

**A Report to the Citizens
of Salt Lake County and the
Board of County Commissioners**

June 1997

A Limited Scope Audit of the

**Salt Lake County
Aging Services Division**

Craig B. Sorensen

County Auditor

A LIMITED SCOPE AUDIT

of the

SALT LAKE COUNTY
AGING SERVICES DIVISION

JUNE 1997

CRAIG B. SORENSEN

Salt Lake County Auditor

Audit Performed by:

K. Dirk Peterson, CPA

This report is divided into the following sections:

- I. Executive Summary*
- II. Introduction*
- III. Scope and Objectives*
- IV. Findings and Recommendations*

I. Executive Summary

Background

Aging Services' basic mission is to help senior citizens, generally those 60 and older, meet the numerous social, emotional and physical challenges they face as they grow older. Some of Aging's specific services include providing seniors a nutritious meal daily, transportation for vital errands, opportunities for socializing and entertainment, assistance with homemaking and residential chores, and legal counseling.

Aging's funding comes primarily from federal and state grants, contracts, and the County. Some monies are also collected in the form of donations which are made by seniors who participate in the Congregate Meals, Transportation, and Meals on Wheels programs.

Findings and Recommendations

Aging Services has made significant improvement in its cash handling activities since the last audit performed in 1989. There are, however, some important internal controls which need to be implemented or improved. We found that:

- ***The "payroll" system used for certain Aging Services programs lacks the requisite controls.***

More specifically, personnel record keeping, payroll computation, and check distribution duties are not adequately segregated. Additionally, we found that system inadequacies hinder adequate monitoring of the \$65,000 payroll bank account. We recommend Aging Services use payroll software which possesses these controls. Additionally, we recommend that several changes in procedure be adopted.

Our work also revealed that:

- ***Miscellaneous cash collection, and petty cash/change fund controls need to be refined or implemented.***

Of these, the most significant are that:

- *There is no documentation which indicates the Fiscal Officer verifies that daily collections are deposited.*
- *Grant, contract, Medicare and Medicaid checks received in the mail are unnecessarily being given to the Accountant.*
- *Cash handling controls for Healthy Aging clinics are relatively non-existent.*
- *Change funds are not adequately accounted for, and petty cash procedures need to be refined.*

Accordingly, we recommend the Fiscal Officer perform a review to determine if mail collections are being deposited and document this review on daily deposit records. We also recommend that grant, contract and Medicare and Medicaid checks not be sent to the Accountant but that they go directly to the Administrative Aide for deposit. Additionally, Aging should conduct a review to verify that Healthy Aging clinic cash collections are being deposited. And lastly, we recommend that Aging Services update its change fund records.

Please refer to section IV for more details about these and other findings.

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A Limited Scope Audit of the Aging Services Division

II. Introduction

Aging Services' basic mission is to help senior citizens, generally those 60 and older, meet the numerous social, emotional and physical challenges they face as they grow older. To this end, Aging provides some services directly, while coordinating the administration of others through community organizations.

Specific services include providing seniors a nutritious meal daily, transportation for vital errands, opportunities for socializing and entertainment, assistance with homemaking and residential chores, and legal counseling. (A more complete summary is provided as Appendix A.)

As of December 31, 1996, services were being administered by 152 full and part time merit and 66 temporary employees, as well as numerous volunteers. The organization's division of labor is illustrated in Appendix B.

Aging Services 1996 expenditures totaled \$7.9 million. A majority of Aging's funding comes from federal and state grants, contracts, and the County. Aging also collects donations from seniors when they participate in the Congregate Meals, Transportation, and Meals on Wheels programs; during 1996, these donations totaled \$617,000.

While some seniors give their contributions to the County via drivers, a majority of contributions are collected at the senior centers or received through the mail.

III. Scope and Objectives

The audit division recently completed a limited scope audit of the Aging Services Division. Our work was designed to evaluate internal controls

Aging's 1996 expenditures totaled \$7.9 million.

