CV STARR CENTER

MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2014

CV STARR CENTER
June 30, 2014

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MOSS, LEVY & HARTZHEIM LLP
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February 3, 2015

To the Board of Directors
CV Starr Center
300 S. Lincoln Street
Fort Bragg, CA 95437

We have audited the financial statements of the CV Starr Center (Center) for the fiscal year ended June 30, 2014. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, four new accounting policies were adopted during the fiscal year. The new policies are Governmental Accounting Standards Board (GASB) Statement Nos. 65, 66, 67, and 70. We noted no transactions entered into by the Center during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the compensated leave liability was based on accrued leave balances and hourly wage rates as of June 30, 2014. We evaluated the key factors and assumptions used to develop the estimate above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, two of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These adjustments were for accounts receivable and accounts payable.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 3, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

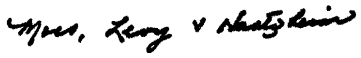
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use management of the Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
CV Starr Center
300 S. Lincoln Street
Fort Bragg, CA 95437

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the CV Starr Center (Center), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year recommendations that we consider to be significant deficiencies (#2014-01 to #2014-07).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

However, other matters were noted, and are described in the current year recommendations section as #2014-08 to #2014-17.

Center's Responses to the Findings

The Center's responses to the findings identified in our audit are described in the accompanying current year recommendations section. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA
February 3, 2015

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2014-01 Finding – Deficiencies with check issuance and voided checks:
During our audit, it was noted that checks are not issued in sequential order and there are gaps in the accounts payable check register. In addition, a voided check (#3081) could not be located and a voided check (#4239) did not have the signature portion removed.

Effect:
By not issuing checks in sequential order and having gaps in the sequence of checks issued, it creates difficulties when reconciling banks and increases the risk of errors. Also, creating a potential risk of a misappropriation of funds is not being able to locate a voided check or not removing the signature portion of a voided check.

Recommendation:
We recommend that all checks be issued in sequential order with no gaps, and that all voided checks be retained for future verification, with their signature portion removed.

Management's Response:
In response to the audit recommendation, it was determined that the cause of such check number order issuance was when Monthly Claim checks and Payroll checks occur in the same week. We have updated our procedures and practices of check issuance in numerical order with diligence. We have also included another step in the voided check process of cutting out the signature portion of the voided check for security reasons. Additionally, all voided checks will be filed with the bank statements according to the month the check was processed.

2014-02 Finding –General ledger accounts not closing out to retained earnings at year-end:
During our audit, it was noted that certain revenue and expense accounts are not closing out to retained earnings at year-end, and the nominal account balances are carrying forward.

Effect:
Revenue and expense accounts are carrying forward and not closing out to retained earnings, which results in incorrect balances in the general ledger.

Recommendation:
We recommend that the Center investigate these accounts to determine why they are not closing out to retained earnings and fix the problem in the software.

Management's Response:
In response to the audit recommendation, the Accounting department is working with Sage Accounting Software's technical support to determine the cause of the revenue and expense accounts carrying forward to the next fiscal year.

2014-03 Finding – Deficiency in the cash receipts process:
During our test of cash receipts, it was noted that numerous bank deposits were not deposited timely (10/15/2013 deposited 10/21/2013, 12/13/2013 deposited 12/20/2013, 3/18/2014 deposited 3/24/2014, 4/28/2014 deposited 5/2/2014, 5/10/2014 deposited 5/19/2014, and 6/7/2014 deposited 6/13/2014).

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

Effect:
Lack of timeliness in depositing cash receipts results in lost investment income and could result in the receipts being misplaced or a misappropriation of funds to occur.

Recommendation:
We recommend that deposits be made on a daily basis.

Management's Response:
In response to the audit recommendation, we have revised our policy in July 2014 to prioritize this task. Deposits are prepared and delivered to the bank on a daily basis.

2014-04 Finding – Lack of segregation of duties:
During our audit, it was noted that only one employee prepares payroll, the bank deposit, and also makes deposits to the bank.

Effect:
Lack of segregation of duties increases the risk of misappropriations of funds.

Recommendation:
We recommend that the Center:

1. Have the Director review the payroll prior to processing and then again after it has been processed, to ensure the approved register and the final register match.
2. Have separate employees prepare the bank deposits and deposit the receipts.

