

# **CALIFORNIA DEPARTMENT OF PUBLIC HEALTH**

Review Report

## **ADMINISTRATIVE AND INTERNAL CONTROLS OVER THE OFFICE REVOLVING FUND AND ACCOUNTS RECEIVABLE**

*July 1, 2007, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

August 2012



**JOHN CHIANG**  
**California State Controller**

August 9, 2012

Ron Chapman, M.D., M.P.H., Director  
State Health Officer  
Department of Public Health  
1615 Capitol Avenue, MS 2500  
Sacramento, CA 95899-7377

Dear Dr. Chapman:

The State Controller's Office (SC) reviewed the California Department of Public Health's administrative and internal controls over its Office Revolving Fund (ORF) and accounts receivable for the period of July 1, 2007, through June 30, 2010.

Our audit identified the following internal control deficiencies over the department's system and procedures for processing Office Revolving Fund (ORF) and accounts receivable transactions.

Specifically, we identified the following concerns for the ORF:

- The department failed to comply with State Administrative Manual procedures to recover overpayments from employee salary and travel advances and to collect advances from separating employees in a timely manner;
- The department has inadequate internal controls over ORF transactions; and
- The department did not file the Financial Integrity and State Manager's Accountability Act (FISMA) report required by the Department of Finance.

We identified the following concerns for accounts receivable:

- There is a potential for fraud and abuse as a result of the department's failure to separate duties;
- The department failed to fully adhere to prescribed collection procedures;
- Accounts receivable recorded in CalSTARS is not reconciled to the accounts receivable subsidiary ledgers; and
- The department does not effectively use the discharge-of-accountability process.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 342-6310.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB:bf

cc: Jean Iacino, Acting Chief of Internal Audits  
California Department of Public Health  
Karen Petruzzi, Audit Coordinator  
California Department of Public Health

# Contents

## Review Report

<b>Summary</b> .....	1
<b>Background</b> .....	1
<b>Review Authority</b> .....	4
<b>Objective, Scope, and Methodology</b> .....	5
<b>Conclusion</b> .....	6
<b>Views of Responsible Official</b> .....	6
<b>Restricted Use</b> .....	6
<b>Findings and Recommendations</b> .....	7
<b>Attachment—CDPH’s Response to Draft Review Report</b>	

# Review Report

## Summary

The State Controller's Office (SCO) reviewed the California Department of Public Health's administrative and internal controls over its Office Revolving Fund (ORF) and accounts receivable for the period of July 1, 2007, through June 30, 2010.

Our review identified internal control deficiencies over the department's system and procedures for processing office revolving fund (ORF) and accounts receivable transactions. Specifically, we identified the following concerns:

### Office Revolving Fund

- The department failed to comply with State Administrative Manual procedures to recover overpayments from employee salary and travel advances and to collect advances from separating employees in a timely manner;
- The department has inadequate internal controls over ORF transactions; and
- The department did not file the Financial Integrity and State Manager's Accountability Act (FISMA) report required by the Department of Finance.

### Accounts Receivable

- There is a potential for fraud and abuse as a result of the department's failure to separate duties;
- The department failed to fully adhere to prescribed collection procedures;
- Accounts receivable recorded in CalSTARS is not reconciled to accounts receivable recorded in the subsidiary ledgers; and
- The department does not effectively use the discharge-from-accountability process.

## Background

In June 2010, the SCO completed a survey of 11 state agencies' practices for handling and processing of ORF transactions. The California Department of Public Health was one of the state agencies surveyed. Based on an analysis of survey results, the SCO proceeded with a review of the department's ORF. At approximately the same time, the department submitted a request to the SCO's Division of Accounting and Reporting to discharge approximately \$2.6 million in delinquent accounts receivable for the WIC program. Thus, the review scope was expanded to include a review of internal controls over accounts receivable transactions.

### California Department of Public Health (CDPH)

Senate Bill 162 (Chapter 241, Statutes of 2006) established the State Department of Public Health effective July 1, 2007, and transferred all then-existing public health programs operated through the State Department of Health Services to the newly-created Department of Public Health. The Department of Public Health currently employs approximately 3,500 people in more than 60 locations throughout the state, and administers an annual budget of more than \$3 billion.

### Overview of CDPH's Office Revolving Fund

In accordance with Government Code section 16400, an agency may establish an Office Revolving Fund (ORF) from any appropriation made to it, subject to the following limitations:

- No approval is required if the Revolving Fund will not exceed 3% of the total appropriation.
- Approval from the Department of Finance budget analyst is required if the Revolving Fund will exceed 3% but not 10% of the total appropriation.
- Approval by the Department of Finance Program Budget Manager and the SCO is required if the ORF will exceed 10% of the appropriation.

In accordance with the law, ORFs drawn under the provisions of Government Code section 16400 may be used only for payment of compensation earned, traveling expenses, traveling expense advances, or where immediate payment is otherwise necessary (Government Code section 16401).

### Overview of Accounts Receivable Functions/Programs

The department maintains most accounting activities on the CALSTARS accounting system. CALSTARS uses the State Administrative Manual (SAM) guidelines for its chart of accounts. Most accounting functions are maintained at department headquarters.

### Women, Infants, and Children (WIC) Program

The department's WIC program is a federally funded health and nutrition program for women, infants, and children. WIC helps families by providing vouchers to buy healthy supplemental foods from WIC-authorized vendors, and providing nutrition education.

The WIC program receivables generally result from audits or investigations of providers or participants. An account receivable due from a provider is determined by an audit that matches the provider's invoice with the amount of food instruments remitted. An account receivable due from a participant results from an investigation by the Program and Business Integrity Section (PBIS). The WIC-PBIS staff maintain Excel spreadsheets to track WIC invoices and payment data

informally. However, the data is not recorded in CALSTARS, the department's formal accounting systems, until a payment is received or partially received.

#### Licensing and Certification Division

The Licensing and Certification Division (LCD) is responsible for ensuring that health care facilities comply with state laws and regulations. LCD also oversees the certification of nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

LCD is responsible for the following types of receivables:

- Licensing renewal fees—recorded in CALSTARS when billed.
- Citation and administrative penalties—recorded in CALSTARS when payment is received.
- Nursing home fees—recorded in CALSTARS when payment is received.
- Miscellaneous fees—recorded in CALSTARS when billed.

For LCD, the Electronic Licensing Management System (ELMS) is used to track facilities' enforcement penalties resulting from noncompliance with State requirements. The federal government uses the Automated Survey Processing Environment (ASPEN) to track facilities' penalties. The ELMS does interface with CALSTARS, but the ELMS first must process the information into batches before uploading it into CALSTARS.

#### Safe Drinking Water Program

The Safe Drinking Water Program is responsible for the enforcement of regulatory oversight of approximately 8,000 public and private water systems to assure the delivery of safe drinking water to all Californians. The Safe Drinking Water Program is a fee program that was set up and mandated by the California Legislature to pay for the water systems in California.

The program employees maintain an internal spreadsheet to record receivables. The spreadsheet is used to track amounts owed and amounts paid. This spreadsheet is not linked to the accounting system. Once payments are received, accounting personnel record the payment in CALSTARS.

The program does not forgive or write off outstanding amounts owed by the water systems. Outstanding balances are tracked and the department's Legal Office files a claim against the water system's owner. If a system changes ownership, the new owner is responsible for paying the outstanding balance.

### Genetic Disease Screening Program

The Genetic Disease Screening Program provides the following services:

- The Prenatal Screening Branch (PNS) focuses on detecting birth defects during pregnancy. Prenatal screenings are available to all pregnant women in California. The program provides the services before the fee is fully collected. The program provides services to a woman and then works individually with each woman and her insurance company to recover the cost of services.
- Newborn Screening (NBS) is an essential preventive health measure. Hospitals and birthing centers are billed directly for each newborn screened (the fee typically is part of the hospital's "delivery fee").

The Genetic Disease Screening Program records the accounts receivables on the PeopleSoft database system. The billing information is recorded; however, the clients' information is not maintained on PeopleSoft. SIS is the clinical data system utilized by the Genetic Disease Screening Program. The clinical and billing data will have slight variations due to timing differences such as billing delays, specimen processing date versus date of service, etc. Receivables are recorded when payment is received. This process results in a delay in collecting the funds due the program. In some instances, it takes three to five years before full payment is received.

During fiscal year (FY) 2009-10, the PNS underwent an expansion that brought the program up to current medical and scientific standards and enabled the Genetic Disease Screening Program to reverse a drastically decreasing PNS caseload. The expansion resulted in a surge of women coming back into the program and accessing PNS services, and resulted in a higher accounts receivable balance at the end of FY 2009-10 than is usual.

The Genetic Disease Screening Program consistently experiences a high accounts receivable balance due to the programmatic business practices of the PNS. The program would have to restructure the way PNS services are provided in order to reduce the level of accounts receivable.

### **Review Authority**

The State Controller is required by Government Code section 12418 to direct and superintend the collection of all money due the State. In addition, Government Code section 12410 stipulates that the State Controller shall audit all claims against the State, and may audit the disbursement of any State money for correctness and legality and for sufficient provision of law for payment.

