel Children's Center, status of each recommendation is summarized as follows:

- 5 Recommendations (1-5) were fully addressed.
- __ Recommendations (___) were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolve the $4,296 ($688 + $3,608) in unallowable and inadequately supported expenditures and collect any disallowed amounts.**

   Agency Proposed FCAP:

   In accordance with the A-C Hanbook and Circular A-122, it is the policy of San Gabriel Children's Center (SGCC) to record expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program. Costs for late fees, interest and penalty charges are not an allowable expense and should not have been included in the expenditures of the program. It is also strictly prohibited to charge any alcoholic beverages to any program. SGCC agrees to all the unallowable and disallowed costs and does not intend to contest them.

   DCFS Response: DCFS accepts the agency's response. DCFS requires that San Gabriel Children's Center, as agreed to submit a check drawn on non-foster care funds **in the amount of $4,296.00.** The Department requires that you identify the source of the funds from which payments will be made. Please make your checks payable to **DCFS Cashier** and mail to:

   Latisha Thompson, ASM III
   Department of Children and Family Services
   425 Shatto Place Room, 304
   Los Angeles, CA 90020

2. **SGCC's management ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency.**

Agency Proposed FCAP: *In accordance with the A-C Handbook and Circular A-122, it is the policy of San Gabriel Children's Center (SGCC) to record expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program. SGCC has a documented policy (AP-301, AP-General, Attachment 1) to list the process of approving and recording expenses in order to ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency and to maintain supporting documentation for all Agency expenditures, including original itemized invoices and receipts.*

DCFS Response: DCFS accepts the agency's response.

3. **SGCC's management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Agency Proposed FCAP: *In accordance with the A-C Handbook and Circular A-122, it is the policy of San Gabriel Children's Center (SGCC) to maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts. Unfortunately, during the period covered by this audit, SGCC moved its office from Covina to Glendora. Due to this move some of the records were misplaced and subsequently were unable to be located. The company has a documented policy (AP-305, AP-Residential Activities/Incentives, Allowance and Nutrition, Attachment 2) policy in place to ensure that adequate supporting documentations are maintained and retained for records. Please find the attached policy and procedure approved by the Board.*

DCFS Response: DCFS accepts the agency's response.

4. **SGCC's management conduct an inventory of fixed assets at least once a year to ensure that all assets are accounted for and maintained in proper working order.**

Agency Proposed FCAP: *In accordance with the A-C Handbook, it is the policy of San Gabriel Children's Center (SGCC) to perform a physical inventory of all assets to ensure that all fixed assets are accounted for and maintained in proper working order. SGCC has reviewed the process and policy and procedure for conducting the inventory of fixed assets. We will conduct the Fixed Asset inventory on an annual basis.*

DCFS Response: DCFS accepts the agency's response.

5. **SGCC's management ensure bank statement reconciliations are prepared within 30 days of the bank statement date.**

Agency Proposed FCAP: *In accordance with the A-C Handbook and Circular A-122, it is the policy of San Gabriel Children's Center (SGCC) to prepare monthly bank reconciliations within 30 days of the bank statement date (BA-204, BA-Reconciliations, Attachment 3). Unfortunately, due to high turnover in the accounting department, there was a delay in reconciling bank statements. SGCC has recruited appropriate personnel to make sure that bank reconciliations are completed and approved within 30 days of the bank statement date.*

DCFS Response: DCFS accepts the agency's response.

ATTACHMENT 1

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: ACCOUNTING	**Policy # AP-301**	**Page 1 of 3**
Policy Title: **ACCOUNTS PAYABLE - General**	***Effective Date:***	***08/18/10***
	Last Revised Date:	**06/01/03**

Purpose

This policy defines and outlines guidelines on operating expenses generated and reported by San Gabriel Children's Center. Expenses are the costs used to produce revenue. They are outflows of cash or charges. For financial reporting purposes, expenses include all costs paid to external parties.

Discussion

San Gabriel Children's Center reports expenses as external. External expenses include payments to employees, vendors, or other groups outside the San Gabriel Children's Center.

Expenses are recorded as debits. The Company reports credits to expenses as Expense Credits. Expense Credits are credits that offset expenses such as; purchase discounts, rebates, adjustments for overcharges and payment errors.

The Company further defines its external expenses into functional classifications by cost center or department.

Documentation Required

The company requires original documentation for expense recording.

1. All Invoices/Payment Requests must me opened and reviewed upon delivery.
    a. *All late notices* are to be reported to Chief Financial Officer (CFO) immediately for determination of payment.
2. Invoices are to be separated by department and delivered to CFO for weekly Financial Department meetings.
3. Invoices are to be to be reviewed and approved by Department Directors on a weekly basis.
    a. Expenses are to be analyzed for reasonableness. Reasonableness is considered by both nature and amount. Expenses are not to exceed that which would be incurred by a rational person under similar circumstances. In determining the reasonableness of a given expense, consideration is given the following:
        i. Whether the expense is ordinary and necessary for the operation of the Business.
        ii. Whether the expense is considered generally accepted, sound, arms length, and complies with laws, regulations, and San Gabriel Children's Center policies.
        iii. Whether the purchasers acted with prudence.
        iv. Whether there is significant deviation from the established practices of *San Gabriel* Children's Center.
4. Approved invoices will be returned to Accounts Payable department daily.
5. After processing them in MAS 90 all invoice should be filed in the respective vendor file with check stub attached.