Management's Response:
In response to the audit recommendation, the Director has updated the policy and internal controls in December 2014 where the Accountant & Administrative Services Coordinator prepares payroll and is reviewed by the Director, Administrative Assistant prepares the deposit, and deposit deliveries is rotated amongst the three remaining Coordinators. Lack of segregation of duties however, will continue to be a challenge in a small staff group.

2014-05 Finding – Numerous over/under amounts on daily journals:
During our audit, it was noted that numerous daily journals contained cash over/under amounts.

Effect:
Cash over and under on daily amounts could be a result of a misappropriation of funds.

Recommendation:
We recommend that trends of cash over/under should be investigated.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

Management's Response:
In response to the audit recommendation, the Accountant & Administrative Services Coordinator and Guest Services Coordinator communicate on a daily basis to monitor such over/under amounts on daily journals. Most over/under amounts are recovered immediately and occur during front desk staff shift transitions. Our updated policy implements a memo written by the Accounting department if the over/under amount reaches a specific threshold along with conducting an investigation.

2014-06 Finding – Deficiency in Corporate account billings:
During our audit of cash receipts, we noted the following:

1. The Corporate membership bills are invoiced after they are paid, due to the Center not knowing the number of members being paid by the Corporate account.
2. Employee deductions submitted by the Corporate members do not reconcile with the Center's books.

Effect:
Deficiencies in Corporate billings could lead to incorrect balances on the Center's books, allowing unauthorized access to the Center by unpaid members, and a potential loss of revenue.

Recommendation:
We recommend that bills are invoiced on a monthly basis and a monthly reconciliation for employees' deductions be performed at the end of each month with any follow-up corrective action take immediately.

Management's Response:
In response to the audit recommendation, invoices are created in the Sportsman membership software at the time memberships are rolled over for the next billing period. There is a slight timing delay as most Corporate Members have a payroll deduction from their accounting department prior to payments being made to the CV Starr Community Center. Our policy has implemented a monthly reconciliation to follow-up corrective action where the Guest Services Coordinator communicates with the Corporate Account contact to reconcile monthly memberships. If there are any changes, it is immediately entered in the Sportsman membership which rolls into the Sage accounting software via a daily journal entry of total tills from Sportsman.

2014-07 Finding – Lack of safeguarding of computer data:
During our audit, it was noted that the backup data of the server is never tested and the Center has no formal disaster recovery plan. In addition, the Center does not require passwords to be changed on a regular basis.

Effect:
Lack of proper protection of computer data increases the risk of unauthorized access, misuse of Center information, and data loss.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

Recommendation:
We recommend that the Center test the backup data on the server on a regular basis, implement a disaster recovery plan immediately, and require the changing of computer passwords every 6 months.

Management's Response:
In response to the audit recommendation, the Director has requested a Network Assessment in December 2014 which includes a Backup Upgrade. The CV Starr Community Center will be able to meet business continuity requirements and ensure data is geographically secured and encrypted. This also protects against catastrophic failure, theft, fire, and other environmental variables where data loss would be irretrievable. Such proposal is in the February 18, 2015 Board Meeting Agenda and Packet.

Other Matters

2014-08 Finding – Late payments and incorrect payment amounts on loan repayments:
During our audit, it was noted that loan repayments on 9/30/2013 and 12/31/2013 to the City of Fort Bragg were not made timely, and they were not for the full amount.

Effect:
Late payments and incorrect payment amounts on loan repayments could result in additional interest and/or penalties.

Recommendation:
We recommend that the Center implement procedures to ensure that all loan repayments are made timely and are the correct amounts.

Management's Response:
In response to the audit recommendation, loan repayments as stated above were paid in full in the month following the due date. After an updated loan amortization schedule was provided to the Accounting department, a catch up payment in April 2014 was made to fully pay the balance due thru March 2014. Additionally, a quarterly loan payment to the City of Fort Bragg has been implemented on the Claims process. In January 2015, the quarterly bill entries were entered in the accounting database so there are no further late payments.

2014-09 Finding – Incomplete Form 700s:
During our audit, it was noted that two Form 700s did not have any schedules attached or "no reportable interests on any schedule" checked off.

Effect:
There is a potential for a conflict of interest to exist and go undetected if the Form 700s are not completed properly. Also, penalties could be levied by the Fair Political Practices Commission for incomplete Form 700s.

