



To the Board of Directors
East Bay Regional Park District
Oakland, California

In planning and performing our audit of the financial statements of East Bay Regional Park District (District) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered East Bay Regional Park District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated May 17, 2013, on the financial statements of East Bay Regional Park District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the District's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations if needed.

CAPITAL ASSETS

Comment:

During testing of the capital assets we found that the District had recorded a capital asset that was not placed into service until 2013. This error was caused by the District accruing accounts payable based on the purchase order date instead of the actual date the item was received (which was in 2013). As a result, both capital assets and accounts payable were overstated. The amount was immaterial to the financial statements and therefore no adjustment was required.

Recommendation:

In order to comply with GAAP we recommend the District evaluate its procedures on capital assets capitalization and accounts payable and make the necessary changes to avoid such errors in the future.

District's response:

The District agrees with the auditor recommendation. Instructions are very clear that payments made after year end for goods or services received before year end must be included accounts payable (AP). The standard District process is that each invoice received in January is evaluated to determine if it is appropriately accrued to prior year, or if it correctly included in the current year expenditures. The instance encountered by the auditor was due to error in the evaluation of the invoice received in January for equipment received in January, which should not have been included in 12/31/12 AP. Staff have been reminded of the rule and cautioned to more carefully review each January invoice. Additionally, staff responsible for fixed asset audit work will incorporate a new procedure of reviewing all fixed asset additions recorded the last quarter of the year to ensure that they have been placed in service before the end of the year. There could be instances where equipment is purchased, paid for, but not placed in service, in which case it should not be included in fixed asset additions.

CASH COLLECTION

Comments:

In our review of the cash collection procedures at various locations, we noted the following:

Sunol Regional Wilderness Park

- 1) The start-up cash money is kept in an unlocked box in a pantry. The pantry is inside the park office and accessible by all the park employees.
- 2) There is a lack of segregation of duties. The gate attendance collects cash, counts the cash drawer and creates the deposits slips. The only review performed by the park supervisor is after the deposit bag has been sealed and already dropped. This review is not done daily in accordance with the district's policy.
- 3) During our review of the daily closing documents, we noted that the tear-off ticket from the plastic deposit bag was not always filled out. It is the district's policy to fill out this label for the date and amount.

Quarry Lakes Regional Recreation Area

- 1) The District policy is to use pre-numbered receipts. However manual receipts are being issued which defeats the purpose of determining whether the cash collection is accounted for timely and intact.

Briones Regional Park

- 1) Park tickets book and the dog fee rolls are kept in an unlocked drawer that is accessible to all the employees.
- 2) The daily cash drop and start-up cash is kept in the same safe. This means that cash collected during the day is accessible again after the paper-work is completed.

Recommendation:

We recommend that the District review the sufficiency of current policies and procedures for decentralized cash collection and communicate them to each location. These policies should include the frequency of deposits made to the District Office/bank and the use of pre-numbered receipt books to address the aforementioned issues.

District's response:

The District agrees with the auditor recommendation. The District will continue to train, monitor, and conduct internal audits of cash handling sites. In addition to "New Supervisor Training" initiated in 2012 and continuing in 2013, during 2013 the Accounting Manager will visit each cash handling site to review compliance with procedures and provide additional instruction. Additionally the 2013 internal audit plan continues to include two cash handling

sites in the annual audits, Ardenwood and Roberts cash handling procedures. Addressing the specific findings of the auditors and the subsequent action taken:

- Sunol has purchased a lockable cabinet to secure the start-up cash, with access allowed only to the park supervisor and the gate attendant.
- Sunol lacks segregation of duties, which is a common issue at many cash collection sites. Supervisor is required to review weekly cash reports and sign off indicating review. Finance procedure 2.1, Cash Handling, is slated for updating during 2013 and additional opportunities will be explored and included if possible.
- The District will continue current practice of not completing the tear off from the bank deposit bag. The purpose of the tear off is to document the number of the bag, which is printed on the tear-off.
- Quarry Lake supervisor has been instructed to destroy unnumbered receipt books, and has been given the correct pre-numbered receipt books, as well as a copy of the Finance Procedure 2.10, Receipt Books.
- Briones supervisor has secured ticket books and dog fee rolls into a locked cabinet.
- A drop safe is being acquired so deposits can be segregated from the starting cash.

PERSONNEL – FORM I-9

Comments:

In our examination of the payroll and personnel procedures, it was noted that 2 out of 50 employees selected for review did not have Form I-9 on file. The Immigration Reform and Control Act of 1986 (IRCA) requires that all employees hired after November 7, 1986 must have a completed Form I-9 on file. The IRCA requires employers to retain the Form I-9 of each employee either for three years after the date of hire or for one year after employment is terminated, whichever is later.

Recommendation:

We recommend the District consult with legal counsel specializing in employment law to determine the appropriate resolutions for the above-referenced comment. Such corrective actions could include reviewing of employment records of all current employees hired after November 7, 1986 and obtaining the missing documentation required to complete the missing Form I-9.

District's response:

The District agrees with the auditor recommendation. Since discovery of missing I-9 forms, Human Resources (HR) has review all personnel files for employees hired on or after November 6, 1986. 38 files were missing I-9 forms and employees notified. At this point half of the missing forms have been completed and filed. Going forward, the HR system in place prevents the repeat of this occurrence. New hire paperwork is reviewed by HR front desk staff. At the point of processing the Personnel Change Form (PCF) for a new hire, the PCF is compared to the I-9 to verify legal name. When new personnel file is created, the I-9 is scanned and electronically attached to the personnel record in IFAS. If an employee does not submit necessary new hire paperwork by the third business day, the employee is required to stop work immediately.

This communication is intended for the information and use of Board of Directors and management of East Bay Regional Park District; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
May 17, 2013