

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
October 17, 2017
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Carmichael Recreation And Park District Cash Handling Review, For The Month
Of March 2016

Supervisory
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

DISCUSSION

As per Government Code Section 27000, Department of Finance is responsible for safekeeping of moneys throughout the County. As such, periodic cash control reviews are conducted at departments and dependent districts where moneys are received or handled. Carmichael Recreation and Park District (District) is a County dependent district. The District receives payments in the form of cash, check and credit cards for various services provided, such as recreational classes and facility rentals.

Finance performed an agreed-upon procedures (AUP) review of the District’s cash handling controls. The Auditor randomly selected the month of March 2016 to perform the AUP described in the attached AUP report. The results of the AUP, Auditor’s recommendations, and the District’s responses are included in the attached AUP report.

Respectfully submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Carmichael Recreation and Park District Cash Handling Review - March 2016



County of Sacramento

Intra-Office Memorandum

July 5, 2017

To: Ben Lamera
Director of Finance

From: Hong Lun (Andy) Yu, C.P.A.
Audit Manager

A handwritten signature in black ink, appearing to read "Andy Yu" with a stylized flourish at the end.

Subject: **CARMICHAEL RECREATION AND PARK DISTRICT CASH HANDLING
REVIEW – FOR THE MONTH OF MARCH 2016**

We have performed the procedures enumerated below, which were agreed to by you, for the County of Sacramento (County), Carmichael Recreation and Park District (CRPD). These procedures were performed solely to evaluate CRPD's cash handling control procedures for the month of March 2016. CRPD's management is responsible for maintaining sufficient cash handling controls for its district. 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 CRPD's other operations, procedures, or compliance with laws and regulations. The procedures we performed for CRPD are summarized as follows:

- We reviewed CRPD's cash handling procedures.

Finding: We noted concerns related to CRPD's cash handling procedures. See Attachment III, *Current Findings and Recommendations*.

- We reconciled daily deposits to the amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).

Finding: We reconciled the daily deposits to the amounts reported in COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted*.

- We reconciled imprest cash to the authorized amounts reported in COMPASS.

Finding: The imprest cash was not reconciled to the authorized amount reported in COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted* and Attachment III, *Current Findings and Recommendations*.

- We determined the current status of findings and recommendations reported on CRPD's cash handling review report for the month of March 2014, dated May 16, 2014.

Finding: The current status of prior findings and recommendations for CRPD is at Attachment II, *Current Status of Prior Findings and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on CRPD's cash balances, financial schedules, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. This report relates only to the review of CRPD's cash handling procedures, and does not extend to CRPD'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.

CRPD's response to the findings identified during our engagement is described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate CRPD's response to the findings and, accordingly, we do not express an opinion on the response to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, County Treasurer, and CRPD's Advisory Board of Supervisors and 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.

Attachments

Attachment I: *Summary of Deposits and Imprest Cash Counted*

Attachment II: *Current Status of Prior Findings and Recommendations*

Attachment III: *Current Findings and Recommendations*

cc: Members, Sacramento County Board of Supervisors
Members, CRPD Advisory Board of Directors
Tarry Smith, District Administrator, CRPD
Nancy Newton, Assistant County Executive, County Executive Office
David Villanueva, Deputy County Executive, County Executive Office
Britt Ferguson, Chief Financial Officer, County Office of Budget and Debt Management
Peggy Marti, Assistant Treasurer, County Treasury
Ingrid Penney, Administrative Services Manager, CRPD

Carmichael Recreation and Park District
Cash Handling Review
Summary of Deposits and Imprest Cash Counted
For the Month of March 2016

DEPOSITS

<u>Deposit Permit Number</u> ⁽¹⁾	<u>Deposit Posting Date</u>	<u>Amount Received by District</u>	<u>Amount Posted by Treasury</u> ⁽³⁾	<u>Variance</u>
1300596083	April 28, 2016 ⁽²⁾	\$ 45,625.59	45,625.59	-0-

