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## INTERNAL AUDIT DEPARTMENT

Audit No. 2216

November 27, 2002

TO: Thomas B. Mathews, Director  
Planning and Development Services Department

SUBJECT: Secondary Follow-up of Department Control Review of Planning and  
Development Services Department Revolving Fund, Audit No. 2015F  
and Cash Receipts, Audit No. 2017F

We have completed a secondary follow-up examination of the Planning and Development Services Department's revolving fund and cash receipts processes. Our examination was limited to a review as of September 20, 2002, of the Planning and Development Services Department's planned actions stated in our initial follow-up audit reports dated February 13, 2001 and May 16, 2002. The planned actions stemmed from our original audit reports dated April 10, 2000 and March 20, 2001.

The initial follow-up audit report for revolving funds contained one recommendation not fully implemented from the original audit. Our second review indicated that the recommendation has been fully implemented. The initial follow-up audit report for cash receipts contained six recommendations not fully implemented from the original audit. Our second review indicated three of these recommendations have been fully implemented and three continue to be not fully implemented. The audit report recommendations not fully implemented are noted below along with a comment on the current status.

### 1. Supervisory Approval & Review

Recommendation: PDSD ensure there are documented supervisory reviews and approvals of daily deposits to collection records and of transactions voided by cashiers.

Initial Follow-Up Status: Not Implemented.

- **DPC:** Supervisory reviews of daily deposits to collection records were performed, but the individual had other cash handling responsibilities. Someone independent of cash handling duties should perform the supervisory reviews. The supervisory review and approval of voided transactions was done but was not documented.
- **South County:** An independent supervisory review of payments received to collection records was not performed as of our review date.

PDS D Response:

- **DPC:** A Fiscal and Program Services Cashier Manager has been assigned to cashiering and has no cash handling responsibilities. Currently, the Cashier Manager performs the review of daily deposits to collection records. All voided transactions are signed off by the DPC Section Chiefs or Supervisors, documented, and then reviewed by the Manager assigned to cashiering.
- **South County:** Independent supervisory review is being performed with documented approvals of the daily collections.

Secondary Follow-Up Status: Partially Implemented. There was no documentation to indicate that a supervisory review of two voided transactions at the Development Processing Center (DPC) had been performed. We further determined that the supervisory review performed on the daily collections needs to be enhanced to ensure all corresponding receipt numbers are sequential and are accounted for with each deposit. Our review found that no accounting of the manual receipt numbers at South County was being performed to ensure all cash receipts are accounted for.

PDS D Response as of November 25, 2002:

Immediately, the assigned Fiscal and Program Services Cashier Manager will review and approve all voided transactions. A copy of the manual receipts log for South County will be faxed daily to the cashier Accounting Supervisor. The Fiscal and Program Services Cashier Manager will research missing receipt numbers and will account for all cash receipts.

2. Handwritten Receipt Forms

Recommendation: PDS D ensure controls are in place over handwritten receipt forms, including designating a custodian, maintaining an inventory log, conducting periodic inventories, and ensuring all receipts forms are numbered for purposes of control.

Initial Follow-Up Status: Partially Implemented. An inventory log of handwritten receipt forms was not maintained and the periodic inventory of handwritten receipt forms was not conducted.

PDS D Response: PDS D concurs with this recommendation and receipt books are to be ordered as soon as the current supply is depleted. A designated custodian is assigned. An individual with no cash handling duties performs detailed inventories of the handwritten receipt forms. Currently handwritten receipt forms are locked in the safe under supervisory control.

Secondary Follow-Up Status: Partially Implemented. We were informed that an inventory of handwritten receipts was being performed; however, there was no written documentation of the inventories.

PDS D Response as of November 25, 2002:

The Office Supervisors will conduct monthly inventories of the manual receipt books and document the results in a report to the Fiscal and Program Services Cashier Manager for review and approval.

3. Trust Fund Reconciliation

Recommendation: PDSB Accounting Services ensure reconciliations are performed timely and unidentified differences are investigated and resolved so trust account records agree to the General Ledger.

Initial Follow-Up Status: Partially Implemented. The reconciliations were prepared timely except for one reporting category (Negotiable Instrument). The long outstanding, unidentified difference of approximately \$120,700 and two old reconciling items of \$360 and \$180.58 have not been resolved. We also noted that four other trust fund reporting categories were not being reconciled until our inquiry. We were informed that the PDSB Accounting Manager will ensure trust fund reconciliations are prepared timely and plans to review old subsidiary ledgers and work with the Fiscal Programs and Services Manager to resolve these long outstanding differences. The four trust fund reporting categories are now being reconciled.

PDSB Response: The PDSB Accounting Manager concurs with the above planned action.


Secondary Follow-Up Status: Substantially Implemented. Although we found that the trust fund reconciliations were being prepared timely, the \$120,700 long-outstanding unidentified difference for reporting category 0041 has not yet been resolved.

