

CITY OF OAKLAND



1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Auditor
Roland E. Smith
City Auditor

(510) 238-3378
FAX: (510) 238-7640
TDD: (510) 839-6451

December 6, 2000

Dr. Harry Edwards, Director
Office of Parks and Recreation
1520 Lakeside Drive
Oakland, CA 94612

RE: CITY AUDITOR'S REPORT ON THE CITY OF OAKLAND'S EARN YOUR BIKE PROGRAM

INTRODUCTION

This report provides the results of our limited scope review of the Earn Your Bike Program, which is one of the programs administered by the Youth At Risk Department in the City of Oakland Office of Parks and Recreation.

BACKGROUND

Since 1994, the City's Office of Parks and Recreation has conducted a children's bicycle safety program. This program provides children an opportunity to earn a bicycle and a bicycle helmet after completing a two-week program of bicycle safety instruction and community service. Bicycles come from the unclaimed lost or stolen property that has been impounded by the Oakland Police Department. Approximately 150 children per year participate in this program.

The Earn Your Bike Program is only one of the programs under an umbrella program called Community Outreach Program Alternative (COPA). Other programs under COPA include Lowrider Police Car, Lowrider Fire Chief Car, Santa's Christmas Bike Program, Cafe O' Lake, and COPA Baseball Team.

OBJECTIVES AND SCOPE

The objectives of our review were to determine the expenses applicable to the Earn Your Bike Program, and if these expenses were properly authorized and documented. The scope of our review covered the fiscal years 1997-1998 through 1999-2000. Our expense review primarily focused on non-payroll expense items more than \$500.

FINDINGS AND RECOMMENDATIONS

EARN YOUR BIKE PROGRAM EXPENSES ARE NOT SEPARATELY ACCOUNTED FOR

There are no separate accounting codes to identify expenses applicable only to the Earn Your Bike Program. Earn Your Bike Program expenses are recorded using accounting codes, which are also used for the accounting of all Youth At Risk Department expenses and COPA Program expenses.

Appendix 1 reports Earn Your Bike Program expenses based on our review and estimate of expenses, and information from the Program Director and Zone Manager.

RECOMMENDATION

Separate accounting codes should be established and used to account for expenses for the Earn Your Bike Program. Also, separate accounting codes should be used for other Youth at Risk Department expenses and Community Outreach Program Alternative (COPA) programs expense for which separate accountability is needed. Separate accounting codes would facilitate the identification and reporting of department and program expenses, which can be used for management analysis.

VENDOR INVOICES WERE NOT APPROVED FOR PAYMENT BY A HIGHER AUTHORITY LEVEL AND ONE INDIVIDUAL HAD CONTROL OVER THE TRANSACTION PROCESS

Vendor invoices were not approved for payment by a higher authority level in 14 out of 26 invoices reviewed. The individual who ordered and received the goods, also approved the vendor invoice for payment. The individual had control over the purchase, receipt and payment approval transactions process. There was no higher authority level review in any phase of the transaction process in these 14 instances.

RECOMMENDATION

There should be a separation of duties in the purchase, receipt and payment approval transactions cycle. No individual should have complete control in all transaction cycles. Also, there should be a higher authority level review in the purchase, receipt, and payment approval for goods and services.

ORIGINAL VENDOR INVOICES WERE NOT AVAILABLE

Original vendor invoices were not submitted to the Office of Parks and Recreation Accounting Department for payment in 8 out of 26 invoices reviewed. Instead, payments were made based on invoice copies. These invoice copies were stamped "Original Invoice Not Available" and signed by the accounts payable clerk. We found no duplicate payments made to vendors based on the original and copies of invoices for these 8 instances.

RECOMMENDATION

Payments to vendors should only be made based on original invoices. If an original invoice is not available, the invoice copy should be annotated with the reason why the original invoice is not available. Payments based only on original invoices reduce the opportunities for duplicate payments.

THE DEPARTMENT PURCHASE ORDER FORM AND PAYMENT REQUEST FORM WERE AUTHORIZED BY THE SAME PERSON

The Department Purchase Order form and Payment Request form were authorized by the same person in 5 out of 26 invoices reviewed. There was a lack of separation of duties between the purchasing and payment functions in these 5 instances.

RECOMMENDATION

There should be a separation of duties between individuals responsible for the purchasing and vendor payment functions. A proper separation of duties reduces the opportunities for irregularities to occur.

THE DEPARTMENT PURCHASE ORDER FORM LACKED AN AUTHORIZED SIGNATURE

The Department Purchase Order form lacked an authorized signature in 2 out of 26 invoices reviewed. The lack of an authorized signature for purchases may lead to inappropriate purchases.

RECOMMENDATION

All Department Purchase Order forms should be signed and dated by an authorized individual. This will ensure that purchases are properly authorized.

VENDOR INVOICES LACKED AN AUTHORIZING SIGNATURE FOR PAYMENT

Vendor invoices lacked an authorizing signature for payment in 4 out of 26 invoices reviewed. Vendor invoices were paid prior to review of the invoice for the propriety of goods and prices billed, and confirmation that the goods have been received satisfactorily.

RECOMMENDATION

All vendor invoices should be signed and dated for payment approval after review of the invoice for propriety and the goods have been received satisfactorily.

SUPPORTING DOCUMENTATION COULD NOT BE LOCATED FOR SOME EXPENSE TRANSACTIONS

There were 3 out of 29 expense transactions totaling \$1,859 for which we could not locate the supporting documentation. \$1,084 was paid to a local bike shop and \$775 was a journal entry expense for miscellaneous contract services.

RECOMMENDATION

Supporting documentation should be maintained on file for all expense transactions.

CONCLUSION

Our review did not disclose any irregularities in the Earn Your Bike Program expenses. However, we did disclose some deficiencies in the accounting codes and internal controls for the program which are discussed above. Implementation of our recommendations will improve the accounting and internal controls for this program.

The Earn Your Bike Program appears to be a beneficial program for the City's youth. Children who have participated in the program have learned about bicycle safety, the need to wear a bicycle helmet and community service. They learned the value of work, as well as earned their bicycle and helmet. Some of these children would possibly have sustained head injuries from riding without a helmet if they did not graduate from this program.

**CITY OF OAKLAND
EARN YOUR BIKE PROGRAM
STATEMENT OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998, 1999 AND 2000**

<u>Expenses</u>	<u>Year Ended June 30, 1998</u>	<u>Year Ended June 30, 1999</u>	<u>Year Ended June 30, 2000</u>	<u>Total</u>
Salary and benefits	\$ 18,293	\$ 38,102	\$ 50,684	\$ 107,079
Bike parts and supplies	-	4,921	919	5,840
Bike repair services	-	1,000	-	1,000
Bike storage	1,800	-	-	1,800
Tee shirts	603	1,044	1,460	3,107
Sport caps	-	275	-	275
General and community service program supplies	-	524	-	524
 Total expenses	 <u>\$ 20,696</u>	 <u>\$ 45,866</u>	 <u>\$ 53,063</u>	 <u>\$ 119,625</u>