

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDITS UNIT

INTERNAL AUDIT REPORT
CHANGE OF CUSTODY REPORT
DEPARTMENT OF CHILD, FAMILY, AND
ADULT SERVICES



Audit Committee Submittal Date: 11/16/2018

SUMMARY

Background

The County of Sacramento Department of Child, Family and Adult Services (DCFAS) formed on March 18, 2018. The Department of Finance performed a change of custody agreed-upon procedures to inspect their cash and assets and to prepare a schedule of accountability of cash and assets, at the time of the formation of DCFAS.

Audit Objective

Inspect DCFAS' cash and assets. Identify any issues with DCFAS' cash and assets. Prepare an accountability schedule of DCFAS' cash and assets.

Summary

We noted issues related to DCFAS' capital assets, imprest cash, gift cards, and bus passes:

1. Missing Inventory Tags – Asset numbers 73407 (lift truck) and 73419 (mobile file storage) were not affixed with inventory tags. County capital assets are required to be affixed with inventory tags.
2. Unauthorized Imprest Cash – There was a noted \$5.70 difference between DCFAS' authorized imprest cash amount and noted cash on-hand recounted. Authorized imprest cash identified on Sacramento's County Financial System (a.k.a. COMPASS) should agree to amounts maintained by County departments.
3. Unauthorized Gift Card Purchase – A DCFAS recipient used an emergency gift card meant for food and necessities to purchase cigarettes in the amount of \$6.31. Tobacco products are a forbidden purchase under the County of Sacramento's purchasing guidelines.
4. Internal Control Over Gift Cards – DCFAS is not tracking and reconciling gift cards and gift card purchases. DCFAS had \$125.43 in gift cards located at its north office location, but there were no logs or tracking sheets to confirm balances and items purchased.
5. Unknown Bus Pass and Gift Card Balances – DCFAS had \$18,833.00 in bus passes and \$125.43 in gift cards, but no beginning, ending, or reconciling balances to confirm bus pass and gift card activities. Logs should be maintained and include descriptions of purchases, distributions, and running balances that allow DCFAS to monitor, track, and reconcile bus pass and gift card inventories.



County of Sacramento

Inter-Office Memorandum

August 24, 2018

To: Michelle Callejas
Director of Child, Family & Adult Services

From: Ben Lamera
Director of Finance

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

A handwritten signature in blue ink, appearing to read "Alan A. Matré", is placed to the right of the "By:" line.

Subject: **REPORT OF AGREED-UPON PROCEDURES FOR THE COUNTY OF SACRAMENTO DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES (DCFAS) CHANGE OF CUSTODY ON MARCH 18, 2018**

We have performed the procedures enumerated below, which were requested and agreed to by you, solely to assist DCFAS with its change of custody on March 18, 2018. We performed our procedures at DCFAS' offices located throughout Sacramento, California. DCFAS' management is responsible for maintaining sufficient controls for its accounting operations and assets. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of DCFAS' management. 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 the procedures referred to below and next page and is not intended to pertain to any of DCFAS' other operations, procedures or compliance with laws and regulations. Our procedures and findings are summarized as follows:

- We obtained a listing of DCFAS' capital assets reported in the Sacramento County Financial System (a.k.a. COMPASS) and physically inspected their existence at DCFAS' offices.

Finding: We noted a concern regarding equipment inventory tags as a result of our procedures. See Attachment I, *Schedule of Accountability* and Attachment II, *Comments and Recommendations*.

- We counted DCFAS' imprest cash and compared it to the amount authorized in COMPASS.

Finding: We noted a difference between the authorized imprest cash amount and amounts on hand noted as a result of our procedures. See Attachment I, *Schedule of Accountability* and Attachment II, *Comments and Recommendations*.

- We inspected DCFAS' bus pass and gift card inventories and compared them to DCFAS' records.

Finding: We noted several concerns that require your attention as a result of our procedures. See Attachment I, *Schedule of Accountability* and Attachment II, *Comments and Recommendations*.

Because the preceding procedures do not constitute an examination made in accordance with attestation standards established by the American Institute of Certified Public Accountants, we do not express an opinion on any of the accounts, financial statements, compliance, or items referred to above and on the previous page. Had we made an examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, other matters may have come to our attention that would have been reported to you. This report relates only to DCFAS' change of custody on March 18, 2018, and does not extend to DCFAS as a whole.

