

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Auditor-Controller *slc*

BOARD AGENDA # \*B-2

Urgent  Routine

AGENDA DATE October 11, 2011

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Accept the Auditor-Controller's Report on Stanislaus County's Revolving Funds as of June 30, 2011

STAFF RECOMMENDATIONS:

Accept the Auditor-Controller's report on Stanislaus County's revolving funds as of June 30, 2011.

FISCAL IMPACT:

The total amount of the Revolving funds as of June 30, 2011 was \$148,694.50. Of that total, \$91,035.00 was from the General Fund; \$47,153.00 was from Special Revenue Funds; \$4,850.00 was from the Enterprise Funds; \$1,200.00 was from the Internal Service Funds; and \$4,456.50 was from the Trust and Agency Funds. One new Change Fund was added over the prior Fiscal Year. Please refer to Attachment A for a detailed listing of revolving funds.

continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2011-615

On motion of Supervisor DeMartini, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

**FISCAL IMPACT (continued):**

There were four changes requiring reporting during Fiscal Year ended June 30, 2011:

Two imprest funds were removed from the schedule during fiscal year 2010/2011. One fund for \$51.00 with Behavioral Health and Recovery Services was eliminated when the department determined they no longer needed a change fund. These funds were appropriately returned to the County Treasury. The second fund for \$55.00 was also eliminated when the Board for the Law Library determined there was no longer a need for the change fund.

One imprest fund was adjusted during the year for the Library increasing the fund from \$80.00 to \$140.00 in order to meet increasing customer needs at the Turlock Branch Library.

There was one loss that occurred during Fiscal Year 2010/2011. On January 21, 2011, the Health Services Agency, McHenry Medical Clinic, located in Modesto, reported a loss of client's property in the amount of \$1,287.00. The loss consisted of one courier blue bank bag containing client payments. This loss was investigated by the Internal Audit Division and a report was issued. Please refer to Attachment B regarding this loss.

**DISCUSSION:**

A revolving fund is an account into which a fixed amount of money is placed for the purpose of minor disbursements or disbursements for a specific purpose (e.g., postage due). When disbursements are made, a voucher is completed to record the date, amount, nature and purpose. From time to time, a report with substantiating vouchers is prepared, the account is replenished for the exact amount of the disbursements and appropriate general ledger accounts are charged. The total of cash plus substantiating vouchers always should equal the total fixed amount of money set aside in the revolving fund.

Pursuant to Government Code Section 29321.1, "...the county auditor shall...render a written report to the board at the end of each fiscal year identifying the revolving funds in existence during the fiscal year, the amount of such fund, and the officer using the fund."

On December 5, 1989, the Board of Supervisors by resolution authorized the Auditor to "perform the function of the Board in establishing, increasing, reducing or discontinuing any of the revolving funds provided for in this article." Pursuant to the authority granted the Auditor, new funds have been established during the year. The establishment of revolving funds that exceed \$1,000 must still have Board approval.

**POLICY ISSUE:**

Acceptance of this report supports the Board's priorities of "Efficient delivery of public services" by helping improve the efficiency of County government processes. The Board must also confirm that the utilization and establishment of revolving funds is consistent with Government Code section 29321.1.

**STAFFING IMPACT:**

There are no staffing impacts associated with the adoption of this report. The Auditor-Controller's Office will continue to monitor and track the various funds and accounts maintained by departments.