MAS 90 Processing

Policy Type: ACCOUNTING	Policy # AP-301	Page 2 of 3
Policy Title: ACCOUNTS PAYABLE - General	Effective Date:	08/18/10
	Last Revised Date:	06/01/03

All accounts payables are to be entered into the agencies AP Accounting Program by end of day every Friday. The Accounts Payable clerk will process the invoices to ensure proper recognition of expenses for the specified month as follows:

1. Accounts Payable
2. Main
3. Invoice Data Entry
4. Confirm the correct date/month of expense is utilized.
5. Enter Vendor Number
6. Enter Invoice Number
7. Enter Invoice Date
8. Invoice Amount
9. Enter Comment.
   a. Year and Month of expense and description of expense.
      i. Examples:
         1. 201008 / Electricity
         2. 201008 / Computers for Wraparound
10. Enter GL account number expense to be charged.
    a. Any questions regarding the correct GL account number must be directed to CFO.
11. Enter Amount of Invoice.
12. Accept.
13. Proceed with posting.
14. All invoices must be stamped entered upon completion.

Cash Requirement Report

An updated Cash Requirement Report is to be issued to the Chief Executive Officer (CEO) and CFO every Monday by 4:00 pm. In the event of a holiday, the Cash Requirement Report is due on the next business day by 4:00 pm.

Cash Requirement Report must include the following:

1. Activities - Weekly
2. Allowances – Weekly
3. Nutrition - Weekly
4. Visa (Amount Due & Available Credit) – Weekly
5. Discover (Amount Due & Available Credit) - Weekly
6. Hygiene and Grooming – Monthly
7. Clothing – Monthly
8. THP Plus Expenditures – Monthly
9. Petty Cash for All Departments – Monthly

Cash Requirement Report will be reviewed by CEO and CFO for payment approvals. Approvals will be made and forwarded to Accounts Payable by the next business day for further processing.

Check / Transfer Preparation and Processing

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: ACCOUNTING	Policy # AP-301	Page 3 of 3
Policy Title: ACCOUNTS PAYABLE - General	Effective Date:	08/18/10
	Last Revised Date:	06/01/03

1. Checks and Funds Transfer Authorizations are to be prepared for signature as soon as approvals have been received.
2. Original invoices and request are to be attached to the check and/or completed Funds Transfer Authorization.
3. Completed documents are to be given to the CFO for signature.
    a. In the event the CFO is unavailable, the Controller will complete the process.
4. Upon receipt of signatures, Accounts Payable checks are:
    a. Checks are separated and placed in mailing envelope with payment voucher for mailing
    b. Original invoice to be stamped "PAID" and check voucher to be attached.
    c. Original invoices are to be filed in the Accounts Payable file.
        i. Filing must be completed on a weekly basis.
5. Accounts Payable approval sheets are to be filed by date.
    a. Must include:
        i. Completed By
        ii. Completed Date
6. Transfers are to be completed immediately upon receipt of approval.
    a. Accounts Payable clerk is to forward an e-mail to the requestor, Program Director and CFO that the transfer has been completed.
7. Funds Transfer Authorizations and supporting documents are to be filed daily in the Cash Accounts Reconciliation binder.

ATTACHMENT 2

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: ACCOUNTING	**Policy # AP-305**	**Page 1 of 3**
Policy Title: AP – Residential Activities/Incentives, Allowance and Nutrition	**Effective Date:**	10/11/10
	Last Revised Date:	N/A

Purpose

This policy defines and outlines guidelines on operating expenses generated and reported by San Gabriel Children's Center. Expenses are the costs used to produce revenue. They are outflows of cash or charges. For financial reporting purposes, expenses include all costs paid to external parties.

Discussion

San Gabriel Children's Center reports expenses as external. External expenses include payments to employees, vendors, or other groups outside the San Gabriel Children's Center.

Expenses are recorded as debits. The Company reports credits to expenses as Expense Credits. Expense Credits are credits that offset expenses such as; purchase discounts, rebates, adjustments for overcharges and payment errors.

The Company further defines its external expenses into functional classifications by cost center or department.

