

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
October 17, 2017  
“*Communications Received and Filed*” Item

To: Board of Supervisors  
From: Department of Finance  
Subject: Mission Oaks Recreation And Park District Cash Handling Review, For The  
Months Of April And May 2016

Supervisorial  
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

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**DISCUSSION**

As per Government Code Section 27000, Department of Finance is responsible for safekeeping of moneys throughout the County. As such, periodic cash control reviews are conducted at departments and dependent districts where moneys are received or handled. Mission Oaks Recreation and Park District (District) is a County dependent district. The District receives payments in the form of cash, check and credit cards for various services provided, such as recreational classes and facility rentals.

Finance performed an agreed-upon procedures (AUP) review of the District’s cash handling controls. The Auditor randomly selected the months of April and May 2016 to perform the AUP described in the attached AUP report. The results of the AUP, Auditor’s recommendations, and the District’s responses are included in the attached AUP report.

Respectfully submitted,

**Ben Lamera**  
Director of Finance

Attachment

ATT 1 – Mission Oaks Recreation and Park District Cash Handling Review - April and May  
2016

## Department of Finance

Ben Lamera,  
Director

## County of Sacramento

*Intra-Office Memorandum*

July 19, 2017

To: Ben Lamera  
Director of FinanceFrom: Hong Lun (Andy) Yu, C.P.A.   
Audit ManagerSubject: **MISSION OAKS RECREATION AND PARK DISTRICT CASH  
HANDLING REVIEW – FOR THE MONTHS OF APRIL AND MAY 2016**

We have performed the procedures enumerated below, which were agreed to by you, for the Mission Oaks Recreation and Park District (Mission Oaks). These procedures were performed solely to evaluate Mission Oaks' cash handling control procedures for the months of April and May 2016. Mission Oaks' management is responsible for maintaining sufficient cash handling controls for its district. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below and on the next page either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and on the next page and is not intended to pertain to any of Mission Oaks' other operations, procedures, or compliance with laws and regulations.

The procedures we performed for Mission Oaks are summarized as follows below and on the next page:

- We reviewed Mission Oaks' cash handling procedures.

Finding: We noted several concerns related to Mission Oaks' cash handling procedures. See Attachment III, *Current Findings and Recommendations*.

- We reconciled Mission Oaks' daily deposits and cash on hand to the amounts reported in the Sacramento County Financial System (a.k.a. COMPASS).

Finding: The daily deposits and cash on hand were reconciled and agreed to COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted*.

- We reconciled Mission Oaks' imprest cash on hand to the authorized amounts posted in COMPASS.

Finding: We could not reconcile Mission Oaks' imprest cash to the amount posted in COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted* and Attachment III, *Current Findings and Recommendations*.

- We determined the current status of findings and recommendations reported Mission Oaks' cash handling review report for the month of June 2014, dated December 1, 2014.

Finding: The current status of prior findings and recommendations for Mission Oaks is at Attachment II, *Current Status of Prior Findings and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on Mission Oaks' cash balances, financial schedules, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. This report relates only to the review of Mission Oaks' cash handling procedures, and does not extend to Mission Oaks' operations as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Mission Oaks' responses to the findings identified during our engagement are described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate Mission Oaks' responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, Sacramento County Treasurer, and Mission Oaks' Advisory Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

#### Attachments

Attachment I: *Summary of Deposits and Imprest Cash Counted*

Attachment II: *Current Status of Prior Findings and Recommendations*

Attachment III: *Current Findings and Recommendations*

cc: Members, Sacramento County Board of Supervisors  
Members, Mission Oaks Advisory Board of Directors  
Nancy Newton, Assistant County Executive  
David Villanueva, Deputy County Executive  
Robert Leonard, Deputy County Executive  
Britt Ferguson, Chief Financial Officer  
Peggy Marti, Assistant Treasurer  
Daniel Barton, District Administrator, Mission Oaks  
Cindy Paredes-Banville, Administrative Services Director, Mission Oaks

