



*Final  
Report*

# County of San Diego, California

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## Auditor and Controller

### Grand Jury Audit of the City of Oceanside Contract with MainStreet Oceanside, Inc.

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Office of **A**udits & **A**dvisory **S**ervices

April 2009  
Report No. A09-024

ATTACHMENT A



County of San Diego

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April 9, 2009

Mr. Leonard D. Martin, Foreman  
County of San Diego Grand Jury  
330 W. Broadway, Suite 477  
San Diego, CA 92101-3830

Dear Mr. Martin:

FINAL REPORT: GRAND JURY AUDIT OF THE CITY OF OCEANSIDE CONTRACT WITH  
MAINSTREET OCEANSIDE, INC.

Enclosed is our report on the Grand Jury Audit of the City of Oceanside Contract with  
MainStreet Oceanside, Inc. The report includes various audit observations and findings.

Our audit was conducted in accordance with auditing standards prescribed by the Institute of  
Internal Auditors, Inc., as required by California Government Code, Section 1236.

Thank you for the opportunity to be of service to your office. If you have any immediate  
concerns about the report, please contact me at (858) 495-5662.

Sincerely,

KENNETH J. MORY  
Chief of Audits

AUD:FDL:aps

Enclosure

c: Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller

## AUDIT SCOPE AND LIMITATIONS

At the request of the San Diego County Grand Jury the Office of Audits & Advisory Services (OAAS) completed an audit of the contracts and agreements between the City of Oceanside (City) and MainStreet Oceanside, Inc (MSO).

The scope of the audit included an assessment of the control, use, and accounting of City funds as well as compliance with contract terms and agreements associated with MSO. The time period covered by the audit is FY 2005-06 to present.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

## METHODOLOGY

OAAS implemented a multi-faceted methodology that included the following:

- Performed a review of all documentation provided by the Grand Jury;
- Reviewed all contracts and agreement between the City of Oceanside and MSO;
- Conducted interviews with key personnel at MSO and the City of Oceanside;
- Performed an analysis of the MSO accounting system chart of accounts;
- Tested a sample of MSO transaction for accuracy and categorization; and
- Assessed compliance with select contract terms and conditions.

## INTRODUCTION AND BACKGROUND

MSO is a not-for-profit organization contracted by the City to promote and revitalize the downtown Oceanside Redevelopment Project Area (RPA). MSO has been contracted with the City since July 2000 to manage special events in the downtown area (See Appendix A for list of current activities and events). MSO has also been utilized to distribute information to merchants and property owners regarding ongoing construction and projects within the RPA and other activities as described in the contract statement of work.

MSO is directed by an operational Board of Directors comprised of nine members. It is currently staffed with five employees and four contractors.

### Contracts and Agreements

City approved funding for MSO contracts and agreements from FY 2005-06 to present are shown in Table 1. Budgeted allocations between FY 2005-06 and FY 2007-08 totaled \$400K. Total City payments to MSO related to this same period totaled approximately \$525K. A summary of payments exceeding contracted amounts is provided in Appendix B.

Currently, a one year, \$190,000 Professional Services Agreement is in place for FY 2008-09.

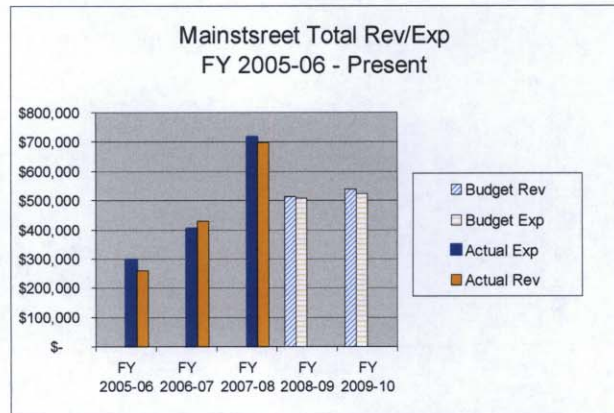
FY 2005-06	\$50,000
FY 2006-07	\$100,000
FY 2007-08	\$100,000
Amendment 1	\$100,000
Amendment 2	\$50,000
Amendment 3	\$0
FY 2008-09	\$190,000
FY 2009-10	\$160,000

MSO and the City also have a five year Master Concessionaire agreement which started in July 2005 that allows MSO to hold events within the City.

