



**Joint Legislative Audit Committee**  
**Office of the Auditor General**



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**FINANCIAL AUDIT REPORT**  
**OFFICE OF EMERGENCY SERVICES**  
**YEAR ENDED JUNE 30, 1978**

The regulations of the Federal Office of Revenue Sharing require governments receiving revenue sharing funds to have audits of their financial statements not less than once every three years. This audit assists in fulfilling the audit requirements necessary to continue California's eligibility for federal revenue sharing funds.

Our examination was made in accordance with generally accepted auditing standards and included studying and evaluating the Department's system of internal control. This study and evaluation disclosed several conditions which we believe to be weaknesses and were considered in determining the nature, timing, and extent of our audit tests. Presentation of these conditions, however, does not modify our opinion on the financial statements.

**REPORT TO THE**  
**CALIFORNIA LEGISLATURE**

REPORT OF THE  
JOINT REVENUE SHARING TASK FORCE  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE  
AND THE  
DEPARTMENT OF FINANCE

063

FINANCIAL AUDIT REPORT  
OFFICE OF EMERGENCY SERVICES  
YEAR ENDED JUNE 30, 1978



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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RICHARD ROBINSON  
CHAIRMAN

March 23, 1979

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The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully forwards the Auditor General's financial audit report of Office of Emergency Services, Year Ended June 30, 1978.

The auditors are Robert Hamric, CPA; William Woodward, CPA; George Foxworth and Dennis Reinholtsen, CPA.

Sincerely,


  
RICHARD ROBINSON  
Assemblyman, 72nd District  
Chairman, Joint Legislative  
Audit Committee

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## INTRODUCTION

In compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Office of Emergency Services. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code and in the Department of Finance by Section 13294 of the Government Code.

The principal objective of the Office of Emergency Services (OES) is the coordination of emergency activities to save lives and reduce property losses during disasters and to expedite recovery from their effects.

On a day-to-day basis, the OES provides leadership, assistance and support to state and local agencies in planning and preparing for the most effective use of federal, state, local and private sector resources in emergencies. This emergency planning is based upon a system of mutual aid, in which a jurisdiction relies first on its own resources, then calls for assistance from its neighbors. The OES plans and programs are coordinated with those of the Federal Government, other states and the state agencies and political subdivisions of California.

The OES carries out the State's responsibilities under the Emergency Services Act and applicable federal statutes. It acts as the conduit for federal assistance through natural disaster grants and federal agency support.

OES programs are supported by the General Fund and the Natural Disaster Assistance Fund. Chapter 290, Statutes of 1974 created the Natural Disaster Fund in the State Treasury and assigned the responsibility for administering the Natural Disaster Assistance Act to the Director of the OES.

## AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature  
and the Department of Finance:

We have examined the combined balance sheet of the Office of Emergency Services as of June 30, 1978 and the related statements of revenues, expenditures and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Because of inadequate supporting records, we were unable to obtain sufficient evidence to form an opinion regarding the General Fixed Assets account group amounting to \$6,567,614 at June 30, 1978. Accordingly, we do not express an opinion on the General Fixed Assets account group.

In our opinion, except as stated in the preceding paragraph, these financial statements present fairly the financial position of the Office of Emergency Services at June 30, 1978 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying combined balance sheet captioned "Total - Memorandum Only" for June 30, 1978, are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

The column amounts on the accompanying combined balance sheet and statement of revenues, expenditures and changes in operating clearing for the year ended June 30, 1977, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.

In connection with our examination, we also made a study and evaluation of the Office of Emergency Services' system of internal accounting control. Our findings are set forth under the heading "Comments and Recommendations."

