

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT CHANGE OF CUSTODY REPORT REGIONAL PARKS



Audit Committee Submittal Date: 10/19/2018

SUMMARY

Background

The County of Sacramento Regional Parks' Director retired on June 20, 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 Director's retirement.

Audit Objective

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

Summary

We noted the following issues:

1. We noted issues with capital assets related to improper reporting of capital assets in COMPASS and capital assets not having inventory (SIN) tags affixed.
2. We identified a cash overage identified in outstanding cash receipts as of June 20, 2018.
3. We noted issues with Regional Parks' external bank accounts related to untimely deposits to the County Treasury, unnecessary banking fees, unresolved reconciling items exceeding one year, and untimely replenishments.



County of Sacramento

Inter-Office Memorandum

September 7, 2018

To: Robert Leonard
Deputy County Executive

From: Ben Lamera
Director of Finance

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

A handwritten signature in black ink, appearing to read "Alan A. Matré".

Subject: **REPORT OF AGREED-UPON PROCEDURES FOR THE COUNTY OF SACRAMENTO REGIONAL PARKS (RP) CHANGE OF CUSTODY ON JUNE 20, 2018**

We have performed the procedures enumerated below, which were requested and agreed to by you, solely to assist RP with its change of custody on June 20, 2018. We performed our procedures at RP's offices located throughout Sacramento, California. RP'S 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 RP'S 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 RP's other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows below and on the next page:

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

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

- We counted RP's imprest petty cash and change funds and compared them to the amounts authorized in COMPASS.

Finding: We did not note any exceptions that require your attention as a result of our procedures. See Attachment I, *Schedule of Accountability*.

- We counted RP's outstanding cash receipts as of June 20, 2018. We traced the outstanding receipts to the amounts posted by the County Treasury.

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

- We inspected RP's trust fund accounts and reconciliations.

Finding: RP did not possess any trust fund accounts during our engagement. However, we noted that RP maintains two external bank accounts. We noted several exceptions that require your attention as a result of our procedures.

- We were engaged to witness the destruction of the prior Director's electronic signature.

Finding: We noted that the prior Director was not a signor on RP's external bank accounts.

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 RP's change of custody on June 20, 2018, and does not extend to RP as a whole.

RP's responses to the findings identified during our procedures are described in Attachment II, *Comments and Recommendations*. We did not perform procedures to validate RP's 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 RP'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, *Schedule of Accountability*
Attachment II, *Comment and Recommendation*

**COUNTY OF SACRAMENTO
REGIONAL PARKS
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY**

JUNE 20, 2018

Capital Assets

Capital Assets on Hand	Total Amount Reported ⁽ⁱ⁾	Sample Inspected ⁽ⁱⁱ⁾	Unverifiable Sample
Total	\$ 4,317,097	288,007	

Imprest Cash

Imprest Cash Description	Amount Reported ⁽ⁱⁱⁱ⁾	Amount Counted ^(iv)	Identified Variances
Administration Petty Cash	\$ 300	300	
Kiosk Change Funds	650	650	
Rover Change Funds	150	150	
Back-Up Change Funds	200	200	
Total	\$ 1,300	1,300	

Cash Receipts

Undeposited Receipts	Amount Posted By Treasury ^(vi)	Amount Counted ^(vii)	Identified Variances
06/18/2018 Receipts ^(v)	\$ 1,039	1,039	
06/19/2018 Receipts	2,582	2,582	
06/20/2018 Receipts	2,051	2,051	
Total	\$ 5,672	5,672	

External Bank Accounts

Financial Institution	Reconciled Balance as of 6/20/2018 ^(viii)	
Wells Fargo Bank	\$ 4,773	^(ix)
Chase Bank	4	
Total	\$ 4,777	

Number superscripts are described on the next page.

**COUNTY OF SACRAMENTO
REGIONAL PARKS
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY**

JUNE 20, 2018

- (I) Amount consists of the acquisition value of the County of Sacramento Regional Parks' (RP) capital assets reported in the Sacramento County Financial System (a.k.a. COMPASS).
- (II) Amount represents the acquisition value of RP's capital assets reported in COMPASS selected for testing.
- (III) Amounts represent RP's imprest cash authorized in COMPASS.
- (IV) Amounts represent the imprest cash and reconciling item amounts counted and inspected.
- (V) The June 18, 2018 receipts include an overage identified during our inspection of RP's daily receipts in the amount of \$85. The overage was discovered by RP prior to our visit and was included in the deposit to the County Treasury. See Attachment II, *Comments and Recommendations* for details.
- (VI) Amounts represent RP's daily receipts deposited to and posted by the County Treasury.
- (VII) Amount represents DHS' daily receipts counted and inspected.
- (VIII) Amounts represent the reconciled external bank account balances held by RP as of June 20, 2018.
- (IX) Amount represents outstanding program fees collected by RP that have not been transferred to the County Treasury. See Attachment II, *Comments and Recommendations* for details.

**COUNTY OF SACRAMENTO
REGIONAL PARKS
CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS**

JUNE 20, 2018

1. Capital Asset Issues

Comment

During our engagement, we noted the following issues related to County of Sacramento (County) Regional Parks' (RP) capital assets, including capitalized equipment (equipment), reported in the Sacramento County Financial System (a.k.a. COMPASS):

- I. Four out of the 25 assets we inspected did not have an inventory tag affixed.
- II. One of the assets selected could not be verified. Per our inquiry with RP, the asset was cannibalized for parts to be used for the repairs of other assets. An Equipment Movement Report (EMR) was not completed and this asset was not removed from COMPASS.