**Total Expenditure and Revenue Sources**

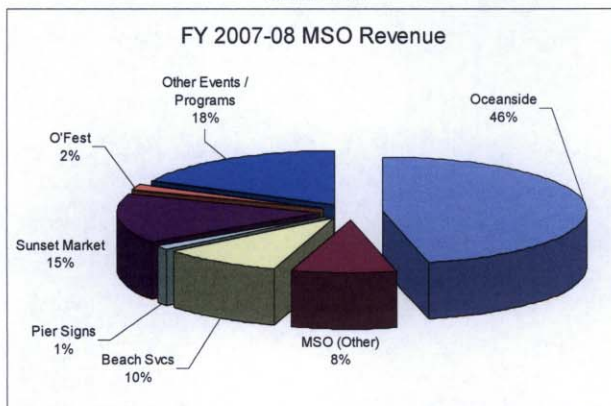
From FY 2005-06 through FY 2007-08 total expenditures for MSO increased by 142% and revenues increased by 169%. Chart 1 illustrates the three year trend and also includes the budgeted amounts for FY 2008-09 and FY 2009-10 contracts. The spike in expenditures and revenues in FY 2007-08 is primarily due to the activities associated with contract Amendment 1 and Amendment 2. Additional information related to these increases is provided in Appendix C.

**Chart 1**



Revenues for the programs come from a variety of sources; with the City as the largest contributor (see Chart 2). On average, the City has provided approximately 38% of total revenues. In FY 2007-08, City funds increased to approximately 46% of total revenues due to contract amendments and reimbursement of costs outside of the contract.

**Chart 2**



One factor that reinforced the continued reliance on City funding was the decrease in revenues following the draw down of Oktoberfest (O'Fest) activities in FY 2006-07. O'Fest represented a primary funding source for MSO. In response, the City provided \$100K for the startup of the Sunset Market (now a primary funding source) and a \$30K 'bridge' fund in the contract for FY 2008-09. More details and a timeline of key events are provided in Appendix D.

**AUDIT RESULTS**

MSO has not been compliant with certain terms and conditions of the current contract with the City and lacks internal controls to establish and maintain compliance. Contract compliance issues primarily involved financial reporting requirements and the ability of the City to adequately monitor and assess the use of City funds issued as described in the finding below. Additionally, significant control deficiencies were identified to the City by the Miller Consulting Company as a result of an internal control audit of MSO conducted in January 2009. The Miller Consulting Company's audit report outlined 16 internal control findings, 12 of which were

confirmed during the course of this audit (see Appendix E). See Attachment 1 for a copy of the Miller Consulting Company's MSO internal control review report.

## FINDING

### Finding: Unable to Determine Proper Use of City Funds

The City is currently unable to adequately monitor the use of funds as MSO's financial reports do not show a clear correlation between the amounts and categories authorized (intent of use) and how the funds were actually used. Deficiencies were identified with MSO's financial reporting as well as the adequacy of the MSO's accounting system.

**Non-Compliance with Quarterly Financial Reporting Requirements** – MSO's financial reporting is not in compliance with current contract requirements. New terms and conditions in the FY 2008-09 Professional Services Contract require a report format that allows the City to monitor the use of City's funds by project or activity.<sup>1</sup> However, MSO's management has not implemented this requirement despite multiple requests by the City.

Until January 2009, MSO's quarterly reports contained only consolidated financial statements. In February 2009, quarterly reports were provided to the City for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of FY 2008-09 utilizing a format similar to the requested format. A review of those reports discovered the following:

- The amounts reported did not reconcile to consolidated profit and loss (P&L) statements or to the MSO's accounting system;
- Some distribution of labor and overhead costs was reported, but adequate supporting documentation could not be provided; and
- The report did not clearly show how all City funds were utilized.