IMPREST CASH

<u>Cash Type</u>	<u>Date Counted</u>	<u>Amount Counted</u>	<u>Authorized Amount</u>	<u>Variance</u>
Petty Cash	March 25, 2016	\$ 500.10	500.00	0.10 ⁽⁴⁾
Total		<u>\$ 500.10</u>	<u>500.00</u>	<u>0.10</u>

- ⁽¹⁾ The single deposit consists of cash, checks, and credit card payments received from March 14, 2016 through March 30, 2016. We only reviewed \$3,126.48 of receipts received at the time of our visit on March 25, 2016 of the \$45,625.59 deposit amount.
- ⁽²⁾ Deposits were received by Carmichael Recreation and Park District (CRPD) in March 2016 and were deposited to Sacramento County Treasury (County Treasury) in April 2016. See Finding Number 4 in Attachment III, *Current Findings and Recommendations*.
- ⁽³⁾ Daily receipts were agreed to amounts reported in the Sacramento County Financial System (a.k.a. COMPASS).
- ⁽⁴⁾ Difference between petty cash counted and the authorized amount reported in COMPASS. See Finding Number 8 in Attachment III, *Current Findings and Recommendations*.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014**

1. Unaccounted Cash at La Sierra Community Center

Prior Comment

During our inspection of the Carmichael Recreation and Park District (CRPD)'s safes, we noted unaccounted cash in the amount of \$10.50 was placed in the safe located at La Sierra Community Center. CRPD's management and staff were not able to explain the purpose or the source of this cash amount.

Prior Recommendation

We recommended CRPD conducted periodic unannounced cash counts to ensure all cash on hand was properly accounted for, and to detect and investigate any discrepancy or missing cash.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has been implemented.

2. Deficiency in Mail/Drop Box Receipt Handling Process

Prior Comment

According to CRPD's Cash Handling Policy, *"Dual custody is required for the opening of mail and drop boxes. All cash items in the mail/drop box at the time of opening must be logged and both employees must sign the log.....Mail/drop box shall be part of the daily paperwork and maintained as part of the audit trail for all transactions."* However, during our review of CRPD's mail/drop box receipt process, we noted that the same cashier who opened payments from mail/drop box input the payments into CRPD's cashiering system (RecPro) to process the payments and no separate log for mail/drop-box payment log was prepared. This lack in separation of duties could lead to occurrences of misappropriation without being detected.

Prior Recommendation

We recommended CRPD maintained a separation of duties in cash handling by implementing CRPD's cash handling policies and procedures.

Prior Management Response

No response from CRPD's management.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

Current Status

It appears our prior recommendation has not been implemented. See Finding Number 7 in Attachment III, *Current Findings and Recommendations*.

3. Deficiency in Physical Security Over Safes

Prior Comment

There were two safes in the La Sierra Community Center and one safe in the District Office. The La Sierra Community Center safe could be accessed by unauthorized persons. In addition, the safe's cabinet door lock was broken at the District Office. These deficiencies in physical security could result in potential theft or threat to employee safety.

Prior Recommendation

We recommended CRPD improve physical security over cash by placing safe in the locked secure area where it cannot be accessed or viewed by any person who is not authorized to use the safe to reduce the risk of theft and to eliminate any potential threat to employee safety.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has been implemented.

4. External Bank Accounts

Prior Comment

During our review, we noted that CRPD maintained three bank accounts with Wells Fargo Bank: Basic Business Checking Public Funds Account 1 (Business Checking Account) used for credit card receipts, Business Market Rate Public Funds Account (Market Rate Account) for checks and cash receipts, and Basic Business Checking Public Funds Account 2 (Petty Cash Account) for petty cash. County of Sacramento (County) policies and procedures require the Director of Finance to approve any external bank accounts. However, the three external bank accounts described above were not approved by the County Director of Finance.

