



Board of Directors and Management
Marin General Services Authority

In planning and performing our audit of the financial statements of the Marin General Services Authority (MGSA) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered MGSA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MGSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MGSA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in MGSA's internal control to be a material weakness.

Taxi Cab Regulation Program

Condition: The Taxi Cab Regulation Program includes the collection of payments from the taxi companies and drivers. During the audit, we were informed that the head of the program meets with the payers, often individually, and collects payments. Payments are requested in the form of checks or money orders but could be offered in cash and MGSA's policy is that payments collected are delivered the day of collection to the MGSA office where a different staff member records the payments and sends them for deposit.

Potential of loss: Payments are subject to loss or theft.



Recommendation regarding payments from taxi cab companies:

Where payments can be anticipated, such as vehicle and taxi company permit fees, MGSA administrative staff will create invoices in the QuickBooks accounting system. Each month an invoice register and accounts receivable aging will be provided to the Executive Officer. In preparing bank deposits, administrative staff will record payments as received against accounts receivable. If adjustments to accounts receivable are required, such as for the retirement of a vehicle, administrative staff will obtain documentation directly from the taxi company corroborating that event.

Before the beginning of each month, the taxi program manager will provide a *list of scheduled permit expirations* for the upcoming month and provide it to the Executive Officer and Administrative Staff.

During the course of the month:

- (a) Administrative Staff will issue invoices to taxi companies for company and vehicle permits from the *list of scheduled permit expirations*. Invoices will indicate that payments are to be remitted only to MGSA offices at 555 Northgate Drive, San Rafael.
- (b) Administrative Staff will notify Program Administrator that money is received for vehicle or company permits.
- (c) Program Administrator will provide authorization for administrative staff to purchase specific permits.
- (d) Program Administrator will pick up permits at printer and issue to permit holder.

At month end, administrative staff will print a *transaction list by type* and an *accounts receivable aging report* as of current month end and for the prior month end and Executive Officer will:

- (a) Check that the *accounts receivable aging* as of prior month end agrees to the report received in the prior month (to ensure that there were not new postings dated in earlier periods).
- (b) Check that “adjustment” transactions included on the *transaction list by type* are properly supported.
- (c) Compare invoices included in the *transaction list by type* with the *list of scheduled permit expirations*. Inspect documentation related to invoices included in the *transaction list by type* that were not included in the *list of scheduled permit expirations*.
- (d) Compare “payments received” included in the *transaction list by type* to deposits posted to the County MERIT general ledger.

Management Response: Management has agreed to implement the procedures recommended above effective July 1, 2014.

Recommendation regarding taxi cab driver permit fees:

We recommend that management implement a policy that specifies certain dates and times that collections can take place and that collections can only take place at the MGSA office when two or more MGSA staff are present.

Management Response: Management agrees that the lack of segregation of duties is a weakness with respect to driver permit fees but believes that since driver permit fees are received haphazardly and are a relatively small portion of program revenue, that the cost of requiring two staff to process payments would exceed the risk of loss. Executive Officer will continue to provide a high-level review to validate the reasonableness of driver permit fees received and recorded.

Condition: We noted that checks to member jurisdictions related to the Abandoned Vehicle Abatement Program are processed by the County of Marin finance department, made out to the various jurisdictions, and mailed directly to the program manager's home office. The program manager then delivers to the various jurisdictions.

Potential of loss: Payments are at risk of misappropriation.

Recommendation: We recommend that management request that the County send payment directly to the jurisdictions, preferably using an electronic payment method.

Management Response: Management agreed to implement the recommendation effective July 1, 2014. Further, MGSA will contact jurisdiction to ensure payment was received.

Abandoned Vehicle Abatement (AVA) Program

Condition: On a quarterly basis, amounts received from the State of California are distributed to the County of Marin and eleven municipalities within Marin County. Distributions are based on the population, geography and number of abatements for each municipality. The program manager calculated the distribution amounts without a secondary review.

Potential of loss: An incorrect amount may be distributed to the municipalities.

Recommendation: We recommend that another employee review the AVA distribution calculations, including vehicle abatement counts claimed before money is transferred to the municipalities. Documentation of the review should be retained.

Management Response: Management agreed to implement the recommendation.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in MGSA's internal control to be significant deficiencies:

Condition: We noted that checks to member jurisdictions related to the Abandoned Vehicle Abatement Program are processed by the County of Marin finance department, made out to the various jurisdictions, and mailed directly to the program manager's home office. The program manager then delivers to the various jurisdictions.

Potential of loss: Payments are at risk of misappropriation.

Recommendation: We recommend that management request that the County send payment directly to the jurisdictions, preferably using an electronic payment method.

Management Response: Management agreed to implement the recommendation effective July 1, 2014. Further, MGSA will contact jurisdiction to ensure payment was received.

This communication is intended solely for the information and use of management and the board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Maher Accountancy

December 1, 2014