During 1996, seniors donated \$617,000.

with respect to cash handling, fixed and controlled assets, purchasing, and payroll activities. More specifically, we examined cash handling processes associated with Transportation and Meals on Wheels programs, center activities, grant and contract funding, Medicare and Medicaid, and senior volunteer stipend and mileage payment programs.

Due to the voluntary nature of cash contributions, typical cash collection controls (such as a cash register that issues receipts) do not exist. Consequently, any remaining safeguards which help assure management that donations are properly collected, recorded, and deposited are of particular importance.

Our work with respect to fixed and controlled assets, payroll, and purchasing was limited to an assessment of existing internal controls. The following paragraphs discuss the material findings and recommendations of our work.

IV. Findings and Recommendations

A. Cash Collection, Receipting and Depositing

We would like to acknowledge the significant improvements Aging Services has made in its cash handling controls since the last audit performed in 1989. We noticed, for example, that centers have implemented direct depositing, and that management has limited the handling of money by drivers by providing seniors with postage prepaid envelopes for mailing in donations.

While we noted these positive changes, we also identified areas where improvement is needed. With respect to cash handling activities, we found that:

- *The “payroll” system used for certain Aging Services programs lacks the requisite controls.*
- *Miscellaneous cash collection, and petty cash/change fund controls need to be refined or implemented.*

Aging Services has significantly improved its cash handling controls.

1.0 The “payroll” system used for certain Aging Services programs lacks the requisite controls.

Participants in Aging Services Senior Companion, Foster Grandparent, and Retired Senior Volunteer Program (RSVP) programs submit time sheets to the program administrators once each month. After this information is input into an in-house developed, Paradox based program, checks are written and distributed to seniors. This system was referred to by Aging’s staff as the “payroll” system. Our work revealed that:

- *Personnel record keeping, payroll computation, and check distribution duties are not adequately segregated.*
- *Procedural and payroll system inadequacies impede adequate monitoring of the payroll bank account.*

1.1 Personnel record keeping, payroll computation, and check distribution duties are not adequately segregated.

A requisite preventive control for any payroll system is that the person who adds individuals to the system should not also have the ability to input payroll data and generate checks. We found, however, that the current system permits the Payroll Coordinator to do both. Without the separation of these two functions, the potential exists for the Payroll Coordinator to create a phantom senior volunteer and by falsely entering hours worked, make a check payable to the phantom.

Another important control is the segregation of payroll preparation and check distribution duties. At present, the Payroll Coordinator prepares payroll, prints checks and participates in their distribution. The Payroll Coordinator should not participate in the process of having checks signed and distributed.

We also found that there is presently no review, independent of the Payroll Coordinator, designed to account for all checks and identify inappropriate payees or amounts. The person responsible for distributing checks should also be responsible for examining them for inappropriate payees or amounts.

The payroll system lacks key controls.

1.2 Recommendations:

- 1.2.1 *Require that the software proposed by the Foster Grandparent and Senior Companion program director, provide for the needed segregation of duties.*
- 1.2.2 *Change the allocation of duties so that the Payroll Coordinator does not participate in the check signing and distribution processes.*
- 1.2.3 *Assign the person who distributes checks to also be responsible for examining them for inappropriate payees or amounts.*

1.3 Procedural and payroll system inadequacies impede adequate monitoring of the payroll bank account.

One of the primary controls in an after the fact detection of a misappropriation of funds is an independently performed bank reconciliation. Procedural and payroll system inadequacies have significantly weakened this key control.

Specifically, we found that the Accountant who reconciles this account does not receive all pink copies of checks, and some checks in the Paradox system are dated later than the actual date on the check. Additionally, the system does not have the ability to produce a check register showing checks in sequential order with running balances. The absence of balance information also indicates that there is really no meaningful book balance.

Each of these problems makes it difficult if not impossible to account for all expenditures, identify missing or voided checks, and verify the payroll bank account balance. Under current conditions, the Accountant would eventually discover a theft of funds but probably not for one to two months after it has occurred.

1.4 Recommendations:

- 1.4.1 *Send all pink copies of checks directly to the Accountant.*
- 1.4.2 *Require that the senior program software proposed by the*

System inadequacies are an obstacle to adequate payroll account management.