Upon further inquiry, MSO's financial reporting staff indicated duplications existed in their current reports and that the methodology utilized 'convoluted' the results. The MSO's accounting system is not set-up for reporting in the budgetary format required by the City. MSO's staff manually consolidates different accounting summaries in order to report in the City's format. This process allows costs to be reflected in more than one reporting category, which caused the reports to be inaccurate.

**Inadequate Accounting Classifications** – The ability of MSO to provide the required information was limited by inadequate accounting classifications. An assessment of the MSO's accounting system and chart of accounts identified a combination of a high percentage of indirect (non-allocated) costs and commingled revenues.<sup>2</sup> An analysis of transactions since FY 2005-06 indicated the following:

- Approximately 21% of revenues were unclassified and commingled. These include City service contracts, membership fees, and other revenue; and

<sup>1</sup> Format is specified in the City Staff letter entitled, "Approval of a Professional Services Agreement in the Total Amount of \$350,000 with MainStreet Oceanside for Fiscal Years 2008-2009 and 2009-2010," August 13, 2008.

<sup>2</sup> Inquiry with City personnel verified there is no expectation, from the City or from the contract, restricting MSO from commingling City revenues with other revenues.

- Approximately 58% of expenditures were not tied (classified) directly to an event, activity, or program.

The seven largest unclassified expenditures in FY 2007-08 are shown in Table 2. Salaries, which are allocated by program in the current City contract, are classified as indirect costs with no system in place for recording direct versus indirect labor.<sup>3</sup> Additionally, portions of other unallocated overhead costs are also specified in the contract, including rent and office expense. The combination of unclassified expenditures and commingled revenues restricts the ability to demonstrate how City funds are specifically used.

<b>Category</b>	<b>Amount</b>	<b>% of MSO</b>
Salary-Office Staff	\$120,326	32.4%
Rent	\$66,422	17.9%
PSA Contractors	\$62,273	16.7%
Repair/Maintenance	\$39,034	10.5%
Office Supplies	\$13,533	3.6%
Salary-Other	\$11,059	3.0%
(blank)	\$7,948	2.1%
<b>Total (7 above)</b>	<b>\$320,595</b>	<b>86.2%</b>
<b>Total MSO</b>	<b>\$371,917</b>	

### **REPORT DISTRIBUTION**

This report is intended solely for the information of the San Diego County Grand Jury. Further distribution of this report is at the discretion of the Grand Jury.

### **AUDIT TEAM**

Tom Philipp, Supervising Senior Auditor  
Franco Lopez, Auditor II

<sup>3</sup> The City indicated that instructions and forms have been provided to MSO to assist in recording direct labor costs by program.

Appendix A  
**MSO Events and Activities Specified in the FY 2008-09 Contract**

MSO is responsible for funding and organizing the following Community events:

- **Arts Alive:** Local artists paint unique banners that decorate the Coast Highway in the downtown area each spring. An auction of the banners is held in May with the proceeds divided between the artists and MainStreet Oceanside's Phantom Gallery.
- **Developer's Forum:** Brings together the developers and consultants who are changing the shape of Downtown Oceanside.
- **Antiques on Mission:** People come to view the wares of antique vendors who exhibit along Mission Avenue east of Coast Highway.
- **Freedom Days Parade:** Staging of the Fourth of July parades for spectators who line up on Coast Highway from Wisconsin Avenue north to Civic Center Drive.
- **O'Fest:** Vendors line up on Mission Avenue west of Coast Highway and on Pacific Street overlooking the ocean.
- **Dia de Los Muertos:** Festival that takes a unique cross-cultural approach to a traditional Mexican holy day honoring friends and relatives who have passed on.
- **Saturday for Giving:** Provides a central location for local charities to accept donations at the holiday time.
- **Sunset Market:** Residing at Tremont Street between Mission Avenue and Civic Center Drive Pier View Way between Coast Highway and N. Cleveland Street, this market includes a Certified Farmer's Market, selection of foods from around the world, live entertainment and over one hundred juried arts and crafts vendors
- **Farmers Market:** Weekly gathering of local farmers set up along Pier View Way for three blocks just north of Coast Highway.
- **Pier Sign:** Downtown information kiosk sign at the corner of Pier View Way and Pacific Street
- **Beach Services:** Pilot program with the goal of enhancing the public use of the beach through concessionaire that offer services or food products for beach visitors.