Mission Oaks Recreation and Park District  
Cash Handling Review  
Summary of Deposits and Imprest Cash Counted  
April and May 2016

DEPOSITS

Deposit Permit Number	Deposit Date	District's Deposit Record <sup>(1)</sup>	Amount Posted by Treasury <sup>(2)</sup>	Variance
1300595491	04/20/2016	\$ 2,123.50	2,123.50	0.00
1300595619	04/21/2016	955.00	955.00	0.00
1300595743	04/25/2016	375.00	375.00	0.00
1300595746	04/25/2016	1,816.81	1,816.81	0.00
1300595747	04/28/2016	71.50	71.50	0.00
1300595991	04/25/2016	385.00	385.00	0.00
1300595992	04/28/2016	147.50	147.50	0.00

IMPREST CASH

Imprest Cash Location	Date Counted	Amount Counted	Authorized Amount	Variance
District Office Petty Cash	05/10/2016	\$ 1,388.19	1,300.00	88.19 <sup>(3)</sup>
District Office Change Fund	04/18/2016	100.00	100.00	0.00
Mission Oaks Community Center (MOCC) Petty Cash	04/18/2016	295.00	300.00	(5.00) <sup>(3)</sup>
MOCC Change Fund	04/18/2016	100.00	100.00	0.00
Swanston Community Center (SCC) Petty Cash	04/19/2016	100.00	100.00	0.00
SCC Change Fund	04/19/2016	100.00	100.00	0.00
Total		<u>\$ 2,083.19</u>	<u>2,000.00</u>	<u>83.19</u>

- (1) Amounts consist of review of daily receipts of cash, checks, credit cards, and summary reports.
- (2) Daily receipts were agreed to amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).
- (3) We noted variances between the authorized imprest cash noted in COMPASS and the imprest cash counted in the amounts of \$88.19 and (\$5.00). See Attachment III, *Current Findings and Recommendations*.

Mission Oaks Recreation and Park District  
Cash Handling Review  
Current Status of Prior Findings and Recommendations  
April and May 2016

**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF  
JUNE 2014, DATED DECEMBER 1, 2014.**

**1. Control Deficiencies over Mail Receipt and Cash Handling Process**

Prior Comment

During our review of cash handling process, we noted that mail payments at Mission Oaks Recreation and Park District's (Mission Oaks) cashiering locations are not logged and reconciled to customer payment records in the accounting system. As a result, Mission Oaks did not separate mail payments from walk-in payments, and we were not able to verify all mail payments have been recorded. In addition, mail payments were opened and entered into the accounting system by the same person. Furthermore, during our review of cash handling process at Swanston Community Center, we noted that the same cashier who received cash entered the receipt into customer account and deposited the cash to the bank without any secondary review prior to the deposit.

Without proper control over mail in payments and separation of duties during cash handling process, cash could had been misappropriated without being detected in a timely manner.

Prior Recommendation

We recommended Mission Oaks maintain separation of duties or dual custody during cash handling process. We recommended that mail payments were logged by a person who did not have access to the customer account system and that customer payments posted to the account system was reconciled back to the log. We also recommended that during cashier's closing process, a minimum of two persons were present to count the cash receipts and to compare the amount to the amount posted in the customer account.

Mission Oaks' Prior Response

Due to the size of the office and minimal number of employees, there are times that a secondary person is unable to assist in opening mail and entering payments into the accounting system. Mission Oaks started keeping a log on July 1, 2014. Since then Mission Oaks has received three (3) mailed in payments for registration, all three were checks. Currently the mail is opened by the Office Assistant who only receipts for the payment part of the time. The other times payment is entered by a part time employee. The log is received by the Office Manager after the mail is processed and reconciles payments received and entered into the accounting system.

During the closing process three people work together to close the tills. Two employees work offsite and count their tills, they usually have a second person count their deposit and initial the deposit slip; however there are times they may be the only person in the building. After the deposit slip is completed it is faxed to the District Office so that all three deposits can be reconciled with the account system by the Office Assistant and/or Office Manager.