Foster Grandparent and Senior Companion program director include basic accounting functions, such as a check register.

1.4.3 *Use actual dates when recording checks.*

2.0 Miscellaneous cash collection, and petty cash/change fund controls need to be refined or implemented.

Tests of cash collection and depositing processes, and petty cash and change funds indicate that:

- *Their is no documentation which indicates the Fiscal Officer verifies that daily collections are deposited.*
- *Grant, contract, Medicare and Medicaid checks received in the mail are unnecessarily being given to the Accountant.*
- *Management should consider having Meals on Wheels drivers stop accepting cash donations.*
- *Senior center deposits are not always prepared by two people.*
- *Cash handling controls for Healthy Aging clinics are relatively non-existent. Also, existing receipting controls over center space rentals are not used.*
- *Change funds are not adequately accounted for, and petty cash procedures need to be refined.*

2.1 There is no documentation which indicates the Fiscal Officer verifies that daily collections are deposited.

To its credit, we found that Aging Services management has required that daily mail collections be summarized in a log. The result is that there is an independently prepared record that can be used by the Fiscal Manager to verify that money coming in through the mail is getting deposited.

The Fiscal Officer's review insures that monies received in the mail are deposited.

However, we did not see any indication that he is using the log to perform this important review.

2.2 Recommendations:

2.2.1 *Require the Fiscal Manager to review daily deposits using the daily log of mail collections to ensure that these cash receipts are being deposited.*

2.2.2 *Require the Fiscal Manager to document his review with a signature somewhere on each day's deposit records.*

2.3 Grant, contract, Medicare and Medicaid checks received in the mail are unnecessarily being given to the Accountant.

Checks relating to grant, contract, Medicare and Medicaid monies circumvent the daily deposit process. After they are recorded in the mail log, they are diverted to the Accountant who records the payment(s) on an accounts receivable system and then deposits the monies with the Auditor. Because the Accountant can accept monies, maintain accounting records, and perform billings, there is a lack of segregation of duties in this area.

The Accountant should receive copies of the checks for accounting purposes while originals are sent directly to the Administrative Aide for deposit. The Accountant does not need the original checks to insure that monies are accounted for properly; copies of the checks can be used to prepare the journal entries necessary to allocate these revenues to the appropriate fund(s). Our recommendation in this area will also make it easier for the Fiscal Manager to verify that all monies received through the mail are deposited.

2.4 Recommendations:

2.4.1 *Require the person logging in mail receipts to send all original checks directly to the Administrative Aide for deposit.*

2.4.2 *Require the Administrative Aide to send the Accountant copies of grant, contract, Medicare and Medicaid checks.*

Check copies can be used for accounting purposes.

2.5 Management should consider having Meals on Wheels drivers stop accepting cash donations.

Meals on Wheels drivers could stop accepting cash for several reasons. First, Meals on Wheels (MOW) volunteers have already adopted this practice. Volunteers are presently not permitted to accept any cash but are rather told to provide seniors with a postage prepaid envelope for mailing in their contributions.

Second, so little is collected by the MOW drivers that the paperwork necessary to insure a complete deposit, track receipt numbers and prepare transmittals, is excessive.

And lastly, we found a lack of segregation of duties with respect to the MOW billing process. At present, the MOW secretary handles cash, records payments, and produces MOW billings. Having drivers stop collecting cash donations would eliminate this control weakness.

2.6 Recommendation: *Discontinue having Meals on Wheels drivers accept cash donations.*

2.7 Senior center deposits are not always prepared by two people.

Test work revealed that the “Deposit Reconciliation” forms used by centers to document the composition of their deposits were not always signed by two people. This suggests that deposits are not always prepared by two people. Because of the voluntary nature of collections, controls available to protect funds are few. Having two people prepare deposits is the best internal control available for protecting congregate meal collections.

2.8 Recommendation: *Have two people, prepare senior center deposits and sign the “Deposit Reconciliation” form.*

2.9 Cash handling controls for Healthy Aging clinics are relatively non-existent. Also, existing receipting controls over center space rentals are not used.