**Appendix B**  
**Observation: City Payments Exceed Contract Cost**

City budgeted allocations to MSO between FY 2005-06 and FY 2007-08 totaled \$400K. However, audit work revealed actual City payments related to this period amounted to approximately \$525K. Payment above contracted amounts included:

- City reimbursements of approximately \$21K in excess of the contracted amount related to Amendment 2 (O'Fest 2008) activities; and
- Reimbursements of approximately \$104K for additional services and activities.

Amendment 2 was approved by the City Council with the intent of providing MSO with \$50K for the 2008 O'Fest event. A total of \$100K was approved by the City Council for the event,<sup>4</sup> with reimbursement for amounts exceeding \$50K to be paid directly by the City to various service providers. However, all costs (\$71K) were paid by MSO and MSO was subsequently reimbursed by the City.

City reimbursements for additional services paid by MSO are summarized in Table 3 by activity. These costs are related to additional, or unanticipated, costs and other services requested by the City.<sup>5</sup> The City acknowledged these costs were allowable within the City's discretionary spending policy.

Project	Total
Sunset Market	\$27,671
Pier Sign	\$27,380
FireWorks:2008	\$24,000
Beach Services	\$18,557
Sat4Give	\$2,718
O'FEST	\$1,957
Other	\$2,470
<b>Grand Total</b>	<b>\$104,753</b>

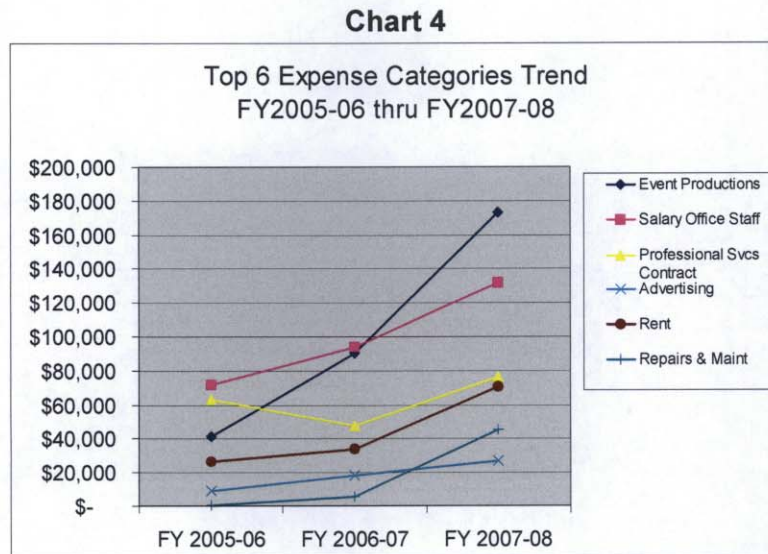
<sup>4</sup> City Staff Report entitled, "Consideration of Funding in a Total Amount Not to Exceed \$100,000 for July 4th, 2008, Service and Activities," March 19, 2008.

<sup>5</sup> Some payments to MSO were made by City Departments other than the Economic and Community Development.



