

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
December 13, 2016  
“*Communications Received and Filed*” Item

To: Board of Supervisors  
From: Department of Finance  
Subject: Department Of Human Assistance Immediate Need Checking Account Review  
For The Period Of March 1, 2016 Through June 30, 2016  
Supervisory District: All  
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

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**RECOMMENDATION**

Receive and file the attached agreed upon procedures report, *Department Of Human Assistance Immediate Need Checking Account Review For The Period Of March 1, 2016 Through June 30, 2016*

Respectively submitted,

**Ben Lamera**  
Director of Finance

Attachment 1, Department of Human Assistance Immediate Need Checking Account Review  
for the Period of March 1, 2016 through June 30, 2016

**COUNTY OF SACRAMENTO  
INTERNAL SERVICES  
DEPARTMENT OF FINANCE  
AUDITOR-CONTROLLER**

*Intra-Departmental Correspondence*

October 31, 2016

To: Ben Lamera  
Director of Finance

From: Alan A. Matré, C.P.A.  
Chief of Audits



Subject: **SACRAMENTO COUNTY DEPARTMENT OF HUMAN ASSISTANCE  
IMMEDIATE NEED CHECKING ACCOUNT REVIEW FOR THE PERIOD  
OF MARCH 1, 2016 THROUGH JUNE 30, 2016**

We have performed the procedures enumerated below for the County of Sacramento, Department of Human Assistance (DHA). These procedures were performed solely to evaluate DHA's control procedures over the Immediate Need Checking Account for the period of March 1, 2016 through June 30, 2016. DHA's management is responsible for maintaining sufficient controls over the Immediate Need Checking Account. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and is not intended to pertain to any of DHA's other operations, procedures, or compliance with laws and regulations. The procedures we performed are summarized as follows:

- We reviewed DHA's controls over the Immediate Need Checking Account.

Finding: We noted exceptions with DHA's controls over the Immediate Need Checking Account, See Attachment I, *Findings and Recommendations*.

- We reviewed the bank reconciliation for the Immediate Need Checking Account.

Finding: We did not note any exceptions as a result of our procedures.

We were not engaged to, and did not, conduct an audit or examination, the objectives of which would be the expression of opinions on DHA's cash balances, financial schedules, compliance, or results of our procedures referred on the previous page. Accordingly, we do not express such

opinions. This report relates only to the review of DHA's controls over the Immediate Need Checking Account, and does not extend to DHA's operations as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

DHA's responses to the findings identified during our engagement are described in Attachment I, *Findings and Recommendations*. We did not perform procedures to validate DHA's responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Treasurer, and DHA's management. It is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachment I: *Findings and Recommendations*

cc: Sacramento County Board of Supervisors  
Assistant County Executive  
David Villanueva, Chief Deputy County Executive for Internal Services  
Paul Lake, Chief Deputy County Executive for Countywide Services  
Britt Ferguson, Chief Financial Officer, County Executive Office  
Ann Edwards, Director, DHA  
Peggy Marti, Assistant Treasurer, Department of Finance

COUNTY OF SACRAMENTO  
DEPARTMENT OF HUMAN ASSISTANCE  
IMMEDIATE NEED CHECKING ACCOUNT REVIEW  
FOR THE PERIOD OF MARCH 1, 2016 THROUGH JUNE 30, 2016

FINDINGS AND RECOMMENDATIONS

**1. Daily and Monthly Check Inventory Reconciliations**

Comment

Based on our review of the County of Sacramento (County), Department of Human Assistance's (DHA) daily and monthly check inventory reconciliations, we noted that during our visit to the Fulton location on June 15, 2016 that May 2016's blank check reconciliation was not completed. The last entry on the "Check Inventory Reconciliation" log was for May 18, 2016. Per DHA's Controlled Documents – Security and Reconciliation procedures, under the Daily Reconciliation section, "*authorized staff shall daily compare the logged issuances month-to-date with the number of controlled documents remaining in the safe*", and under the Monthly Reconciliation section, "*Following the last issuance day of each month assigned staff shall prepare an SC 357 for each controlled document type in inventory.*"

In addition, we noted that the "Check Inventory Reconciliation" log does not have a section to input the physical inventory count of the check inventory stock on hand. As such, the Fulton location was not following DHA's procedures to perform daily and monthly check inventory reconciliations. In addition, misappropriation of check inventory stock could occur without management's knowledge and not be detected in a timely manner.