**CONTACT INFORMATION:**

Natalie Elliott, General Ledger Manager  
Telephone: 525-6548

**Stanislaus County  
Imprest Cash Schedule  
June 30, 2011**

Attachment A

| <u>Department</u>   | <u>Address</u>   | <u>Change<br/>Fund</u>  | <u>Special<br/>Fund</u>       | <u>Revolving<br/>Fund</u> | <u>Total</u>       |
|---|--|---|-------------------------------|---------------------------|--------------------|
| <b>GENERAL FUNDS</b>  |  |   |                               |                           |                    |
| <b>Agricultural Commissioner</b><br>Weights & Measures<br>Modesto Office  | 3800 Cornucopia Way, Ste B, Modesto  | \$100.00  |                               | \$600.00                  |                    |
| <b>Auditor-Controller</b><br>Postage Trust-Postage Due  |  |   |                               | \$4,000.00                | ***                |
| <b>Assessor</b><br>Postage Due<br>Change Fund   | 1010 10th St. 2nd Flr, Modesto   | \$100.00  |                               | \$25.00                   |                    |
| <b>Board of Supervisors</b><br>Petty Cash   | 1010 10th St. 6th Flr, Modesto   |   |                               | \$30.00                   |                    |
| <b>Clerk-Recorder</b><br>Elections<br>Clerk-Recorder<br>Clerk-Recorder<br>Vital Statistics<br>Clerk-Recorder  | 1021 I Street, 1st Floor, Modesto  | \$50.00<br>\$200.00<br>\$200.00<br>\$200.00   |                               | \$200.00                  |                    |
| <b>Cooperative Extension</b>  | 3800 Cornucopia Way, Ste A   | \$100.00  |                               |                           |                    |
| <b>District Attorney</b><br>Interstate Witness Contact<br>Witness Protection Program  | 832 12th Street. Ste 300   |   | \$5,000.00 *<br>\$50,000.00 * |                           |                    |
| <b>Environmental Resources</b><br>Oakdale Bulky Drop Off  | 551 S. Center St., Oakdale   | \$200.00  |                               |                           |                    |
| <b>General Services Agency</b><br>Bulk Mailing Permit   | 1010 10th St. 5th Floor, Modesto<br>On deposit with the Post Office  |   |                               | \$2,500.00                | ***                |
| <b>Parks</b><br>Modesto Reservoir<br>Woodward Reservoir<br>Frank Raines Park<br>La Grange Park<br>Parks Permits Change Fund<br>Modesto Reservoir - Gas<br>Modesto Reservoir - Gas | 3800 Cornucopia Way, Ste C, Modesto  | \$2,525.00<br>\$2,350.00<br>\$475.00<br>\$250.00<br>\$25.00<br>\$200.00<br>\$200.00 |                               | \$50.00<br>\$250.00       |                    |
| <b>Planning</b>   | 1010 10th St. 3rd Floor, Modesto   | \$30.00   |                               |                           |                    |
| <b>Probation</b>  | 2215 Blue Gum Ave, Modesto   | \$200.00  |                               |                           |                    |
| <b>Public Administrator</b><br>Probate  | 250 E. Hackett, Modesto  |   |                               | \$10,000.00               | *                  |
| <b>Public Defender</b><br>Postage Due   | 1021 I St, 3rd Flr, Ste 3500, Modesto  |   |                               | \$25.00                   |                    |
| <b>Sheriff</b><br>Civil Division<br>Petty Cash<br>Fingerprint<br>Alternate Work Program   | 801 11th St, Ste 2200, Modesto<br>250 E. Hackett, Modesto<br>250 E. Hackett, Modesto<br>801 11th St, Ste 3100, Modesto | \$150.00<br>\$200.00<br>\$200.00  |                               | \$300.00                  |                    |
| <b>Treasurer-Tax Collector</b><br>Over, Short, Postage Due<br>Registered Mail, Writs of Execution<br>Change Fund<br>Collection Division   | 1010 10th St. 2nd Flr, Modesto   | \$3,000.00<br>\$1,800.00  |                               | \$300.00<br>\$5,000.00    | *                  |
| <b>TOTAL GENERAL FUND</b>   |  | <b>\$12,755.00</b>  | <b>\$55,000.00</b>            | <b>\$23,280.00</b>        | <b>\$91,035.00</b> |
| <b>SPECIAL REVENUE</b>  |  |   |                               |                           |                    |
| <b>Area Aging</b><br>Petty Cash   | 121 Downey Ave., Suite 102   |   |                               | \$200.00                  |                    |

