

**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: Sunrise Recreation And Park District Cash Handling Review, For The Month Of July 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. Sunrise 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 July 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 - Sunrise Recreation and Park District Cash Handling Review - July 2016



County of Sacramento

Intra-Office Memorandum

August 4, 2017

To: Ben Lamera
Director of Finance

A handwritten signature in black ink, appearing to be "JL" or similar initials.

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

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

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

- We reviewed SRPD's cash handling procedures.

Finding: We noted several concerns. See Attachment III, *Current Findings and Recommendations*.

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

Finding: The daily deposits and cash on hand were reconciled to COMPASS without exception. See Attachment I, *Summary of Deposits and Imprest Cash Counted*.

- We reconciled imprest cash on hand to the authorized amounts posted in COMPASS.

Finding: Imprest cash on hand agreed to the approved COMPASS amount of \$1,000. See Attachment I, *Summary of Deposits and Imprest Cash Counted*.

- We determined the current status of prior findings and recommendations reported on SRPD's cash handling follow-up review report for the period June through September 2014, dated November 14, 2014.

Finding: The current status of prior findings and recommendations for SRPD 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 SRPD'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 SRPD's cash handling procedures, and does not extend to SRPD'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.

SRPD's response to the findings identified during our engagement is described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate SRPD'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, Sacramento County Treasurer, SRPD's Advisory Board of Directors, and SRPD'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.

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, Board of Supervisors
Members, Advisory Board of Directors, Sunrise Recreation and Park District
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive
Robert Leonard, Deputy County Executive
Britt Ferguson, Chief Financial Officer, County Executive Office
Peggy Marti, Assistant Treasurer, County Treasury
Dave Mitchell, District Administrator, Sunrise Recreation and Park District
Lee Hollingsworth, Administrative Services Manager, Sunrise Recreation and Park District

COUNTY OF SACRAMENTO
SUNRISE RECREATION AND PARK DISTRICT
CASH HANDLING REVIEW
SUMMARY OF DEPOSITS AND IMPREST CASH COUNTED
JULY 2016

DEPOSITS

Deposit Permit Number	Deposit Date	Amount Tested	Amount Posted by SRPD ⁽¹⁾	Amount Posted by Treasury ⁽²⁾	Variance
1300604774	07/25/2016	\$ 199.00	199.00	199.00	0.00
1300604776	07/26/2016	328.00	328.00	328.00	0.00
1300604777	07/26/2016	170.00	170.00	170.00	0.00
1300604778	07/27/2016	265.00	265.00	265.00	0.00
1300605384	07/29/2016	256.10	957.00	957.00	0.00
1300605386	07/29/2016	1,266.00	4,107.25	4,107.25	0.00
1300605388	07/29/2016	1,997.00	5,494.00	5,494.00	0.00

IMPREST CASH

Imprest Cash Location	Date Counted	Imprest Cash Counted	Authorized Amount	Variance
District Office Change Fund	7/21/2016	\$ 100.00	100.00	0.00
District Office Petty Cash	7/21/2016	400.00	400.00	0.00
Rusch Park Pool Change Fund	7/26/2016	150.00	150.00	0.00
Antelope Aquatic Complex Change Fund	7/26/2016	350.00	350.00	0.00
Total		<u>\$ 1,000.00</u>	<u>1,000.00</u>	<u>0.00</u>

(1) Amounts consist of review of daily receipts of cash, checks, credit cards, and summary reports.

(2) Daily receipts were agreed to amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).

COUNTY OF SACRAMENTO
SUNRISE RECREATION AND PARK DISTRICT
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
JULY 2016

CURRENT STATUS OF PRIOR FOLLOW-UP REVIEW FINDINGS FOR THE PERIOD FROM JUNE 2014 THROUGH SEPTEMBER 2014, REPORT DATED NOVEMBER 14, 2014

The prior findings and recommendations in this attachment were from a follow-up review to a previous cash handling review for the period of July 1, 2013 to August 31, 2013, report dated March 4, 2014.

