INTERNAL AUDIT DEPARTMENT

COUNTY OF ORANGE

Recipient of the Institute of Internal Auditors Award for Excellence

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AUDIT OF THE ORANGE COUNTY ZOO AT IRVINE REGIONAL PARK CASH DISBURSEMENTS AND CASH RECEIPTS

For the Period
November 1, 2004 through October 31, 2005

AUDIT NUMBER: 2587 **REPORT DATE: MAY 25, 2006**

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Deputy Director: **Eli Littner, CPA, CISA, CIA**
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Audit of the Orange County Zoo at Irvine Regional Park
Cash Disbursements and Cash Receipts

For the Period
November 1, 2004 through October 31, 2005

TABLE OF CONTENTS

Transmittal Letter i

INTERNAL AUDITOR'S REPORT 1

EXECUTIVE SUMMARY 3
- OBJECTIVES 3
- BACKGROUND 3
- SCOPE 3
- CONCLUSION 3

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES 5
- CASH DISBURSEMENTS 5
  - Timely Payment of Invoices 5
  - Segregation of Duties 5
  - Document Retention 6
- CASH RECEIPTS 7
  - Segregation of Duties 7
  - Handwritten Cash Receipt Forms 7
  - Transfer of Accountability 8
  - Check Endorsement 8
- ECONOMY AND EFFICIENCY ISSUES 9
  - ERMI Access and Training 9

ATTACHMENT A: Report Item Classifications 10

ATTACHMENT B: RDMD Management Responses 11

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AUTUMN MCKINNEY, CPA, CIA, CGFM, AUDIT MANAGER

Transmittal Letter

Audit No. 2587

May 25, 2006

TO: Bryan Speegle, Director
Resources and Development Management Department

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Audit of the Orange County Zoo at Irvine Regional Park
Cash Disbursements and Cash Receipts

We have completed an audit of cash disbursements and cash receipts at Resources and Development Management Department's (RDMD) Orange County Zoo at Irvine Regional Park for the period November 1, 2004 through October 31, 2005. The final **Internal Auditor's Report** is attached along with your responses to our recommendations.

Please note, beginning in January 2005, we implemented a more structured and rigorous Follow-Up Audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our first Follow-Up Audit will now begin no later than six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second Follow-Up Audit will now begin at 12 months from the release of the original report, by which time all audit recommendations are expected to be addressed and implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a Follow-Up Audit Report Form. Your department should complete this template as our audit recommendations are implemented. When we perform our Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with you so that you can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

Additionally, we will request your department to complete a Customer Survey of Audit Services. You will receive the survey shortly after the distribution of our final audit report.

Attachment

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Steve Danley, Director, RDMD/Administration
Kevin Thomas, Director, RDMD/Harbors, Beaches & Parks
Bob Hamilton, Program Planning Manager, RDMD/Harbors, Beaches & Parks
Linda Mayer, Supervisor, RDMD/Harbors, Beaches & Parks Central District
Debra Lakin, Chief, RDMD/Central Quality Assurance
Alicia Campbell, Manager, RDMD/Special Services
Raymond Osuna, Manager, RDMD/Operations & Maintenance
Holly Felipe, Contract Administration Chief, RDMD/Operations & Maintenance
Forrest De Spain, Supervising Park Ranger, RDMD/Harbors, Beaches & Parks
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

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ALAN MARCUM
MBA, CPA, CIA, CFE
AUDIT MANAGER

AUTUMN MCKINNEY
CPA, CIA, CGFM
AUDIT MANAGER

INTERNAL AUDITOR'S REPORT

Audit No. 2587

May 25, 2006

Bryan Speegle, Director
Resources and Development Management Department
300 North Flower Street
Santa Ana, CA 92703

We have completed an audit of cash disbursements and cash receipts at Resources and Development Management Department's (RDMD) Orange County Zoo at Irvine Regional Park (Zoo) for the period November 1, 2004 through October 31, 2005. Our audit was performed in accordance with professional standards established by the Institute of Internal Auditors.