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**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF  
JUNE 2014, DATED DECEMBER 1, 2014.**

Current Status

It appears that our recommendation has not been implemented. See Attachment III, *Current Findings and Recommendations*.

**2. Control Deficiencies over Imprest Cash**

Prior Comment

Mission Oaks is authorized for \$2,000 of imprest cash which is allocated to the following locations and purposes:

a. District Office, Petty Cash:	\$1,300
b. District Office, Change Fund:	100
c. Mission Oaks Community Center, Petty Cash:	100
d. Mission Oaks Community Center, Change Fund:	300
e. Swanston Community Center, Petty Cash and Change Fund:	200

However, Mission Oaks did not maintain an adequate imprest cash log listing each transaction by the amount, location, and any transfers in or out of the fund from one location to another.

Based on our cash count, we noted that the petty cash for District Office was short by \$6.74 and for Mission Oak Community Center was over by \$0.06. There was net difference of \$6.68 (\$6.74 shortage plus \$0.06 overage). Mission Oaks was unable to explain the differences.

In addition, cash overage/shortage was not logged and there was no policy regarding handling of cash overage/shortage. Also, the cash shortage or overage was not properly posted as shortage or overage in the general ledger. Furthermore, the actual cash on hand was not reconciled to the allocated imprest cash balance and receipts from petty cash use on a regular basis.

Without maintaining an adequate imprest cash log, accounting and recording cash overage/shortage in the proper general ledger account, and reconciling actual imprest cash on hand to the allocated imprest cash balance, the imprest cash can be misappropriated and not be detected by the management in a timely manner.

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Prior Recommendation

We recommended Mission Oaks:

- a. maintain a formal imprest cash log listing each transaction by amount, location, and any transfers in or out of the fund from one location to another to properly account for total imprest cash,
- b. establish and implement policy and procedure regarding handling of cash overage/shortage, log any cash overage/shortage, and record the cash shortage/overage amount in the proper general ledger account to properly comply with applicable Sacramento County Financial Policy,
- c. reconcile the actual imprest cash on hand to the allocated imprest cash balance by conducting cash count and inspecting receipts from petty cash use on a regular basis, and
- d. investigate any overage/shortage of imprest cash fund and deficiencies noted during imprest cash reconciliation.

Mission Oaks' Prior Response

An Imprest cash log was previously kept of receipts paid out, in writing, not electronically. An electronic form was created and is currently being used. Mission Oaks will move towards establishing and implementing an overage/shortage policy. An inspection and cash count is typically held when making payments for receipts and when inputting a claim into the Sacramento County Financial System (a.k.a. COMPASS). Office Assistants and Director of Administrative Services will work together to reconcile each petty cash and change fund for each facility in an ongoing effort to balance the Imprest Cash Fund to the County.

Current Status

It appears that our recommendation has been partially implemented. We could not agree Mission Oaks' imprest cash to COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted* and Attachment III, *Current Findings and Recommendations*.

**3. Control Deficiency over Sales Inventories**

Prior Comment

Revenues from the District Office include activity registration fees, rental fees, and T-shirts sales revenues. During our review, we noted that although the numbers of T-shirt inventory purchased and sold were tracked, they were not tracked in an easily traceable way. The dates of inventory purchased and sold and the balance of inventory were not readily available. Also, it appeared that reconciliation of inventory on records and actual number of inventories

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was not done on a regular basis and timely manner. As a result, we noted that one of T-Shirt inventories was missing and unaccounted for.

Revenues from the Swanston Community Center include activity registration fees and snack sales revenues. During our review, we noted that snack sales inventories were not tracked and documented in a systematic way. In addition, donations received during snack sales were not separately tracked from snack sales revenues. Therefore, we were not able to trace actual quantity sold to inventory count and the snack bar sales revenues during our cash count of snack bar sales revenues.