1. Internal Control Policies and Procedures

Prior Comment From Report Dated March 4, 2014

During our review of Sunrise Recreation and Park District's (SRPD) cash handling process, proper cash handling procedures were not in place at the time of our review. We noted the following internal control issues over SRPD's cash handling process:

1. Daily pool and snack bar revenues were not thoroughly reviewed nor investigated, and daily revenue shortages and overages were not recorded in the Sacramento County Financial System (a.k.a. COMPASS) correctly.
2. SRPD's internal controls:
 - a. Insufficient segregation of duties over cash handling.
 - b. SRPD had some verbal procedures for cash handling. However, SRPD:
 - Had insufficient accounting and review procedures for payments received by mail, lock box, or in person.
 - Lacked written policies and procedures for authorized imprest cash amounts and locations.
 - Lacked written policies and procedures for petty cash authorized reimbursements limit, types of expenditure reimbursements allowed, and their approval procedures.

The above issues increase the risk of SRPD's cash being mishandled or misappropriated without being detected in a timely manner.

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SUNRISE RECREATION AND PARK DISTRICT
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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
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**CURRENT STATUS OF PRIOR FOLLOW-UP REVIEW FINDINGS FOR THE PERIOD FROM JUNE 2014 THROUGH SEPTEMBER 2014, REPORT DATED NOVEMBER 14, 2014
(CONTINUED)**

Prior Recommendation

We recommend SRPD establish and implement written policies and procedures for its: daily cash handling process, review process for daily cash activities, mail in payments cash handling process, lock box cash handling process, authorized imprest cash amounts and locations, and petty cash reimbursement process.

Prior Management Response

Overall, the Sunrise Recreation and Park District does have well established daily cash handling processes. SRPD does accept the recommendation of transferring in a timely manner its oral procedures into a written format taking into account the findings of this audit.

Prior Status From Report Dated November 14, 2014

SRPD did not fully establish written policies procedures as we recommended. However, SRPD's management stated that it was work-in-process and expected to be completed by June 30, 2015. Based on our follow up review, in addition to the areas we previously recommended, we recommend SRPD include proper accounting of cash overage/shortage in the written policies and procedures.

Prior Management Response to Prior Status

SRPD will establish written policies and procedures by June 30, 2015 for:

- Daily Cash Handling Process
- Review Process for Daily Cash Activities
- Mail in payments Cash Handling Process
- Lock Box Cash Handling Process
- Authorized Imprest Cash Amounts and Locations
- Petty Cash Reimbursement Process
- Imprest Cash Shortage/Overage and Missing Cash

Current Status

It appears that our recommendation has been implemented. However, we noted an issue regarding SRPD's cash overage and shortage procedures, and noted that SRPD did not have established written procedures for processing voids during our current review. See Attachment III, *Current Findings and Recommendations*.

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CURRENT STATUS OF PRIOR FOLLOW-UP REVIEW FINDINGS FOR THE PERIOD FROM JUNE 2014 THROUGH SEPTEMBER 2014, REPORT DATED NOVEMBER 14, 2014 (CONTINUED)

2. Swimming Pool Facilities' Snack Bar Revenues and Lost and Found Change

Prior Comment From Report Dated March 4, 2014

(a) Snack Bar Revenues

During our review of SRPD's cash handling process, we noted several discrepancies related to cash counted when compared to SRPD's daily snack bar cash activities sheets at its two swimming pool facilities (Antelope Aquatic Complex and Rusch Pool).

During our visit on July 31, 2013 at Antelope Aquatic Complex, we counted \$274.25 total snack bar revenues for the period July 28, 2013 through July 31, 2013. These \$274.25 revenues were included in the treasurer deposit amount of \$935.23 that consisted of both Antelope Aquatic Complex and Rusch Pool's snack bar revenues for the period July 28, 2013 to August 4, 2013. However, as described in Table 1 below, we noted a discrepancy between the treasurer deposit in the amount of \$935.23 and the snack bar summary sheet in the amount of \$934.50 prepared by SRPD's staff.

We recounted daily snack bar revenue sheets prepared by SRPD's staff and noted that several recounted daily revenues were not agreed to the amounts shown on the daily snack bar revenue sheets as described at Table 2 on the next page. Also, as described at Table 2, total snack bar revenues based on SRPD staff's counting and our recounting are \$933.25 and \$945.50, respectively. Neither these amounts agree with the treasurer deposit amount of \$935.23 and snack bar summary sheet amount of \$934.50 as described at Table 1 below.