Revenue Sharing Task Force



Wesley E. Voss  
Assistant Auditor General

Date: September 7, 1978

Staff: Robert Hamric, CPA  
William Woodward, CPA  
George Foxworth  
Dennis Reinholdsen

OFFICE OF EMERGENCY SERVICES

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1978  
(With Unaudited Amounts for 1977)

ASSETS	Governmental Funds		Fiduciary Fund Special Deposit Fund	Account Group General Fixed Assets	TOTAL (Memorandum Only)	
	General Fund	Natural Disaster Assistance Fund			June 30, 1978	June 30, 1977
Cash	\$ 16,267	-	\$ -	-	\$ 16,267	\$ 23,036
Revolving Fund Cash	23,709	-	-	-	23,709	19,914
Cash in Transit	27,253	-	62,107	-	89,360	5,697
Cash in the State Treasury	-	391,402	3,633,975	-	4,025,377	570,851
Cash on Hand	-	-	-	-	399	395
Accounts Receivable:						
Abatements	40	-	-	-	40	207
Reimbursements	525,189	-	-	-	525,189	249,639
Due From Local Governments	-	-	111,931	-	111,931	82,418
Prepayments to Other Funds	17,514	-	-	-	17,514	48,703
Expense Advances to Employees	11,820	-	-	-	11,820	7,316
Improvements (Note 8)	-	-	-	356,898	356,898	356,898
Equipment (Note 8)	-	-	-	6,210,716	6,210,716	6,257,982
TOTAL ASSETS	\$622,191	\$391,402	\$3,808,013	\$6,567,614	\$11,389,220	\$7,623,056
LIABILITIES, ENCUMBRANCES OUTSTANDING AND FUND EQUITY						
Liabilities:						
Accounts Payable (Note 2)	\$220,924	-	\$3,436,958	-	\$ 3,657,882	\$ 625,880
Due to Federal Government	-	-	111,931	-	111,931	82,418
TOTAL LIABILITIES	220,924	-	3,548,889	-	3,769,813	708,298
Encumbrances Outstanding	166,586	-	-	-	166,586	-
Fund Equity:						
Investment in General Fixed Assets	-	-	-	6,567,614	6,567,614	6,614,880
Reserve for Uncleared Collections	16,267	-	-	-	16,267	23,036
Special Deposit Fund Balance	-	-	259,124	-	259,124	93,824
Operating Clearing (Note 4)	218,414	391,402	-	-	609,816	183,018
TOTAL FUND EQUITY	234,681	391,402	259,124	6,567,614	7,452,821	6,914,758
TOTAL LIABILITIES, ENCUMBRANCES OUTSTANDING AND FUND EQUITY	\$622,191	\$391,402	\$3,808,013	\$6,567,614	\$11,389,220	\$7,623,056

The notes to the financial statements are an integral part of this statement.



OFFICE OF EMERGENCY SERVICES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN OPERATING CLEARING - BUDGET AND ACTUAL  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978  
(With Unaudited Amounts for 1977)

	1978		1977
	Budget As Adjusted	Actual	Actual
		Over (Under)	
		Budget	
<u>Sources of Financial Resources</u>			
Revenues (Note 7)	\$ -	\$ 5	\$ 818
Reimbursements	1,480,266	206,933	1,433,287
Support Appropriations (Note 5)	2,509,797	(232,720)	2,437,850
<b>Total Sources of Financial Resources</b>	<u>\$3,990,063</u>	<u>\$ ( 25,782)</u>	<u>3,871,955</u>
<u>Uses of Financial Resources</u>			
Expenditures:			
Current:			
Personal Services - Staff	\$2,071,235	2,046,735	1,787,639
Personal Services - Contracts	423,535	357,774	357,976
General Expenses	511,351	511,351	518,677
Printing	1,284	1,284	3,119
Communications	136,472	136,471	132,225
Travel-in-State	152,441	152,442	123,802
Travel-out-of-State	3,243	3,243	1,544
Moving and Relocation	7,320	7,320	10,580
Contractual Services	262,606	126,786	299,211
Facilities Operations	146,299	146,300	130,371
Emergency Operations	67,857	67,857	-
Equipment	206,419	206,419	388,883
Prior Year:			
Prior Year Adjustments (Note 6)	-	(157,737)	50,270
Other:			
Revenues Remitted to the General Fund (Note 7)	-	5	818
<b>Total Uses of Financial Resources</b>	<u>\$3,990,063</u>	<u>\$ (383,813)</u>	<u>3,805,115</u>
<b>Net Increase in Operating Clearing During the Year</b>		358,031	66,840
Operating Clearing - July 1		(139,617)	(206,457)
<b>Operating Clearing - June 30 (Note 4)</b>		<u>\$ 218,414</u>	<u>\$ (139,617)</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF EMERGENCY SERVICES  
 STATEMENT OF CHANGES IN OPERATING CLEARING  
 NATURAL DISASTER ASSISTANCE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1978  
 (With Unaudited Amounts for 1977)