Without proper tracking and timely reconciliation of inventory listing to actual counts and revenues earned, sales inventories could had been misappropriated and not be detected in a timely manner.

Prior Recommendation

We recommended Mission Oaks maintain an inventory listing with sufficient information including description, number and date of inventory purchased and sold and current balance, conduct physical inventory and reconcile the inventory listing to the actual inventory count on a daily basis. Mission Oaks should also reconcile inventory purchases to the expenditures and inventory sold to the revenues.

Mission Oaks' Prior Response

In the future when Mission Oaks purchases t-shirts and snacks for sales at camps an inventory will be kept in the accounting system rather than an Excel spreadsheet so that when an item is sold it is deducted from the inventory in the accounting system. The Director of Administration or his/her designee will work with staff to establish a procedure to follow when purchasing and reselling items at camps.

Current Status

It appears that our recommendation has been implemented. However, we noted inventory was not reconciled in a timely manner. See Attachment III, *Current Findings and Recommendations*.



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**4. Undeposited Revenues**

Prior Comment

During our cash count, we noted several incidents where Mission Oaks did not deposit sales revenues from prior period but kept them in the cashier's drawer or in the safe to use as change fund or for other purposes without proper authorization as following:

- Mission Oak Community Center – Coffee sales revenue: \$14.94 on Deposit Permit 1300534910
- Swanston Community Center – Snack sales revenue: \$12.65 on Deposit Permit 1300534944 and \$20.00 on Deposit Permit 1300534946

These amounts were not recorded in the general ledger at the time of our cash count. Subsequent to our cash count, Mission Oaks deposited these amounts to the Sacramento County Treasury's bank account and posted the amount to the general ledger system.

Revenues that are not deposited in a timely manner and not recorded in the general ledger system could be misappropriated and not be detected in a timely manner.

Prior Recommendation

We recommended Mission Oaks record and deposit all revenue receipts at a minimum weekly. We also recommended Mission Oaks use imprest cash with proper authorization when change funds are needed.

Mission Oaks' Prior Response

Mission Oaks no longer keeps change until a roll can be filled and deposited, staff currently deposits all loose change. All loose change has been deposited and a change fund has been set up from the Imprest Fund for the use of a cash/change drawer to be used during events. After each event the change fund is returned to the Imprest Fund and sales are recorded in the accounting system and deposited. Mission Oaks currently has a policy directing staff to deposit all revenues twice a week, or if more than \$500 in revenue, it will be deposited the same day.

Current Status

It appears that our recommendation has been implemented.

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**5. Improper Recording of Sales Revenues**

Prior Comment

During our review of snack sales revenues at Swanston Community Center, we noted that snack sales revenues were not properly recorded as sales revenues but recorded as donations/contributions in the general ledger which could have resulted in inaccurate financial reporting.

Prior Recommendation

We recommended Mission Oaks record sales revenues in the proper account of the general ledger and have a secondary staff to review the general ledger posting to ensure the accuracy.

Mission Oaks' Prior Response

Coffee money accepted during events had always been viewed as donations; therefore Mission Oaks has always deposited coffee fund revenue into the donations account. Staff has been retrained to understand the difference between a donation and miscellaneous revenue and will deposit coffee sales revenue into the Miscellaneous Revenue account.

Current Status

It appears that our recommendation has not been implemented. See Attachment III, *Current Findings and Recommendations*.

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**1. Cash Handling Policy and Procedures**

Comment

During our review of Mission Oaks Recreation and Park District's (Mission Oaks) cash handling policies and procedures (policy), we noted the policy does not require proper separation of duties in its cash handling process. According to the policy, "[Office Assistants] *are responsible for the daily accounting of all registration fees and charges received...*" and "*shall be accountable for auditing the daily bookkeeping and accounting of revenue...*" As a result, we noted concerns in separation of duties described in Finding Numbers 2 and 3 of this attachment.