Recommendation:
We recommend that all sections of each Form 700 be completed properly.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Other Matters (Continued)

Management's Response:
In response to the audit recommendation, we have implemented a new policy that all Form 700s be submitted to the CV Starr Accounting & Administrative Services Coordinator every March so that all forms are reviewed prior to submitting to the County of Mendocino. Copies are also provided to the MCRPD Business Manager and are filed in a locked cabinet to secure confidential information.

2014-10 Finding – Deficiency in Petty Cash:
During our audit, it was noted that the petty cash is not being used on an imprest basis.

Effect:
Petty cash is not being used correctly. A misappropriation may occur and go undetected when petty cash procedures are not followed.

Recommendation:
We recommend that the Center utilize the petty cash on an imprest basis, for proper accounting, handling and recording of petty cash funds.

Management's Response:
In response to the audit recommendation, a Petty Cash policy has been written. Currently, petty cash transactions have been frozen until the policy and procedures are revisited by the Accounting & Administrative Services Coordinator and Director.

2014-11 Finding – Outstanding checks:
During our audit, it was noted that there were six checks over one year old, totaling $289.38, on the June 2014 bank reconciliation.

Effect:
Bank reconciliations that contain stale dated checks may have incorrect balances since the stale dated checks have not been investigated. When the Center does not resolve reconciling items timely, there is an increased risk of errors and irregularities going undetected.

Recommendation:
We recommend that the Center research these outstanding stale dated checks to determine if they need to be reissued or sent to the State of California as escheat property.

Management's Response:
In response to the audit recommendation, the Accounting department has contacted the recipients of these checks and requested them to locate and deposit them. Our policy will include submitting these funds to the State of California for recipients to collect their payment. Furthermore, we have encouraged employees to enroll in direct deposit paychecks to prevent paychecks not being deposited timely.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Other Matters (Continued)

2014-12 Finding – Deficiency in employee reimbursement:
During our audit, it was noted that one reimbursement was approved by the employee being reimbursed.

Effect:
Without proper oversight and approval, improper purchases may occur and go undetected.

Recommendation:
We recommend that the Center ensure that all employee reimbursements are approved by an employee other than the one being reimbursed.

Management's Response:
In response to the audit, our policy implemented in July 2014 requires a secondary signer on Expense Reimbursement forms as a reviewer.

2014-13 Finding – Lack of written policies:
During our audit, it was noted that there was a lack of written policies and procedures for the following:

1. Written policy on employees' being able to opt out of medical benefits and receive a $250 stipend.
2. Fraud reporting policy
3. Capital assets
4. Purchasing policy
5. Employee handbook

Effect:
Without proper formal written policies, it is difficult for the Center's management to uniformly apply accounting standards and procedures in regards to the operations of the Center.

Recommendation:
We recommend that the Center adopt formal policies for the items listed above.

Management's Response:
In response to the audit recommendation, a written policy for #1 was approved in the budget and is scheduled to be incorporated in the Employee Manual for the next scheduled approval of changes with the Personnel Committee. Policies for #2, #3, and #4 are being drafted. The Employee Handbook was adopted by the Board of Directors in August 2014.

2014-14 Finding – Accounts receivable not reconciled:
During our audit, it was noted that the accounts receivable account is not being reconciled to the general ledger on a monthly basis.

Effect:
Lack of reconciling procedures of balance sheet accounts increases the risk of misstatement of balances on financial statements and other financial reports.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Other Matters (Continued)

Recommendation:
We recommend that the Center reconciles its accounts receivable account to the general ledger on a monthly basis.

Management's Response:
In response to the audit recommendation, Accounts Receivable is reconciled on a monthly basis when Corporate Membership Accounts are processed and reconciled. CV Starr Community Center Accounts Receivables account consists of mostly Corporate Memberships and Lane Rentals. A detailed reconciliation is included in the quarterly trial balance preparation and the Administrative Assistant position contributes to address these reconciliations.

2014-15 Finding – Lack of video cameras:
During our audit, it was noted that there were no video cameras installed to monitor the activities of the Center, including near exits and cashier areas.

Effect:
Video surveillance helps reduce the risk of theft and also enables the Center to investigate any occurrence of fraud or crime.

Recommendation:
We recommend that the Center install video cameras around the entrances and exits of the facility and the cashier area.