**Objective, Scope,  
and Methodology**

The objectives of the review were to determine whether internal controls are in place to ensure the department:

- Maintains sufficient policies and procedures for properly administering and controlling accounts receivables.
- Follows regulations, policies, and guidelines pertaining to accounts receivables.
- Records the accounts receivable accurately.
- Maintains accountability for receivables.
- Uses the ORF for authorized purposes only and ORF reimbursement claims are properly supported.
- Schedules claims for reimbursement of the ORF promptly and ORF reimbursement claims are properly supported.
- Deposits receipts in a timely and economical manner.
- Performs monthly reconciliations accurately and timely.
- Collects funds owed properly.
- Processes discharges of accountability properly.

The scope of the review included reviewing accounts receivable relating to the Women, Infants, and Children Program (excluding WIC rebates), the Licensing and Certification Division, the Safe Drinking Water Program, the Genetic Disease Screening Program, and the Office Revolving Fund. The review covered the period of July 1, 2007, through June 30, 2010.

We performed testing to ensure that the review objectives were met by conducting interviews with departmental staff, reviewing policies and procedures, selecting samples from transactions, and performing other necessary testing as determined by the auditors.

We performed the following procedures:

- Reviewed the California Government Code, State Administration Manual (SAM), and any other applicable policies and procedures related to accounts receivable and the Office Revolving Fund cycle;
- Reviewed work performed by external audit organizations, by the department's Internal Audits Office, or by any other departmental unit;
- Documented a description of the internal controls over accounts receivable and the Revolving Fund cycle;
- Analyzed and evaluated the internal controls for accounts-receivable processes in Accounting, the Women, Infants, and Children Program; the Licensing and Certification Division; the Genetic Disease Screening Program; the Safe Drinking Water Program; and the Office Revolving Fund, by evaluating strengths and weaknesses; and
- Performed tests to determine if control objectives are being achieved.

**Conclusion**

The SCO found that the California Department of Public Health has inadequate internal controls over its Office Revolving Fund transactions. We also identified transactions that did not have proper approval and salary advances that were not processed in accordance with SAM. Additionally, we found that the department failed to comply with SAM procedures to recover salary and travel advances from its employees. Further, the department needs to improve its close-out procedures to ensure that employee accounts receivable are deducted from an employee's final paycheck.

The SCO also found that the Department of Public Health lacks proper internal controls over its accounts receivable processes. We determined that there is a potential for fraud and abuse due to the lack of separation of duties involving employees responsible for accounts-receivable records. We also identified instances where the department failed to adhere to prescribed collection procedures that resulted in late collection efforts. Additionally, the department failed to file its FISMA report with the Department of Finance.

Finally, overall accounting for accounts receivable recorded in the official accounting records could be improved by performing reconciliations in a timely manner and improving the discharge-of-accountability process.

**Views of  
Responsible  
Official**

We issued a draft review report dated March 30, 2012. Ron Chapman, Director and State Health Officer, responded by letter dated June 20, 2012 (Attachment), agreeing with the review results. This final review report includes the California Department of Public Health's response.

**Restricted Use**

This report is intended solely for the information and use of the California Department of Public Health and the SCO; it is not intended to be and should not be used by anyone other than these specific parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

August 9, 2012

# Findings and Recommendations

The report findings and recommendations are divided into two sections: *Office Revolving Fund (Findings 1–3)* and *Accounts Receivable (Findings 4–7)*.

## OFFICE REVOLVING FUND

### **FINDING 1— Failure to comply with SAM procedures to recover overpayments**

As of June 30, 2010, the department’s Office Revolving Fund (ORF) had \$254,482 in outstanding accounts receivable from salary and travel advances to employees. Of this amount, \$175,477 (69%) had been outstanding for more than 60 days and \$69,246 (27%) had been outstanding for more than one year. A review of these transactions disclosed the following issues.

#### **Salary Advances**

The department did not always notify employees in writing of overpayments and provide employees with an opportunity to respond. We judgmentally selected for review 19 employee accounts-receivable transactions totaling \$71,505 and found that the department failed to notify the employee in 7 instances totaling \$8,180. Also, the department is not always collecting accounts receivable in a timely manner. Of the 19 employee accounts receivables selected for testing, 11 of the employees were still employed by the department. Of the 11 selected, 6 of the accounts receivable were outstanding for more than six months. State Administrative Manual (SAM) allows the department to collect employee accounts receivable in a more timely manner.

SAM section 8776.7 (Employee Accounts Receivable) states:

The following procedures and policies will be followed when collecting employee overpayments:

1. Departments will notify employees (in writing) of overpayments and provide them an opportunity to respond. . . . The employee will be given 15 calendar days to respond, either orally or in writing. If the employee is on vacation, sick leave, out-of-town assignment, etc., and cannot be reached, the time afforded the employee to respond should be adjusted accordingly. All responses will be documented and maintained in department files.
2. The employee will be given the opportunity to satisfy the amount due by payment in cash, check, or payroll deduction. Departments will attempt to negotiate a repayment plan acceptable to both parties.
3. Repayment may also be made by installment through payroll deduction to cover at least the same number of pay periods in which the overpayment occurred. When overpayments have continued for more than one year, departments may require full payment in one year. . . .
5. If the employee does not agree to repay an overpayment or does not respond to the written overpayment notification by the afforded time, departments will collect overpayments in the manner set forth in #3 above.

## Travel Advances

The Accounting Section failed to follow proper collection procedures for employee travel advances. Specifically, we found that the Accounting Section did not:

- Send out periodic statements to inform employees of their outstanding balances in a timely manner (14 of 19 samples); and
- Deduct outstanding amounts from the employee's next regular payroll warrants, subject to maximum, after the periodic statements were sent out (14 of 19 samples).

SAM section 8116.1 (Recovery of Outstanding Travel Advances) states:

Departments must adhere to the provisions of Government Codes section 19838 and SAM section 8776.7 regarding notification and collection of overpayments from employees. In addition, the following procedures which are specific to the collection of travel advances will be followed:

1. A monthly notification must be sent to request employees who have travel advances but have not submitted a TEC to substantiate the travel expenses and/or have not returned any excess travel advance amount...
2. If an employee does not submit a TEC to substantiate the travel expenses within 15 calendar days of the monthly notification date, the total amount of outstanding advances must be deducted from the employee's next regular warrant(s).

## Collections from Former Employees

We selected nine accounts receivable from employees who were no longer employed by the department. Of the nine accounts receivable, six could have been collected by deducting amounts owed from the final separation pay had proper employee clearance procedures been performed. Additionally, the department is not taking adequate measures to collect accounts receivable from prior employees. Of the nine accounts receivable selected for testing, there were six instances in which the department failed to send three collection letters at 30-day intervals. If it does not send the three collection letters, the department will be unable to perform any further collection efforts.

SAM section 8776.7 (Employee Accounts Receivable) states:

The following procedures and policies will be followed when collecting employee overpayments: . . .

6. For separating employees, it may not be possible to provide written notification regarding overpayments. Regardless, Government Code Section 19838 authorizes the state to withhold amounts owed for outstanding travel and salary advances from an employee's final separation pay.

SAM section 8776.6 (Non-employee Accounts Receivable, Collection Letters) states:

Once the address of the debtor is known, the accounting office will send a sequence of three collection letters at 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the accounting office will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters and will state what further actions may be taken in the collection process.

### Recommendation

The department should:

- Ensure that the Accounting Section and the Human Resources Branch develop procedures to systematically ensure timely notification of employee overpayments (refer to Response 1.1 in the Attachment—CDPH’s Response to Draft Review Report);
- Ensure that employee accounts receivable are recovered in a timely manner in accordance with SAM guidelines (refer to Response 1.2);
- Improve employee clearance procedures to ensure that employee accounts receivable are satisfied upon separation by deducting the accounts receivable from the employee’s final paycheck (refer to Response 1.3); and
- Improve procedures for collecting accounts receivable owed by prior employees by ensuring that three collection letters are sent to prior employees. If the account remains uncollectable after the three letters are sent, the department should determine whether additional collection efforts are justified (refer to Response 1.4).

## **FINDING 2— Inadequate internal controls over the ORF**

Our review identified internal control weaknesses in various aspects of the department’s ORF operations and processes. Specifically, we identified the following deficiencies.

### **Payment Approvals Missing**

We judgmentally selected a sample of 35 ORF payment transactions for testing and found that:

- One invoice was not approved by the appropriate manager (1 of 35 in the amount of \$497,000).
- A request for Revolving Fund Check form was not filled out/signed by an authorized individual (1 of 35 in the amount of \$6,682).
- A check drawn in excess of \$15,000 did not have two authorizing signatures (1 of 35 in the amount of \$20,947).

### Clearing ORF Reimbursement Claims

Office Revolving Fund (ORF) disbursements to pay expenses reduce the amount of money in the ORF. The department must submit claims and supporting documentation to the SCO Claim Audits section before the SCO will remit funds to the department for the purpose of replenishing the ORF. The SCO's Claim Audits section will reject replenishment claims for various reasons.

Of the 18 samples we reviewed (\$197,122), 3 represented replenishment claims that were not resolved in a timely manner. For example, one of the three replenishment claims for \$93,202 was rejected in April 2008, but the department did not seek to correct the claim until August of 2010. The department submitted a claim to the SCO in September 2008; the check was never deposited by the department. The department was not aware that the check was missing until our reviews. The department received another check from the SCO in September 2010.

The department should take greater care to ensure that the ORF is replenished in a timely manner. Failure to replenish the ORF in a timely manner also increases the likelihood that supporting documentation will go missing, disrupting the replenishment process.