In conducting clinics for Healthy Aging patrons, receipts are issued only if a patron asks for one. Even if every patron were issued a receipt, the

For better protection of funds, use two people to prepare congregate meal deposits.

In-take forms can be used to verify that clinic collections are deposited.

receipts would be an ineffective cash handling control. This is the case because receipt books that are used up and returned to the administration office are not being used to determine if monies are deposited for all health services provided. Returned receipts used to document center space rentals are also not used to verify the completeness of related deposits.

Since every senior receiving clinic services has to prepare an in-take form, we believe this information could be effectively used to determine if monies are collected and deposited for services rendered. For example, the number of immunizations given (as derived from in-take forms) times the fee for an immunization, less the amount of any fees waived should equal the immunization monies deposited for the month.

On a monthly basis, the Administrative Aide should use in-take form information (and any other information needed) to verify that monies are collected and deposited for all services provided.

Regarding center space rentals, the Administrative Aide should start accounting for all receipts, and use them to reconcile collections to actual deposits.

2.10 Recommendations:

2.10.1 Require the Administrative Aide to use in-take form information on a monthly basis, to verify that monies are collected and deposited for all clinic services provided.

2.10.2 Require the Administrative Aide to use receipts to reconcile senior center space rental cash collections to actual deposits.

2.11 Change funds are not adequately accounted for, and petty cash procedures need to be refined.

In 1984, \$240 was used to create change funds for several centers. We found that the person who initially created these funds was unable to account for them. We also noticed that change funds accompany custodians when they are transferred from one location to another.

Purchase request and approval authority should be segregated.

During an examination of the \$3,000 imprest checking/petty cash account, we found that some purchase requests were filled out and also approved by the custodian. We also found that staff personnel would retain funds left over from a purchase and use them for future purchases.

2.12 Recommendations:

- 2.12.1 Identify all center change funds and have Auditor’s Office records updated to reflect the actual total of these funds.*
- 2.12.2 Update change fund records to reflect the actual fund custodian.*
- 2.12.3 Keep change funds at their originally assigned locations.*
- 2.12.4 Require that petty cash purchase requests originated by the custodian not also be approved by the custodian.*
- 2.12.5 Require staff personnel to return all unspent petty cash monies to the fund custodian.*

B. Fixed and Controlled Assets

During the last quarter of 1996, fixed asset personnel from both Aging Services and the Auditor’s Office worked together to conduct an inventory of Aging’s fixed assets. This work included efforts to update the LGFS 0801 “Fixed Asset Inventory by Organization” report. Because this inventory was so recently completed, our work with respect to fixed assets was limited to an assessment of the procedures and controls designed to keep records current. No exceptions were noted in this area.

1.0 Controlled assets are not formally tracked in accordance with County wide Policy 1125.

County wide policy 1125, Safeguarding Property/Assets, requires that assets which lend themselves to personal use (e.g. a VCR) and which cost less than \$700 be accounted for in a specific manner; responsibility for these assets is supposed to be assigned to an individual and the assignment documented on an approved form. This is not being done.

The person currently responsible for Aging's fixed and controlled assets did not possess a copy of policy 1125 and was unfamiliar with the concept of and reporting requirements for controlled assets. We also found that some controlled assets (a cellular telephone and recently purchased radio equipment) do not even show up on Aging Services' general inventory records.

1.1 Recommendation: *Account for controlled assets in accordance with County wide Policy 1125.*

Appendices A thru C follow.

SUMMARY OF AGING'S PROGRAMS AND SERVICES

The Alternatives program works with family and contracts with outside agencies to provide services so seniors may prolong entry into nursing homes. These services include for example, nursing care, homemaking assistance, personal care, adult day and residential care. As part of the Alternatives program, the Ombudsman service helps resolve complaints regarding long term care facilities.

Under the Retired Senior Volunteer Program or RSVP, seniors 55 or older provide voluntary and uncompensated services to public organizations such as schools, hospitals, etc.,.

In the Foster Grandparent program, low income seniors 60 and older work 20 hours a week to help disadvantaged children. This program emphasizes preventing drug use and helping minorities and the handicapped. Seniors receive a stipend for their services.