RDMD management is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. County of Orange Accounting Manual No. S-2 – *Internal Control Systems* prescribes the policies and standards the departments/agencies should follow in establishing and maintaining internal control systems. Our review enhances and complements, but does not substitute for, RDMD's continuing emphasis on control activities and self-assessment of control risks.

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Accordingly, our review performed for the limited purpose described above would not necessarily disclose all weaknesses in RDMD's operating procedures, accounting practices, and compliance with County policy.

Based upon our audit, **no material weaknesses or significant issues were identified.** However, we did identify **7 Control Findings** resulting in **7 recommendations** to improve controls and processes as noted in the Detailed Observations, Recommendations and Management Responses section of this report. See *Attachment A* for description of Report Item Classifications.

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

While our report indicates the specific areas where our observations are directly applicable, **RDMD should implement the recommendations in other business processes they find as applicable to them.** An expectation of the Board of Supervisors is that departments and agencies will view this report as a "lessons learned" opportunity to guide them in proactively self-assessing other similar operations or processes.

We appreciate the courtesy and cooperation extended to us by the personnel of RDMD and the Orange County Zoo during our review. As we identified issues during the review, Zoo personnel were very responsive in taking corrective actions.

If we can be of further assistance, please contact me directly or Eli Littner, Deputy Director at (714) 834-5899 or Michael Goodwin, Audit Manager at (714) 834-6066.

Respectfully submitted,

Peter Hughes, Ph.D., CPA
Director, Internal Audit

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Steve Danley, Director, RDMD/Administration
Kevin Thomas, Director, RDMD/Harbors, Beaches & Parks
Bob Hamilton, Program Planning Manager, RDMD/Harbors, Beaches & Parks
Linda Mayer, Supervisor, RDMD/Harbors, Beaches & Parks Central District
Debra Lakin, Chief, RDMD/Quality Assurance
Alicia Campbell, Manager, RDMD/Special Services
Raymond Osuna, Manager, RDMD/Operations & Maintenance
Holly Felipe, Contract Administration Chief, RDMD/Operations & Maintenance
Forrest De Spain, Supervising Park Ranger, RDMD/Harbors, Beaches & Parks
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

EXECUTIVE SUMMARY

OBJECTIVES

The Internal Audit Department conducted an audit of cash disbursements and cash receipts at Resources and Development Management Department's (RDMD) Orange County Zoo at Irvine Regional Park (Zoo). The objectives of our audit were to determine whether internal controls are in place and operating to ensure:

1. Cash disbursements are processed completely, accurately, timely, and in accordance with management's authorization.

2. Cash receipts are properly collected, recorded, deposited, and adequately safeguarded to minimize occurrence of loss or theft.

Additionally, we would identify areas to improve efficiency and effectiveness related to the above processes as they come to our attention.

BACKGROUND

RDMD's Harbors, Beaches & Parks (HBP) Function provides regional recreational facilities and manages historical and natural resources. The Zoo is within HBP's Central Park District, located inside Irvine Regional Park in the City of Orange. The Zoo's focus is on animals and plants native to the southwestern United States.

The Zoo receives cash for entry fees, zoo programs, and zoo tours and disburses cash for items needed to maintain the Zoo such as produce, grain, hay, animal feed, and veterinary services. For the audit period November 1, 2004 through October 31, 2005, the Zoo received approximately **$180,000 in revenues** and incurred approximately **$1,000,000 in expenses**. RDMD/Public Works/Maintenance Division performs purchasing and disbursement duties for the Zoo. RDMD/Administration/Special Services section performs various cash receipting duties for the Zoo such as recording deposits and reconciling cash receipts.

SCOPE

Our audit was limited to internal controls and processes over cash disbursements and cash receipts for the period from November 1, 2004 through October 31, 2005. Our methodology included inquiry, auditor observation, and examination and testing of relevant documentation.

CONCLUSION

No material weaknesses were identified. Based upon the objectives of our audit, we noted the following:

1. Controls and processes are in place to ensure cash disbursements are adequately supported, accurate, and properly authorized. We note in our audit report where enhancements are needed involving timely processing of payments, segregation of duties, monitoring of expenditures, and document retention. These are considered **Control Findings** and are discussed in detail in the Observations, Recommendations and Management Responses section of this report. See *Attachment A* for description of Report Item Classifications.