Mission Oaks should ensure that proper separations of duties are addressed in its policy. Proper internal controls indicate that the Office Assistant who initially receives cash receipts should not be the same individual reconciling the daily cash receipts. By not establishing separation of duties for cash handling, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend Mission Oaks update its cash handling policy to ensure adequate separation of duties are established and enforced.

Mission Oaks' Management Response

The policy is being rewritten and will be presented for approval to the Advisory Board at its September regular meeting. The District has implemented as best it can with limited staff the adequate separation of duties.

**2. Mail Receipts**

Comment

Mission Oaks accepts mail payments at its District Office, Mission Oaks Community Center (MOCC) and Swanston Community Center (SCC) locations. During our review, we noted that mail receipts are received, opened, and processed by a single employee at each office location. We also noted that Mission Oaks does not maintain a log to track mail payments received. Therefore, Mission Oaks cannot properly reconcile its mail payments.

Proper internal controls indicate that proper separation of duties be implemented in the mail receipt process and a log should be used to track all mail-in payments received. Inadequate separation of duties and not tracking mail payments with a log could lead to theft or misappropriation of funds, and Mission Oaks cannot properly reconcile its mail payments to the Sacramento County Financial System (a.k.a. COMPASS) or its own accounting system (a.k.a. Sportsman).

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Recommendation

We reiterate our recommendation at Finding Number 1 of this attachment. We also recommend Mission Oaks establish and maintain an adequate mail log to allow the tracking and reconciliation of its mail receipts in COMPASS and Sportsman. Individuals receiving and logging and reconciling mail in payments should be separate from individuals processing mail in payments.

Mission Oaks' Management Response

The District is currently following the recommendation of the County from the June 2014 review.

**3. Separation of Duties**

Comment

During our review, we noted that the Office Assistants at the District Office, MOCC, and SCC locations each collect payments, post payments into Sportsman, count their daily receipts, prepare daily deposits of their receipts, and deposit the daily receipts in single custody. In addition, the Office Assistant at the District Office location audits and reconciles their own daily receipts as well as the daily receipts at the MOCC and SCC locations. See Finding Number 1 of this attachment.

Proper separation of duties should be followed at all Mission Oaks' locations. Office Assistants receiving and posting cash receipts into Sportsman should be separate from employees preparing deposits or reconciling the daily receipts. In addition, daily receipts should be counted in dual custody.

Recommendation

We reiterate our recommendation at Finding Number 1 of this attachment. Office Assistants that are receiving and posting daily receipts should not audit, deposit, or reconcile their daily receipts. In addition, the daily receipts should be counted in dual custody.

Mission Oaks' Management Response

All daily receipts are counted in dual custody at each site. Again the District has a very limited staff but are in control of the receipts and funds.

**4. Recording of Sales Revenues**

Comment

SCC operates a snack bar and collects revenue from snack sales. During our review, we noted that Mission Oaks records revenues received from the snack sales in the "Donations" general ledger account in COMPASS.

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Any revenues received should be recorded to the proper revenue account. Improper posting of revenues could result in inaccurate financial and budgetary reporting.

Recommendation

We recommend Mission Oaks ensure that revenues received are properly recorded in a revenue general ledger account in COMPASS.

Mission Oaks' Management Response

The recommended changes have been implemented.

**5. Voiding Receipts**

Comment

During our review, we noted Office Assistants that receive payments have the ability to void their own transactions and change pricing in Sportsman system without management approval.

Office Assistants should receive management approval prior to performing any voids or price changes. Without adequate management review of voids or price changes, transaction errors and theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend Mission Oaks require Office Assistants to obtain management approval prior to processing any voids or price changes. We also recommend management to review all voids and price changes, and research and resolve any errors in a timely manner.

Mission Oaks' Management Response

As of June 2014 the Office Manager is responsible for voiding transaction/receipts. The office assistant will seek approval from the office manager should a transaction or receipt need to be voided.