Proper internal controls require all equipment to be affixed with an inventory tag. In addition, County policies and procedures require any asset that is cannibalized, destroyed, lost, stolen, damaged, or no longer in service be updated in COMPASS using an EMR.

By not affixing inventory tags on equipment and by not reporting cannibalized equipment in COMPASS, theft or misappropriation could occur and not be detected in a timely manner.

Recommendation

We recommend RP ensure all equipment has an inventory tag. We further recommend RP ensure that all equipment that is cannibalized, destroyed, lost, stolen, damaged, or no longer in service is adequately updated in COMPASS using an EMR.

RP Management's Response

All fixed asset equipment for the Department is affixed with an inventory tag when first acquired. However, due the nature of park operations and the types of equipment used (outdoor, all weather conditions; mowers, tractors and other equipment which has steady vibration) these inventory tags often fall off with time. Staff will make every attempt to replace inventory tags when it they are noted as missing.

Management agrees with the finding that equipment which is cannibalized for parts should have the proper EMR form completed and will remind field managers and supervisors of this requirement.

**COUNTY OF SACRAMENTO
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CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS**

JUNE 20, 2018

2. Cash Overage

Comment

During our engagement, we noted that the daily cash receipts we counted for Sherman Island in the amount of \$1,004 did not agree to the accountability sheet in the amount of \$919. As such, we noted an \$85 (\$1,004 - \$919) overage. The overage was deposited with the daily receipts and posted by the County Treasury. See Attachment I, *Schedule of Accountability*.

RP's daily receipts should agree to the respective accountability sheets. Any differences should be researched and resolved in a timely manner, as cash overages can lead to theft or misappropriation.

Recommendation

We recommend RP ensures that all daily receipts collected agree to the respective accountability sheets. Any differences should be researched and resolved in a timely manner.

RP Management's Response

Management agrees with this recommendation. Current policy dictates that any discrepancies between daily receipts and accountability sheets be noted so that appropriate staff can research and resolve these differences.

3. External Bank Account Issues

Comment

RP has two external bank accounts with Wells Fargo Bank and Chase Bank. The Wells Fargo Bank account is used to deposit fees collected by RP. The Chase Bank account is used as an imprest checking account for RP to make purchases.

During our engagement, we noted the following issues related to RP's external bank accounts:

- I. RP's Wells Fargo Bank account collected program fees during the entire fiscal year 2017-18. However, only one transfer was made from the external bank account to the County Treasury, and the transfer did not include all of the fees collected.
- II. RP's Chase Bank account was assessed a \$17 monthly fee each month during the fiscal year 2017-18.

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CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS**

JUNE 20, 2018

- III. During our inspection of RP's Chase Bank reconciliation, we noted the reconciliation included \$737 in unresolved items dating as far back as June 2008.
- IV. As of June 20, 2018, RP's Chase Bank account has made \$9,776 in disbursements since the last replenishment requested from the County Treasury. We noted that no replenishment was requested from the County Treasury during the fiscal year 2017-18.

Sacramento County Code (SCC) Section 39 mandates "*all departments authorized to collect fees or money must pay into the County Treasury all such fees or moneys collected not later than seven (7) days following receipt thereof.*" As such, RP is not in compliance SCC Section 39.

Proper internal controls ensure RP pays as little to no unnecessary fees as possible. By maintaining a bank account that charges \$17 per month in fees, RP's costs are higher than is necessary.

In addition, proper internal controls ensure unresolved reconciling items be resolved in a timely manner. Untimely resolution of unresolved reconciling items can lead to theft or misappropriation of funds, and can make it difficult for RP to complete future bank reconciliations.

Furthermore, RP should ensure that replenishments to its Chase Bank account are made on a regular basis to ensure that all of RP's expenses are reported in COMPASS. By not replenishing expended funds from its Chase Bank account in a timely manner, RP is not properly reporting all of its financial activities.

Recommendation

We recommend RP:

- Ensure that transfers from its Wells Fargo Bank account to the County Treasury are complete and are made in a timely manner to be in compliance with SCC Section 39.
- Ensure that it no longer is assessed unnecessary monthly fees from its Chase Bank account.
- Develop a resolution to resolve the \$737 in unresolved reconciling items.

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- Ensure that replenishments are made to its Chase Bank account on a monthly basis at minimum.

RP Management's Response

The purpose of the Wells Fargo account is to allow deposits to be made at branch locations conveniently located within the County Service Areas for fees collected from contracted instructor led classes in CSA 4B and 4C. These classes are often after hours, and it would not be safe for the deposits to be driven from the County Service Areas into Sacramento for deposit. By utilizing branch locations located within the County Service Areas, deposits are made in a timely manner into the Wells Fargo account, where they are reconciled by County staff against the rosters of class attendance.

Transfers of these funds into the CSA budgets are made one to two times per year, with a minimum dollar amount left in the Wells Fargo account to ensure no banking fees are charged. Upon completion of this report as well as the annual cash questionnaire, Regional Parks staff would like to meet with Department of Finance staff to determine if there is a different banking system which might be utilized so that deposits can be made to the County Treasury as per Section 39.

Management agrees with this response. Upon completion of this report as well as the annual cash questionnaire, Parks staff would like to meet with Department of Finance staff to determine if there is a different bank which might be utilized so that the imprest checking account would not incur these fees.

Department of Finance, through Municipal Accounting Services has been completing the reconciliation of this account on behalf of Regional Parks for several years. Although several attempts have been made to reconcile this \$737 difference which dates back to 2008, it has not been resolved. Regional Parks will work with the Department of Finance to clear this item from the books.

Management partially agrees with this recommendation. Replenishments shall be made on a quarterly basis.