2. Controls and processes are generally in place to ensure cash receipts are properly collected, recorded, deposited, and safeguarded. We note in our audit report where enhancements are needed in segregating duties, safeguarding handwritten receipt forms, restrictively endorsing checks and documenting transfers of accountability. These are considered **Control Findings** and are discussed in detail in the Observations, Recommendations and Management Responses section of this report.

3. We identified one area where we believe effectiveness and efficiency can be enhanced concerning the use of ERMI (Electronic Report Management and Imaging) during payment processing.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

CASH DISBURSEMENTS

Cash disbursements are primarily for goods and services needed to maintain the Zoo such as produce, grain, hay, animal feed, and contracted veterinary services.

Timely Payment of Invoices

RDMD/Public Works/Maintenance Division/Contracts Administration (Contracts Administration) is responsible for purchasing for various RDMD divisions such as Operations and Maintenance, Environmental Resources, Harbors, Beaches and Parks and some procurements related to RDMD vehicles. The expectation is that invoices are paid within 30 days from the date of receipt of the invoice. Invoices are transmitted to Auditor-Controller Claims and Disbursing for issuance of the checks.

Finding No. 1

Several invoices were not processed timely for payment. Of the 20 invoices we tested, 11 invoices (55%) were processed between **45 and 87 days**. One invoice dated May 31, 2005 had not been processed/paid until January 23, 2006 (**237 days**). In addition, we noted Contracts Administration did not have a procedure to confirm that invoices transmitted to the A-C were properly paid. Staffing levels and employee turnover were cited as reasons for not being able to process payments timely.

We were informed that certain vendors of the Zoo indicated they would cease providing goods/services and not re-bid contracts if payments were not made timely. This ultimately could have a negative impact on the health and welfare of animals housed at the Zoo.

Recommendation No. 1

We recommend RDMD/HBP management take appropriate steps to ensure Zoo invoices are processed and paid timely.

RDMD Management Response:

During the time frame of this audit procedures were initiated to ensure that the payment of invoices on a weekly basis such that the Auditor-Controller has sufficient time to review and process the payment and get the vendor paid within 30 days. Also, the Supervisor of the Procurement section has begun random checks of spreadsheets to monitor timeliness of invoice payments. Since November of 2005 no vendor complaints regarding payments have been received.

Segregation of Duties

A satisfactory system of internal control includes segregating duties to eliminate opportunities to perpetrate and conceal errors or irregularities. This in turn depends on the assignment of work in such a fashion that no one individual controls all phases of an activity or transaction.

Finding No. 2

Purchasing duties at the Zoo were not adequately segregated. The Zoo Director and Zoo Curator both prepared purchase requisitions and verified receipt of orders.

Recommendation No. 2
We recommend RDMD ensure the duties of preparing purchase requisitions and verifying receipt of orders at the Zoo are segregated.

RDMD Management Response:
RDMD respectfully observes that in the purchasing process there usually is a separation of duties in that the staff creating the requisition typically does not approve the purchase. Additional separation of duties exists in that the purchasing staff and petty cash staff typically do not create the purchasing requisition or receive orders. Moreover, throughout the County, the personnel creating requisitions are often the receivers of the items. However, in sections with few employees, such as the OC Zoo, if staff creating the requisition is/are not allowed to check in the received goods, staffing problems could be created as there may be no one to perform such tasks in a timely manner. RDMD respectfully suggests that in this case there is no need for further segregation of duties. HBP has assigned regular monitoring of these issues with the Supervising park ranger at Irvine Park.

Auditor Comment:
RDMD Management has the responsibility for deciding which internal controls to put into place based on cost-effectiveness in meeting business objectives and minimizing risks. We concur that effective and documented monitoring on a regular basis (e.g. monthly) can be a mitigating control when duties cannot be segregated.

Document Retention
All supporting documentation for disbursements should be retained, including purchase requisitions, purchase contracts, invoices, and payment approval forms, in accordance with the County's Record Retention Schedule.