**Appendix C  
Observation: Sources of Increased Cost**

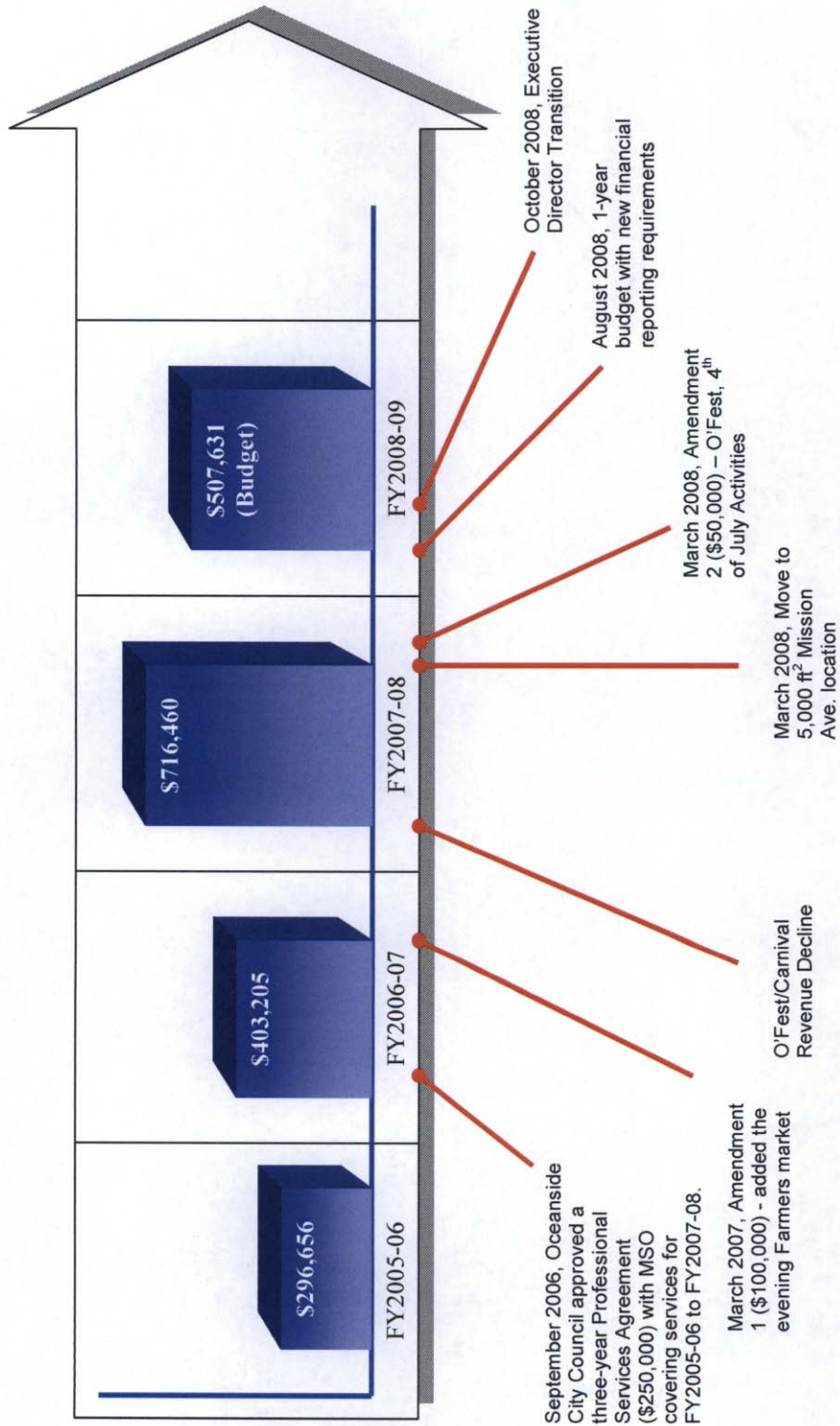
Total MSO expenses increased 142% from FY 2005-06 to FY 2007-08. The top six expense categories, which account for approximately 73% of expenditures over the past three fiscal years, are illustrated in Chart 4, with percentage increase and key factors summarized in Table 4 below.<sup>6</sup>



Category	% Increase	Increase attributable to:
Event Productions	317%	Increase attributable to the Sunset Market and O'Fest activities.
Salary Office Staff	83%	Performance commissions paid to the marketing contractor and overtime earned by office staff.
Professional Services Contract	21%	Escalating expenses of retaining contractors for marketing, legal representation, and management consulting.
Advertising	193%	Hiring of an advertising contractor.
Rent	167%	Lease associated with the new MSO facility, increase from \$1,700 to \$5,300 per month.
Repairs & Maintenance	9,833%	Refurbishment costs associated with the new MSO facility.

<sup>6</sup> Reliability of reported expenditures was performed through transaction testing of a judgmental sample of transactions in the areas of: compensation, services, contract costs, maintenance, and travel. Within the sample, the auditor found the reported amounts to be reliable with no apparent misuse of City funds.