### Salary Advances

We judgmentally selected 19 outstanding salary advance transactions for testing and found that advances were not always processed in accordance with SAM and/or internal policies. The samples tested lacked support or evidence in one or more of the following areas:

- The Payroll Release Form—Hold Warrant (sent from HR to Accounting) was not sent/retained.
- The SCO Paycheck Calculator was not used/retained.
- Payroll Exceptions Report (STD. 666) was not used, prepared, or retained.
- The Absences Without Pay Report (STD. 603) was not used/prepared/retained.
- The Employee Time Certification (STD. 966) was not used/prepared/retained.
- The Salary Advance Request did not state the reason the advance was needed.
- The ORF check was not signed by two people when the amount was greater than \$15,000.

SAM section 20050 (Internal Control) states:

Furthermore, GC 13403 states the elements of a satisfactory system of internal accounting and administrative controls, shall include, but are not limited to: . . . A system of **authorization** and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures [emphasis added].

SAM section 8170 (Claims) states:

The processing of purchase and expense claims will be in accordance with the general instructions in SAM Section 8422.

The department's salary procedures require a payroll release form, authorized approval signatures, and a completed Salary Advance Request.

#### Recommendation

The department should ensure that:

- All requests for ORF Payment transaction are properly reviewed and include evidence of approval from managers (refer to Response 2.1 in Attachment—CDPH's Response to Draft Review Report).
- ORF reimbursement claims should be periodically reviewed. Claims rejected by the SCO's Claim Audits Section should be corrected in a timely manner (refer to Response 2.2).
- Salary advances are processed according to SAM guidelines and CDPH procedures (refer to Response 2.3).

### **FINDING 3— Failure to file FISMA report required by the Department of Finance**

The California Department of Finance (DOF) requires the head of each State agency to file a Financial Integrity and State Manager's Accountability Act (FISMA) report on a biennial basis. FISMA is a report that outlines the adequacy of the entity's internal accounting and administrative controls. Any material inadequacies or weaknesses must be addressed by the head of the agency. The Department of Public Health was exempt from filing in 2007 because it was established as a new agency. However, for 2009, the department did not file a report with the DOF. The department is in the process of developing a task force to address FISMA compliance.

SAM section 20060 (Internal Control Reporting) states:

Pursuant to the FISMA (GS 13405), the head of each state entity shall, on a biennial basis but no later than December 31 of each odd-numbered year, conduct an internal review and prepare a report on the adequacy of their entity's systems of internal accounting and administrative control in accordance with the guide prepared by the DOF. The report, including the entity's response to the review recommendations, shall identify any material inadequacy or material weakness in an entity's systems of internal accounting and administrative control that prevents the head of the entity from stating that the entity's systems comply with the FISMA. The submission should consist of a transmittal letter, the review report on internal accounting and administrative control, and management's response to the review report.

#### Recommendation

The department's executive management should ensure FISMA reporting compliance (refer to Response 3 in the Attachment—CDPH's Response to Draft Review Report).

**ACCOUNTS RECEIVABLE****FINDING 4—  
Potential for fraud and  
abuse due to lack of  
separation of duties**

The department lacks important internal controls that are designed to prevent fraud or abuse. Specifically, there is an inadequate separation of critical duties among program unit employees. Employees initiate receivables, pursue collection efforts, receive payments, and process receivables for write-off. Inadequate separation of duties increases the likelihood of fraud and abuse.

There is also a lack of adequate processes to detect fraud once it has occurred. For instance, program unit employees maintain and update accounts receivable balances and there is no independent check by the Accounting Section to validate the accuracy and completeness of recorded balances. This independent check could be used to identify fraud and errors after they have occurred. This situation is worsened by the fact that numerous individuals have access to the program records, and there is no audit trail identifying who made changes or why changes were made. Without identification of who made the changes and why, the department will be less likely to identify who performed the activity. Under the current control environment, program employees could conceivably misappropriate funds or through manipulation of records.

A specific example of the lack of controls exists in the WIC Program's Business Integrity Section (PBIS). Certain employees in PBIS can make adjustments or deletions of account balances in the WIC-PBIS Vendor log and there is no audit trail identifying who made the changes or the reasons for the changes. Therefore, there is no means by which to ensure the accuracy and completeness of the account balances maintained in the WIC-PBIS Vendor log. This condition, combined with the fact that there is no separation of duties, constitutes a critical weakness in internal controls.

SAM section 8080 (Separation of Duties) states:

The Financial Integrity and State Manager's Accountability Act of 1983 (Government Code Sections 13400-13407) requires that the head of each State agency establish and maintain an adequate system of internal control within their agencies. A key element in a system of internal control is separation of duties. This section provides the appropriate level of separation of duties for agencies with manual accounting processes. Employees of units other than the accounting unit should be used, when necessary, to provide separation of duties.

Members of the same family (husband, wife, brother, or sister) are considered one person. No one person will perform more than one of the following seven types of duties:

1. Receiving and depositing remittances
2. Authorizing disbursements
3. Preparing checks
4. Operating a check signing machine\*
5. Comparing machine-signed checks with authorizations and supporting documents (or signing checks manually after personally comparing them with authorizations and supporting documents).\* (See below for instructions as to which position is to be assigned this duty.)

6. Reconciling bank accounts and posting the General Ledger or any subsidiary ledger affected by cash transactions\*
  7. Initiating, or preparing invoices
- (\*Will not have access to or control blank check stock)

#### Recommendation

The department should ensure that duties are properly separated to minimize the risk of fraud and abuse. Additionally, the department should increase controls by adding certain processes such as approvals and reconciliation to increase the likelihood that fraud and errors will be identified if they have occurred (refer to Response 4 in the Attachment—CDPH’s Response to Draft Review Report).

#### **FINDING 5— Failure to adhere to prescribed collection procedures**

The department does not always observe established collection procedures. We identified the following discrepancies during our review:

- The Licensing and Certification Department (LCD) failed to send billing notices for license renewals in a timely manner for three of 11 samples tested. For the exceptions, totaling \$28,189, the notices were sent from 101 to 376 days late. The error occurred because the billing system is incapable of generating notices until prior renewal/late fees are paid.
- LCD employees did not always perform proper collection of accounts receivable according to SAM guidelines. We identified 9 exceptions out of 11, totaling \$142,849, for which there was no evidence that an analysis of collection, offset of delinquent accounts, and discharge of accountability for licensing renewals was performed.
- LCD employees could not provide supporting documentation from the Los Angeles District Office for 3 of 30 (\$17,800) samples tested.
- Safe Drinking Water employees failed to send collection letters for 2 of 18 samples, totaling \$436,149, to recover delinquent amounts.
- Accounting Section employees could not provide supporting documents for 1 of the 20 samples tested (totaling \$201,443) for the Other Accounts Receivable (GL1319). This amount was carried over from when the department was a part of the Department of Health Services. The Department of Public Health did not follow up on these transferred items in a timely manner.

SAM section 8776.5 (Collection Procedures) states:

Once the address of the debtor is known, the accounting office will send a sequence of three collection letters at 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the accounting office will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters and will state what further actions may be taken in the collection process.

The Department of General Services' General Records Retention Guidelines states that the receivable source documents (e.g., invoices) and documents of collection efforts should be retained for at least four years after the receivable has been paid.

#### Recommendation

The department should implement proper controls and oversight to ensure that the agency's collection activities adhere to the State's requirements (refer to Response 5 in the Attachment—CDPH's Response to Draft Review Report).

### **FINDING 6— Accounts receivable not reconciled**

The SCO review found that, in most instances, the department's Accounting Section does not directly record accounts receivable in its official accounting records (CALSTARS) when the amount is billed. Instead, various program units (e.g., WIC Program, Safe Drinking Water Program) maintain separate logs and spreadsheets to track and monitor the invoices and to pursue collection efforts. The program units use the separate logs and spreadsheets to periodically update the CALSTARS accounting records. Although it is not improper to maintain two accounting records, there needs to be periodic reconciliation between the two in order to ensure the records are accurate.

There is a lack of reconciliation between the accounting records (CALSTARS) and the records maintained by the program unit staff for the various programs administered by the department. Without a proper reconciliation there is little assurance that the receivable balances are accurate.

SAM section 8776 (Accounts Receivable) states:

Departments must ensure ARs are recorded promptly and accurately into the accounting system. When ARs are collected, the collections will generally be classified as abatements, reimbursements, revenue, or refunds to reverted appropriations. . . . Departments will review and reconcile ARs in the accounting system to ARs recorded by the State Controller's Office (SCO) and/or those ARs maintained in departmental records (e.g., program records, payroll records, etc.). AR reconciliations will be prepared monthly within 30 days of the preceding month.

#### Recommendation

The department should consider establishing a process that requires the Accounting Section to assume primary responsibility for the recording of accounts receivables. If the department decides to continue with the current bifurcated process of recording accounts receivable, it should install procedures to reconcile the differences in account balances between records maintained by the program unit staff and the balances in the department's official accounting records, in accordance with SAM (refer to Response G in the Attachment—CDPH's Response to Draft Review Report).

**FINDING 7—  
Ineffective use of the  
discharge-from-  
accountability process**

After exhausting its efforts to collect delinquent accounts receivable, the department may file a request for discharge from accountability with the SCO. The purpose of the discharge-from-accountability process is to relieve the department from the burden of having to account indefinitely for uncollectible receivables in its official accounting records. At the Department of Public Health, the official accounting records are contained in the CALSTARS system, which is maintained by the Accounting Section.