Finding No. 3
Contracts Administration did not retain all necessary supporting documentation for disbursements:

- For 3 of 20 transactions tested (15%), Contracts Administration did not retain a copy of the invoice.
- For 8 of 20 transactions tested (40%), a signed copy of the payment approval form was not retained.

Recommendation No. 3
We recommend RDMD ensure Contracts Administration retains all documents supporting disbursements in accordance with the County's Record Retention Schedule.

RDMD Management Response:
RDMD concurs with this recommendation.

CASH RECEIPTS

Segregation of Duties
Cash receipting should be segregated to the extent possible to ensure no one individual has duties over custody, recording, depositing and reconciling.

Finding No. 4
The Zoo Director and Zoo Curator both had cash handling and depositing duties. They received cash, recorded cash receipt transactions, agreed cash receipts to collection records, prepared bank deposit slips, and deposited cash. Due to a limited number of Zoo staff, we were told it is not possible to segregate all these duties. However, to help ensure all cash received is properly deposited, deposits should be performed by individuals that do not have other cash handling duties. If duties cannot be segregated, a detailed supervisory or management review of the incompatible duties would be a mitigating control.

Recommendation No. 4
We recommend RDMD ensure the duties of cash handling and depositing at the Zoo are segregated to the extent possible.

RDMD Management Response:
RDMD concurs with this recommendation.

Handwritten Cash Receipt Forms
The Zoo maintains handwritten cash receipt forms to issue to customers in the event of a system interruption. Handwritten cash receipt forms are considered critical business forms because of their susceptibility for misuse. Appropriate controls should be in place for safeguarding and accountability of the forms. As such, County Accounting Manual, Procedure C-5 *Handwritten Cash Receipts*, Section 2.2.2.E.3 states the custodian of the cash receipts forms is to:

1. Store both the unused and completed handwritten cash receipt forms in a secure location accessible only to the custodian.
2. Store the record of all handwritten cash receipt forms in a location, separate from the cash receipt forms, accessible only to the custodian.
3. Have an inventory of the handwritten cash receipt forms performed periodically by an employee with no custodial or cashiering duties.

Finding No. 5
We noted the following regarding handwritten cash receipt forms:
1. Both the unused and completed handwritten cash receipt forms were kept in an unlocked drawer in the Zoo Director's office.
2. A record of all handwritten cash receipt forms was not maintained.
3. Documented, periodic inventories of handwritten cash receipt forms were not conducted.
4. The person responsible for the handwritten cash receipt forms had limited cashiering duties.

Recommendation No. 5
We recommend RDMD ensure that the Zoo:
- Store handwritten cash receipt forms in a secure location accessible only to the custodian.

- Establish a record of all handwritten cash receipt forms accessible only to the custodian.
- Perform periodic documented inventories of the handwritten cash receipt forms.
- Assign the responsibility of custodianship of the cash receipt forms to an employee with no cashiering duties.

If duties cannot be segregated, a detailed supervisory or management review would be a mitigating control.

RDMD Management Response:
RDMD concurs with this recommendation.

Transfer of Accountability
County Accounting Manual, Procedure C-4 *Deposits*, Section 2.2 states that "When monies are subsequently transferred between employees during the collection and deposit process, the employees should document the transfer of accountability in writing."

Finding No. 6
Zoo employees did not document transfer of accountability in writing when monies were transferred from the cashier booth to the safe. During the audit, the Zoo Director modified the Zoo's "Cashier Sign-In Form" to require cashiers to sign when transferring monies from the cashier booth to the safe.

Recommendation No. 6
We recommend RDMD ensure that Zoo employees continue to document transfers of accountability when monies are transferred between employees during the collection and deposit process.

RDMD Management Response:
RDMD concurs with this recommendation.

Check Endorsement
County Accounting Manual, Procedure C-4 *Deposits*, Section 2.4 states that "All negotiable instruments, such as checks, warrants, and money orders should be endorsed with a restrictive endorsement stamp immediately upon receipt."

Finding No. 7
Checks were not endorsed with a restrictive endorsement stamp immediately upon receipt. The checks were endorsed upon preparation of the bank deposit.