PDSB Accounting Response as of November 25, 2002:

The PDSB Accounting Manager concurs with the above statement and efforts are ongoing to work with Fiscal Programs and Services staff to review old subsidiary ledgers and to resolve the long outstanding difference.

We appreciate the cooperation and assistance extended to us by the staff of the Planning and Development Services Department.

Sincerely,



Dr. Peter Hughes, CPA  
Director, Internal Audit

Attachment

cc: Members, Board of Supervisors  
Members, Audit Oversight Committee  
Foreman, Grand Jury  
Darlene J. Bloom, Clerk of the Board of Supervisors  
Debbie Gonzales, Staff Analyst, PDSB  
Danny Wassenaar, Manager, PDSB Accounting Services



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1. SUPERVISORY APPROVAL & REVIEW

**Recommendation:** PDSD ensure there are documented supervisory reviews and approvals of daily deposits to collection records and of transactions voided by cashiers.

**Initial Follow-Up Status:** Not Implemented.

- **DPC:** Supervisory reviews of daily deposits to collection records were performed, but the individual had other cash handling responsibilities. Someone independent of cash handling duties should perform the supervisory reviews. The supervisory review and approval of voided transactions was done but was not documented.
- **South County:** An independent supervisory review of payments received to collection records was not performed as of our review date.

## DRAFT

PDSB Response:

- **DPC:** A Fiscal and Program Services Cashier Manager has been assigned to cashing and has no cash handling responsibilities. Currently, the Cashier Manager performs the review of the daily deposits to collection records. All voided transactions are signed off by the DPC Section Chiefs or Supervisors, documented, and then reviewed by the Manager assigned to cashing.
- **South County:** Independent supervisory review is being performed with documented approvals of the daily collections.

Secondary Follow-Up Status: Partially Implemented. There was no documentation to indicate that a supervisory review of two voided transactions at the Development Processing Center (DPC) had been performed. We further determined that the supervisory review performed on the daily collections needs to be enhanced to ensure that all corresponding receipt numbers are sequential and are accounted for with each deposit. Our review found that no accounting of the manual receipt numbers at South County was being performed to ensure all cash receipts are accounted for.

Current PDSB Response: November 25, 2002

- Immediately, the assigned Fiscal and Program Services Cashier Manager will review and approve all voided transactions. A copy of the manual receipts log for South County will be faxed daily to the cashier Accounting Supervisor. Fiscal and Program Services Cashier Manager will research missing receipt numbers and will account for all cash receipts.

## 2. HANDWRITTEN RECEIPT FORMS

**Recommendation:** PDSB ensure controls are in place over handwritten receipt forms, including designating a custodian, maintaining an inventory log, conducting periodic inventories, and ensuring all receipts forms are numbered for purposes of control.

Initial Follow-Up Status: Partially Implemented. An inventory log of handwritten receipt forms was not maintained and the periodic inventory of handwritten receipt forms was not conducted.

PDSB Response: PDSB concurs with this recommendation and receipt books are to be ordered as soon as the current supply is depleted. A designated custodian is assigned. An individual with no cash handling duties performs detailed inventories of the handwritten receipt forms. Currently handwritten receipt forms are locked in the safe under supervisory control.

Secondary Follow-Up Status: Partially Implemented. We were informed that an inventory of handwritten receipts was being performed; however, there was no written documentation of the inventories.

Current PDSB Response: November 25, 2002

The Office Supervisors will conduct monthly inventories of the manual receipt books and document the results in a report to the Fiscal and Program Services Cashier Manager for review and approval.

**DRAFT**

**3. TRUST FUND RECONCILIATION**

**Recommendation:** PDS Accounting Services ensure reconciliations are performed timely and unidentified differences are investigated and resolved so trust account records agree to the General Ledger.

**Initial Follow-Up Status:** Partially Implemented. The reconciliations were prepared timely except for one reporting category (Negotiable Instrument). The long outstanding, unidentified difference of approximately \$120,700 and two old reconciling items of \$360 and \$180.58 have not been resolved. We also noted that four other trust fund reporting categories were not being reconciled until our inquiry. We were informed that the PDS Accounting Manager will ensure trust fund reconciliation's are prepared timely and plans to review old subsidiary ledgers and work with the Fiscal Programs and Services Manager to resolve these long outstanding differences. The four trust fund reporting categories are now being reconciled

**PDS Response:** The PDS Accounting Manager concurs with the above planned action.

**Secondary Follow-Up Status:** Substantially Implemented. Although we found that the trust fund reconciliation's were being prepared timely, the \$ 120,700 long outstanding unidentified difference for reporting category 0041 has not yet been resolved.

**Current PDS Accounting Response:** November 25, 2002

The PDS Accounting Manager concurs with the above statement and efforts are ongoing to work with Fiscal Programs and Services staff to review old subsidiary ledgers and to resolve the long outstanding difference.

We appreciate the cooperation and assistance extended to us by the staff of the Planning & Development Services Department.

Sincerely,

Dr. Peter Hughes, CPA  
Director, Internal Audit

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