State rules require the department to describe its attempts and efforts undertaken to collect before concluding that the account is indeed uncollectible. However, because collection duties at the Department of Public Health are being carried out by the various program units, the Accounting Section has not initiated any request for discharge from accountability based on data in CALSTARS. Thus, any request for discharge has been filed by the program units based on the program unit's records. For example, the \$2.6 million in requests for discharge of accountability filed by the department were based on PBIS records maintained by the WIC program staff. Our review identified the following conditions:

- The department's requests for discharge from accountability are unnecessary because most of the accounts receivable in the program records have not been recorded in the official accounting records (CALSTARS). Thus, even if a request is approved, it does nothing to remove accounts from CALSTARS, which is the purpose and intent of the discharge-from-accountability process.
- The requests for discharge from accountability appeared to have been prepared haphazardly. For example, under WIC, we identified cases for events that occurred as long as 25 years ago and these items should be written off the books after following proper collection efforts. In one case, the debtor has been bankrupted, and discharge has not been filed.
- Lack of coordination exists between staff of the Accounting Section staff and the program units. As discharge requests are filed by program unit staff, Accounting Section staff members often are unaware that the request has been filed or approved. Thus, even when the approved discharge requests contain accounts receivable recorded in CALSTARS, the Accounting Section often did not remove such accounts from the official records.

SAM section 8776.6 (Discharge from Accountability) states:

If all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectable amounts due from private entities. Departments will review their accounts receivable no less than quarterly to identify receivables for discharge. If departments have identified receivables for discharge, departments will file an Application For Discharge From Accountability form, STD. 27, with the SCO, Division of Accounting and Reporting, no less than quarterly. Applications for Discharge from Accountability of uncollectable amounts of more than \$7,500 will be

filed separately from applications for amounts of \$7,500 or less. The \$7,500 amount applies to the total of all amounts owed by the debtor, not to each invoice.

Recommendation

Accounting Section staff members should:

- Review the long-outstanding accounts in CALSTARS with staff in the program units to determine if the accounts are eligible for discharge from accountability. Future discharge requests should be based solely on accounts in CALSTARS (refer to Response 7.1 in the Attachment—CDPH’s Response to Draft Review Report).
- Meet with the program unit staff to develop and implement a process to accurately enter accounts receivable data into CALSTARS in a timely manner, with periodic reconciliations performed to ensure the accuracy and reliability of the records (refer to Response 7.2).

**Attachment—  
CDPH’s Response to  
Draft Review Report**

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RON CHAPMAN, MD, MPH  
Director & State Health Officer

State of California—Health and Human Services Agency  
California Department of Public Health



EDMUND G. BROWN JR.  
Governor

JUN 20 2012

Andrew Finlayson, Chief State Agency Audits Bureau  
State Controller's Office, Division of Audits  
P. O. Box 942850  
Sacramento, California 94250-5874

Dear Mr. Finlayson:

Enclosed is the California Department of Public Health's response to the State Controller's Office draft report entitled, "Review of the California Department of Public Health's Administrative and Internal Controls Over its Office Revolving Fund and Accounts Receivable for the Period of July 1, 2007, through June 30, 2010." CDPH appreciates the opportunity to respond.

If you have any questions, please contact Karen Petruzzi, CDPH Audit Coordinator, at (916) 650-0266.

Sincerely,

Ron Chapman, MD, MPH  
Director & State Health Officer

Enclosure

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

Recommendation 1.1

The department should ensure that the Accounting Section and the Human Resources Branch develop procedures to systematically ensure timely notification of employee overpayments.

Response 1.1

CDPH agrees that the department should ensure that the Accounting Section and the Human Resources Branch develop procedures to systematically ensure timely notification of employee overpayments. Notification will comply with State Administrative Manual section 8776.7, Government Code section 19838, and where applicable, individual collective bargaining agreements.

On July 1, 2007, CDPH fully implemented procedures for notifying employees of salary overpayments. Approximately two weeks after CDPH issues a salary advance, the State Controller's Office (SCO) reissues the payroll payment for the correct amount. The Human Resources Branch (HRB) completes an electronic payroll release form, including the SCO payment amount and the salary advance amount. The HRB personnel specialist submits the completed payroll release form via email to the Accounting Section. If the SCO payment amount is less than the salary advance amount, a negative balance owed to the employee is automatically populated on the payroll release form. This alerts the Accounting Section the employee was overpaid. HRB will document these procedures in writing by July 31, 2012.

When the Accounting Section receives a payroll release form that indicates an overpayment, the Accounting Section sends a collection letter to the employee within two working days. The letter informs the employee that s/he has 15 days to make payment, otherwise the amount due will be deducted from the employee's next payroll warrant. The only exception to this procedure is when HRB notifies the Accounting Section that the employee has established a payment arrangement in accordance with SAM Section 8776.7.

By June 30, 2012, the Accounting Section will implement monthly meetings to train and remind accounting staff of the existing internal control policies. These meetings will also provide management the status of all outstanding salary advances and the efforts taken to collect them.

In January 2011, CDPH amended established procedures to ensure timely notification and collection of travel advance overpayments (Exhibit A, Outstanding Travel Advance and Over Payment Collection Procedures). Around the 20<sup>th</sup> of the month, the Accounting Section generates collection letters for outstanding office revolving fund (ORF) advances that are 30 days and older. The employee receives three collection letters at 30-day intervals. If the employee does not respond after the third letter, the Accounting Section offsets overpayments via payroll deduction.

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

By December 31, 2012, CDPH will no longer send three notification letters and will deduct the total amount of the outstanding advance from the employee's next regular payroll warrant if the employee does not submit a travel expense claim within 15 calendar days of receiving a single reminder notice to submit a claim.

Recommendation 1.2

The department should ensure that employee accounts receivable are recovered in a timely manner in accordance with State Administrative Manual (SAM) guidelines.

Response 1.2

CDPH agrees that the department should ensure that employee accounts receivable are recovered in a timely manner in accordance with SAM guidelines.

By December 31, 2012, HRB will document procedures for the timely recovery of employee accounts receivables, in accordance with SAM. Approximately two weeks after the salary advance is issued, the SCO reissues the payroll payment for the correct amount. The HRB personnel specialist completes the electronic Payroll Release form, including the SCO payment amount and the salary advance amount. HRB submits the completed Payroll Release form via email to the Accounting Section. If the SCO payment amount is less than the salary advance amount, a negative balance owed to the employee is automatically populated on the Payroll Release form. This alerts the Accounting Section the employee was overpaid on their salary advance.

In April 2012, the Accounting Section amended procedures to recover salary advances in compliance with SAM Section 8776.7 (Exhibit B, Salary Advance Overpayment Procedure). If the employee does not respond to notices of overpayment within 15 days, the Accounting Section will deduct the overpayment from the employee's next payroll warrant or any other payment source due the employee. The only exception to this procedure is when HRB notifies the Accounting Section that the employee has established a payment arrangement.

By June 30, 2012, the Accounting Section will implement monthly meetings to train and remind accounting staff of the existing internal control policies. These meetings will also provide management the status of all outstanding salary advances and the efforts taken to collect them.

The Accounting Section offsets travel advances via payroll deduction after an employee fails to respond to three collection letters (Exhibit A). By December 31, 2012, CDPH will no longer send three notification letters and deduct the total amount of the outstanding advance from the employee's next regular payroll warrant if the employee does not submit a travel expense claim within 15 calendar days of receiving a single reminder notice to submit a claim. The Accounting Section sends these reminders notices monthly to all employees who have received a travel advance.

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

Recommendation 1.3

The department should improve employee clearance procedures to ensure that employee accounts receivable are satisfied upon separation by deducting the accounts receivable from the employee's final paycheck.

Response 1.3

CDPH agrees that the department should improve employee clearance procedures to ensure that the employee accounts receivable are satisfied upon separation by deducting the accounts receivable from the employee's final paycheck.

In June 2009, HRB automated the separation request for personnel action (RPA) process. A program initiates a separation RPA as soon as the program receives notice an employee is separating from CDPH (Exhibit C, Attendance Coordinator Manual). Once program completes the separation RPA, the automated RPA tracking system automatically sends an email alert to the Accounting Section and HRB. The alert requests verification from the Accounting Section that the employee does not have any outstanding salary advances, travel advances, or other accounts receivable. If the Accounting Section indicates the employee has accounts receivable, HRB deducts the amount owed from the employee's final paycheck. In addition to the separation RPAs, the Accounting Section keeps a manual log of all exiting employees to ensure CDPH collects any accounts receivable from the employee's final paycheck.

If the program fails to initiate a separation RPA, HRB sends an email to the Accounting Section to verify any outstanding balances. HRB does not release the final paycheck without clearance from the Accounting Section.

By June 30, 2012, the Accounting Section will implement monthly meetings with accounting staff to ensure compliance with the Exit Clearance Process. In addition, we will utilize the electronic folder on the Accounting Shared Drive more efficiently to track all pending, closed separation notifications, and ensure that timely submittal of responses to HRB.

Recommendation 1.4

The department should improve procedures for collecting accounts receivable owed by prior employees by ensuring that three collection letters are sent to prior employees. If the account remains uncollectable after the three letters are sent, the department should determine whether additional collection efforts are justified.

Response 1.4

CDPH agrees that the department should improve procedures for collecting accounts receivable owed by prior employees by ensuring that three collection letters are sent to prior employees. If the account remains uncollectable after the three letters are sent, the department should determine whether additional collection efforts are justified.