Recommendation No. 7
We recommend RDMD ensure the Zoo endorses checks with a restrictive endorsement stamp immediately upon receipt.

RDMD Management Response:
RDMD concurs with this recommendation.

ECONOMY AND EFFICIENCY ISSUES

One of our audit objectives was to identify areas where effectiveness and efficiencies can be enhanced. Our audit noted the following area for your consideration and response, and is not considered a formal recommendation.

ERMI Access and Training

ERMI (Electronic Report Management and Imaging) is a system that stores and retrieves reports generated by the Countywide Accounting and Personnel System (CAPS). Contracts Administration staff was unaware of ERMI and does not have access to ERMI. Utilizing ERMI will allow Contracts Administration to obtain online access to financial reports, data, and documentation supporting purchases, such as payment voucher supporting documents and payment dates. The Auditor-Controller Office periodically provides ERMI training, which we would encourage Contracts Administration staff to attend.

RDMD Management Response:

RDMD concurs with this recommendation**.** RDMD/O&M Contracts staff is scheduled for training on ERMI.

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- **Material Weaknesses:**
  Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to immediately address "Material Weaknesses" brought to their attention.

- **Significant Issues:**
  Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

- **Control Findings:**
  Audit findings that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

COUNTY OF ORANGE
RESOURCES & DEVELOPMENT MANAGEMENT DEPARTMENT

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RECEIVED
INTERNAL AUDIT DEPARTMENT
2006 MAY 23 AM 10: 29

DATE: May 22, 2006

TO: Peter Hughes, Ph.D., Director, Internal Audit

FROM: Director, Resources & Development Management Department

SUBJECT: RDMD Response on Financial Audit of the Orange County Zoo at Irvine Regional Park Cash Disbursements and Cash Receipts – Audit No. 2587

The subject audit was conducted by the Internal Audit Department (IAD) at the request of the Resources and Development Management Department (RDMD). A simultaneous audit of the Zoo's management operations was conducted by a private contractor also at the request of RDMD.

OBJECTIVES
The objectives of this audit were to determine whether internal controls are in place and operating to ensure:

1. Cash disbursements are processed completely, accurately, timely, and in accordance with management's authorization.
2. Cash receipts are properly collected, recorded, deposited, and adequately safeguarded to minimize occurrence of loss or theft.

Additionally, IAD was tasked to identify areas to improve efficiency and effectiveness related to the above processes.

BACKGROUND
RDMD's Harbors, Beaches & Parks (HBP) Division provides regional recreational facilities and manages historical and natural resources. The Zoo is within HBP's Central Park District, located inside Irvine Regional Park in the City of Orange. The Zoo's focus is on animals and plants native to the Southwestern United States.

The Zoo receives cash for entry fees, Zoo programs and Zoo tours, and disburses cash on items needed to maintain the Zoo, such as produce, grain, hay, animal feed, and veterinary services. For the audit period November 1, 2004 through October 31, 2005, the Zoo received approximately $180,000 in revenues and incurred approximately $1,000,000 in expenses.

RDMD's Operations and Maintenance Division performs purchasing and disbursement duties for the Zoo. RDMD's Special Services section performs various cash receipting duties for the Zoo, such as recording deposits and reconciling cash receipts.

No material weaknesses were identified. Seven findings and corresponding recommendations were noted. RDMD hereby provides the following responses to IAD's Findings and Recommendations:

1

CASH DISBURSEMENTS

Cash disbursements are primarily for goods and services needed to maintain the Zoo, such as for produce, grain, hay, animal feed, and contracted veterinary services.

Timely Payment of Invoices

RDMD's Operations and Maintenance Division, Contracts Administration Section (O&M Contracts) is responsible for purchasing for various RDMD divisions, such as Operations and Maintenance, Environmental Resources, Harbors, Beaches and Parks and all procurements related to RDMD vehicles. The expectation is that invoices are paid within 30 days from the date of invoice. Invoices are transmitted to Auditor-Controller Claims and Disbursing for issuance of the checks.