Management's Response:
In response the audit recommendation, installing video cameras was cost prohibitive in the Fiscal Year 2013-2014 budget, however we will continue to look into including these improvements in the future budget process.

2014-16 Finding – Day pass control deficiency:
During our audit, it was noted that customers who pay for a day pass only receive a receipt.

Effect:
One-day pass receipts can be used by multiple participants, which would result in a loss of revenue.

Recommendation:
We recommend that the Center use wristbands or other identifying methods to help identify the customers who have paid for a day pass.

Management's Response:
In response to the audit recommendation, the Director has inquired with other parks and recreation facilities of their day pass control procedures. Since CV Starr Community Center charges one fee to use the entire facility, management has made a decision that it was not cost beneficial to purchase wristbands or similar identification. If there is a future event that anticipates high volume, management will monitor the controls and revisit the day pass receipt method.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Other Matters (Continued)

2014-17 Finding – Lack of warrant register approval:
During our audit of cash disbursements, it was noted that the Board does not approve the warrant registers.

Effect:
Without Board approval, there is a lack of governance oversight and an increased risk that errors and irregularities may occur and go undetected.

Recommendation:
We recommend that a list of all warrants be submitted to the Board for review and approval, to ensure proper oversight of expenses.

Management's Response:
In response to the audit recommendation, the Director and Accounting department in March 2015 will implement a monthly check register to include in the Regular Board Meeting Agenda and Packet so that all Board Members can review and approve a warrant register in the Consent Calendar.

STATUS OF PRIOR YEAR RECOMMENDATIONS

2013-01 Finding – Lack of segregation of duties:

During our audit fieldwork, it was noted that only one employee prepares payroll, bank reconciliations, deposits, and cash disbursements. This employee also makes deposits at the bank and has sole access to the Sage financial software system.

Effect:

Lack of segregation of duties and improper oversight over the accounting systems increases the risk of misappropriation of funds, which could go undetected.

Recommendation:

We recommend that the Center:

1. Have a separate employee mail the accounts payable checks.
2. Checks received in the mail should be logged in by an employee who does not prepare the bank deposit.
3. The Director should review the payroll prior to processing and then again after it has been processed, to ensure the approved register and the final register match.
4. Separate employees should be preparing the bank deposits and depositing the receipts.

Status:

Partially implemented, see Finding #2014-04.

2013-02 Finding – Deficiency in internal control over bank reconciliations:

During our audit of cash, it was noted that the bank reconciliations were not signed by the reviewer.

Effect:

Proper bank reconciliations help to safeguard cash by detecting errors on the part of the bank or the Center. In addition, bank reconciliations help create stronger internal controls, and establish accountability for cash. When bank reconciliations are not being reviewed/approved properly, it increases the risk that errors and irregularities may occur and go undetected, which could lead to a misappropriation of funds.

Recommendation:

We recommend an employee independent of cash receipt and disbursement activities should review the bank reconciliations for any unusual items and document the approval by signing the reconciliation.

Status:

Implemented.

2013-03 Finding – Negative cash balance:

During our audit of cash, it was noted that the cash balance on the books of the Center was negative as of June 30, 2013.

Effect:

A negative cash balance at fiscal year-end implies a deficiency in cash flows. Also, there is a possibility of insufficient funds, which could negatively impact the operations of the Center.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Recommendation:
We recommend the Center:

1. Monitor the cash balance on a daily basis.
2. Avoid issuing checks if there is insufficient cash in the bank.

Status:
Implemented

2013-04 Finding – Lack of control over free passes:
During our review of internal control, it was noted that free passes were not pre-numbered.

Effect:
Numbering free passes is designed to provide a reasonable assurance that no unauthorized passes are issued. Without a control procedure, unauthorized or duplicate free passes may exist.

Recommendation:
We recommend that free passes be pre-numbered and that all free passes be accounted for and tracked internally.

Status:
Implemented.

2013-05 Finding – Control deficiencies in journal entries:
During our audit fieldwork, it was noted that the journal entries were not being reviewed and signed by a reviewer on a timely basis. In addition, numerous daily journals contained cash over and under amounts.