There are discrepancies between treasurer deposit, snack bar summary sheet, and daily snack bar sheets counted by SRPD staff and recounted by us. The correct snack bar revenue amount was not determinable. Therefore, the snack bar revenues could be misappropriated without management's knowledge.

Table 1

Treasurer Deposit, Snack Bar Summary Sheet, and Total Daily Snack Bar Sheets Counted by SRPD and Reviewer
For the Period of July 28, 2013 to August 4, 2013

	Snack Bar Summary Sheet	Total Daily Snack Bar Sheets Counted by SRPD	Total Daily Snack Bar Sheets Recounted by Reviewer
<u>Treasurer Deposit</u>			
\$ 935.23	934.50	933.25	945.50

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(CONTINUED)**

Table 2

Combined Antelope Aquatic Complex and Rusch Pool Snack Bar Revenue Sheets
For the Period of July 28, 2013 to August 4, 2013

	<u>7/28</u>	<u>7/29</u>	<u>7/30</u>	<u>7/31</u>	<u>8/1</u>	<u>8/2</u>	<u>8/3</u>	<u>8/4</u>	<u>Totals</u>
Counted by SRPD Staff	\$80.50	54.75	97.00	94.50	225.00	148.75	168.00	64.75	933.25
Recounted by Reviewer	<u>85.75</u>	<u>55.75</u>	<u>97.00</u>	<u>95.00</u>	<u>230.50</u>	<u>148.75</u>	<u>168.00</u>	<u>64.75</u>	<u>945.50</u>
Over/(Short) Amount	<u>\$(5.25)</u>	<u>(1.00)</u>	<u> </u>	<u>(0.50)</u>	<u>(5.50)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(12.25)</u>

(b) Lost and Found Change

During our visits at both swimming pool facilities, we counted lost and found change (side till) in the amounts of \$0.23 from the snack bar cash drawer and \$1.00 from the pool cash drawer at Antelope Aquatic Complex. We counted side till in the amount of \$1.34 from the pool cash drawer at Rusch Pool. We noted that cashiers are able to use side tills to balance their drawers. Therefore, overages or shortages would not be accounted for in COMPASS and the possibility of misappropriation of funds could go undetected without management's knowledge.

Prior Recommendation

We recommend SRPD establish and implement written policies and procedures for the daily review of its pools' daily cash activities and ensure proper accounting for overages/shortages in COMPASS. We also recommend SRPD reconcile the snack bar summary sheet to the daily snack bar sheets and treasurer deposit and note and investigate any discrepancies immediately. We further recommend SRPD deposit side tills' amounts of \$0.23, \$1.00, and \$1.34 to the overage account in COMPASS. In the future, no side tills should be kept in any of the cashiers' drawers.

Prior Management Response

SRPD would like to emphasize that the findings above revolves around the newly implemented snack bar programs and does not reflect any other area of the aquatic program. SRPD does agree that the recording of snack bar revenue at the point of sale could be improved. For the 2014 swim season, SRPD will implement a seasonal and daily inventory of snack product, balance and deposit snack revenue daily, and restructure the snack menu to only offer a single price of \$1.00 per item for sale making accountability much more straight forward.

SRPD would also like it noted that the lost and found change (side till) as stated above were simply a place where lifeguard staff would place lost and found coins that are found on the pool deck. SRPD will deposit those funds in the future as recommended.

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(CONTINUED)**

Prior Status From Report Dated November 14, 2014

SRPD implemented our recommendation regarding reconciliation of the snack bar summary sheet to the daily snack bar sheets and treasurer deposit posting and depositing side tills and any cash overages to County Treasury. However, cash overage was not properly recorded as cash overage, but as revenue in COMPASS and no log for cash shortage/overage was maintained. In addition, during our cash count at Antelope Aquatic Complex, we noted \$50.00 cash was missing from Antelope Aquatic Complex start-up fund. SRPD's management was aware of the incident and was in the process of investigating the missing fund.