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

The Accounting Section sends HRB a monthly listing of outstanding salary advances. If HRB identifies prior employees on the listing, HRB immediately forwards the last known address to the Accounting Section. The Accounting Section sends three collection letters at 30-day intervals to the employee's last known address (Exhibit D, Outstanding Salary Advance Collection Procedures for Separated Employees). If the Accounting Section cannot obtain a current address from HRB, the Accounting Section requests the address from the Department of Motor Vehicles via the Government Agency Request for Driver License/Identification.

If the Accounting Section does not receive a response from the employee after the three collection letters, the Accounting Section will pursue a tax offset with the Franchise Tax Board.

Separating employees must complete and submit to HRB a separation employee action request (EAR) that indicates their address upon separation. By June 30, 2012, HRB will implement a procedure to forward automatically to the Accounting Section the last known address of all prior employees as soon as HRB receives a separation EAR. In addition, the Accounting Section will work with HRB to submit a Personnel Action Request form (STD 680) to SCO, Division of Personnel/Payroll Services, to request notification if the former employee reenters state service.

Currently the Accounting Section only sends collection letters for outstanding travel advances owed by former employees if the Accounting Section is aware the former employee transferred to another state department. By December 31, 2012, the Accounting Section will work with HRB to implement procedures to follow up on all outstanding travel advances owed by former employees.

Recommendation 2.1

The department should ensure that all requests for Office Revolving Fund (ORF) payment transaction are properly reviewed and include evidence of approval from managers.

Response 2.1

CDPH agrees that the department should ensure that all requests for ORF payment transactions are properly reviewed and include evidence of approval from accounting managers.

In May 2011, the Accounting Section updated the ORF request form (Exhibit E, Request for Miscellaneous Revolving Fund) to require the signature of the approving manager. Additionally, the ORF request form includes a section for initials of the accounting staff processing the ORF and accounting travel manager approving the transaction.

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

Recommendation 2.2

The department should ensure that ORF reimbursement should be periodically reviewed. Claims rejected by the SCO's Claim Audits Section should be corrected in a timely manner.

Response 2.2

CDPH agrees that the department should ensure that ORF reimbursement claims should be periodically reviewed and that claims rejected by the SCO's Claims Audits Section should be corrected in a timely manner.

In February 2011, the Accounting Section implemented procedures to comply with this recommendation. On a monthly basis, the Accounting Section reviews a report identifying claims filed (Exhibit F, CALSTARS Document Report By Appropriation) and a report identifying amounts due from other funds or appropriations (Exhibit G, CALSTARS Office Revolving Fund Status Report). For unreimbursed claims older than 30 days, staff reviews the original claim schedule and contacts SCO if CDPH has not received a rejected claim.

When the Accounting Section receives a rejected claim form from SCO, staff immediately researches the claim and resubmits a corrected claim schedule to SCO within three to five days. By December 31, 2012, the Accounting Section will document this procedure.

Recommendation 2.3

The department should ensure that salary advances are processed according to SAM guidelines and CDPH procedures.

Response 2.3

CDPH agrees that the department should ensure that salary advances are processed according to SAM guidelines and CDPH procedures.

By July 31, 2012, HRB will revise and document procedures for authorizing salary advances. The revised procedures will comply with SAM and address the use and retention of the following documents: Payroll Release Form-Hold Warrant, SCO Paycheck Calculator, Payroll Exceptions Report (STD. 666), Absences Without Pay Report (STD. 603), Employee Time Certification (STD. 966), and the Salary Advance Request. HRB will include the procedures in the Personnel Specialist Desk manual.

On June 15, 2012, the Accounting Section updated procedures to document the logging process for checks over \$15,000 and reconciling the log with the checks for distribution. The procedures comply with SAM Section 8041. Staff that operates the automated check-signing machine review and present all checks in excess of \$15,000 to an additional authorized signer. In the case of manual checks, the check processor is responsible for obtaining two authorized signatures (Exhibit H, Cash State Refund

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

Checks Procedures and Exhibit I, Request for Miscellaneous Revolving Fund Checks Procedures).

Recommendation 3

The department's executive management should ensure Financial Integrity and State Manager's Accountability Act (FISMA) reporting compliance.

Response 3

CDPH agrees executive management should ensure FISMA reporting compliance. CDPH fully implemented this recommendation. On February 2, 2012, CDPH submitted the biannual FISMA report for the year ended 2011 to the Department of Finance (DOF). On May 10, 2012, DOF notified CDPH that the 2011 FISMA Report met DOF's FISMA reporting requirements.

Recommendation 4

The department should ensure that duties are properly separated to minimize the risk of fraud and abuse. The department should increase controls by adding certain processes such as approvals and reconciliation to increase the likelihood that fraud and errors will be identified if they have occurred.

Response 4

CDPH agrees that the department should ensure that duties are properly separated to minimize the risk of fraud and abuse. The department also agrees it should increase controls by adding certain processes such as approvals and reconciliation to increase the likelihood that fraud and errors will be identified if they have occurred.

The department will ensure compliance with SAM Sections 8080.1 Separation of Duties of Automated Systems and 8080.2 Separation of Duties of Combined Systems. CDPH will require an adequate internal control system, where no one person will perform more than one duty. Employees that initiate receivables will not pursue collection efforts, receive payments and process receivable write offs. Modifying or deleting Accounts Receivables will only take place after receiving departmental approval. The programs will maintain a log of all modifications and write offs and reconcile the log with the Accounting Section.

To maintain compliance with SAM Section 8080, by December 31, 2012 the Accounting Section will provide annual Separation of Duties training sessions to all CDPH program sections involved in fiscal issues. The Accounting section will issue, an Administrative Information Memo (AIM) to the department on adequate internal control procedures by December 31, 2012. The Accounting section will post the AIM on the CDPH intranet.

To ensure the accuracy and completeness of the departments Accounts Receivables balances accounting will provide oversight to ensure all CDPH Centers/Divisions certify that their program is complying with the separation of duties as outlined in SAM Section 8080. The Accounting Section will send out a standard template to each Center/Division

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

Deputy Director to certify compliance, on an annual basis every October in coordination with the Accounts Receivable Management Representation letter.

Recommendation 5

The department should implement proper controls and oversight to ensure that the agency's collection activities adhere to the State's requirements.

Response 5

CDPH agrees that the department should implement proper controls and oversight to ensure that the agency's collection activities adhere to the State's requirements.

By September 2012, the Accounting Section will issue an AIM reminding programs of SAM requirements for collection activities for accounts receivable. The Accounting Section will post the AIM on the CDPH intranet.

By December 31, 2012, the Accounting Section will implement new or revised memoranda of understanding (MOUs) with the Drinking Water Program, Licensing and Certification Program, the Women, Infant, and Children Supplemental Nutrition Program, and the Genetic Disease Screening Program documenting accounts receivable collection procedures and controls.

The MOUs will require that, as part of the annual Accounts Receivable Management Representation and Certification letter, deputy directors certify that their programs comply with collections procedures in SAM.

Recommendation 6

The department should consider establishing a process that requires the Accounting Section to assume primary responsibility for the recording of accounts receivables. If the department decides to continue with the current bifurcated process of recording accounts receivable, it should install procedures to reconcile the differences in account balances between records maintained by the program unit staff and the balances in the department's official accounting records, in accordance with SAM.

Response 6

CDPH agrees that the department should establish a process to reconcile the differences in account balances between records maintained by program staff and the balances in the department's official accounting records, in accordance with SAM.

By December 31, 2012, the Accounting Section, working with programs that produce their own accounts receivables, will establish procedures in the MOUs between the Accounting Section and the programs for reconciling the program's recorded accounts receivable with CALSTARS. Due to the complexity of each program, the programs will continue to maintain their own receivables but will be required on a monthly basis to reconcile their balances with the accounting records.

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

By March 31, 2013, the Accounting Section's year-end work plan will include a reconciliation of program accounts receivable source documents to CALSTARS.

Recommendation 7.1

Accounting Section staff members should review the long-outstanding accounts in CALSTARS with staff in the program units to determine if the accounts are eligible for discharge from accountability. Future discharge requests should be based solely on accounts in CALSTARS.

Response 7.1

CDPH agrees that Accounting Section staff members should review the long-outstanding accounts in CALSTARS with staff in the program units to determine if the accounts are eligible for discharge from accountability and that future discharge requests should be based solely on accounts in CALSTARS.

The Accounting Section is working with the programs to review CALSTARS aging reports to determine if the long-outstanding accounts are eligible for discharge from accountability.

By December 31, 2012, the Accounting Section will complete MOUs with the programs. The MOUs will contain procedures on reviewing long-outstanding accounts in CALSTARS with staff in the program units to determine if the accounts are eligible for discharge from accountability. The Accounting Section and programs will review balances in CALSTARS for eligibility for discharge from accountability and will follow the guidelines for discharge according to SAM Section 8776.6. The Accounting Section will review requests for discharge initiated by programs. The CDPH Chief Deputy Director of Operations will approve discharge requests.

Recommendation 7.2

Accounting Section staff members should meet with the program unit staff to develop and implement a process to accurately enter accounts receivable data into CALSTARS in a timely manner, with periodic reconciliations performed to ensure the accuracy and reliability of the records.

Response 7.2

CDPH agrees Accounting Section staff members should meet with the program unit staff to develop and implement a process to accurately enter accounts receivable data into CALSTARS in a timely manner, with periodic reconciliations performed to ensure the accuracy and reliability of the records.