**Stanislaus County  
Imprest Cash Schedule  
June 30, 2011**

Attachment A

| <u>Department</u>                       | <u>Address</u>                      | <u>Change<br/>Fund</u> | <u>Special<br/>Fund</u> | <u>Revolving<br/>Fund</u> | <u>Total</u>       |
|---|-------------------------------------|------------------------|-------------------------|---------------------------|--------------------|
| <b>Behavioral Health &amp; Recovery</b> | 800 Scenic Drive, Modesto           |                        |                         |                           |                    |
| Change Fund                             |                                     | \$50.00                |                         |                           |                    |
| Petty Cash                              |                                     |                        |                         | \$80.00                   |                    |
| Homeless                                |                                     |                        |                         | \$8,000.00 *              |                    |
| Emergency Revolving Fund                |                                     |                        |                         | \$120.00                  |                    |
| WMRS Change Fund                        | 500 N. 9th St, Modesto              | \$50.00                |                         |                           |                    |
| TRS Change Fund                         |                                     | \$50.00                |                         |                           |                    |
| Stanislaus Recovery Center              | 1904 Richland Ave, Ceres            | \$200.00               |                         |                           |                    |
| Training Change Fund                    |                                     | \$100.00               |                         |                           |                    |
| <b>Child Support Services</b>           | 251 E Hackett Rd, Modesto           |                        |                         |                           |                    |
| Revolving                               |                                     |                        |                         | \$100.00 *                |                    |
| Petty Cash                              |                                     |                        |                         | \$500.00                  |                    |
| <b>Community Service Agency</b>         | 251 E Hackett Rd, Modesto           |                        |                         |                           |                    |
| Revolving                               |                                     |                        |                         | \$1,900.00 *              |                    |
| Cashier                                 |                                     | \$300.00               |                         |                           |                    |
| Office Services                         |                                     |                        |                         | \$500.00                  |                    |
| Postage Due                             |                                     |                        |                         | \$22,000.00               |                    |
| Emergency Client Services               |                                     |                        |                         | \$250.00                  |                    |
| Turlock Out Station                     | 101 Lander Ave Turlock              | \$200.00               |                         |                           |                    |
| <b>District Attorney</b>                | 832 12th Street, Suite 300          |                        |                         |                           |                    |
| Child Abduction Unit                    |                                     |                        | \$5,000.00 *            |                           |                    |
| <b>Environmental Resource</b>           |                                     |                        |                         |                           |                    |
| Change Fund                             | 3800 Cornucopia Way, Ste C, Modesto | \$700.00               |                         |                           |                    |
| Petty Cash                              | 3800 Cornucopia Way, Ste C, Modesto |                        |                         | \$100.00                  |                    |
| <b>Health Services Agency</b>           |                                     |                        |                         |                           |                    |
| Vital Statistics                        | 820 Scenic Drive, Modesto           | \$100.00               |                         |                           |                    |
| Communicable Disease                    | 820 Scenic Drive, Modesto           | \$1,000.00             |                         |                           |                    |
| Crippled Children                       | 830 B Scenic Drive, Modesto         |                        |                         | \$2,500.00 *              |                    |
| Aids Case Management                    | 2030 Coffee Rd, Modesto             |                        |                         | \$1,318.00 *              |                    |
| IHCP Change Fund                        | 820 Scenic Drive, Modesto           | \$50.00                |                         |                           |                    |