Closely allied with Foster Grandparent is the Senior Companion program where low income older adults receive a stipend for assisting frail elderly clients in their homes or at a personal care facility. Special emphasis is given to assisting patients with Alzheimers and visual impairment.

The Senior Employment Program staff assist older adults in obtaining and keeping employment through counseling, job search education, employment leads, and on the job training.

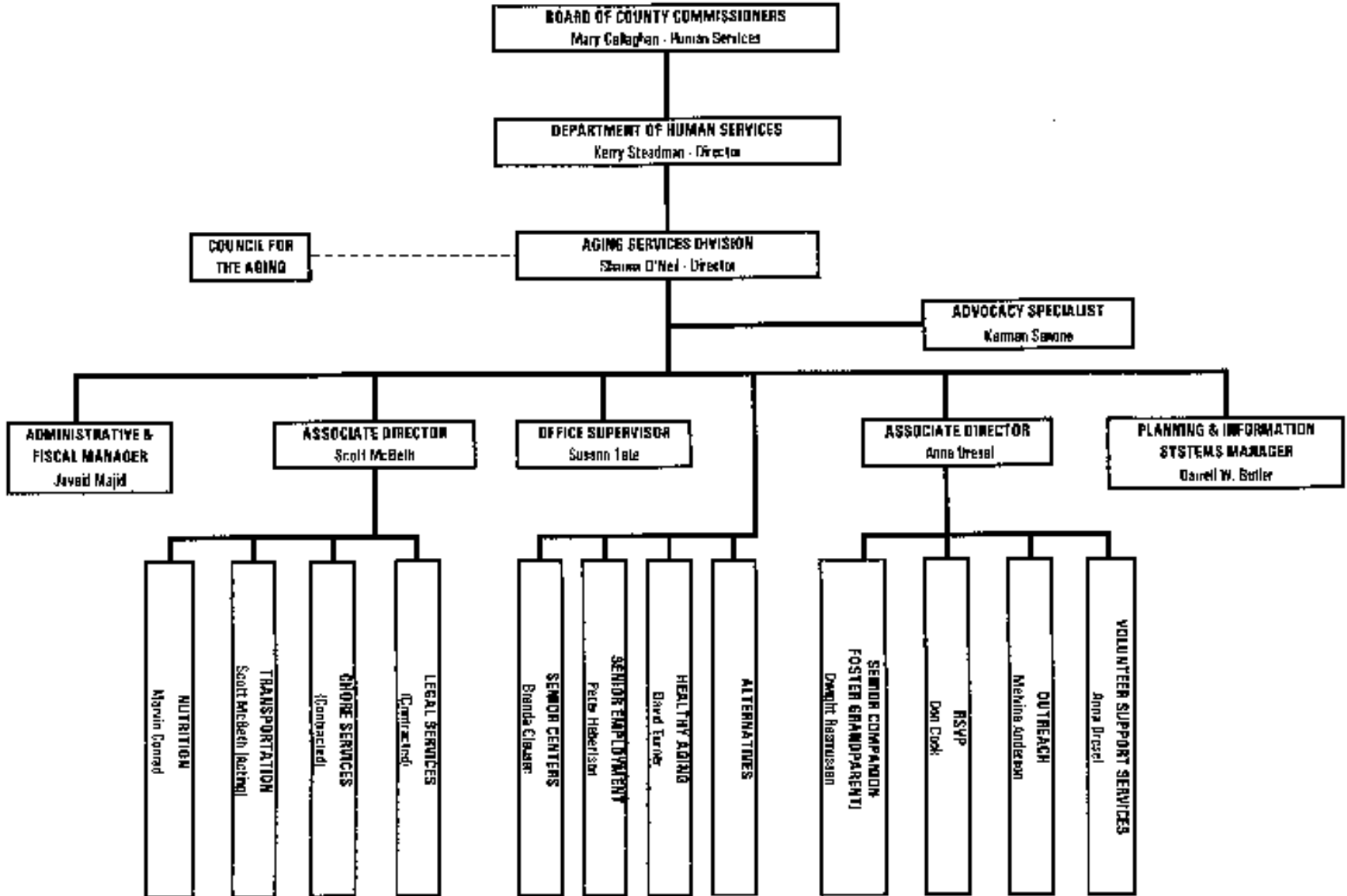
Healthy Aging provides health screening and education services including for example, flu shots, and nutrition and pharmacological counseling.