	<u>1978</u>	<u>1977</u>
Operating Clearing - July 1	\$303,883	\$356,849
Additions:		
Allocations for Natural Disasters	89,312	28,058
Deductions:		
Reduction of Allocations	<u>1,793</u>	<u>81,024</u>
Operating Clearing - June 30	<u>\$391,402</u>	<u>\$303,883</u>

The notes to the financial statements are an integral part of this statement.

OFFICE OF EMERGENCY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1978

1. Summary of Significant Accounting Policies

The preceding financial statements reflect the financial position and results of operations of the Office of Emergency Services. The accounts are maintained in the General Fund, the Natural Disaster Assistance Fund and the Special Deposit Fund.

The accounting policies of the Office of Emergency Services conform to generally accepted accounting principles as contained in the State Administrative Manual.

General Fund

The Office of Emergency Services accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller and consolidated General Fund statements are published by that office.

Income:

Throughout the fiscal year, income is accounted on a cash basis, except appropriation reimbursements which are recorded when billed. At June 30, the accounts are adjusted to a modified accrual basis. All earned but uncollected revenues and unbilled reimbursements are accrued, except revenue receivables estimated not to be collectible within one year which are fully reserved.

Expenditures:

During the fiscal year, expenditures are accounted on a claims filed (with the State Controller) basis. Valid expenditure commitments are accrued at June 30.

Natural Disaster Assistance Fund

Monies from this fund are appropriated by the State Legislature to be used to repair, restore or replace streets, roads, bridges or other public facilities when damaged or destroyed by natural disasters such as floods, earthquakes or droughts. Allocations are made to local agencies, cities and counties by the Department of Finance for the State's share of the natural disaster costs. Applications for the monies are made to and approved by the Office of Emergency Services before any monies are allocated. This is a special fund in the State Treasury and is maintained by the State Controller. Consolidated Natural Disaster Assistance Fund statements are published by that office.

Disposition of Funds:

- 1) Allocations to local agencies for the repair or replacement of public facilities damaged or destroyed by natural disasters;
- 2) Allocations to cities and counties for the repair or replacement of streets, roads or bridges damaged by natural disasters.

### Special Deposit Fund

Monies received or collected for specific purposes by a state agency for which no fund has been created in the State Treasury are accounted in the Special Deposit Fund. Separate fund accounts for each agency are maintained by the State Controller and consolidated Special Deposit Fund statements are published by that office.

#### Income and Expenditures:

Both income and expenditures are accounted on a cash basis during the fiscal year.

### Liabilities

Retirement Plan: Regular employees of the Office of Emergency Services are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the agency and employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year included in the expenditures-personal services account were \$239,863.

Vacation and Sick Leave: The State does not record the costs of vacation and sick leave at the time the benefits are accumulated. At the time of usage, the expenditures-personal services account is charged.

### General Fixed Assets

Purchases of equipment are recorded as expenditures in the year of acquisition. The aggregate cost, with the exception of certain nonexpendable equipment items not on the State Administrative Manual equipment list, is capitalized and fully reserved on the balance sheet. Nonexpendable equipment, generally valued at \$150 or over with a useful life of two years or more, is recorded at original cost, or if not available, at fair market value.