| <b>Library</b>                          | 1500 I Street, Modesto              |                        |                         |                           |                    |
| Main-Circulation                        |                                     | \$300.00               |                         |                           |                    |
| Main-Xerox                              |                                     | \$100.00               |                         |                           |                    |
| Main-Reference                          |                                     | \$100.00               |                         |                           |                    |
| Ceres                                   | 2250 Magnolia Ave, Ceres            | \$100.00               |                         |                           |                    |
| Hughson                                 | 2412 A Third St, Hughson            | \$50.00                |                         |                           |                    |
| Newman                                  | 1305 Kern, Newman                   | \$50.00                |                         |                           |                    |
| Salida                                  | 4835 Sisk Rd, Salida                | \$150.00               |                         |                           |                    |
| Turlock                                 | 550 Mineret Ave, Turlock            | \$140.00               |                         |                           |                    |
| Waterford                               | 324 E St, Waterford                 | \$50.00                |                         |                           |                    |
| Keyes                                   | 4420 Maud Ave, Keyes                | \$50.00                |                         |                           |                    |
| Oakdale                                 | 151 S. First Ave. Oakdale           | \$70.00                |                         |                           |                    |
| Denair                                  | 4801 Kersey, Denair                 | \$50.00                |                         |                           |                    |
| Empire                                  | 18 S. Abbie, Empire                 | \$50.00                |                         |                           |                    |
| Patterson                               | 46 N. Salado, Patterson             | \$50.00                |                         |                           |                    |
| Riverbank                               | 3442 Santa Fe, Riverbank            | \$50.00                |                         |                           |                    |
| Share Acct- Safety Deposit Box          | 1419 J St, Modesto                  |                        |                         | \$25.00                   |                    |
| Petty Cash                              |                                     | \$100.00               |                         |                           |                    |
| <b>Planning</b>                         |                                     |                        |                         |                           |                    |
| Building Permits                        | 1010 10th St. 3rd Flr, Modesto      | \$100.00               |                         |                           |                    |
| Building Permits                        | 1010 10th St. 3th Flr, Modesto      | \$100.00               |                         |                           |                    |
| <b>Public Works</b>                     |                                     |                        |                         |                           |                    |
| Change Fund                             | Morgan Road Office                  | \$100.00               |                         |                           |                    |
| <b>TOTAL SPECIAL REVENUE</b>            |                                     | <b>\$4,560.00</b>      | <b>\$5,000.00</b>       | <b>\$37,593.00</b>        | <b>\$47,153.00</b> |
| <b>ENTERPRISE FUNDS</b>                 |                                     |                        |                         |                           |                    |
| <b>Fink Road Landfill</b>               |                                     |                        |                         |                           |                    |
| Fink Road Landfill                      | 4000 Fink Rd, Crows Landing         | \$1,000.00             |                         |                           |                    |
| <b>Health Services Agency - Clinics</b> |                                     |                        |                         |                           |                    |
| Business Office                         | 830 Scenic Drive, Modesto           |                        |                         | \$1,000.00                |                    |
| Hughson Clinic                          | 2412 3rd St, Hughson                | \$300.00               |                         |                           |                    |
| Outpatient                              |                                     | \$150.00               |                         |                           |                    |
| Specialty Clinic                        |                                     | \$200.00               |                         |                           |                    |