By December 31, 2012, the Accounting Section will complete MOUs with each program documenting procedures to ensure the program inputs its accounts receivable data into CALSTARS in a timely manner. Upon input of the data, the Accounting Section staff will review the accounts receivable data entries and address any errors immediately with

California Department of Public Health Response to Review Report, "Administrative and Internal controls over the Office Revolving Fund and Accounts Receivable July 1, 2007 through June 30, 2010"

programs. Both the Accounting Section and programs will conduct periodic reconciliations to ensure the accuracy and reliability of the data.

The Genetic Disease Branch (GDB) currently has a system outside CALSTARS that does not allow upload or manual input of accounts receivable records into the CALSTARS system. By December 31, 2012, the Accounting Section will complete an MOU with GDB. The MOU will contain language stating the Accounting Section staff will perform periodic on-site review of GDB accounts receivable records to ensure the validity of the accounts receivable established.

## INDEX OF ATTACHMENTS

### **Recommendation 1.1**

Exhibit A: Outstanding Travel Advance and Overpayment Collection Procedures

### **Recommendation 1.2**

Exhibit B: Salary Advance Overpayment Procedure

### **Recommendation 1.3**

Exhibit C: Attendance Coordinator Manual

### **Recommendation 1.4**

Exhibit D: Outstanding Salary Advance Collection Procedures for Separated Employees.

### **Recommendation 2.1**

Exhibit E: Request for Miscellaneous Revolving Fund Form

### **Recommendation 2.2**

Exhibit F: CALSTARS Document Report by Appropriation

Exhibit G: CALSTARS Office Revolving Fund Status Report

### **Recommendation 2.3**

Exhibit H: Cash State Refund Checks Procedures

Exhibit I: Request for Miscellaneous Revolving Fund Checks Procedures

### **Outstanding Travel Advance and Over Payment Collection Procedures**

CalSTARS system will automatically generate Memorandum Outstanding Travel Advance Collection letter on the 20<sup>th</sup> of every month for all the ORF outstanding advances that are 30 days and older.

Travel Team will receive the letters from System unit on same day after the system generated the letter.

#### **Before Dispersing for Verification:**

1. Make copies.
  - Put copies in alphabetical order and create a month folder.
2. Check the ORF outstanding travel advance balance on the letters to see if the balances are cleared in CalATERS but not in CalSTARS yet.
  - Verify to see why the balance didn't clear in CalSTARS and if the balances that have cleared then the letter can be confidentially destructed – they will not have a new letter printed.
3. See below Verification step 7 how to verify and check the ORF outstanding travel advance balance.
4. Check Roster list to see if employees still with CDPH or not.
  - If employees are no longer with CDPH then Accounting will work with HRB to obtain mailing address or department the employees transferred to so Accounting can send out the collection letters.
  - If the address cannot be obtained from our HRB then Accounting will request the address from the DMV so Accounting can send out the collection letters to former employees.
  - After the 3<sup>rd</sup> notice letter send out and there is no response from the former employees then further action is taken via FTB offset.
  - See step 7 for verification of outstanding travel advance balance
5. Compare new letters to old letters from previous month sent out.
  - If employee already has a letter from previous month then label new letter with 2<sup>nd</sup> or 3<sup>rd</sup> notices.
  - Attached new letter with old letter and file them in the folder.
  - After 3<sup>rd</sup> or final notice letter send out and there is no response then further action is taken via payroll deduction
6. Divide copies by two set.
  - Keep one set in monthly folder and give other set to Henry Ha for mail out.

#### **Verification:**

7. Check CalSTARS to verify Outstanding Balances.
  - H > 7 > F1 > tab over twice > enter name on letter
  - If you can't find them go to I > 11 and find them, then do H > 7 again.
  - Write their **vendor number** down at the top of the letter.

- Write the **TAF number** or **manual check** above the amount on the letter.
- If the amount is cleared write how it was cleared on the letter. Ex:

TAF # and Amount  
- TEA# and Amount  
- Check # and Amount  
Balance Amount

- If cleared completely, move on to next letter, if not cleared or only partially cleared continue on to next steps.
8. Check the employee's queue for outstanding TEC's.
    - Write down their first name.
    - Write down their CalATERS log in ID.
  9. Check Accounting's Queue for TEC's current and archived TEC's.
    - Check archives for TEC's that may have cleared the TA but have not cleared it on CalSTARS. If cleared use the above example to write down how it was cleared.
    - If it has not been cleared, check the action view for any TEC's that will clear it. If there is a claim that is in our queue that needs approval please process and if approved write amount that is being cleared on letter.
  10. Return to Andy Luu.

### **Prepare to Mail Out**

11. Compare copies to originals.
  - Look for letters with an adjusted balance and update balance on original letter.
  - Look for letters with a cleared balance. (Confidential destruct the original letters and put copies with notes in folder for TA's that are cleared in CalATERS but not CalSTARS.)
12. Put labels of 1<sup>st</sup> or 2<sup>nd</sup> or 3<sup>rd</sup> Notice on the original letters.
13. If CDPH employees
  - Return completed original letter to Henry Ha so he can attach the letter with Payroll warrants and send out to employees.
14. If employees are no longer with CDPH
  - Go back to step 4.

**Salary Advance Overpayment Procedure**  
**(Based on SAM Section 8776.7)**

1. Log the control number on **Released control No** field in **SCO check Log Master file** and type **Clear salary advance on comments field**: e.g. CF10-226 – Clear salary Advance
2. Fill out the **Accounting User Only** section on the **Payroll Release Form** under Warrant(s) Cut: Date and Initial (e.g. 10/26/10 SF)
3. Open the warrant
4. Fill out the **Salary Advance Authorization** form under **SCO Warrant Data** section
  - **Control Number**: \_\_\_\_\_ (e.g. CF10-226)
  - **Issue Date**: \_\_\_\_\_ (check date)
  - **Warrant Number**: \_\_\_\_\_ (Check # - e.g. 03-452720)
  - **Net Salary**: \_\_\_\_\_ (Check Amount)
  - **Differential** \_\_\_\_\_ (Check amount less the Net Salary Advance – Use Calculator to clear SA.xls to calculate the difference)
  - **Balance** \_\_\_\_\_ (Employee owes Amount)
  - **Cleared by** \_\_\_\_\_ (Prepared by)
  - **Check Employee over-advance** ( if the employee owes us money)
  - **Amount** \_\_\_\_\_ (same dollar amount as balance amount)
  - **Date notification letter sent** \_\_\_\_\_ (Date mailed out the 1<sup>st</sup> 15 days letter)
  - **Date Payment Due** \_\_\_\_\_ (Check needs to receive by)
5. Issue the 1<sup>st</sup> overpayment of salary advance letter to employee. Please see sample below. The template of the letter is located on: G:\Acctg\Operations Support & Analysis\Service center - PH\Salary Advance Balance Due from Employee.

**Re: Overpayment of Salary Advance**

---

According to our records, you were provided a salary advance for the month of **June 2011**, the receipt of the State Controller's payroll warrant it has been determined you were overpaid. The details are as follows:

Salary advance 03 11 check =076-068776	\$422.24
SCO warrant to clear SA =01-685244	\$333.83
<b>Amount of overpayment due</b>	<b>\$88.41</b>

If we have not received a response from you within **15 calendar days**, the appropriate amount due will be deducted from your next available payroll warrant. Any Direct Deposit will have to be cancelled prior to a deduction. Once you have been removed from Direct Deposit, it will be your responsibility to enroll for Payroll Direct Deposit again.

Please send a check, cashier's check or money order made payable to

**Department of Public Health** for the amount indicated above.

Please remit the amount of the overpayment to:

**Department of Public Health**  
1501 Capitol Avenue,  
MS 1601 PO Box 997376  
Sacramento, CA 95899-7376  
Attn: **Henry Ha**

If you have any question please call Henry Ha @ (916) 552-8522

6. Print two copies of the **Overpayment of Salary Advance letter** and **initial** next to your name.
7. Copy and Scan:
  - Make two copies of the following
    - Salary Advance Authorization
    - Payroll Release Form
    - Payroll Check
  - **Scan** the complete set to **Henry Ha**
    - Overpayment of Salary Advance letter
    - Salary Advance Authorization
    - Payroll Release Form
    - Payroll Check
8. Put documents together:
  - Staple the follow documents together
    - Overpayment of Salary Advance letter
    - Original of Salary Advance Authorization
    - Original of Payroll Release Form
    - A Copy of Payroll Check
  - File a copy of the payroll release form – will be scanned later
  - Staple the follow documents together \*
    - Copy of Salary Advance Authorization
    - Copy of Payroll Release Form

- Copy of Payroll Check
  - Detach the check from the check detail. Staple the warrant to the copy of the item above\*.
  -
- 9. Get a # 10 Envelope
  - Write **No live check** on the bottom right of the envelope.
  - Stamp **Confidential**
  - Put the **Overpayment of Salary Advance letter**, a copy of **Salary Advance Authorization form**, and **warrant detail** into the #10 envelope.
  - Release to employee
    - Pick up - Write the employee's name and the Unit number
    - Mail out – Use the pre-printed label and write the employee's name
- 10. Release to employee
  - Give the envelope to Service Center to process it
- 11. Deposit the Check
  - Drop off the check into the deposit box in the cashiering section.