Prior Management Response to Prior Status

SRPD will begin recording cash overages and shortages in COMPASS beginning in November 2014 during the monthly reconciliation process. The Snack Bar Summary Sheet is no longer utilized because the Daily Snack Bar Sheets are submitted directly to the District Office upon turning in revenues for deposit. In addition, the written policies and procedures that will be completed by June 30, 2015 will provide direction to staff when cash is missing. The \$50.00 missing cash from the Antelope Aquatic Complex was initially identified by SRPD staff between June 10, 2014 and June 11, 2014. This was researched and resolved utilizing the Cash/Inventory Shortages Account in Compass.

Current Status

It appears that our recommendation has not been implemented. During our current review, we noted a variance between the Daily Snack Bar Sheets and cash on hand, cash overages are not being posted to the correct general ledger account, and a running log for overages and shortages is not being maintained. See Attachment III, *Current Findings and Recommendations*.

3. Segregation of Duties at Daycare Facilities

Prior Comment From Report Dated March 4, 2014

During our review of SRPD's internal controls related to its cash handling process, we noted insufficient segregation of duties present during the cash handling process at Oak Hill Daycare (Oak Hill), Antelope Meadows Daycare (Antelope), and Olive Grove Daycare (Olive Grove). At Oak Hill, Antelope, and Olive Grove, one staff performed customer billing, receiving, and posting payments to Active Net. Proper internal controls dictate that duties involving customer billing, receiving, and posting payments in Active Net need to be segregated. The lack of proper internal controls increases the risk of customer payments, including cash, being misappropriated without being detected or corrected in a timely manner.

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(CONTINUED)**

In addition, Oak Hill, Antelope, and Olive Grove did not have adequate internal controls for reviewing charges and payments recorded to customers' accounts. As a result, we noted Olive Grove overcharged a customer \$54.00 on June 13, 2013. We informed Olive Grove's staff about the overcharged amount.

Prior Recommendation

We recommend SRPD implement adequate internal controls over its cash handling process by segregating its cash handling responsibilities and has a second individual thoroughly review charges and payments recorded on customers' accounts at all daycare facilities.

Prior Management Response

SRPD is requesting a further meeting with the County Audit Manager to discuss best practices related to segregation of duties at its daycare facilities.

Prior Status From Report Dated November 14, 2014

SRPD improved its cash handling process at its daycare facilities by having a second individual review charges and payments recorded on customers' accounts. However, limited staffing did not allow SRPD the resources to maintain adequate segregation of duties. During our follow-up review at Olive Grove Daycare, we noted that the lockbox is opened by one person without any log and the same person processed the payments into customer accounts. This practice provides an opportunity for misappropriation. This can be mitigated by requiring two persons to be present when opening the lockbox, creating a payment log, and reconciling the log with customer payments posted to SRPD's payment processing system.

Prior Management Response to Prior Status

The written policies and procedures that will be completed by June 30, 2015 will provide direction to Day Care staff to resolve this. In addition, SRPD is moving forward with eliminating monthly payment collections at the daycare and preschool centers. This pilot program will begin in 2015.

Current Status

As of our current review, SRPD no longer receives payments at its Daycare and Preschool facilities.

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(CONTINUED)**

4. Misplaced Checks and Improper Accounting

This prior finding was noted during the previous cash handling review for the period from July 1, 2013 to August 31, 2013, report dated March 4, 2014. The previous recommendation appeared to be implemented as of the prior follow-up review for the period of July 2014 through September 2014, report dated November 14, 2014.

5. Imprest Cash

Prior Comment From Report Dated March 4, 2014

(a) Petty Cash

SRPD has authorized imprest cash of \$1,000.00 recorded in COMPASS. However, during our cash handling review, we recounted \$1,237.33 in imprest cash maintained by SRPD. The noted imprest cash difference of \$237.33 (\$1,237.33 – \$1,000.00) is attributed to a series of petty cash and change fund shortages along with additional change funds amounts noted at SRPD's Antelope Aquatic Complex and Rusch Pool. SRPD allocated imprest cash in the amounts of \$900.00 to the Main Office and \$100.00 to Oak Hill. Imprest cash maintained at the Main Office are allocated between petty cash (\$785.00) and a backup change fund (\$115.00). The Main Office's petty cash and backup change funds were short of their allocated amounts by \$.26 (\$785.00 - \$784.74) and \$51.00 (\$115.00 - \$64.00), respectively. Petty cash recounted at Oak Hill was \$78.59 and is \$21.41 short of the allocated amount (\$100.00). As a result of deficiencies between actual imprest cash and authorized amount posted in COMPASS, SRPD is not reconciling total imprest cash to the authorized amount recorded in COMPASS.