DCFAS' responses to the findings identified during our procedures is described in Attachment II, *Comments and Recommendations*. We did not perform procedures to validate DCFAS' responses to the comments and, accordingly, we do not express an opinion on the responses to the comments.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DCFAS' 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, *Schedule of Accountability*

Attachment II, *Comments and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

Capital Assets

| <u>Capital Assets On Hand</u> | <u>Total Amount Reported</u> ⁽ⁱ⁾ | <u>Sample Inspected</u> ⁽ⁱⁱ⁾ | <u>Noted Difference</u> |
|-----------------------------------|---|---|-----------------------------|
| Total | \$ 7,538,218.17 | 5,316,502.88 | 0.00 |

Imprest Cash

| <u>Imprest Cash Location</u> | <u>Amount Reported</u> ⁽ⁱⁱⁱ⁾ | <u>Amount Counted</u> ^(iv) | <u>Identified Variance</u> ^(v) |
|----------------------------------|---|---|---|
| Senior Adult Services | \$ 400.00 | 405.70 | 5.70 |

Cash Equivalents

| <u>Cash Equivalents On Hand</u> | <u>Amount Reported</u> ^(vi) | <u>Amount Counted</u> ^(vii) | <u>Identified Variance</u> ^(viii) |
|-------------------------------------|--|--|--|
| Bus Passes | Unknown | \$ 18,833.00 | Unknown |
| Gift Cards | Unknown | 125.43 | Unknown |
| Total | Unknown | \$ 18,958.43 | Unknown |

Superscripts are described on the next page.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

- (I) Amount consists of the acquisition value of the County of Sacramento, Department of Child Family & Adult Services' (DCFAS) capital assets reported in the Sacramento County Financial System (a.k.a. COMPASS).
- (II) Amount represents the acquisition value of DCFAS' capital assets reported in COMPASS selected for testing.
- (III) The total amount represents DCFAS' imprest cash authorized in COMPASS.
- (IV) Amounts represent the imprest cash and reconciling item amounts counted and inspected.
- (V) Amounts represent the imprest cash differences between what we counted and what is reported in COMPASS. See Attachment II, *Comments and Recommendations*.
- (VI) We could not determine the total reportable amount for DCFAS' bus passes and gift cards. See Attachment II, *Comments and Recommendations*.
- (VII) Amounts represent DCFAS' bus passes and gift cards counted and inspected.
- (VIII) We could not determine whether the total bus passes and gift cards agreed to the reportable amount. See Attachment II, *Comments and Recommendations*.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS

MARCH 18, 2018

CURRENT COMMENTS

1. Missing Inventory Tags

Comment

During our review the Department of Child, Family and Adult Services' (DCFAS) capital assets, we noted two (2) pieces of equipment that were missing inventory tags. Capital asset numbers 73407 (lift truck) and 73419 (mobile file storage) were not affixed with inventory tags. County policy requires capital assets be affixed with inventory tags that agree the asset to the Sacramento County's Financial System (a.k.a. COMPASS). There is the potential that County assets could be misappropriated when they are not properly affixed with inventory tags.

Recommendation

DCFAS should ensure that inventory tags are attached to equipment capital assets that it is responsible.

Management Response

DCFAS agrees to this finding and we have already affixed inventory tags on those two equipment capital assets identified. DCFAS will continue to ensure that inventory tags are attached to all equipment capital assets we are responsible for.

2. Unauthorized Imprest Cash

Comment

There was a noted \$5.70 difference between DCFAS' imprest cash on-hand and the amount authorized in the Sacramento County Financial System (COMPASS). Imprest cash held by County departments should agree to authorized amounts noted in COMPASS. Theft or misappropriation of funds could occur and not be detected in a timely manner if imprest cash is not reconciled and differences investigated when identified. DCFAS staff does not know where the unauthorized imprest cash difference originated from.

Recommendation

We recommend DCFAS ensure its imprest cash agrees to authorized amounts noted in COMPASS. We further recommend DCFAS regularly reconcile imprest cash and deposit any noted overages with the County Treasury.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

CURRENT COMMENTS

(Continued)

Management Response

DCFAS agrees that the \$5.70 described as cash overages above, were due to staff focusing on the department split. The Imprest Cash Custodian inadvertently added other funds from aluminum cans recycling sales in the same box where the imprest funds are kept. DCFAS will continue to monitor all imprest cash activities and to ensure that it reconciles to COMPASS and that there will be no commingling of funds.