#### 2. Accounts Payable

Accounts payable include all unpaid liabilities for goods and services received as of June 30. Accordingly, they also include liabilities for which disbursement requests were submitted to the State Controller by June 30, but which had not been paid as of that date. At June 30, 1978, Accounts Payable included \$3,436,958 representing claims against funds held in the State Treasury for storm damage incurred in February 1978.

#### 3. Encumbrances Outstanding

Encumbrances outstanding include all valid commitments against budget appropriations for which no goods or services had been received by June 30.

#### 4. Operating Clearing

This account is the connecting link between the Office of Emergency Services' portion of the General Fund and the central accounts of the General Fund

maintained by the State Controller. The account balance at June 30, 1978 represents a clearing account between the Office of Emergency Services and the State Controller.

5. Support Appropriations

Support appropriation is the portion of the General Fund allocated to the Office of Emergency Services by the legislative budget act.

6. Prior Year Appropriation Adjustment

This account shows the difference between the net amount of expenditures, abatements and reimbursements accrued as of the previous June 30 and the amount of actual expenditures, abatements and reimbursements during the current fiscal year (including accruals) for appropriations no longer available for encumbrance.

7. Revenues

Revenues collected by a state agency that is supported by an appropriation from the General Fund are considered General Fund revenues and must be remitted in total to the State Treasurer.

8. General Fixed Assets Account Group

The agency has not maintained an adequate record of its general fixed assets. Subsidiary records are not reconciled with the general ledger equipment account. In addition, facilities constructed at the premises occupied by the Office of Emergency Services have not been recorded and amounts could not be determined by the OES staff.

## COMMENTS AND RECOMMENDATIONS

### Internal Accounting Control

As part of our examination we made a study of the Office of Emergency Services' system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing the examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstood instructions, mistaken judgment, carelessness or other



personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to executing and recording transactions or with respect to the estimates and judgments required in preparing financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements was made in accordance with generally accepted auditing standards. This included studying and evaluating the Office of Emergency Services' system of internal accounting control for the year ended June 30, 1978. This study and evaluation was designed for the purposes set forth in the first paragraph of this section of the report and would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions which we believe to be weaknesses.

#### Year-End Adjusting Entries

The agency did not prepare the year-end adjusting entry for Revolving Fund Cash required by the State Administrative Manual (SAM) Section 10586. During the fiscal year, the Revolving Fund is accounted on an imprest basis. Adjusting entry A-6 (SAM 10586) reduces the cash

balance to agree with the cash in the agency account with the State Treasury by applying the non-cash items to proper accounts.

Recommendation: Entry A-6 be prepared and posted as prescribed by SAM Section 10586.

#### Control of Blank Check Stock

The blank check stock is controlled by the person who prepares the monthly bank reconciliation.

Recommendation: The blank check stock be controlled by someone other than the person who prepares the monthly bank reconciliation as prescribed by SAM Section 8080.

#### Access to Safes and Vaults

There is no written record of the dates the safe combination was changed and the names of the employees who have access to the safe.

Recommendation: A written record be maintained as prescribed by SAM Section 8024.

#### Authorization to Sign Checks

Employees authorized to sign checks do so without comparing them to authorizations and supporting documents.

Recommendation: Authorized personnel sign checks only after comparing them to authorizations and supporting documents as required by SAM Section 8080.

### Separation of Duties Over Cash Transactions Is Inadequate

The person who prepares the checks also mails or distributes them and does not maintain a daily log of checks written. SAM Section 8080 requires that checks will not be routed for mailing or distribution through the person who authorized the distribution or prepared the check. In addition, SAM also requires that the person who prepares checks will maintain a daily log of checks written.

Recommendation: Check preparation, distribution duties and maintenance of a daily log of checks written comply with SAM Section 8080.