Prior Recommendation

All external bank accounts should be approved by the Director of Finance, or these accounts should be closed and the funds should be deposited to the County Treasury.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has not been implemented. See Finding Number 5 in Attachment III, *Current Findings and Recommendations*.

5. Time Delay for Transferring Funds to and Negative Cash in Treasury

Prior Comment

As described in the Finding Number 4, CRPD maintained accounts with Wells Fargo Bank to facilitate deposit of cash collections and credit card activity. CRPD transferred the funds from the Wells Fargo Bank to the County Treasury once a month except for April (twice) during fiscal year 2013-14. Deposit to County Treasury once a month is considered untimely. Due to this delay in deposit to the County Treasury, CRPD often maintained negative average cash balance in the County Treasury. CRPD's average cash balance in County Treasury for the quarter ended March 31, 2014 was negative \$233,757.

Holding funds in CRPD's bank accounts resulted in a negative average cash balance of CRPD's cash in County Treasury costing CRPD interest expense; therefore, inefficient cash management.

In addition, as a result of the untimely deposit to the County Treasury, CRPD's revenues are not recorded in the County general ledger system (a.k.a. COMPASS) in a timely manner.

Prior Recommendation

We recommended CRPD transferred its funds from Wells Fargo Bank to the County Treasury at a minimum once a week to avoid negative cash balance in the County Treasury account, managed cash more efficiently and maintained accurate financial data in COMPASS.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has not been implemented. See Finding Number 4 in Attachment III, *Current Findings and Recommendations*.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

6. Check Signing Process

Prior Comment

CRPD's Administrative Services Manager had custody of CRPD's checks for the bank accounts described in the Finding Number 4 and was the only check signer for CRPD. Also, although checks were reviewed and bank reconciliations were performed by other staff, CRPD's checks were signed and issued without prior approval from higher level official in a consistent and systemic manner. In addition, CRPD did not have any back-up check signer in the absence of CRPD's Administrative Services Manager.

Prior Recommendation

The person who signed and authorized checks for disbursement should be different from the person who had custody of the check books.

We recommended CRPD had three authorized check signers at a minimum including two officials from CRPD and Director of Finance of the County so that in the absence of the primary check signer, the critical day to day business operation was uninterrupted. We also recommended CRPD required two signatures for check issuance in order to maintain proper check and balance system in the check issuing process.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our recommendation has been partially implemented. See Finding Number 5 in Attachment III, *Current Findings and Recommendations*.

7. General Ledger Posting Error

Prior Comment

Although CRPD had the ability to park and view Deposit Permits (DP) in COMPASS, CRPD provided manually prepared DP for the County Treasury to process when depositing cash. When a deposit was made to the Treasury, a Treasury staff parked the DP and another Treasury staff reviewed and posted the DP in COMPASS. Once the DP was posted, the County Treasury sent out DP COMPASS document to CRPD. Then, CRPD compared the COMPASS document to the manual DP prepared by CRPD's bookkeeper to verify the accuracy.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

However, during our review of DP posting to COMPASS system, we noted several errors on one of the two DP for March revenue deposit to the County Treasury. These errors were not detected until three weeks after the DP posting as a result of this cash review. CRPD's staff stated that the errors were not detected and corrected because CRPD did not reconcile the DP posted by Treasury staff to the one manually prepared by CRPD's bookkeeper yet as CRPD did not receive the DP COMPASS document from the County Treasury. We reviewed additional DP COMPASS postings and noted no errors.

Prior Recommendation

We recommended CRPD reconciled the DP COMPASS document to the manual DP prepared by CRPD in a timely manner by accessing COMPASS for viewing the document or requesting the COMPASS reports from the Treasury.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our recommendation has not been implemented. See Finding Number 6 in Attachment III, *Current Findings and Recommendations*.