(b) Change Funds

In addition, while performing our cash handling procedures at SRPD's pool locations, we noted \$310.00 additional imprest cash was not recorded and authorized as imprest cash in COMPASS. Out of the \$310.00 imprest cash, \$240.00 was counted at the Antelope Aquatic Complex and \$70.00 at Rusch Pool. The imprest cash are used as startup change funds for operating pool snack bars and making change for pool admission fees. The \$310.00 imprest cash was retained from the previous year's snack bar and pool revenues. Hence, SRPD was not making whole and complete deposits related to its snack bar and pool admission operations into COMPASS and County Treasury.

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Prior Recommendation

We recommend SRPD establish an imprest cash log with authorized amounts noted that reconciles to COMPASS. The imprest cash log should be reconciled monthly, and any discrepancies should be noted and immediately investigated. We further recommend SRPD make whole and complete deposits related to its snack bar and pool admission revenue activities into COMPASS and County Treasury. SRPD should contact Department of Finance to resolve deficiencies between actual imprest cash and authorized imprest cash in COMPASS.

Prior Management Response

SRPD has had authorization for many years to maintain a \$1,000 Imprest account. SRPD allocated the funding with \$900 being maintained at the Rusch Office and \$100 being maintained at the Oak Hill Daycare center. The audit reflects a total variance/shortage of the \$1,000 as \$72.67. SRPD staff has since identified a justified receipt for the Oak Hill variance of \$21.41 leaving a variance/shortage of \$51.26. SRPD will work with the County Department of Finance and the Treasury to reconcile this variance. SRPD will also centralize the imprest account to the Rusch Main Office and implement the recommended cash imprest log.

Outside of Senior Management knowledge, Aquatic staff have had a long standing practice of "carrying over starter cash" from the close of one aquatic season to be used on the first day of the next aquatic season to insure that on the first day of pool operations, there was cash for the till. This carry over starter cash has been \$310.00 for several years and was kept in the recreation safe during the off season. Upon this item being brought to management's attention, the \$310.00 was immediately deposited into the County's COMPASS system. Moving forward, at the beginning of the pool season, SRPD will borrow and log out the \$310.00 from the single imprest account at Rusch Park and then return it at the end of the pool season.

Prior Status From Report Dated November 14, 2014

At the time of follow-up visit to SRPD on June 25, 2014, SRPD did not have a formal imprest cash log with authorized amounts noted reconciling to COMPASS and the authorized amount did not appear to be reconciled to the remaining actual cash balance, amount spent and receipts on a monthly basis. During our cash count, we noted that SRPD's main office petty cash in the amount of \$19.07 was missing and unaccounted for. In addition, Antelope Aquatic Complex start-up cash in the amount of \$50.00 was missing. SRPD's management stated that SRPD's management was aware of the missing start-up fund and was in the process investigation. However, SRPD did not maintain cash shortage/overage log. As described in the Finding #2 of this attachment, we noted SRPD recorded its cash overage as revenue in the general ledger

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account rather than as cash overage. Subsequent to our visit, SRPD established and maintained imprest cash log reconciling to the authorized petty cash amount and requested imprest cash replenishment in the amount of \$69.07 from the Department of Finance.

We recommend SRPD establish policies and procedures regarding handling of cash shortage/overage and maintain a log recording any cash shortage/overage activities including date occurred, amount of shortage/overage, responsible cashier's name, and any reasons for shortage/overage if applicable and record the amount in the general ledger as cash shortage or overage as applicable to comply with County Policy and Government Code 29390. Per County policy, SRPD must have a Relief of Accountability if an employee is \$200 dollars short or SRPD as a whole is \$500 short. Any shortage below this threshold should be replenished through payment services under the County Auditor-Controller's supervision. Any overage amount should be deposited to County Treasury immediately. In addition, any cash shortage/overage should be promptly investigated.