Finding No. 1

Several invoices were not processed timely for payment. Of the 20 invoices we tested, 11 invoices (55%) were processed between **45 and 87 days**. One invoice dated May 31, 2005, had not been processed/paid until January 23, 2006 (**237 days**). In addition, we noted O&M Contracts did not have a procedure to confirm that invoices transmitted to the A-C were properly paid. Staffing levels and employee turnover were cited as reasons for the not being able to process payments timely.

We were informed that certain vendors of the Zoo indicated they would cease providing goods/services and not re-bid contracts if payments were not made timely. This ultimately could have a negative impact on the health and welfare of animals housed at the Zoo.

Recommendation No. 1

We recommend RDMD management take appropriate steps to ensure Zoo invoices are processed and paid timely.

RDMD Management Response:

During the time frame of this audit procedures were initiated to ensure that the payment of invoices on a weekly basis such that the Auditor-Controller has sufficient time to review and process the payment and get the vendor paid within 30 days. Also, the Supervisor of the Procurement section has begun random checks of spreadsheets to monitor timeliness of invoice payments. Since November of 2005 no vendor complaints regarding payments have been received.

RDMD would like to respectfully provide a few points of clarification. The first point is that O&M Contracts is only responsible for purchasing some of the Agency's vehicles, not for all procurements related to RDMD vehicles. Second, the expectation is that invoices are paid within 30 days from the **date of receipt** of the invoice, rather than the **date of the invoice.**

Segregation of Duties

A satisfactory system of internal control includes segregating duties to eliminate opportunities to perpetrate and conceal errors or irregularities. This in turn depends on the assignment of work in such a fashion that no one individual controls all phases of an activity or transaction.

Finding No. 2

Purchasing duties at the Zoo were not adequately segregated. The Zoo Director and Zoo Curator both prepared purchased requisitions and verified receipt of orders.

2

Recommendation No. 2
We recommend RDMD ensure the duties of preparing purchase requisitions and verifying receipt of orders at the Zoo are segregated.

RDMD Management Response:
RDMD respectfully observes that in the purchasing process there usually is a separation of duties in that the staff creating the requisition typically does not approve the purchase. Additional separation of duties exists in that the purchasing staff and petty cash staff typically do not create the purchasing requisition or receive orders. Moreover, throughout the County, the personnel creating requisitions are often the receivers of the items. However, in sections with few employees, such as the OC Zoo, if staff creating the requisition is/are not allowed to check in the received goods, staffing problems could be created as there may be no one to perform such tasks in a timely manner. RDMD respectfully suggests that in this case there is no need for further segregation of duties. HBP has assigned regular monitoring of these issues with the Supervising Park Ranger at Irvine Park.

Document Retention
All supporting documentation for disbursements should be retained, including purchase requisitions, purchase contracts, invoices, and payment approval forms, in accordance with the County's Record Retention Schedule.

Finding No. 3
O&M Contracts did not retain all necessary supporting documentation for disbursements:

- For 3 of 20 transactions tested (15%), O&M Contracts did not retain a copy of the invoice.
- For 8 of 20 transactions tested (40%), a signed copy of the payment approval form was not retained.

Recommendation No. 3
We recommend RDMD ensure O&M Contracts retains all documents supporting disbursements in accordance with the County's Record Retention Schedule.

RDMD Management Response:
RDMD concurs with this recommendation.

CASH RECEIPTS

Segregation of Duties
Cash receipting should be segregated to the extent possible to ensure no one individual has duties over custody, recording, depositing and reconciling.

Finding No. 4
The Zoo Director and Zoo Curator both had cash handling and depositing duties. They received cash, recorded cash receipt transactions, agreed cash receipts to collection records, prepared bank deposit slips, and deposited cash. Due to a limited number of Zoo staff, we were told it is not possible to segregate all these duties. However, to help ensure all cash received is properly deposited, deposits should be performed by individuals that do not have other cash handling duties. If duties cannot be segregated, a detailed supervisory or management review of the incompatible duties would be a mitigating control.

3

Recommendation No. 4
We recommend RDMD ensure the duties of cash handling and depositing at the Zoo are segregated to the extent possible.

RDMD Management Response:
RDMD concurs with this recommendation.