**Appendix D**  
**Expenditures and Events over Time**



Appendix E

**Observation: Multiple MSO Internal Control Audit Findings**

OAAS confirmed the following 12 internal control findings identified for the City by the Miller Consulting Company:

1. No annual operating budget.\*
2. No overhead cost allocation plan.\*
3. The Organization employs one bookkeeper who is responsible for all accounting, payroll and personnel functions (no succession/cross-training).#
4. Conflict of interest involving board member noted by external auditors (2005 and 2007).#
5. Segregation of duties: The monthly bank reconciliations are performed by the bookkeeper who also records all financial transactions in the MSO's accounting system.\*
6. Bank statements are given directly to the bookkeeper who also performs the monthly bank reconciliation without review by the Executive Director.#
7. Bank deposits are not made daily.#
8. Bookkeeper not taking vacation.#
9. Use of a generic receipt book.\*
10. Bookkeeper has sole payroll responsibilities.\*
11. The Organization has several Visa and other charge cards assigned to employees, including a contract employee.#
12. Contract employee approves part-time employee time cards.#

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\* These findings were independently confirmed by OAAS through observation and testing

# These findings were independently confirmed by OAAS through interviews with MSO Staff

**Attachment 1  
Report on a Review of the Internal Accounting Controls of  
Main Street Incorporated**



Miller Consulting

**CITY OF OCEANSIDE**

**REPORT ON A REVIEW OF THE  
INTERNAL ACCOUNTING CONTROLS OF  
MAIN STREET INCORPORATED**

James E. Miller  
Miller Consulting Company  
For the City of Oceanside

January 2009

Oceanside, California  
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## TABLE OF CONTENTS

	<u>Page</u>
I. Scope and Objectives	1
II. Methodology	1
III. Background	3
IV. Condition Statements and Management Action Plans	
Planning Issues	3
Control Issues	5

**I. SCOPE AND OBJECTIVES**

The scope of our review was limited to interviews of executive management and accounting personnel of Main Street Incorporated (Organization). Our objectives were intended to determine the adequacy of internal accounting controls over the receiving of cash receipts, posting of cash receipts, accounts payable, payroll and budgeting as noted below:

- ✦ There are adequate internal controls in place relating to the accounting, payroll and budgeting functions, and
- ✦ The accounting system is adequate to properly record, report and monitor all accounting functions, and
- ✦ To make any recommendations to improve and/or enhance internal controls and efficiency over the accounting function.

**II. METHODOLOGY**

Our review was conducted in accordance with generally accepted auditing standards and accordingly included such tests of records and such other auditing procedures as we considered necessary under the circumstances. This review should not be considered a formal audit of the Organization's finances.

We reviewed the cash collections processes by interviewing the Organization's bookkeeper and executive director to determine that proper procedures are in effect and that there is proper segregation of duties within the accounting function in order to prevent misappropriation of funds. We also interviewed the same personnel about the accounts payable processes and the payroll function, again to determine the adequacy of internal controls over these functions. We also attempted to determine if the Organization is operating within the Organizations adopted annual budget. However, it was determined through these interviews that the Organization does not adopt an annual operating budget.

## II. METHODOLOGY (Continued)

We selected random samples of transactions from the accounts payable registers and payroll registers to determine the adequacy of internal controls and to assess whether there were any peculiar transactions. Our samples and tests were selected and designed to determine whether:

- ✦ The Organization is operating within the adopted budget by comparing revenues and expenditures to the adopted budget document;
- ✦ Accounts payable payments were proper, approved, and documented;
- ✦ Current payroll registers indicated that there were any employees on the payroll that have been terminated and still receiving paychecks;
- ✦ Review cash handling procedures and internal controls over cash receipts to ensure that the Organizations assets are adequately safeguarded;
- ✦ That there are no "related party transactions" by comparing Organization expenditures to current board members or other Organization employees;
- ✦ Review bank signatories to ensure that terminated employees or previous board members were still authorized to sign checks and that there were the proper number of authorized signers based on the Organizations size and need;
- ✦ Any other tests or reviews that were required as a result of our interviews and testing of transactions.