### Replenishment of Petty Cash Fund

The Cash Purchase Fund custodian authorizes Revolving Fund checks payable to herself to replenish the fund.

Recommendation: The Revolving Fund checks to replenish the Petty Cash Fund be authorized by someone other than the payee as required by SAM Section 8180.

### Outstanding Agency Checks

Checks outstanding for at least two years are not cancelled and remitted to the State Treasury for deposit in the Special Deposit Fund.

Recommendation: Outstanding checks of two years be cancelled and remitted to the State Treasury as required by SAM Section 18424.3.

### Accounts Receivable Transactions Are Inadequate

Accountability for accounts receivable transactions needs improvement. Comments and recommendations follow:

Unrecorded Receivables: At fiscal year end, jury duty receivables are not recorded. Accounts receivable should be established for compensable jury duty time as required by SAM Section 8594.

Recommendation: Jury duty receivables be recorded by the agency as required by SAM Section 8594.

Uncollectible Receivables: The agency has several outstanding accounts receivable more than two years old which have not been collected. These accounts should be reviewed and, if warranted, submitted for relief of accountability to the Board of Control.

Recommendation: The agency review its list of long standing accounts receivable and submit those items deemed uncollectible to the Board of Control for relief of accountability.

### Improper Uses of Sub-Purchase Orders

The agency prepares sub-purchase orders for long-term services of a repetitive nature. This practice is not in compliance with SAM Section 3571, which prescribes items that may be purchased by sub-purchase order. SAM Section 1200 et seq. prescribes the use of contracts for services of a repetitive nature.

Recommendation: The agency follow the requirements of SAM Section 1200 et seq. in preparing agreements for contracted services rather than use sub-purchase orders.

## Property Transactions Are Inadequate

Accountability for property transactions needs improvement.

Comments and recommendations follow:

Equipment Perpetual Records: The property cards are not reconciled to the general ledger. The property cards are counted on a quarterly basis but are not compared to the general ledger. The property cards should be reconciled to the general ledger, and the ledger should be adjusted accordingly.

Recommendation: The agency reconcile the property cards to the general ledger and adjust the ledger as needed.

Improvements: Sufficient documentation is not available to support amounts recorded as improvements. As of June 30, 1978, the balance of the Improvements Account was \$356,898.

Recommendation: The agency determine the value of all building and other improvements and adjust the accounts for Improvements and Reserve for Investments in Fixed Assets.

Physical Inventory Count: Physical inventories of equipment are not made at least once every three years. Region 1 inventories were five years apart; Region 2 inventories were four years apart and the Sacramento Headquarters inventories were five years apart.

Recommendation: Inventory be made at least once every three years as prescribed by SAM Section 8659.

Property Management: Responsible persons for property management have not been designated in writing.

Recommendation: Responsible persons for property management within each division and region be designated in writing to comply with SAM Section 8651.

Separation of Duties Over Property Control Is Inadequate: The business service officer has the responsibilities of purchasing officer, property clerk and supervisor of the physical inventory function. Principles of good internal control require the separation of these duties. In addition, SAM Section 8659 requires the separation of custodial and inventory duties.

Recommendation: The duties of purchasing officer, property custodian and supervisor of inventory be separated to comply with principles of good internal control and SAM Section 8659.

Survey Reports: Survey reports are incomplete as to the disposition of equipment. All pertinent information and sections of the Standard Form 152, Survey Report, should be completed. In addition, in cases of lost or stolen equipment, negligence should be indicated when a factor.

Recommendation: Survey Reports be prepared completely as prescribed in SAM Section 8656.

#### Special Deposit Fund Outstanding Claim

The Civil Defense Federal Deposit Account within the agency's Special Deposit Fund has an outstanding claim which was scheduled to the State Controller in fiscal year 1970-71, but was never paid by the

Controller. The agency is unable to determine the identity of the payee, and no local agency has made a claim for the amount.