Under the Nutrition programs, Aging provides seniors who are unable to prepare their own meals, one nutritious meal daily. Meals are served to seniors at the County's senior centers located throughout the valley and delivered to homebound seniors through a network of volunteers. Centers are also places where seniors 60 and older can gather for social, recreational, and educational activities.

For seniors who are unable to drive or arrange other means of transportation, Transportation program drivers provide older adults with essential transportation to make doctor appointments, pick up prescriptions, shop for groceries, attend senior center activities, and visit spouses in nursing homes.

Chore and legal services are not provided by the division staff but are provided through contracts with other agencies and businesses. Chore services contracts are designed to help seniors maintain their lawns and obtain snow removal. Legal services provides a staff of attorneys to help older adults with issues associated with social security, Medicare/Medicaid, creditors, debtors, landlords and tenants, and wills.

SALT LAKE COUNTY AGING SERVICES TABLE OF ORGANIZATION



APPENDIX B



June 25, 1997

**Salt Lake County
Aging Services**

David L. Beck
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Salt Lake City, Utah 84190-1100

Mary Callaghan
*Salt Lake County
Commissioner*

Kerry D. Steadman
*Director, Department
Human Services*

Shauna O'Neil
Director

Dear Dave:

Thank you for the opportunity to comment on the recently completed limited scope audit of Aging Services. As you will note, the division agrees with most of the findings and is moving to implement them.

We appreciate the time which Dirk Peterson took to understand our very complex system and the reasons the systems are designed as they are. The time that he took to understand this agency made the audit and its findings more relevant and useful to us. We hope to discuss this and his recommendations further with Mr. Peterson at his convenience.

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Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Shauna O'Neil', written over a large, circular blue scribble.

Shauna O'Neil
Director



cc: Kerry Steadman

ITEM

RECOMMENDATION

RESPONSE

<p>1.2.1</p>	<p>Require that the software proposed by the Foster Grandparent and Senior Companion program director, provide for the needed segregation of duties.</p>	<p>Implementation in Process: The division is in the process of looking into a system proposed by the director of the FGP/SCP Program. This software package is currently being modified to include the RSVP component. Once the software package meets our total specifications we will proceed with this change.</p>
<p>1.2.2</p>	<p>Change the allocation of duties so that the Payroll Coordinator does not participate in the check signing and distribution process.</p>	<p>Implemented: We have segregated the distribution and check signing processes. The program secretary will distribute checks and we are arranging that there are always two individuals involved in check signing -- the program secretary and a designee of the fiscal manager</p>
<p>1.2.3</p>	<p>Assign the person who distributes checks to also be responsible for examining them for inappropriate payees or amounts.</p>	<p>Implemented: The program secretary who will distribute the checks will also verify the payees and amounts.</p>
<p>1.4.1</p>	<p>Send all pink copies of checks directly to the Accountant.</p>	<p>Not Implemented: The division feels this recommendation is unnecessary. The pink copies currently go to the program for its records and verification. The stipend checks have three parts; original, yellow and pink. The original goes to the volunteer, the yellow copy goes to the Auditor's office for reimbursement and the pink is kept by the program which has a greater need for it. Once the new payroll system is in place the concern with the check register will be solved.</p>