**Stanislaus County  
Imprest Cash Schedule  
June 30, 2011**

Attachment A

| <u>Department</u>                    | <u>Address</u>                    | <u>Change<br/>Fund</u> | <u>Special<br/>Fund</u> | <u>Revolving<br/>Fund</u> | <u>Total</u>        |
|--------------------------------------|-----------------------------------|------------------------|-------------------------|---------------------------|---------------------|
| Ceres Medical Office                 | 3109 Whitmore Ave, Ceres          | \$200.00               |                         |                           |                     |
| MAB Pediatrics                       |                                   | \$100.00               |                         |                           |                     |
| Physical Therapy (REHAB)             |                                   | \$100.00               |                         |                           |                     |
| Business Office Petty Cash           |                                   |                        |                         | \$350.00                  |                     |
| Business Office Window               |                                   | \$100.00               |                         |                           |                     |
| Turlock                              | 800 Delbon St, Ste A, Turlock     | \$300.00               |                         |                           |                     |
| McHenry                              | 1209 Woodrow, Modesto             | \$300.00               |                         |                           |                     |
| West Modesto Clinic                  | 401 Paradise Rd, Modesto          | \$450.00               |                         |                           |                     |
| <b>Public Works - Transit</b>        |                                   |                        |                         |                           |                     |
| Transit - Postage Due                |                                   |                        |                         | \$300.00 ***              |                     |
| <b>TOTAL ENTERPRISE FUNDS</b>        |                                   | <b>\$3,200.00</b>      | <b>\$0.00</b>           | <b>\$1,650.00</b>         | <b>\$4,850.00</b>   |
| <b><u>INTERNAL SERVICE FUNDS</u></b> |                                   |                        |                         |                           |                     |
| <b>Risk Management</b>               |                                   |                        |                         |                           |                     |
| General Liability - Minor Claims     | 1010 10th St., 5th Floor, Modesto |                        |                         | \$1,000.00                |                     |
| <b>Strategic Business Technology</b> |                                   |                        |                         |                           |                     |
| SBT Local Purchases                  | 801 11th St, Ste 4100, Modesto    |                        |                         | \$200.00                  |                     |
| <b>TOTAL INTERNAL SERVICE FUNDS</b>  |                                   | <b>\$0.00</b>          | <b>\$0.00</b>           | <b>\$1,200.00</b>         | <b>\$1,200.00</b>   |
| <b><u>TRUST AND AGENCIES</u></b>     |                                   |                        |                         |                           |                     |
| <b>Animal Services</b>               |                                   |                        |                         |                           |                     |
| Rabies Control                       | 3647 Cornucopia Way, Modesto      | \$300.00               |                         |                           |                     |
| Rabies Control                       |                                   |                        |                         | \$100.00                  |                     |
| Change Fund                          |                                   | \$400.00               |                         |                           |                     |
| <b>Law Library</b>                   |                                   |                        |                         |                           |                     |
|                                      | 1101 - 13th St, Modesto           |                        |                         | \$3,556.50 *              |                     |
| <b>StanCERA</b>                      |                                   |                        |                         |                           |                     |
|                                      | 832 12th St, Ste 600, Modesto     |                        |                         | \$50.00                   |                     |
| <b>Stan COG</b>                      |                                   |                        |                         |                           |                     |
|                                      | 1111 I St, Modesto                | \$50.00                |                         |                           |                     |
| <b>TOTAL TRUST AND AGENCIES</b>      |                                   | <b>\$750.00</b>        | <b>\$0.00</b>           | <b>\$3,706.50</b>         | <b>\$4,456.50</b>   |
| <b>TOTAL IMPREST CASH FUNDS</b>      |                                   | <b>\$21,265.00</b>     | <b>\$60,000.00</b>      | <b>\$67,429.50</b>        | <b>\$148,694.50</b> |

\* Held in outside checking account.

\*\* Held in County Treasury.

\*\*\*On deposit with the Post Office.



## AUDITOR-CONTROLLER

**Lauren Klein, CPA**  
Auditor-Controller

1010 10TH Street, Suite 5100, Modesto, CA 95354  
PO Box 770, Modesto, CA 95353-0770  
Phone: 209.525.6398 Fax: 209.525.6487

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
HEALTH SERVICES AGENCY  
CASH LOSS OF CUSTOMER PAYMENTS REPORT**

**ATTACHMENT B**

### ENGAGEMENT PURPOSE

The Auditor-Controller's Office was notified by Lorrie Markum, Human Services Division of the Health Services Agency of a loss that occurred at the McHenry Medical Clinic, in Modesto, CA. The loss involved customer's payments for the prior day totaling \$1,287.00 in cash, checks and credit card payments. The locked cash bag was picked up by the courier. The courier placed the cash bag on the roof of the county van and drove off.

Whenever a loss is reported to the Internal Audit Division, the Division gathers information regarding the loss and evaluates the Department's controls over the relevant assets. The auditor then determines the extent of any testing required in order to confirm the controls are operating effectively. Due to this incident, Internal Audit was asked to observe the policies and procedures related to safeguarding cash payments received by Health Services Agency. We performed limited procedures which will consist primarily of inquiry and observation of Health Services Agency personnel.

### OBJECTIVE

The objective of this evaluation was to identify the courier policies and procedures utilized by the Health Services Agency to receive, handle, and safeguard customer payments. We evaluated such procedures for any significant weaknesses regarding internal controls over cash, also noting any potential inefficiency related to operational aspects.

### SCOPE AND METHODOLOGY

The scope of this evaluation was the Department policy and procedure related to courier transport of customer payments in place at Health Services Agency at the time fieldwork was performed.

The information used to perform this limited evaluation was obtained primarily through:

- Review of written procedures.
- Discussion with Health Services Agency staff.
- Observation of Health Services Agency operations related to cash handling.