Handwritten Cash Receipt Forms
The Zoo maintains handwritten cash receipt forms to issue to customers in the event of a system interruption. Handwritten cash receipt forms are considered critical business forms because of their susceptibility for misuse. Appropriate controls should be in place for safeguarding and accountability of the forms. As such, County Accounting Manual, Procedure C-5 *Handwritten Cash Receipts*, Section 2.2.2.E.3 states the custodian of the cash receipts forms is to:

1. Store both the unused and completed handwritten cash receipt forms in a secure location accessible only to the custodian.
2. Store the record of all handwritten cash receipt forms in a location, separate from the cash receipt forms, accessible only to the custodian.
3. Have an inventory of the handwritten cash receipt forms performed periodically by an employee with no custodial or cashiering duties.

Finding No. 5
We noted the following regarding handwritten cash receipt forms:
1. Both the unused and completed handwritten cash receipt forms were kept in an unlocked drawer in the Zoo Director's office.
2. A record of all handwritten cash receipt forms was not maintained.
3. Documented, periodic inventories of handwritten cash receipt forms were not conducted.
4. The person responsible for the handwritten cash receipt forms had limited cashiering duties.

Recommendation No. 5
We recommend RDMD ensure that the Zoo:
- Store handwritten cash receipt forms in a secure location accessible only to the custodian.
- Establish a record of all handwritten cash receipt forms accessible only to the custodian.
- Perform periodic documented inventories of the handwritten cash receipt forms.
- Assign the responsibility of custodianship of the cash receipt forms to an employee with no cashiering duties.

If duties cannot be segregated, a detailed supervisory or management review would be a mitigating control.

RDMD Management Response:
RDMD concurs with this recommendation.

Transfer of Accountability
County Accounting Manual, Procedure C-4 *Deposits*, Section 2.2 states that "When monies are subsequently transferred between employees during the collection and deposit process, the employees should document the transfer of accountability in writing."

4

Finding No. 6
Zoo employees did not document transfer of accountability in writing when monies were transferred from the cashier booth to the safe. During the audit, the Zoo Director modified the Zoo's "Cashier Sign-In Form" to require cashiers to sign when transferring monies from the cashier booth to the safe.

Recommendation No. 6
We recommend RDMD ensure that Zoo employees continue to document transfers of accountability when monies are transferred between employees during the collection and deposit process.

RDMD Management Response:
RDMD concurs with this recommendation.

Check Endorsement
County Accounting Manual, Procedure C-4 *Deposits*, Section 2.4 states that "All negotiable instruments, such as checks, warrants, and money orders should be endorsed with a restrictive endorsement stamp immediately upon receipt."

Finding No. 7
Checks were not endorsed with a restrictive endorsement stamp immediately upon receipt. The checks were endorsed upon preparation of the bank deposit.

Recommendation No. 7
We recommend RDMD ensure the Zoo endorses checks with a restrictive endorsement stamp immediately upon receipt.

RDMD Management Response:
RDMD concurs with the recommendation.

ECONOMY AND EFFICIENCY ISSUES
One of our audit objectives was to identify areas where effectiveness and efficiencies can be enhanced. Our audit noted the following area for your consideration and response, and is not considered a formal recommendation.

ERMI Access and Training
ERMI (Electronic Report Management and Imaging) is a system that stores and retrieves reports generated by the Countywide Accounting and Personnel System (CAPS). RDMD/O&M Contracts staff was unaware of ERMI and does not have access to ERMI. Utilizing ERMI will allow O&M Contracts to obtain online access to financial reports, data, and documentation supporting purchases, such as payment voucher supporting documents and payment dates. The Auditor-Controller Office periodically provides ERMI training, which we would encourage O&M Contracts staff to attend.

RDMD Management Response:
RDMD concurs with the recommendation. RDMD/O&M Contracts staff is scheduled for training on ERMI.

Bryan Speegle, Director

5

cc: Steve Danley, Director, RDMD/Administration
Kevin Thomas, Director, RDMD/Harbors, Beaches & Parks
Linda Mayer, Supervisor, RDMD/Harbors, Beaches & Parks Central District
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6