Prior Management Response to Prior Status

The written policies and procedures that will be completed by June 30, 2015 will provide direction to Staff to resolve this.

Current Status

It appears that our recommendation has been partially implemented. As of our current review, SRPD did not maintain an imprest cash overage/shortage log. See Attachment III, *Current Findings and Recommendations*.

6. Check Endorsement

This prior finding was noted during the previous cash handling review for the period from July 1, 2013 to August 31, 2013, report dated March 4, 2014. The previous recommendation appeared to be implemented as of the prior follow-up review for the period of July 2014 through September 2014, report dated November 14, 2014.

7. Snack Bar Inventory

This prior finding was noted during the previous cash handling review for the period from July 1, 2013 to August 31, 2013, report dated March 4, 2014. The previous recommendation

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appeared to be implemented as of the prior follow-up review for the period of July 2014 through September 2014, report dated November 14, 2014.

8. Voiding Receipts

This prior finding was noted during the previous cash handling review for the period from July 1, 2013 to August 31, 2013, report dated March 4, 2014. The previous recommendation appeared to be implemented as of the prior follow-up review for the period of July 2014 through September 2014, report dated November 14, 2014.

9. Timely Deposits for Snack Bar Revenues

This prior finding was noted during the previous cash handling review for the period from July 1, 2013 to August 31, 2013, report dated March 4, 2014. The previous recommendation appeared to be implemented as of the prior follow-up review for the period of July 2014 through September 2014, report dated November 14, 2014.

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1. Cash Overages and Shortages

Comment

Sunrise Recreation and Park District (SRPD) records cash shortages and overages from cash operations at its District Office, Rusch Park Pool, and Antelope Aquatic Complex. During our review, we noted SRPD did not record cash overages in the correct 97971000 general ledger account in the Sacramento Financial System (a.k.a. COMPASS). The net total of all cash overages and shortages were posted to the 20289600 "Cash/Inventory Shortages" account in COMPASS. In addition, we noted SRPD documented their overs and shorts on its cash accountability sheets, but did not maintain a log with a running balance.

SRPD should use an overage account when posting cashier or imprest cash overages into COMPASS. Cash overages and shortages should be regularly reviewed, and any significant differences should be researched and resolved in a timely manner. By posting cash overages into the improper COMPASS account, SRPD cannot easily track its overages, and theft or misappropriation of these funds could occur and not be detected in a timely manner. In addition, overages and shortages should be documented on a log and reconciled to its cash accountability sheets and COMPASS.

Recommendation

We recommend SRPD post all imprest cash overages into the 97971000 account and shortages into the proper 20289600 account. We also recommend SRPD maintain a control log with a running balance of its daily overs and shorts. If a single incident cash overage or shortage exceeds \$200, or if cash overages or shortages collectively total \$500 or more annually, they should be reported to the County of Sacramento (County) Department of Finance through a Relief of Accountability.

SRPD's Management Response

The District received a recommendation in 2014 from the County Auditors staff to place all overages and shortages into GL Account #20289600. The District agreed with that recommendation and used that account until 2017. In reviewing the process the Finance Manager and Administrative Services Manager discovered the overage revenue account of 97971000 and in May 2017 started using this account for overages. The Account #20289600 will continue to be used for shortages. A spread sheet/log for each of the above GL accounts is kept on a monthly basis and reconciled against COMPASS Reports.

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2. **Mail Receipts**

Comment

SRPD accepts mail receipts at its District Office. During our review, we noted SRPD had one cashier open and process mail receipts. We also noted SRPD did not prepare a separate log for mail receipts. By not logging mail receipts and allowing one individual cashier to open and process mail receipts, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend SRPD require two or more individuals be present when opening mail receipts at its District Office. We also recommend SRPD log mail receipts immediately upon receipt. We further recommend SRPD reconcile their mail receipt logs to its accounting system (a.k.a. ActiveNet) reports.