**6. Access to Safe (District Office)**

Comment

Mission Oaks maintains safes at each of its locations to store outstanding cash receipts and deposits. During our review, we noted the District Office's safe was accessible by two of its Office Assistants. According to Mission Oaks' policy, "*All monies, while at the District Office, shall be secured in a safe for which only the District Administrator, the Division Heads, and the Office Manager have access.*" Therefore, the District Office is not in compliance with Mission Oaks' policy.

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Recommendation

We recommend Mission Oaks District Office either revoke access to its safe from its Office Assistants or update its policy to reflect current practice.

Mission Oaks' Management Response

The policy is being rewritten and will be presented for approval to the Advisory Board at its September regular meeting. The District has implemented as best it can with limited staff the adequate separation of duties.

**7. Imprest Cash**

Comment

During our review of Mission Oaks' imprest cash, we noted the following:

- I. The District Office maintains a change fund drawer in the amount of \$100. Per our inquiry with staff, up to three Office Assistants that work at the District Office location use the same change fund drawer during the same shift.
- II. The petty cash amounts counted at the District Office and MOCC locations did not agree to the authorized amounts noted in COMPASS. We noted variances in the amounts of \$88.19 and (\$5.00), respectively.
- III. Mission Oaks posts their imprest cash overages in the "Donations" general ledger account in COMPASS.

Mission Oaks should ensure that change fund drawers are assigned, accessible, and used exclusively by one staff member only per shift. If additional cashiers are needed, separate change fund drawers should be assigned as needed. Mission Oaks should also ensure its petty cash agrees to the authorized amount noted in COMPASS. In addition, any overages and shortages noted should be researched and resolved in a timely manner. If the difference cannot be resolved, the amount should be posted to the "Overage" or "Shortage" general ledger account in COMPASS. Improper internal controls and inaccurate recording of overages and shortages of imprest cash and petty cash can lead to theft or misappropriation of funds and inaccurate financial and budgetary reporting, respectively.

Recommendation

We recommend Mission Oaks ensure that change fund drawers are assigned and accessible by one Office Assistant per shift. If additional Office Assistants accept payments, then additional change fund drawers should be assigned. We also recommend Mission Oaks ensure its imprest cash and petty cash agree to the authorized amounts noted in COMPASS. Any differences should be researched and resolved in a timely manner. We further

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recommend Mission Oaks post overages and shortages to the proper general ledger account in COMPASS.

Mission Oaks' Management Response

Due to limited staff and limited space it is not feasible to have extra cash drawers, however the Supervisors at each site are responsible for reconciling the till against the office assistants. The drawers are counted at beginning of the day and at the close of business every day. The office assistants at each site are in charge of the casher drawers and petty cash reconciliation.

**8. Inventory Control**

Comment

Mission Oaks sells and distributes t-shirts for its summer programs. During our review, we noted that Mission Oaks counts its t-shirt inventory once at the beginning of the summer season and once at the end of the summer season.

Proper internal controls indicate that inventory should be counted and reconciled to Mission Oaks' records at a minimum of once per month. Infrequent counting and reconciliation of inventory could lead to theft or misappropriation of inventory and respective revenues.

Recommendation

We recommend Mission Oaks count and reconcile its inventory at a minimum of once per month. Any differences in inventory and revenues should be researched and resolved in a timely manner.

Mission Oaks' Management Response

District staff inventories the Camp Have A Lot of Fun t-shirts at the beginning of the program, once a month through the program, and again at the end of the program.

**9. Repeat Findings**

Comment

We noted that Finding Numbers 2, 3, 4, 7, and 8 of this attachment are repeat findings from the prior cash handling review report; see Attachment II, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that these findings be resolved in a timely manner.

Recommendation

We recommend Mission Oaks implement the recommendations that are noted in Findings 2, 3, 4, 7, and 8 in this attachment in a timely manner.

Mission Oaks' Management Response

Recommendation 2, 3, 7 and 8 have been resolved and 4 is in process.