8. Evaluation and Implementation of Internal Control Policies and Procedures

Prior Comment

CRPD no longer utilized a change fund for cash drawers and no longer operated a snack bar. However, CRPD's Cash Handling Policy was not updated to reflect these changes. In addition, CRPD's policy regarding dual custody of handling mail/drop box receipts were not properly implemented. Also, see Finding Number 2.

Outdated policies could weaken CRPD's internal control over cash handling by creating confusion and inconsistency. Not implementing and enforcing CRPD's policy regarding handling of mail/drop box receipts could lead to occurrences of misappropriation without being detected in a timely manner.

Prior Recommendation

We recommended CRPD's management evaluate the Cash Handling Policy periodically and update the policy as necessary in a timely manner. Also, see our recommendation for Finding Number 2.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has not been implemented. See Finding Number 1 in Attachment III, *Current Findings and Recommendations*.

9. Petty Cash Management Deficiency

Prior Comment

As mentioned in the Finding Number 4, CRPD maintained \$500 imprest cash in the Wells Fargo Bank to be used as Petty cash. The petty cash was used for CRPD's supply expenses. CRPD's employees used personal funds to purchase supplies for CRPD with prior approval and get reimbursed for the purchases made after receipts were provided and approved by a responsible manager. Based on our review of the petty cash check register, petty cash account bank statement, and receipts for purchases made with petty cash, we noted the following:

- Cash in the amount of \$17.01 was not deposited in the bank but maintained in the box containing petty cash purchase receipts which was placed in the locked overhang cabinet. CRPD's management was not able to explain the purpose and reason for the cash being maintained in the box. In addition, per CRPD's cash handling policy, "*Petty cash reimbursements will be made by check from the Imprest Cash Fund*".
- Running balance of petty cash amount was not consistently maintained in the petty cash check register.
- Bank reconciliation for petty cash account was improperly performed. A stale check outstanding in the amount of \$7.53 that had not been cancelled was not included as part of reconciling item resulting in overstating petty cash check book balance by that amount.

Inconsistent with CRPD's policy, petty cash maintained in CRPD's office rather than in the bank could create confusion tracking petty cash balance. Not maintaining petty cash running balance at all times or performing improper bank reconciliation could result in petty cash overage/shortage without being detected in a timely manner.

Carmichael Recreation and Park District
Cash Handling Review
Current Status of Prior Findings and Recommendations
For the Month of March 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
MARCH 2014, DATED MAY 16, 2014 (CONTINUED)**

Prior Recommendation

We recommended CRPD follow its petty cash policy and keep a running balance at all times for better tracking purposes. When reconciling the bank statement, CRPD should include any staled checks that had not been cancelled as outstanding checks. In addition, CRPD should consider cancelling stale checks outstanding over six months and reissue the check if necessary.

Prior Management Response

No response from CRPD's management.

Current Status

It appears our prior recommendation has not been implemented. See Finding Number 8 in Attachment III, *Current Findings and Recommendations*.

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

1. Cash Handling Procedures

Comment

At the time of our visit to Carmichael Recreation and Park District (CRPD) on March 25, 2016, we noted that CRPD did not update its cash handling manual to reflect current practices. In addition, the cash handling manual has not been adopted by CRPD's Advisory Board of Directors (Board).

CRPD should update, maintain, and implement Board adopted cash handling policies and procedures. Lack of updated cash handling policies and procedures can lead to inconsistency and confusion among staff, and has led to cash handling internal control deficiencies identified in Finding Numbers 3 through 8 of this attachment.

Recommendation

We recommend CRPD adopt, update, maintain, and enforce cash handling policies and procedures.

CRPD's Management Response

CRPD developed draft internal administrative policies and procedures which have not been adopted by the Advisory Board. These policies and procedures were written to identify task and assignments which could strengthen internal control. CRPD agrees to update the Cash Handling Procedures to adjust to present staffing levels.