## DESCRIPTION OF CASH LOSS

The Health Services Agency has several clinics throughout Stanislaus County. In order to transfer customer payments securely, they have employees who are hired as couriers that travel from clinic site to clinic site. These couriers transfer customer payments received the prior day from the clinics to the Central Business Office. The courier vans have safes installed for transport of daily deposits. The couriers also transfer inter-county mail, linens, laboratory samples, and hazardous waste materials as needed. On January 21, 2011, a courier picked up the blue cash bag from the McHenry Medical Clinic to transport to the Central Business Office. The blue bank bags are locked by clinic personnel prior to courier pickup. The couriers do not have keys to the locked blue bank bags. The courier placed the blue bank bag on top of the County van and started driving to his next destination. Approximately fifteen minutes later the courier realized he did not have the blue bank bag in the van. The courier immediately notified his supervisor and personnel at the McHenry Medical Clinic in case the blue bank bag was simply misplaced. The courier returned to McHenry Medical Clinic attempting to retrace his steps however the blue bank bag was not found. The blue bank bag contained \$1,287.00 in cash, checks and credit card payments. A police report was filed with the Modesto Police Department, through forms available on their website, that afternoon. The customers who paid by check or credit card were identified and notified of the loss. At the time of Internal Audits inquiry, the Health Services Agency Human Resources Division was in the process of conducting an investigation regarding this loss. An interview with the employee had taken place and was documented however Internal Audit was not provided any further information due to the ongoing investigation.

## STANDARDS

We conducted this engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. We are not issuing a formal opinion for this engagement such as required by audit or attestation, including examination, review or agreed-upon procedures due to the non audit status of this engagement.

## CONCLUSION

The courier involved has been an employee of Stanislaus County for ten to twelve years and has had no other incidents reported. This appears to be an isolated incident due to human error. The agency also has an internal investigation in process. While we did not find any significant matters, our results disclosed issues that should be addressed by the Health Services Agency and are described in the Management Comments section below.

We thank the Health Services Agency for their cooperation. Their assistance contributed significantly to the successful completion of our evaluation.



## MANAGEMENT COMMENTS

**Observation:** We noted the credit card receipts contain the complete credit card number and the name of the customer which provides information that could be used inappropriately. Safeguarding cash and cash equivalents is a critical component of internal controls and protective measures must be taken to ensure assets are maintained in a properly controlled and secured environment.

**Recommendation:** Health Services Agency should look into upgrading the credit card process system to print, on the receipts, only the last four numbers of the customer's credit card account. This should be put in place for all locations accepting credit card payments. Should loss or misappropriation of funds occur, this will minimize the ability for identity theft for the customer and further ensure safeguarding of customer and county assets.

**Observation:** Health Services Agency installed safes in the courier vans to safeguard assets. The courier did not place the locked blue bank bag in the safe in the van immediately upon returning to the van. Safeguarding assets, including cash and client property, is a critical component of internal controls to prevent loss.

**Recommendation:** Health Services Agency should review their policies and procedures to ensure controls over client property, including cash are in place and adhered to on a daily basis. Subsequent to Internal Audit Divisions inquiry, policies and procedures have been reviewed and updated to require couriers place the locked bank bags in the vehicle safe for transportation to the Central Business Office.

**Observation:** The locked blue bank bags do not have identifying information on them other than the initials of the clinic, i.e. MMO (McHenry Medical Office) and/or bank bag number.

**Recommendation:** We recommend Health Services Agency have identifying information placed on all blue bank bags used for transfer of funds, including but not limited to the full name of the clinic, address of the clinic, and contact phone number to help facilitate the return of misplaced or lost property.

**Observation:** We noted the policies and procedures for transporting cash bag deposits have not been updated since October 2008. Written procedures document business processes, personnel responsibilities, and departmental operations. They promote uniformity in executing and recording transactions and serve to strengthen internal controls. They also serve as effective training tools for employees.

**Recommendation:** Health Services Agency should review and revise the policies and procedures for transporting cash bag deposits on an annual basis and communicate to affected personnel any significant revisions made to their daily duties and responsibilities. If no revisions are made, it should be noted the policies and procedures were reviewed.