### III. BACKGROUND

Main Street Oceanside, Inc. is a volunteer driven mutual benefit corporation dedicated to promoting and revitalizing downtown Oceanside, California. Main Street Foundation, Inc. (The Foundation) is a public benefit corporation whose purpose is to enhance downtown Oceanside business districts through historic preservation, development of cultural programs, arts, and community education. The Organization is supported, in part, by the City of Oceanside, membership dues, grants, sponsorships, donations and profits from special events. Major events include O'Fest, Dia de los Muertos, Antique Faire, and Day and Evening Farmer's Markets to mention a few.

### IV. CONDITION STATEMENTS AND MANAGEMENT ACTION PLANS

Several internal controls over the accounting and budgeting functions within the Organization need improvement. Management responsibilities for operating programs are in four broad areas: planning, organizing, directing and controlling. We identified two of the four areas in the administration and operation of the accounting function where improvements could be made. The specific opportunities for improvement in these areas are addressed in the condition statements below.

<b>Planning Issues</b>
------------------------

Documentation of the planning associated with the preparation of an annual budget and resources dedicated to the accounting function could be improved by:

**Issue (1):**

The Organization board of directors has not established an annual operating budget for revenues and expenses. Currently, the Organization does not adopt an annual overall operating budget. We were told by the bookkeeper that budgets are prepared for each program or event that the Organization is involved with, however, these 'budgets' appear to match what the actual expenditure were



**Planning Issues (Continued)**

and not true estimates of revenues and expenses. Without this governing document the board is unable to determine if the Organization is staying within the budget guidelines and objectives of the Organization to establish a budget.

**Recommendation:**

The Organization board should immediately begin the budgeting process for the upcoming fiscal year by reviewing current revenue and expenditures and comparing them to the Organizations goals and objectives.

**Issue (2):**

The Organization has not established a Cost Allocation Plan for the spreading of overhead costs to each of the programs or events the Organization conducts. The lack of such a plan prohibits the proper allocation of these costs to these programs or events which would skew the overall financial success of the program or event by understating their true costs.

**Recommendation:**

The Organization should conduct a study for allocating overhead costs when developing their budget so it may determine the true cost of each program, event or administrative expense.

**Issue (3):**

The Organization employs one bookkeeper who is responsible for all accounting, payroll and personnel functions. The bookkeeper is responsible for maintaining the Organization's accounting system. There is no one within the Organization that is trained in the bookkeeper's duties. Should the bookkeeper be unable to conduct her duties there would be a void in the Organization for performing her duties and could have serious consequences on the Organization's ability to pay bills and record revenues.

**Planning Issues (Continued)**

**Recommendation:**

Management should immediately begin the process of cross training of the bookkeepers duties to ensure transparency should the bookkeepers position become vacant for any reason.

**Issue (4):**

During our review of past independent audits of the Organization we noted comments by the auditors indicating related party transactions. The auditors in both reports (2005 and 2007) that board members provided the Organization with services for which they were compensated. The services provided by the board members included construction, artistic services, graphic arts services, electrical services, painting and t-shirts. Members providing services to the Organization could appear to be a conflict of interest whereby the services provided could have been obtained for a lower cost from other vendors.

**Recommendation:**

The Organization Board should establish a policy that no current members of the board provide remunerated services to the Organization while currently serving as a board member in order to prevent any conflict of interest.

**Control Issues**

The functions of the bookkeeper clearly indicate a proper lack of segregation duties as required by basic accounting principals. During our review of records and interviews we noted the following exceptions to these principals:

**Control Issues (Continued)**

**Issue (5):**

The monthly bank reconciliations are performed by the bookkeeper who also records all financial transactions in the Organization's financial accounting software. This function would allow the bookkeeper to commit fraud by hiding certain financial transactions.

**Recommendation:**

The monthly bank reconciliations should be performed by someone other than the bookkeeper who is properly trained on how to perform them.

**Issue (6):**

Bank statements are given directly to the bookkeeper who also performs the monthly bank reconciliation without review by the Executive Director. The person responsible for maintaining the financial records should not be the one performing the bank reconciliations in order to protect the integrity of the financial records.