Effect:
Lack of timeliness in reviewing journal entries could result in journal entries not being posted in the accounting system and/or incorrect entries. This could lead to errors in the financial records and financial statements as well as possible misappropriation of funds. Also, over and under cash amounts on daily journals could be a result of a misappropriation of funds by a cashier.

Recommendation:
We recommend that an appropriate official review journal entries on a timely basis. The reviewer should sign the journal entry forms once they have finished reviewing. Also, trends of cash over and under amounts should be investigated.

Status:
Partially implemented, see Finding #2014-05.

2013-06 Finding – Insufficient funds:
During our audit fieldwork, it was noted that the Center had insufficient funds in the bank account at the end of February 2013 and at the beginning of March 2013. In addition, fees were charged to the Center because of this.

Effect:
Insufficient funds are a serious deficiency in cash flows and negatively impact the operations of the Center. Also, the Center incurred unnecessary fees imposed by the bank.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Recommendation:
We recommend that the Center ensure that all bank accounts are properly funded at all times.

Status:
Implemented

2013-07 Finding – Deficiency in Corporate account billings:
During our audit of cash receipts, we noted the following:

1. The Corporate membership bills are invoiced after they are paid, due to the Center not knowing the number of members being paid by the Corporate account.
2. Employee deductions submitted by the Corporate members do not reconcile with the Center's books.
3. There was a write-off of $2,873 for corporate account sales as of June 2013.

Effect:
Deficiencies in Corporate account billings could lead to incorrect balances on the Center's books, allowing unauthorized access to the Center by unpaid members, and a potential loss of revenue.

Recommendation:
We recommend that the bills be invoiced on a monthly basis and a monthly reconciliation for employees' deductions be performed at the end of each month with any follow-up corrective action taken immediately.

Status:
Partially implemented, see Finding #2014-06.

2013-08 Finding – Lack of safeguarding of computer data:
During our audit fieldwork, it was noted that the backup data of the server is never tested and the Center has no formal disaster recovery plan. In addition, the Center does not require passwords to be changed on a regular basis.

Effect:
Lack of proper protection of computer data increases the risk of unauthorized access, misuse Center information, and data loss.

Recommendation:
We recommend that the Center test the backup data on the server on a regular basis, implement a disaster recovery plan immediately, and require the changing of computer passwords every 6 months.

Status:
Not implemented, see Finding #2014-07.

2013-09 Finding – Incorrect Form 941s:
During our audit of payroll, it appears that the amounts reported on the Form 941s were understated for the fiscal year.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Effect:
Inaccurate Form 941s could lead to penalties and interest charges levied by the IRS and incorrect balances reported to the IRS.

Recommendation:
We recommend that the Center submit amended Form 941s for the fiscal year and ensure that all new Form 941s be prepared accurately.

Status:
Implemented.

2013-10 Finding – Checks issued out of sequence:
During our audit, it was noted that checks issued in June 2013 were not issued in sequential order and the June bank reconciliation contained incorrect outstanding check numbers.

Effect:
The gap in sequence and incorrect outstanding check numbers create difficulties when reconciling bank accounts and increases the risk of errors.

Recommendation:
We recommend that all checks be issued in sequential order and that all checks be recorded correctly on the bank reconciliation.

Status:
Partially implemented, see Finding #2014-01.

2013-11 Finding – Lack of video cameras:
During our audit fieldwork, it was noted that there were no video cameras installed to monitor activity.

Effect:
Video surveillance helps reduce the risk of theft and also enable the Center to investigate any occurrence of fraud or crime.

Recommendation:
We recommend that the Center install video cameras around the facility.

Status:
Not implemented, see Finding #2014-15.

2013-12 Finding – Lack of receipt notification:
During our audit fieldwork, it was noted that there were no signs or notifications informing customers to notify the Director or City Hall Finance Department, if they did not receive a receipt.

Effect:
Without notification to customers who do not receive a receipt, cashiers could be misappropriating funds, which could go undetected.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Recommendation:
We recommend that the Center install a sign at the cashier's area that notifies customers to contact the Director of the Center or the City Hall Finance Department (with contact information) if they do not receive a receipt.

Status:
Implemented.

2013-13 Finding –Lack of contracts with instructors:
During our audit fieldwork, it was noted that the Center had no formal contracts with instructors who are independent contractors.

Effect:
Lack of formal contracts could result in negative legal issues in the event of noncompliance with the oral agreement.

