

# SADDLE CREEK COMMUNITY SERVICES DISTRICT

## Findings and Recommendations December 31, 2013

### Significant Deficiencies Not Deemed Material Weaknesses

**FS 13-1:** We noted the District had a lack of segregation of duties, as one person is capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of potential errors or irregularities occurring without being detected; however, due to a limited number of personnel an adequate segregation of duties is not possible without incurring additional costs. We have also noted this comment in previous audits.

**FS 13-2 (Follow Up on Prior Year Finding):** During our testing of the District's credit card expenses, we noted several charges where the business purpose of the expense was not indicated on the invoice or receipt. From reviewing the supporting documentation we were unable to determine the business purpose of the purchase.

Current Year Follow Up: We noted that some credit card charges did not have supporting documentation.

We recommend that all charges to the District credit cards be supported by invoices and/or receipts which indicate the authorized business purpose of the transaction. We recommend the District board carefully scrutinize all credit card charges and question unusual activity.

**FS 13-3:** During our testing of payroll, we noted the District was paying into Federal Unemployment Tax (FUTA). Governmental agencies are not subject to FUTA. We also noted there was no supervisor signature on the Maintenance Manager timecard.

Recommendation: We recommend the District review the FUTA payments. If it is determined that no additional benefit is received by paying into FUTA the District should seek reimbursement of the amount paid. We also recommend that all employee timecards be authorized by a supervisor or manager.

**FS 13-4:** During our testing of payroll we noted the maintenance supervisor is being treated as an exempt employee under FLSA standards. Based on our review this employee does not appear to qualify under this classification.

Recommendation: We recommend the District management or District legal counsel review this position and determine if the maintenance supervisor currently being treated as an exempt employee is eligible to be an exempt employee under FLSA rules.

**FS 13-5:** During our testing we noted several meal purchases exceeded the allowable cost listed in the District's reimbursement policy. The allowable cost for meals includes the tax and tip and is \$10 for Breakfast, \$15 for Lunch and \$25 for Dinner per qualifying District employee.

Recommendation: We recommend that all District employees adhere to the guidelines of the meal policy.

**FS 13-6:** During our audit we noted the District's policy was to follow Publication 1542 for allowable maximum lodging rates. After review we noted the allowable lodging rate for Sacramento was \$99 per night. We noted several instances where the maximum allowable rate was exceeded.

Recommendation: As outlined in the District's policy employees should adhere to the rates set in Publication 1542. Many government agencies also request the transient occupancy tax (T.O.T.) and assessment fees be waived when staying at hotels. We recommend the District adopt this practice and submit documentation to hotels for the T.O.T waiver prior to the hotel stay.

We also recommend the District accountant or employee who reserves the lodging have a list of maximum room rates authorized by the Board when making the reservation. If the room rate exceeds the maximum rate allowed under the District policy then the Board should review the reason for exceeding the rate and approve exceeding the room rate, on a case by case basis.