ATTENDANCE PROCEDURES

**SEPARATIONS**

22.0

When an employee vacates a position in the Department or in State service, a separation has occurred. The reason for leaving the position generally determines the employee's rights and benefits and the documentation required by PSU. Some separations provide the employee with a mandatory right of return to the last position held or, in some cases, to a vacant position at the discretion of the Department. Benefits affected include vacation and sick leave earnings, disposition of retirement contributions, and seniority.

Separations are defined as two types - "permanent" or "temporary". Permanent separations include dismissal; resignation; automatic resignation (AWOL); rejection during probationary period; termination for failure to meet conditions of employment; termination of limited term, temporary authorization, emergency, Career Executive Assignment, or exempt appointment; and service retirement.

Temporary separations include all types of leave of absence including approved dock not to exceed 11 days in a 22 day pay period, 10 days in a 21 day pay period, or 11 consecutive working days between pay period; military leave; suspension; termination for medical reasons; termination of permanent or probationary employee by layoff; termination by displacement; and disability retirement.

Employee Initiated

**Resignation**

An employee may voluntarily resign from his/her position by submitting his written or verbal resignation to the Department. The resignation may be withdrawn before the effective date, before the resignation has been accepted in writing by the Department, or before the Department has acted in reliance on the resignation. The appropriate separation paperwork is completed and forwarded to PSU 30 days prior to the effective date to ensure correct and timely payment of the employee's final pay and lump sum.

**Service Retirement**

Service retirement consists of a monthly retirement allowance paid to an employee for the rest of their life. Applications must be filed directly with Public Employees Retirement System (CalPERS). CalPERS will provide the employee with information on specific retirement benefits. The appropriate separation paperwork is completed and forwarded to PSU 30 days prior to the effective date to ensure correct and timely payment of the employee's final pay and lump sum.

**Disability Retirement**

Disability retirement consists of a monthly retirement allowance paid to an employee for the rest of their life or until they recover from their injury or illness. The injury may be work related or non-work related. Applications must be filed directly with Public Employees Retirement System

22.1

(CalPERS). CalPERS will provide the employee with information on specific retirement benefits. The appropriate separation paperwork is completed and forwarded to PSU 30 days prior to the effective date to ensure correct and timely payment of the employee's final pay and lump sum.

#### **Transfer to Another Position and/or Another Department**

Eligible employees may transfer to another position in their Unit, another position in the same Program, another Program (reporting unit) in the Department or to another position in a different department. Please see the chart on Page 22.2 to determine the appropriate separation paperwork. The separation paperwork must be completed and forwarded to PSU 10 working days prior to the effective date of the change/transfer.

#### **Employee Death**

When an employee dies, whether work related or not, the following action ensures that the necessary benefits are provided to the surviving family members.

It is the responsibility of the deceased employee's Supervisor/Attendance Coordinator to immediately notify their designated Personnel Services Specialist I with the following information:

- Employee's Name (Last, First, M.I.)
- Social Security Number
- Program/Division
- Employee's Address, City, State, Zip Code
- Position Number
- Class Title
- Date of Death
- Time of Death
- Cause of Death - natural, accidental, homicide, other (specify)
- Was Death Work-Related - Yes/No
- Last Day Physically Worked
- Was EE On Leave Credits At The Time Of Death?

PSU will complete the rest of the PS 40. A STD 634 with the employee's final attendance and the Exit Clearance must be completed and attached to the PS 40. These documents must be completed and forwarded to PSU immediately. The employee's final attendance should be immediately posted in PASS as per the PASS User's Manual.

#### **Processing Separations**

~~Separation documents should be completed by the employee/Program and forwarded to PSU ten~~  
(10) to thirty (30) days prior to the effective date of separation. This notifies PSU of the separation and allows enough time to process the appropriate documents. This also eliminates incorrect payments being issued to the employee.

**ATTENDANCE PROCEDURES**

22.2

**Documentation Required**

Use the following table to determine what documents must be completed and forwarded to PSU to process an employee's separation.

**REQUIRED SEPARATION DOCUMENTS**

	Permanent	Leave of Absence/ NDI	Retirement	Transfer Within DHS	Transfer Out of DHS	Employee Death
Final Attendance STD 634	X	X	X	X <sup>1</sup>	X	X
Exit Clearance DHS 2005	X	X	X		X	X
Separation EAR STD 687	X		X <sup>2</sup>			
PST Retirement Plan Benefit Payment Application STD 951	X <sup>8</sup>					
Dental Plan Enrollment Authorization STD 692			X			
COBRA Election Form PS 140	X		X <sup>2</sup>			
Direct Pay for Health/Dental Benefits		X <sup>4</sup>				
Employee Exit Process DHS 2305A	X	X	X	X	X	
Conflict of Interest Form 730	X <sup>6</sup>		X <sup>6</sup>	X <sup>3</sup>	X	
Deceased Employee Worksheet PS 40						X
Written Request for LOA		X <sup>4</sup>				
Request for Medical/Family Leave DHS 2341		X <sup>7</sup>				

- 1 For transfers to another "Reporting Unit" only.
- 2 For Vision Services Plan (VSP) only.
- 3 Only when transferring from a designated position to a nondesignated position.
- 4 Regular LOA only.
- 5 Address Changes only - use STD 686
- 6 Completes "Leaving Office Statement".
- 7 For medical or family leaves of absence only.
- 8 PST Retirement Members Only.

Outstanding Salary Advance Collection Procedures for Separated Employees

**Based on State Administration Manual (SAM) 8776.6**

**1. Locating Debtor**

The Accounting Section will request for the separated employee's last known address from the Human Resources Branch. If the address is unknown and cannot be obtained by the Human Resources Branch, the Accounting Section requests the address from the Department of Motor Vehicles by completing the Government Agency Request for Driver License/Identification (INF254).

**2. Collection Letters**

Once the address of the debtor is known, the Accounting Section will send a sequence of three collection letters at 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the accounting office will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters and will state the use of the Franchise Tax Board (FTB) for interagency intercept collections. The Non-employee collection letters 1,2, and 3 are located in G:\Acctg\Operations Support & Analysis\Service center - PH\Procedures Service center\Non employee Collection letters.

**3. Offset Procedures (See also SAM 8790)**

4. If no response is received from the employee after the three collection letters, the Accounting Section will pursue a tax offset with the State Franchise Tax Board. Please see Tax Offset Procedures at G:\Acctg\Operations Support & Analysis\Service center - PH\Procedures Service center\Tax Offset Procedure.docx

## REQUEST FOR MISCELLANEOUS REVOLVING FUND

Exhibit E  
Recommendation 2.1

- Email Travel Unit (include support documents) and mail originals to Accot.
- Allow Accounting at least five business days to process (plus mail time).

**Revolving Fund Check Needed By Date** (at least 5 business days after requested date)

TO: Accounting/Travel Unit (Staff Name)		Requested Date:	
Amount \$	Payable to (Vendor Name)	Vendor number -	<input type="checkbox"/> New Vendor STD 204 Attached
Program Name		<b>CALSTARS BILLING CODES</b>	
		FY	INDEX
		PCA	OBJECT
Object Code Listing (see Accounting Intranet)			
<input type="checkbox"/> Training/Conference registration fees <input type="checkbox"/> Postage <input type="checkbox"/> Relocation per diem <input type="checkbox"/> PO/SO number _____ <input type="checkbox"/> Professional/License/Subscription fees/dues <input type="checkbox"/> Discount Invoices <input type="checkbox"/> Prepayment required <input type="checkbox"/> Other: _____			
<i>Required attachments include, but not limited to: Training Request CDPH 2457 (Group Training Request CDPH 2457A), class/conference information/brochure with payment/refund policy, Purchase Order/Service Order, invoice or written information issued by the vendor that requires the advance payment or provides the discount offer, STD204, Authorization Relocation Expenses CDPH 1014, other relocation support documents, and other required written justification for the expenditures.</i>			
Reason for R/F: (must be completed; explain why payment can not be expedited through claim schedule process)			
Please complete the following: <input type="checkbox"/> Check will be picked up <input type="checkbox"/> Mail check to the following address			
I certify that the above request for Revolving Fund check is required as the vendor will not deliver merchandise/service prior to receiving payment.			
Requestor name:		Telephone number ( ) -	Address
Approver Name (Section Chief or Above):		<b>ACCOUNTING USE ONLY</b>	
Approver Signature:		Processed by: _____ Date: _____	Revolving Check Date
		Approved by: _____ Date: _____ (Travel Manager)	Revolving Check Number 076-

1CSTAR006 4265 (DEST: AI PHL2) PM, 0.0.0.2: \*\*\*\*\* 2(BYFOT) \*\*\*\*\* (ALL) GI(ALL) \*\*\*\*\* RUN:06/14/12 TIME:06:00  
 FISCAL MONTH: 11 MAY DEPARTMENT OF PUBLIC HEALTH DOCUMENT REPORT BY APPROPRIATION AS OF 05/31/12 Exhibit F