Recommendation:
We recommend that the Center establish a contract with every instructor who is an independent contractor.

Status:
Implemented.

2013-14 Finding – Deficiencies in medical reimbursement:
During our test of employees' reimbursements, we observed that medical reimbursement payments were not tracked sufficiently and there could be cases of over-reimbursement. Also, There was inconsistent treatment and balances were allowed to be carried forward of employees' medical expense stipends, which were not approved until later.

Effect:
Inaccurate reimbursement records without prior approval means the Center could be paying for unauthorized medical reimbursement.

Recommendation:
We recommend the Center to keep an accurate record of employees' medical reimbursement payments and obtain an approval before reimburse any employees.

Status:
Implemented.

2013-15 Finding – Deficiency in employee reimbursement:
During our test of employee reimbursements, it was noted that one employee used a summary receipt instead of an itemized/detailed receipt.

Effect:
Without a detailed list of purchased items on each receipt, unauthorized/improper purchases may be made.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Recommendation:
We recommend the Center to ensure all receipts submitted for reimbursement/payment have a detailed receipt attached.

Status:
Implemented.

2013-16 Finding – Lack of safeguarding of assets:
While performing our audit, we noted that:

1. The master key that unlocks every door was kept at the front desk in an unlocked drawer.
2. Cash was kept in the cash drawers at the front desk overnight in locked drawers.

Effect:

1. This opens the organization to the possibility that any individual who has access to the area could potentially make use of the key for wrongful purposes.
2. Keeping cash in the cash register drawers overnight increases the risk of theft.

Recommendation:
We recommend the Center to assign the master key to a trustful individual, who will keep it in a safe place. In addition, the Center should reconcile and deposit cash in all cash drawers at the end of the day.

Status:
Implemented.

2013-17 Finding – Lack of written policies:
During our review of the Center's internal controls, it was noted that there were a lack of written policies and procedures for the following:

1. Fraud reporting policy
2. Capital assets
3. Purchasing policy
4. Employee handbook

Effect:
Without proper formal written policies, it is difficult for the Center's management to uniformly apply accounting standards and procedures in regards to the operations of the Center.

Recommendation:
We recommend that the Center prepare formal policies and procedures for the items listed above.

Status:
Not implemented, see Finding #2014-13.

2013-18 Finding – Day pass control deficiency:
During our audit, it was noted that customers who pay for a day pass only receive a receipt.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Effect:
One-day pass receipts can be used by multiple participants, which would result in a loss of revenue.

Recommendation:
We recommend that the Center use wristbands or other identifying methods to help identify the customers who have paid for a day pass.

Status:
Not implemented, see Finding #2014-16.

2013-19 Finding – Lack of warrant register approval:
During our audit of cash disbursements, it was noted that the Board does not approve the warrant registers.

Effect:
Without Board approval, there is an increased risk that errors and irregularities may occur and go undetected.

Recommendation:
We recommend that a list of all warrants be submitted to the Board for review and approval, to ensure proper oversight of expenses.

Status:
Not implemented, see Finding #2014-17.

2013-20 Finding – Participants not signing in with their full name for classes:
During our audit, it was noted that participants do not always sign-in for classes using their first and last names.

Effect:
Without participants full names it is difficult to track and record paid participants.

Recommendation:
We recommend that all instructors review the sign-in list before class starts to ensure that all participants have signed in with their first and last names.

Status:
Implemented.

2013-21 Finding – Incorrect petty cash balances:
During our audit of petty cash, it was noted that petty cash accounts and cash drawer balances did not reconcile to the general ledger.

Effect:
Lack of reconciliation procedures over petty cash accounts increases the risk of misappropriation of funds. Also, incorrect balances were reflected in the general ledger.

Recommendation:
We recommend that the Center reconcile the petty cash accounts on a monthly basis.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Status:
Implemented.

2013-22 Finding – Various accounts not reconciled:
During our audit fieldwork, it was noted that various accounts were not reconciled. The unreconciled accounts were accounts receivable, accrued payroll, loan payable, and retained earnings.

Effect:
Lack of reconciliation procedures of all balance sheet accounts increases the risk of misstatement of balances on financial statements and other financial reports.

Recommendation:
We recommend that the Center reconcile all balance sheet accounts on a monthly basis.

Status:
Partially implemented, see Finding #2014-14.