2. Countywide Cash Questionnaire

Comment

Each fiscal year, CRPD is required to submit to the County of Sacramento (County) Department of Finance (DOF) a Countywide Cash Questionnaire (Questionnaire). The purpose of the questionnaire is to summarize a department/district's cash activities, outstanding discrepancies and internal controls. DOF requires all County departments and special districts to complete the Questionnaire and submit it to DOF in a timely manner in the first quarter of each fiscal year.

At the time of our visit on March 25, 2016, we noted CRPD did not complete nor submit the Questionnaire for two consecutive fiscal years (fiscal years 2014-15 and 2015-16). In addition, the fiscal year 2016-17 questionnaire was sent to CRPD on October 27, 2016 for completion with a deadline of November 15, 2016. Follow-up correspondence was sent to CRPD on November 16, 2016, December 2, 2016, January 11, 2017, January 26, 2017, and February 10, 2017; the fiscal year 2016-17 Questionnaire was provided to DOF on February 27, 2017.

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

Untimely submission of the Questionnaire can lead to discrepancies and significant cash handling internal control deficiencies that cannot be identified and addressed by DOF and CRPD in a timely manner.

Recommendation

We recommend CRPD ensure that it submits Questionnaires to DOF in a timely manner.

CRPD's Management Response

CRPD agrees to ensure timely response to the Countywide Cash Questionnaire.

3. Access to Safe (La Sierra Community Center)

Comment

At the time of our visit on March 25, 2016, we noted one of the two safes at the La Sierra Community Center could be opened by only one individual. By granting access to only one individual, theft or misappropriation of funds within the safe could occur and not be detected by management in a timely manner; and the safe is not accessible if needed when the one individual is absent.

Recommendation

We recommend CRPD grant access to its safe to a back-up individual and have at least two individuals present when removing funds from the safe.

CRPD's Management Response

CRPD continues to provide physical security over safes as previously recommended. The safe at the La Sierra Community Center referenced in the review that could only be opened by one individual is not being used. It has not been used in the last four to five years. Access is and has been granted to a back-up individual for each safe in operation. Dual custody of cash is not always possible due to limited staff and work schedules.

4. Time Delay for Transferring Funds to and Negative Cash in Treasury

Comment

CRPD maintains three bank accounts with Wells Fargo Bank to manage its petty cash, cash collection and credit card activities. At the time of our visit on March 25, 2016, we noted CRPD makes transfers approximately every three weeks from its Wells Fargo Bank accounts to the County Treasury. Per Sacramento County Code, Sacramento County Charter, Article VIII. County Officers Other than Supervisors, Sec. 39. Payment of Fees into County Treasury (Sacramento County Code), *“Every county or township officer, board or commission, authorized to collect fees or money must pay into the county treasury all such fees or moneys collected by him or them, as the case may be, not later than seven (7) days*

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

following receipt thereof, except that the Tax Collector shall deposit his collection with the County Treasurer daily. Said officer, board or commission shall also file therewith a detailed statement of same in writing, a duplicate copy of which shall at the same time be filed with the Auditor, in such form as the Auditor may require.” As such, CRPD’s transfers from its external bank account to the County Treasury did not comply with the Sacramento County Code.

As a result of untimely transfers, we also noted CRPD maintained a negative average cash balance in the County Treasury for the quarter ending March 31, 2016, in the amount of negative \$212,084.74. As of the quarter ending March 31, 2017, CRPD continued to maintain a negative average cash balance in the County Treasury in the amount of negative \$119,844.44.

By maintaining a negative average cash balance in the County Treasury, CRPD is incurring unnecessary interest expenses and practicing inefficient cash management.

Recommendation

We recommend CRPD ensure timely transfers from its Wells Fargo Bank accounts to the County Treasury within seven days per Sacramento County Code. We also recommend CRPD maintain a positive average cash balance in the County Treasury.

CRPD’s Management Response

For most of the year, CRPD has a negative cash balance with the Treasury due to allocation of property taxes, representing more than a third of the CRPD’s income, being split between January and May of each year. CRPD makes regular and periodic transfers to the County Treasury depending on deposit timing/activity and bank reconciliations.