**Recommendation:**

The monthly bank statements should be directed to the executive director or their designee and not given to the bookkeeper. They should be reviewed by this person to look for any unusual activity.

**Issue (7):**

The bookkeeper sets up all new vendors in the financial system without review by upper management. The bookkeeper should not be allowed to set up new vendors since she is also the one who prepares the accounts payable records including issuing of the checks to the vendors.

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**Control Issues (Continued)**

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**Recommendation:**

All new accounts payable vendors should be set up in the accounting program by someone other than the bookkeeper to ensure no fictitious vendors are established. These vendors should be approved by management prior to establishment.

**Issue (8):**

Invoices received for payment are not reviewed and approved by management prior to payment. This practice could lead to payments to vendors who may not be entitled to payments for various reasons.

**Recommendation:**

All invoices received by the Organization should be reviewed and approved by management before the bookkeeper processes them in the accounting system.

**Issue (9):**

Accounts payable checks presented to the check signers do not include supporting documentation for the payment. This practice could allow over or under payments to the vendor or unauthorized payments to the vendor.

**Recommendation:**

Accounts payable checks should include supporting documentation when given to the authorized check signers.

**Issue (10):**

Daily bank deposits are not made. The practice of the Organization is to make a deposit once weekly. They use a courier from their bank to transport the deposits to the bank. We were unable to find any agreement that indemnifies the Organization

**Control Issues (Continued)**

should the deposits be lost or stolen, putting the Organization at financial risk.

**Recommendation:**

Bank deposits should be made on a daily basis, when warranted. Should the Organization continue to use the bank courier they should obtain documentation from the bank that any lost or stolen deposits are not the responsibility of the Organization.

**Issue (11):**

Cash receipts are not adequately safeguarded. All payments received by the Organization whether they are cash or checks are kept in a cabinet in the front office. Everyone in the office has access to these receipts. Additionally, these receipts are subject to additional theft should the office be broken into. The Organization does have a safe but we were told that it was inconvenient to use due to its location.

**Recommendation:**

The Organization should procure a suitable safe or place the safe in a better location for controlling the daily cash receipts. Management should also limit the number of employees who have access to the daily receipts and petty cash boxes.

**Issue (12):**

The bookkeeper is not required to take periodic scheduled vacations. According to the bookkeeper the last time she took a full week off was February 2008.

**Recommendation:**

Mandatory vacations of all accounting staff should be established as part of the Organizations financial policies and procedures.

**Control Issues (Continued)**

**Issue (13):**

Cash receipt books utilized for providing customers verification of receipt for monies due the Organization are not unique to the Organization and can be purchased at any stationary store. The lack of unique receipts to the Organization could allow any employee to receive payment and issue a receipt from a book that is not Organization purchased and thus allow the abstraction of Organization funds.

**Recommendation:**

They should eliminate the use of paper receipt books. Management should explore the possibility of having the person(s) receiving payments from vendors be entered directly into the accounting system and reconcile the amounts entered to actual receipts on hand.

**Issue (14):**

The bookkeeper is in charge of the entire payroll function including adding new employees and terminating employees from the payroll function. These combined duties could allow the bookkeeper to establish "ghost" employees (employees who do not actually exist) in the system and create fictitious payments to these employees.

**Recommendation:**

All new employees and employee terminations should be handled by someone other than the bookkeeper to ensure the integrity of the payroll process.

**Issue (15):**

The Organization has several Visa and other charge cards assigned to employees, including a contract employee, who was previously and employee of the Organization. This leaves the Organization

**Control Issues (Continued)**

exposed to unauthorized charges.

**Recommendation:**

Management should review the number of Visa and stationary store charge cards to ensure that they are assigned only to necessary personnel and not to independent Organization contractors.

**Issue (16):**

Part-time employee timecards are approved by a contract employee and not a member of Organization management. The lack of Management does not approve all time cards prior to issuing payroll which could lead to unauthorized time paid.

**Recommendation:**

Part-timer employee time cards should not be signed by contract Organization personnel, but signed by a member of Organization management. The executive director should ultimately sign all organization employee time cards prior to the payroll being run.