Recommendation: To adjust the State Controller's records, the claim be scheduled as a refund to the Federal Government in absence of a determination of a proper payee.

#### Natural Disaster Assistance Fund Statements Were Not Prepared

The agency did not prepare financial statements for the Natural Disaster Assistance Fund. Section 7950 of the State Administrative Manual states "separate sets of statements will normally be prepared for each fund."

Recommendation: The agency prepare financial statements for all funds as prescribed by SAM Section 7950.

The foregoing conditions were considered in determining the nature, timing and extent of audit tests to be applied in our examination of the financial statements, and this presentation of such conditions does not modify our opinion report on such financial statements.

## AUDIT ADJUSTMENTS

The aforementioned financial statements contain adjustments to the following accounts:

- Accounts Receivable - Abatements
- Accounts Receivable - Reimbursements
- Equipment
- Accounts Payable
- Encumbrances Outstanding
- Reserve for Investment in Fixed Assets
- Operating Clearing
- Prior Year Appropriation Adjustment.

The adjustments were necessary to correct the agency's accrual entries. The agency concurred with the suggested journal entries and accordingly adjusted the financial records to reflect those adjustments.



# Memorandum

To : Samuel E. Hall  
Joint Revenue Sharing Task Force  
1025 P Street  
Sacramento, CA 95814

Date: March 12, 1979

From : Alex R. Cunningham  
Director, OES

Subject: FINANCIAL AUDIT REPORT,  
O.E.S., as as of June 30, 1978

Attached are specific comments on the referenced report.

O.E.S. has concurred with the other recommendations in the report, and OES will take corrective action.

Thank you for your assistance.

  
for Alex R. Cunningham

OFFICE OF EMERGENCY SERVICES

Comments on Draft Audit Report  
Year Ended June 30, 1978

Year-Ended Adjusting Entries- The revolving fund adjusting entry A-6 was prepared as of June 30, 1978. A minor discrepancy was noted by the auditor in that invoices paid but not yet scheduled were shown as Accounts Receivable-Other, instead of reducing Accounts Payable. Exception was noted and entries will be done correctly on the June 30, 1979 adjusting entries.

Control of Blank Check Stock

Concur with the recommendation. Corrective Measures will be implemented to segregate the duties so that the person controlling the check stock will not also prepare the reconciliation.

Access to Safes and Vaults

Concur with the recommendation. A log has been established to show the date combination was changed and names of the persons having access.

Authorization to Sign Checks

Procedures have been implemented to comply with SAM Section 8080 and the recommendation of the auditor.

Separation of Duties over Cash Transactions

A log has been established to record the number of checks issued each day, as well as the numbers of those voided, as required by SAM. The segregation of duties recommended is not practical in our agency due to the limited number of people in our accounting staff.

Replenishment of Petty Cash Fund

Steps have been taken to have someone other than the custodian authorize the issuance of a revolving fund check to replenish the petty cash fund.

Outstanding Agency Checks

Procedures are being established to comply with the recommendation.

Unrecorded Receivables

Jury duty receivables will be entered on the books as of year end. The accounting office Monitors jury duty during the fiscal year and with the limited number of occurrences it is felt that formal entry into the books is not warranted.

Uncollectible Receivables

Concur with the recommendation. Several of the outstanding receivables have been disputed and have not been determined to be uncollectible at this time. When final resolution indicates uncollectability, submission to Board of Control for relief of accountability will be made.

Improper use of Sub-Purchase Orders

Concur with recommendation. Implementation will begin with the 1979-80 Fiscal Year.

Property Management

Recommendation has been implemented. Each division and region now has a person responsible for property management within their respective areas.

Separation of Duties Over Property Control

We are aware of the segregation of duties specified in SAM Section 8659 and agree that the recommendation as set forth by the auditor is desirable. However, due to the small size of our agency and its limited personnel this requirement is not practical at this time.

Office of the Auditor General

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Democratic/Republican Caucus  
California State Department Heads  
Capitol Press Corps