CRPD will explore options to ensure timely transfers of receipts within seven days to the County Treasury.

5. External Bank Account

Comment

As stated in Finding Number 4, CRPD maintains external bank accounts with Wells Fargo Bank. At the time of our visit on March 25, 2016, we noted the external bank accounts were not approved by the County Director of Finance. County policy and procedures require the County Director of Finance to approve any external bank accounts.

We also noted that CRPD requires one signer for check issuances at the time of our visit on March 25, 2016. Proper internal controls indicate two signatures be required for the issuance

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

of checks. Requiring two signatures for issuing checks will help CRPD to maintain proper checks and balances and mitigate theft or misappropriation of funds.

Recommendation

We recommend CRPD either ensures that its external bank accounts are approved by the Director of Finance or close the accounts and deposit the funds in the County Treasury. We also recommend CRPD require two signatures for issuing checks.

CRPD's Management Response

CRPD has had external bank accounts (used as holding accounts and for petty cash) since its inception in 1945. CRPD has used the same bank since 1967, (Wells Fargo). CRPD will follow up with the current Director of Finance to request approval for the external accounts or close the accounts and deposit the funds in the County Treasury. The recommendation to require two signatures is not always practical and ultimately moot if the accounts are closed and receipts are deposited directly in the County Treasury.

6. Deposit and Bank Reconciliations

Comment

As stated in Finding Number 4, CRPD transfers money from its Wells Fargo Bank accounts to the County Treasury. Bank reconciliations are performed on CRPD's Wells Fargo Bank accounts each month in order to calculate its monthly revenues. When the monthly revenues have been determined, a transfer check is written and deposited to the County Treasury. A manual Deposit Permit (DP) transmittal is completed by CRPD, and the County Treasury will park and post the DP on CRPD's behalf. CRPD has access park, post, and view its deposits in the Sacramento County Financial System (a.k.a. COMPASS).

As of our visit on March 25, 2016, we noted the following concerns:

- I. CRPD incorrectly calculated its March revenues. CRPD determined its credit card revenues based on the day they were deposited into its Wells Fargo Bank accounts instead of the day they were posted in RecPro, CRPD's registration system. As a result, some of March's receipts were not recorded in COMPASS.
- II. We noted a \$1.00 variance from the bank deposit and RecPro's cash receipts that was not noted during CRPD's March bank reconciliation. In addition, there was an overage of \$24.29 variance from CRPD's deposit amount and RecPro's receipts for March 2016. The \$20.00 variance was from a credit card activity that cleared the bank, but not recorded in RecPro or in COMPASS for February's transfer. We were informed the \$4.29 variance could not be located.

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

- III. CRPD did not request DP numbers from the County Treasury for its deposits. As such, CRPD did not reconcile its County Treasury deposits to the amounts posted in COMPASS.

Revenues to be transferred to the County Treasury should be calculated based on the date they are received from customers, not the date they were posted to its Wells Fargo Bank accounts. The monthly revenues should agree to the amount being transferred to the County Treasury, and any differences should be researched and resolved in a timely manner. By calculating and transferring the incorrect amounts to the County Treasury, CRPD is underreporting its revenues in COMPASS.

CRPD should reconcile its deposits to the amounts posted in COMPASS, and any differences should be researched and resolved in a timely manner. By not reconciling its deposits to COMPASS, CRPD's deposits could be subject to errors, theft, or misappropriation, and not be detected in a timely manner.

Recommendation

We recommend CRPD calculate its monthly revenues based on the date its revenues are posted to RecPro rather than the date they are posted to its external bank accounts. We also recommend CRPD ensure that its monthly revenues calculated agree to the amount being transferred to the County Treasury, and to research and resolve any differences in a timely manner. We further recommend CRPD request DP numbers for its deposits taken to the County Treasury and reconcile its deposits to the amount posted in COMPASS, and to research and resolve any differences in a timely manner. If a DP number is not received by CRPD within a reasonable amount of time from the County Treasury, CRPD should contact the County Treasury with due diligence to obtain the DP number.