3. Unauthorized Gift Card Purchase

Comment

DCFAS provides gift cards to recipients for emergency food purchases. During our review of cash and cash equivalent items, including gift card activities, a recipient used an emergency gift card to purchase cigarettes instead of food and emergency necessities. The cigarettes, including tax, cost \$6.31. Tobacco products are a forbidden purchase under the County of Sacramento's purchasing guidelines. The cause of the unauthorized purchase was due to caseworkers not monitoring or reviewing the purchases made by recipients.

Recommendation

DCFAS staff should review and monitor purchases made with gift cards and disallow any prohibited items from being purchased.

Management Response

DCFAS agrees with the recommendation for DCFAS staff to monitor purchases made with gift cards. DCFAS always has a procedure in place whereby all requests for an Emergency Use Gift (Walmart) card are initiated by the social worker by filling out a form CS840 and approved by the Social Worker's Supervisor. The Social Worker would need to accompany the client shopping for food or hygiene items as deemed necessary per the situation, ensuring that the gift card is spent appropriately.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

CURRENT COMMENTS

(Continued)

4. Internal Control Over Gift Cards

Comment

During our review of cash equivalent items at DCFAS' north office location, we noticed six (6) gift cards with a value of \$125.43. But, there was no log or balancing sheet maintained in order to track gift card amounts and activities. Cash and cash equivalents such as gift cards should be logged, tracked, and reconciled on a regular basis to ensure purchases and activities are consistent with County policies. Without a log or tracking sheet, there is no way to determine and confirm if gift cards were used for approved purposes or determine accurate beginning and ending gift card balances. Staff located at the north office inherited the gift card duties from previous staff and were not sure how to track gift card activities.

Recommendation

We recommend gift card usage be logged and tracked including beginning and ending balances. In addition, gift card activities should be reconciled on a regular basis.

Management Response

DCFAS agrees with the findings at our ER/IS unit and have long verified the value of the gift cards, created log to track them and they are secured in a lockbox. The gift card usage rate at this location is very small. They haven't issued a single card to a client from this location since 2014.

Although DCFAS agrees with this finding, this is not the normal practice as to how gift cards are handled by DCFAS. DCFAS Administration purchases various gift/gas cards for clients on an "as needed" basis (ie: gas cards, gift cards, phone cards, and bus passes). These types of requests require prior approval by the Program Supervisor and Program Manager who submitted an internal form CS 840. The cards are stored in a Safe located in the DCFAS Administration at 9750 Business Park Drive, Suite 230, Office 514, until transfer of ownership occurs. We require signature/s when possession of the cards changed. All new purchases and/or existing cards are tracked in a database by Fiscal Year from the time of purchase through distribution.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

CURRENT COMMENTS
(Continued)

5. Unknown Bus Pass and Gift Card Balances

Comment

During our engagement, we counted a total of \$18,833.00 in bus passes and \$125.43 in gift cards. The daily bus passes, student bus stickers, and gift cards could not be confirmed to beginning and ending balances. Hence, there was not a way to determine if there were any variances. Proper internal controls should require bus pass and gift card custodians maintain detailed logs for bus pass and gift card activities. Logs should include descriptions of purchases, distributions, and a running balance that would allow DCFAS to monitor, track, and reconcile bus pass and gift card inventories. Additionally, DCFAS should regularly track the balances, locations, custodians, and activities. Inadequate controls over the tracking of bus passes and gift cards can lead to theft and misappropriation.

Recommendation

We recommend DCFAS monitor bus passes and gift cards. We further recommend DCFAS ensure custodians maintain detailed logs that track activities and running balances.