ITEM	RECOMMENDATION	RESPONSE
1.4.2	Require that the senior program software proposed by the Foster Grandparent and Senior Companion program director include basic accounting functions, such as a check register.	Implementation in Process: The software package under consideration is being modified to meet our needs. It will have the capacity for basic accounting functions including a check register. Once the package meets our specifications, we will proceed with implementation .
1.4.3	Use actual dates when recording checks.	Implementation in Process: The study of the new software also includes the requirement that it will recognize special (manual or replacement) check writing. That means that these checks will be recorded with the actual dates and will become part of the check register.
2.2.1	Require the Fiscal Manager to review daily deposits using the daily log of mail collections to ensure that these cash receipts are being deposited.	Implementation in Process: The division is planing to implement this recommendation with the modification that the review be done either by the Fiscal Manager or his designee.
2.2.2	Require the Fiscal Manager to document his review with a signature somewhere on each day's deposit records.	Implementation in Process: The division is planing to implement this recommendation with the modification that the signature on each day's deposit can either be of the Fiscal Manager or his designee.
2.4.1	Require the person logging in mail receipts to send all original checks directly to the Administrative Aide for deposit.	Implementation in Process: The division is planing to hire a billing clerk. These checks will go to this person for deposit.

ITEM	RECOMMENDATION	RESPONSE
2.4.2	Require the Administrative Aide to send the Accountant copies of grant, contract, Medicare, and Medicaid checks.	Implementation in Process: The division is planing to buy an Accounting software package. This will include Accounts Receivables(A/R) which the division is planing to utilize for all of its grant, contract, and misc. billings. This way it will not be necessary for the accountant to receive copies of these checks. As the deposit is done by the billing clerk, the accountant will be responsible for reconciling the A/R ledger with the actual deposits.
2.6	Discontinue having Meals on Wheels drivers accept cash donations.	Implementation in Process: The division is planning to implement this recommendation. Although there will be some cost impact of this as some clients do not have checking accounts or are too frail to mail donations. In these cases we might lose donations from them.
2.8	Have two people prepare senior centers deposits and sign the "Deposit Reconciliation" form.	Implemented: It is already the policy at centers to have two people count and sign deposits. The division will reinforce and monitored compliance with this policy.
2.10.1	Require the Administrative Aide to use intake form information on a monthly basis, to verify that monies are collected and deposited for all clinic services provided.	Partially Implementing: The Healthy Aging Program holds two kinds of clinics; flu clinics and general clinics (non flu). The money collected in general clinics does not coincide with the intake forms as the forms do not include donations. Also in this case, intake forms are not necessary if the client already has a client ID number. Donations for these clinics are totally voluntary and are anonymously put into a box as required by the Older Americans Act. Therefore, for general clinics we cannot match donations with intake forms.

ITEM	RECOMMENDATION	RESPONSE
2.10.1	(Continued)	Flu clinics do have intake forms which identify the fee/donation. The fees and donations in this case are now chiefly billed to Medicare, FHP, or IHC with very little cash collected. Bills are then generated through the intake forms and reconciled with the actual payment received by the program.
2.10.2	Require the Administrative Aide to use receipts to reconcile senior center space rental cash collections to actual deposits.	Implemented: The Administrative Aide or his/her backup will be responsible for reconciliation of rental cash collections to actual deposit.
2.12.1	Identify all center change funds and have Auditor's Office records updated to reflect the actual total of these funds.	Implementation in Process: The division will review all the centers' change funds to verify the actual funds on hand verses authorized funds. The division's and the Auditor's Office records will be corrected accordingly and will also modify existing division procedures to clarify the management and use of these change funds.
2.12.2	Update change fund records to reflect the actual fund custodian.	Implementation in Process: See 2.12.1
2.12.3	Keep change funds at their originally assigned locations.	Implementation in Process: Once the process mentioned above (2.12.1) is completed, we will comply with this recommendation.
2.12.4	Require that petty cash purchase requests originated by the custodian not also be approved by the custodian.	Implemented: Petty cash purchase requests originated by custodian will not be approved by the custodian. The approval can now be made by any one of the following: Director, Associate Directors, Fiscal Manager, Planner, or Office Supervisor.

ITEM**RECOMMENDATION****RESPONSE**

2.12.5	Require staff personnel to return all unspent petty cash monies to the fund custodian.	Implemented: The division has given the responsibility to the custodian to monitor compliance with this recommendation.
1.1	Account for controlled assets in accordance with County wide Policy 1125.	Implementation in Process: The division has developed a good tracking system for this. The division issues internal tags for all of its controlled assets and records them in a database to track them. The Administrative Aide now has a copy of 1125, has been trained, and the division will comply with this in the future.