Recommendation 2.2

PAGE 28

REF: 501

WATER SYSTEM RELIABILITY ACCOUNT  
 0626-WATER SYSTEM RELIABILITY ACCOUNT  
 CLAIMS FILED

ENY	FUND	APPN	PROG/CAT	GLAN	SUBSIDIARY	DOC-SFX	FFY	C-OB-DTL-A0	SOURCE-AS	PCA	PROB-WP	DOC DATE	CR DATE	LP DATE	ADJUSTMENTS	LIQUIDATIONS	PAYMENTS	BALANCE
21125440	00	2010	000000									65,300.95						65,300.95
F	1	501										12-16-2011	12-19-2011	12-19-2011		0.00	0.00	
21135370	00	2011	000000									112,014.76					112,014.76	0.00
F	1	501										02-14-2012	02-15-2012	04-03-2012				
21142330	00	2011	000000									23,114.43					23,114.43	0.00
F	1	501										03-20-2012	03-21-2012	05-02-2012				
21143180	00	2011	000000									55,140.37					55,140.37	0.00
F	1	501										03-22-2012	03-23-2012	05-02-2012				
21143680	00	2011	000000									53,992.78					53,992.78	0.00
F	1	501										03-26-2012	03-27-2012	05-02-2012				
21145710	00	2011	000000									76,091.23					76,091.23	0.00
F	1	501										04-04-2012	04-05-2012	05-02-2012				
2114959A	00	2011	000000									59,221.12					59,221.12	0.00
F	1	501										04-25-2012	04-26-2012	06-04-2012				
21150920	00	2011	000000									197,914.05					197,914.05	0.00
F	1	501										04-25-2012	04-26-2012	06-04-2012				
21154710	00	2010	000000									60,367.16					60,367.16	0.00
F	1	501										04-30-2012	05-01-2012	06-04-2012				
21157000	00	2011	000000									728.46					728.46	0.00
F	1	501										05-17-2012	05-18-2012	05-18-2012				
0*	TOTAL SUBSIDIARY											62,040.35					62,040.35	0.00
0*	TOTAL GENERAL LEOSER 3020											765,925.66					765,925.66	0.00
0*	TOTAL SUBSIDIARY											637,855.90					637,855.90	128,068.76
0*	TOTAL GENERAL LEOSER 3020											637,855.90					637,855.90	128,068.76

\*\*\*\*\*  
 FUND: 0998 OFFICE REVOLVING FUND  
 FUND DTL: 1400 DUE FROM OTHER FUNDS OR APPROPRIATIONS  
 PLAN: \*\*\*\*\*  
 \*\*\*\*\*  
 DOC\_NO /SFX VENDOR\_NO /SFX VENDOR NAME SUBSIDIARY \*\*\*\*\*

FFY	INDEX	DOC_DATE	CR_DATE	LAST-PROC	DUE_DATE	CL_DATE	ORIGINAL	ADJUSTMENTS	LIQUIDATIONS	BALANCE
02186677	00	0000008753	00	OFFICE REVOLVING FUND CASHIER	100706		000100000			
11	5434	100629	100706	OFFICE REVOLVING FUND CASHIER	100706		40.80	0.00	0.00	40.80
02186677	00	0000008753	00	OFFICE REVOLVING FUND CASHIER	100714		40.80			
08	5414	090618	100609	OFFICE REVOLVING FUND CASHIER	100714		40.80	0.00	0.00	40.80
04024209	00	EM05080058	00	OFFICE REVOLVING FUND CASHIER	090508		600.00			
11	5752	081017	090508	OFFICE REVOLVING FUND CASHIER	090508		600.00	0.00	0.00	600.00
05048607	00	EM06090060	00	OFFICE REVOLVING FUND CASHIER	090924		4,460.60			
11	5744	090910	090923	OFFICE REVOLVING FUND CASHIER	090924		4,460.60	0.00	0.00	4,460.60
07606368	00	EM08080011	00	OFFICE REVOLVING FUND CASHIER	120221		155.30			
11	5744	120117	120118	OFFICE REVOLVING FUND CASHIER	120221		155.30	155.30	0.00	0.00
07618804	00	EM06080014	00	OFFICE REVOLVING FUND CASHIER	120221		404.80			
11	5754	120120	120123	OFFICE REVOLVING FUND CASHIER	120221		404.80	404.80	0.00	0.00
07622653	00	EA09072357	00	OFFICE REVOLVING FUND CASHIER	120221		496.00			
11	5743	120123	120124	OFFICE REVOLVING FUND CASHIER	120221		496.00	496.00	0.00	0.00
07626712	00	EA09071368	00	OFFICE REVOLVING FUND CASHIER	120221		1,500.96			
11	5742	120124	120125	OFFICE REVOLVING FUND CASHIER	120221		1,500.96	1,500.96	0.00	0.00
07632867	00	EA09070828	00	OFFICE REVOLVING FUND CASHIER	120207		850.21			
11	5510	120126	120127	OFFICE REVOLVING FUND CASHIER	120207		850.21	850.21	0.00	0.00
07636240	00	EA22100385	00	OFFICE REVOLVING FUND CASHIER	120207		655.58			
11	5730	120127	120130	OFFICE REVOLVING FUND CASHIER	120207		655.58	655.58	0.00	0.00
07640694	00	EA09071829	00	OFFICE REVOLVING FUND CASHIER	120207		461.00			
11	5635	120201	120201	OFFICE REVOLVING FUND CASHIER	120207		461.00	461.00	0.00	0.00
07647126	00	EM09100015	00	OFFICE REVOLVING FUND CASHIER	120207		710.10			
11	5752	120131	120202	OFFICE REVOLVING FUND CASHIER	120207		710.10	710.10	0.00	0.00
07651598	00	EA09072555	00	OFFICE REVOLVING FUND CASHIER	120207		200.00			
11	5753	120201	120202	OFFICE REVOLVING FUND CASHIER	120207		200.00	200.00	0.00	0.00
07665223	00	EM05080034	00	OFFICE REVOLVING FUND CASHIER	120209		2,247.34			
11	5754	120206	120207	OFFICE REVOLVING FUND CASHIER	120209		2,247.34	2,247.34	0.00	0.00
07668069	00	EM10080032	00	OFFICE REVOLVING FUND CASHIER	120210		1,128.52			
11	5776	120207	120208	OFFICE REVOLVING FUND CASHIER	120210		1,128.52	1,128.52	0.00	0.00
07672220	00	EA09072387	00	OFFICE REVOLVING FUND CASHIER	120221		110.65			
11	5774	120208	120210	OFFICE REVOLVING FUND CASHIER	120221		110.65	110.65	0.00	0.00
07680077	00	EM02100029	00	OFFICE REVOLVING FUND CASHIER	120221		450.00			
11	5742	120210	120213	OFFICE REVOLVING FUND CASHIER	120221		450.00	450.00	0.00	0.00
07686772	00	EM08080011	00	OFFICE REVOLVING FUND CASHIER	120214		19.00			
11	5744	120214	120215	OFFICE REVOLVING FUND CASHIER	120221		19.00	19.00	0.00	0.00
07689967	00	EA09072375	00	OFFICE REVOLVING FUND CASHIER	120216		460.39			
11	5743	120215	120216	OFFICE REVOLVING FUND CASHIER	120221		460.39	460.39	0.00	0.00

### **Cash State Refund Checks** **(Based on SAM Section 8041)**

- The Cash State Refund Request batches will come with checks and blue check foils.
- There should be at least one extra copy of the Cash State Refund Request Form; an original for the Payee and a copy for Accounting. Sometimes you will find two payees on the same request form, so you will need an original request and 2 copies. It is the Accounting Team's responsibility to provide all necessary copies..
- Make sure the Payee name and dollar amount on the check matches what is on the Request form. .
- Fill out the check information: check number, dollar amount, and date in the appropriate area on the request form (see attached request form for example).
- Check signer will ensure that all checks over \$15,000 have **two authorized signatures**. Checks over \$15,000 will be logged in the Countersign Check Log listing the check number, date signed, amount of the check and the authorized signer's name.
- Check distributor will verify that checks over \$15,000 have the second signature before distribution. The distributor will also verify the Countersign Check Log for accuracy.
- Checks are to be mailed unless otherwise noted on the Request Form.
- Send the original copy of the Request Form to the payee along with the check.
- Note on the CALSTARS Check Register the date the check was mailed.
- If the mailing address is different than what is printed on the check make sure to note the mailing address on the Check Register.

### **Request For Miscellaneous Revolving Fund Checks** **(Based on SAM Section 8041)**

- When request is received review and verify for signatures of approving managers.
- Check Signer will bring the Revolving Fund checks along with backup to Service Center.
- Check Signer will obtain second signature of authorized signers for all checks over \$15,000. Checks over \$15,000 will be logged with check number, date, amount and authorized check signer name.
- You will need to make sure the Payee Name and dollar amount from the Request Form matches what is on the check.
- Check distributor will verify that the second signature is obtained for all checks over \$15,000 before distribution. The distributor will also verify the Countersigner Check Log for accuracy.
- On the lower right-hand corner of the Request Form you will see an area to write the Revolving Check Number and Date of Check. If check matches information on Request Form fill-in this information.
- Revolving Fund Disbursement Vouchers will be included with checks. Original copy will be attached to the center of the Request for Miscellaneous Revolving Fund form (see attached sheet for example). Proof of Receipt of Check will be attached to the last two copies of the Disbursement Voucher and attached to the back of the check.
- You will find instructions to either mail or have an authorized runner pick up the check. If there are no instructions or if they are not clear, call the Accounting Team person requesting the check; they will need to contact the program to find out how they want the check processed.
- Once you have processed the check prepare to mail or put in Check Pick Up Box. Backup will need to be sent back to Accounting Team Person.
- **Only Authorized Runners are allowed to pick-up checks.** You will need to write the unit number and name of the requestor on a post-it and place on top of check; this way the authorized runner will know who to disburse the check to.
- Checks over \$15,000 will be logged in the Countersign Check Log listing the check number, date signed, amount of the check and the authorized signer's name.

**State Controller's Office  
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