CRPD's Management Response

CRPD has implemented the recommendation to calculate transfers to the County Treasury by the transaction posting date in RecPro. CRPD regularly reconciles revenues transferred to the County Treasury. CRPD agrees to investigate who in County Treasury can provide the DP numbers and request them if the number(s) is/are not received within a reasonable timeframe.

7. Lock Box and Mail Receipt Internal Control Deficiencies

Comment

At the time of our visit on March 25, 2016, we noted that CRPD accepts mail and lock box receipts at both its District Office and the La Sierra Community Center. During our review, we noted each location had one cashier open and process both lock box and mail receipts.

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

We also noted each location did not prepare a separate log for lock box and mail receipts. Therefore, CRPD could not reconcile its lock box or mail receipts.

By not logging or reconciling lock box and mail receipts and allowing one individual cashier to open and process lock box and mail receipts, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

CRPD should ensure proper separation of duties is implemented in its lock box and mail receipt processes. We recommend CRPD require two or more individuals be present when opening lock box and mail contents at both of its offices. We also recommend CRPD log lock box and mail receipts immediately upon receipt. We further recommend CRPD reconcile their lock box and mail receipt logs to its RecPro balance register reports and deposits to County Treasury in a timely manner.

CRPD's Management Response

CRPD has a small staff making it difficult to separate duties. There is only one cashier position (Secretary/Receptionist) in the La Sierra Office and a ½ time interim position (Secretary/Receptionist) and two full time positions (Payroll/Account Clerk and Bookkeeper) at the Carmichael Park Office. Frequently CRPD is left with one person at each office when someone is absent due to sick leave, vacation or other leave. CRPD agrees to log the lock box and mail receipts; reconcile to RecPro balance register and County Treasury in a timely manner.

8. Petty Cash Deficiencies

Comment

CRPD maintains its petty cash in both physical cash and a checking account, with an authorized aggregate amount of \$500.00 in COMPASS. At the time of our visit on March 25, 2016, we noted a \$0.10 difference between CRPD's petty cash counted and the amount authorized in COMPASS (see Attachment I, *Summary of Deposits and Imprest Cash Counted*). We also noted CRPD keeps a petty cash register and performs reconciliations for its checking account activity, but the physical cash and reimbursement amounts were not included in its petty cash register. By not keeping an accurate register or reconciling its petty cash, funds could be subject to theft or misappropriation and not be detected in a timely manner.

Recommendation

We recommend CRPD maintain an accurate petty cash register of all of its petty cash activities. We also recommend CRPD reconcile all of its petty cash to the amount authorized

Carmichael Recreation and Park District
Cash Handling Review
Current Findings and Recommendations
For the Month of March 2016

in COMPASS, and research and resolve any differences in a timely manner. We further recommend the \$0.10 overage be deposited to County Treasury.

CRPD's Management Response

CRPD deposited the \$.10 overage to the District Holding Account on November 9, 2016 and transferred to County Treasury on December 15, 2016 (DP # 1300618824). The running checking account balance is consistently maintained within the check register. The imprest cash total of cash, receipts, and checking accounting balance is \$500.

9. Repeat Findings

Comment

We noted that Findings 1, 4, 5, 6, 7, and 8 of this attachment are repeat findings from the prior cash handling review report, see Attachment II, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that these findings be resolved in a timely manner.

Recommendation

We recommend CRPD implement all recommendations that are noted in this attachment in a timely manner.

CRPD's Management Response

CRPD agrees to implement all the recommendations that are possible with its organizational structure. Many of the past and repeated findings are related to the challenge of having a limited staff.

Again, we understand and appreciate the County's role to point out potential issues and recommend improvements to our cash handling procedures. We are available to discuss any of the comments, recommendations, or CRPD responses.