Documentation Required

The company requires original documentation for expense recording. An Activities/Incentive, Allowance Request must be completed and given to the Director of Residential Services for approval on Friday for the following week. The director is to approve and deliver to accounting for processing

1. Activities/Incentives
    - a. House Manager receives cash and Cash Transmittal Form
    - b. Date
        - i. Enter date cash received from accounting.
    - c. Amount
        - i. Enter amount of cash received from accounting.
    - d. Received By
        - i. Signature of staff receiving cash.
        - ii. Accounting is to keep a copy of the signed Cash Transmittal Form until the original is returned.
    - e. Item
        - i. Each receipt must me sequentially numbered and entered onto the Cash Transmittal Form.
    - f. Date
        - i. Enter date of receipt.
    - g. Vendor/Store
        - i. Enter store the receipt is from.
    - h. Amount
        - i. Enter amount of receipt.
    - i. Comments
        - i. Enter any comments as necessary
    - j. Total Receipts
        - i. Enter total amount of receipts.

k. Total Cash
   i. Enter amount of unused cash to be returned to Accounting.
l. Grand Total
   i. Total amount of Receipts and Unused Cash. This amount should agree to the original amount received.
m. Date
   i. Enter date Accounting received Receipts and Unused Cash
n. Received by
   i. Accounting signature.

2. Allowances
   a. House Manager receives cash and signs the Activities/Incentives, Allowances form.
   b. House Manager delivers cash to client.
      i. Client signs the form

3. Nutrition
   a. Every week Nutrition staff sends request for transfer of funds and cash is transferred to Nutrition bank account by accounting dept.
   b. Item
      i. Each receipt must me sequentially numbered and entered onto the Nutrition summary Form
   c. Date
      i. Enter date of receipt.
   d. Vendor/Store
      i. Enter store the receipt is from.
   e. Amount
      i. Enter amount of receipt.
   f. Comments
      i. Enter any comments as necessary.
   g. Total Receipts
      i. Enter total amount of receipts.
   h. Total Cash
      i. Enter amount of unused cash to be returned to Accounting.
   i. Grand Total
      i. Total amount of Receipts and Unused Cash. This amount should agree to the original amount received.
   j. Date
      i. Enter date Accounting received Receipts and Unused Cash.
   k. Received by
      i. Accounting signature.

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: **ACCOUNTING**	**Policy # AP-305**	**Page 3 of 3**
Policy Title: **AP – Residential Activities/Incentives, Allowance and Nutrition**	**Effective Date:**	**10/11/10**
	Last Revised Date:	**N/A**

All accounts payables and cash dispersed are to be entered into the agencies AP and/or GL Accounting Program by end of day every Friday. The Accounts Payable clerk will process the transactions to ensure proper recognition of expenses for the specified month as follows:

1. Activities/Incentives
    a. Confirm the correct date/month of expense is utilized
    b. General Ledger
    c. Main
    d. Recurring Journal Entry
    e. TR – ACTIV
        i. Enter Journal Comment
            1. 2010/10/11 Activities & Allowances
    f. Lines
        i. Debit – Nutrition/Activities / Incentive GL Number
        ii. Credit – General Cash
    g. Accept
    h. Returned unused cash must be entered as follows:
        i. Debit – General Cash
        ii. Credit – Original GL Number used.

ATTACHMENT 3

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: ACCOUNTING	**Policy # FA-201**	**Page 1 of 1**
Policy Title: FIXED ASSETS - Inventory	**Effective Date:**	**01/01/11**
	Last Revised Date:	**N/A**

Purpose

This policy defines and outlines guidelines on operating expenses generated and reported by San Gabriel Children's Center. Expenses are the costs used to produce revenue. They are outflows of cash or charges. For financial reporting purposes, expenses include all costs paid to external parties. It is the Agency's policy to capitalize certain fixed assets to comply with the Internal Revenue Tax Code.

Discussion

San Gabriel Children's Center reports expenses as external. External expenses include payments to employees, vendors, or other groups outside the San Gabriel Children's Center.

Expenses are recorded as debits. The Company reports credits to expenses as Expense Credits. Expense Credits are credits that offset expenses such as; purchase discounts, rebates, adjustments for overcharges and payment errors.

The Company further defines its external expenses into functional classifications by cost center or department.

It is the policy of the company that the purchase price of $5,000 or more individually and the donated asset with the fair market value of $5,000 or more at the time of the donation also should be capitalized as assets. They should also have a useful life of over one year.

The fixed assets include: Property, office furniture, equipment such as computers and printers, etc.

Documentation Required

The company requires original documentation for expense recording.

1. It is the policy of the company to take physical count of assets every 4 years.
2. While the physical count/verification of assets may not take place, the accounting department will issue a listing of assets by each location in order to verify the condition and existence of the assets by responsible supervisors.
3. This will be completed on an annual basis.

ATTACHMENT 4

San Gabriel Children's Center, Inc.

POLICY AND PROCEDURE

Policy Type: ACCOUNTING	**Policy # BA-204**	**Page 1 of 1**
Policy Title: BANK ACCOUNTS - Reconciliations	**Effective Date:**	07/01/10
	Last Revised Date:	N/A

Purpose

This policy defines and outlines guidelines on reconciliations of Agency owned bank accounts.

Discussion

The timely preparation of complete and accurate bank reconciliation is a key to maintaining adequate control over both cash receipts and disbursements.

Documentation Required

The following are critical in maintaining sound internal control procedures.

1. CFO should open the bank statements and review them for any unusual checks or other transactions before giving them to Accounting to perform the reconciliation.

2. The bank reconciliation will be performed by Controller within 30 days of the receipt of the bank statement(s) and the CFO/CEO will approve the reconciliation.