SRPD's Management Response

The mail at the District is not opened by the same person every day. Staff opening mail can include all Administrative Staff including the District Administrator. Any registration checks received are processed through ActiveNet at the time of opening and checks endorsed and become a part of the daily close. As the checks are processed the day received keeping a log is unnecessary. Any participants who do not show up on a program roster will question the District on the receipt of mail in registration.

3. **Voiding Receipts**

Comment

SRPD has the ability to void credit card transactions within 24 hours of the initial transaction. The voids are reviewed and approved by the Administrative Services Manager by signing and dating the daily cash receipts report. While reviewing SRPD's written policies and procedures, we noted SRPD did not include a section for voiding of receipts. Lack of proper written policies and procedures for voiding receipts can weaken SRPD's internal control over cash handling by creating confusion and inconsistency for SRPD staff.

Recommendation

We recommend SRPD establish and implement written policies and procedures for voiding receipts to include documenting the reason for the void along with a supervisor's initial and date, indicating the void was approved and appropriate.

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SRPD's Management Response

The District will update the Cash Handling Policy to include voiding receipts.

4. Snack Bar Overage

Comment

SRPD operates a snack bar at its Antelope Aquatic Complex. On July 26, 2016, we counted a total of \$248.10 in snack bar revenues during the middle of the shift. The amount counted did not agree to the sales recorded in the amount of \$241.00 at the time of our visit. As such, we noted an overage of \$7.10. At the end of the shift, we noted the snack bar recorded a net overage of \$4.00 in the "Cash/Inventory Shortages" account in COMPASS.

The amount of sales revenues recorded should agree to the amount of cash on hand, and any differences should be researched and resolved in a timely manner. Differences in cash on hand and sales records can lead to theft or misappropriation of the funds.

Recommendation

We reiterate our recommendation noted in Finding Number 1 of this attachment. We also recommend SRPD ensure that its cash on hand agrees to the daily sales records.

SRPD's Management Response

In reviewing the records, the final cash count for July 26, 2017 at the Antelope Aquatic Complex was \$277.00 for the public swim session.

5. Segregation of Duties at District Office

Comment

During our review of the SRPD's daily closing procedures at its District Office, we noted insufficient segregation of duties present when reconciling money received to ActiveNet closing reports. One staff reconciled cash on hand to the ActiveNet closing reports, prepared the deposit permit into COMPASS, and physically deposited the money to the bank. No other employee reviewed the work to verify the amounts agreed. Proper internal controls dictate that duties involving reconciling and depositing of money need to be segregated. The lack of proper internal controls increase the risk of customer payments including cash, being misappropriated without being detected or corrected in a timely manner.

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Recommendation

We recommend SRPD implement adequate internal controls over its cash handling process by segregating its reconciliation and deposit procedures, and having a second individual thoroughly review the deposit permit to COMPASS and deposit to the bank. A second individual should verify the balances agree and file a copy of the verified supporting documentation.

SRPD's Management Response

The SRPD cash handling policy already identifies Daily Close Procedures to ensure cash on hand agrees with the daily sales records or the usage of over/short account.

There is a misunderstanding of the segregation of duties as not just one staff reconciles cash on hand to the ActiveNet closing reports, prepares the deposit permit into COMPASS and physically deposits the money to the bank. Each work day a daily close report from ActiveNet is produced. The cash and checks are counted against the report by a Customer Service Representative. As there are two CSR's they alternate weeks on completing the daily close. Approximately two times per week the Administrative Services Manager counts each day and compiles a bank deposit. The Manager then produces the Deposit Permit and parks into COMPASS. As explained numerous times, a spread sheet of deposits with DP numbers is kept and review against the monthly COMPASS report. Notations are made on the spreadsheet that the DP's have been reconciled. This is reviewed periodically with the Finance Manager.

6. Incomplete Reconciliations

Comment

SRPD reconciles its deposits to the amounts posted by the County Treasury on a monthly basis. During our review, we noted the reconciliations did not have a date or signature from the individual that performed the reconciliations. Proper internal controls indicate that reconciliations be documented by being signed and dated by the individual performing the reconciliations. Incomplete reconciliations can make it difficult for SRPD to research and resolve any errors or omissions.

Recommendation

We recommend SRPD ensure its reconciliations are signed and dated.

SRPD's Management Response

See response to Item #5.