Management Response

DCFAS disagrees with these findings. First of all the Gift Card issues were addressed in finding number 3 above. Secondly, DCFAS maintains elaborate processes in place for Bus Passes as shown in the table below:

| | |
|-----------------------------------|---|
| Receiving passes from RT (Fiscal) | Monthly Passes are delivered about the 3 rd week of the month to the Fiscal Bus Pass Coordinator (BPC). The numbers of passes received are reviewed by the Fiscal BPC and must match the information on the invoice. The beginning and ending serial numbers of the passes are recorded on the invoice by the Fiscal BPC. An area on the invoice is created to record the pickup person's signature and date of pick up. The passes are counted and divided by program according to their monthly allowance. |
|-----------------------------------|---|

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
 CHANGE OF CUSTODY
 SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

CURRENT COMMENTS
(Continued)

| | |
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| Notification to POC (Fiscal) | The programs' authorized representatives (POC's) are notified via email by the Fiscal BPC that the monthly RT passes are available. POC's can reply to Fiscal's notification by email or telephone so arrangements can be made for pick up times. Passes are distributed to each Program's POC from Fiscal's location |
| Picking up passes from Fiscal (POC) | Only the authorized pick up person (POC) or the alternate may sign for the release of these passes. (A signature on the current invoice is required in order for the Fiscal BPC to process the RT payment.) |
| Unused monthly passes and avoiding expired passes. | The program POC must return any unused <u>monthly</u> passes. All unused passes can be returned in the last 2 weeks of the labeled month, but no later than the final working day of the labeled month to avoid expiration. For example: Bus Passes for the month of March are issued to POC's around February 20 th . Unused March bus passes can be returned to the Fiscal BPC starting the middle of March but no later than the end of March. |
| Expired Passes | Monthly passes cost \$100 per ticket. Programs will not receive credit from RT for expired passes. For example, if passes from March 2018 are returned to the Fiscal BPC after March 31, 2018, these passes are considered expired and the full price for each pass will be charged to the program. BPC and program contacts works to ensure all unused passes are return before the end of the month to avoid losses to CPS. |

**COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY**

MARCH 18, 2018

CURRENT COMMENTS
(Continued)

| | |
|--|---|
| <p>Bus Pass Accountability & CS387 (POC and program staff)</p> | <p>A CS 387 is required for each pass that was issued for the month. The CS 387 forms should be separated by Monthly Passes and Student Stickers in numerical order based on the serial number. The number of CS 387 forms will be carefully reviewed by the Fiscal BPC before the new month's allowance can be released. The POC will only receive passes corresponding to the number of CS 387's submitted regardless of the predetermined allowance. The difference between CS 387's submitted and the predetermined allowance will be considered unaccounted bus passes.</p> |
| <p>Replenishing unaccounted bus passes - missing CS387 (POC and program staff)</p> | <p>Fiscal's BPC will send notification of unaccounted passes to the Program Manager and cc DCFAS Administration. The program will be unable to receive the deducted passes until the missing CS 387(s) is/are turned in to Fiscal or a justification memo from the Program Manager is received. If the justification memo, or CS 387(s) forms are not received by the Fiscal BPC prior to the next issuance date, the lowered amount of passes/stickers will become the issuance amount for the following month. *Please note that this information will be noted on the bus pass reports sent to all managers.</p> |
| <p>Student Photo I.D. Procedure (POC)</p> | <p>All students that are issued Student Stickers must first be issued a photo identification card from Regional Transit. A copy of the authorizing CS387 must be given to the student to take to Regional Transit at 1400 29th Street, Sacramento, CA 95816. POC emails or faxes same CS387 to Fiscal BPC at the same time. Regional Transit will process the request and invoice Fiscal.</p> |

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY & ADULT SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

MARCH 18, 2018

CURRENT COMMENTS
(Continued)

| | |
|----------------------------------|---|
| Payment to RT (Fiscal) | Once all unused passes and student stickers have been returned, the payment may be made to RT, and the Monthly Expenditure Report can be completed. The Fiscal BPC will process the payments to RT no later than the following month. For example: Payment for March bus passes will be processed at the beginning of April. |
| Admin Role | Program Managers are notified under these following conditions: <ul style="list-style-type: none">• Increases or reductions to the monthly allowance.• Any new program that is placing their first request for monthly and/or student stickers.• Change in authorized representative(s) (POC) and/or alternate by programs. |
| Reporting (Admin & Fiscal) | DCFAS Administration sends monthly, quarterly and yearly reports to program managers, division managers and the deputy director. These reports show a detailed breakdown of program allowance, number of passes used and returned, expired passes (lost money), and credit for passes returned. Effective April 2013 the report will also include unaccounted passes. |