We further noted at the Fulton location the "Check Inventory Reconciliation" log does not have a section for the individual performing the check inventory stock count to sign and date attesting to the checks on hand. By not signing and dating the "Check Inventory Reconciliation" log, proper supporting documentation was not maintained to show that a physical check inventory stock count was performed by DHA staff.

Recommendation

We recommend DHA staff follow procedures and perform daily and monthly reconciliations in a timely manner, including the physical inventory count. We further recommend that these logs be completed, signed, and dated by the individual performing the check inventory count and reconciliations.

DHA's Response

DHA agrees with this finding and recommendation. Staff has been instructed to utilize the "standard and approved" version of the Check Reconciliation form and to not utilize any on-line substitute versions of this form. The form has been updated to include a space to record the physical count of check stock at the beginning and end of each shift. Staff has further been instructed to perform a physical count on a daily basis and to attest to the count daily by entering his/her initials.

COUNTY OF SACRAMENTO  
DEPARTMENT OF HUMAN ASSISTANCE  
IMMEDIATE NEED CHECKING ACCOUNT REVIEW  
FOR THE PERIOD OF MARCH 1, 2016 THROUGH JUNE 30, 2016

FINDINGS AND RECOMMENDATIONS

2. **Immediate Need Policies and Procedures**

Comment

Based on our review of DHA's Immediate Need Checking Account, DHA has established positive pay for its checks issued through the Immediate Need Checking Account. As such, DHA's CDS 09 Cash Grants, and Procedure for Printing CDS 09 Checks should be updated to reflect the positive pay feature that has been implemented. We further noted that there is a check amount limit of \$750.00 per check on DHA's CDS 09 Cash Grants, and Procedure for Printing CDS 09 Checks. As such, multiple checks were issued to one recipient when the amount granted was more than \$750.00. Since DHA has implemented the positive pay feature for its Immediate Need Checking Account, the \$750.00 per check limit should no longer be implemented in order to reduce the number of checks issued. By not updating policies and procedures to reflect current practice, outdated policies and procedures can weaken DHA's internal control over issuing checks by creating confusion and inconsistency.

Recommendation

We recommend DHA update its policy and procedures to reflect current practice. We further recommend the \$750.00 limit per check practice cease and start issuing the full amount the recipient is granted per check. We also recommend DHA establish an appropriate limit for immediate need checks that would be in accordance with the California Welfare and Institutions Code (WIC) Section 11266.

DHA's Response

DHA agrees with the recommendation to update the policy and procedures. A new procedure is being drafted which more clearly articulates the purpose of the account, what types of issuances are acceptable from this account, and under what circumstances. The term "immediate need" will be removed from the account name and replaced with a term which more appropriately describes the account.

DHA agrees with the recommendation to increase the \$750 limit per check. Based on a historical review of issuances from this account, DHA will implement an increase to a maximum payment threshold of \$2,500.00 per issuance.

Additionally, DHA would like to clarify all WIC 11266 "immediate need" issuances are dispensed via Electronic Benefit Transfer (EBT), not from the checking account which was reviewed.

COUNTY OF SACRAMENTO  
DEPARTMENT OF HUMAN ASSISTANCE  
IMMEDIATE NEED CHECKING ACCOUNT REVIEW  
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FINDINGS AND RECOMMENDATIONS

**3. Special Needs Issued Through Immediate Need Account**

Comment

Per the California WIC Section 11266, subdivision (d)(1), “*The county may deny an immediate advance payment if the applicant's only immediate need is homelessness and this need will be met by issuance of nonrecurring special needs payment in accordance with subdivision (f) of Section 11450*”.

Based on our review of DHA’s immediate need account, we noted that a total of \$547,408.23 out of a total of \$617,021.27 checks issued from the Immediate Need Checking Account from March 2016 to May 2016 were for special needs and not immediate need. As such, DHA issued checks from its Immediate Need Checking Account that were not in accordance with WIC Section 11266.

We did not confirm the remaining \$69,613.04 of \$617,021.27 was for immediate need.

Recommendation

We recommend DHA issue checks from its Immediate Need Checking Account for immediate need only. We further recommend if DHA needs to issue special needs checks on the same day, DHA should establish a separate checking account for special needs only. Any other California Work Opportunity and Responsibility to Kids Information Network (CalWIN) payments that are not considered to be immediate need or special needs should be issued through the normal check process.

DHA’s Response

DHA agrees with the recommendation related to the issuance of checks. The account is intended for circumstances where a same day payment is required, and as stated in the response to Finding 2, will be more clearly articulated in the new DHA procedure.

Immediate need payments as defined by WIC 11266 are paid via EBT and not paid from this account. Therefore, the establishment of a second account is not needed.