

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

CASH HANDLING REPORT

DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES – PUBLIC ADMINISTRATOR/GUARDIAN/ CONSERVATOR UNIT



Audit Committee Submittal Date: 07/18/2018

SUMMARY

Background

The County of Sacramento Department of Finance (DOF) Treasury Division requested the Audits Unit to perform agreed-upon procedures regarding the Department of Child, Family and Adult Services, Senior and Adult Services Division, Public Administrator, Guardian, and Conservator Unit's (PAGC) cash handling internal controls.

Audit Objective

To inspect PAGC's cash handling controls to identify any internal control weaknesses, reconcile daily deposits and cash on hand to Sacramento County Financial System (a.k.a. COMPASS), and count imprest cash and compare it to the amount authorized in COMPASS.

Summary

We noted issues related to untimely reconciliations and internal controls over mail receipts.




County of Sacramento

Intra-Office Memorandum

June 28, 2018

To: Ben Lamera
Director of Finance

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

Subject: **DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES – SENIOR AND ADULT SERVICES DIVISION – PUBLIC ADMINISTRATOR / GUARDIAN / CONSERVATOR UNIT CASH REVIEW – FOR THE PERIOD JUNE 4, 2015 TO MARCH 31, 2018**

We have performed the procedures enumerated below and on the next page, which were agreed to by you, for the County of Sacramento Department of Child, Family, and Adult Services (DCFAS), Senior and Adult Services Division, Public Administrator / Guardian / Conservator Unit (PAGC), for the period June 4, 2015 to March 31, 2018.

The sufficiency of the procedures is solely the responsibility of DCFAS. Consequently, we make no representation regarding the sufficiency of the procedures described below and on the next page either for the purpose for which this report has been requested or for any other purpose. This agreed-upon procedure was conducted to evaluate PAGC's cash handling internal controls. This report is applicable solely to the procedures referred to below and on the next page and is not intended to pertain to any of DCFAS' other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows below and on the next page:

1. We inspected PAGC's cash handling procedures.

Finding: We noted concerns related to untimely reconciliations and internal controls over mail receipts. See Attachment II, *Current Findings and Recommendations*.

2. We reconciled daily deposits and cash on hand to the amounts reported in the Sacramento County Financial System (a.k.a. COMPASS) and PAGC's trust accounts.

Finding: We did not note any exceptions as a result of our procedures. See Attachment I, *Summary of Deposits and External Bank Account Balances*.

3. We were engaged to count PAGC's imprest cash and compare it to the amount authorized in COMPASS.

Finding: PAGC did not possess any imprest cash during our engagement. However, we noted that PAGC has five external bank accounts. See Attachment I, *Summary of Deposits and External Bank Account Balances*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on DCFAS' financial statements or schedules, internal control, compliance, or results of our agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to PAGC's cash handling internal controls and does not extend to any operation and program of DCFAS as a whole.

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

This report is intended solely for the use by Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DCFAS' management, 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 External Bank Account Balances*

Attachment II: *Current Findings and Recommendations*

cc: County of Sacramento Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive, Administrative Services
Bruce Wagstaff, Interim Deputy County Executive, Social Services
Britt Ferguson, Chief Fiscal Officer, Budget and Debt Management
Michelle Callejas, Interim Director, Department of Child, Family, and Adult Services
Rick Pearson, Health Program Manager, Department of Child, Family, and Adult Services
Natalie Bautista, Senior Accountant, Department of Child, Family, and Adult Services
Peggy Marti, Assistant Treasurer, Department of Finance

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
SENIOR AND ADULT SERVICES DIVISION
PUBLIC ADMINISTRATOR / GUARDIAN / CONSERVATOR UNIT
CASH HANDLING REVIEW
SUMMARY OF DEPOSITS AND EXTERNAL BANK ACCOUNT BALANCES
JUNE 4, 2015 TO MARCH 31, 2018

DEPOSITS TO COUNTY TREASURY

Deposit Date	Deposit Permit Number	Sample Amount Reviewed	Deposit Amounts		
			PAGC's Deposit Record	Amount Posted By Treasury	Difference
10/27/17	1300577650	\$ 272,613.75	276,812.11	276,812.11	0.00
12/18/17	1300656083	10,633.68	10,633.68	10,633.68	0.00
01/10/18	1300657890	2,708.33	147,096.65	147,096.65	0.00
01/12/18	1300658323	3,995.00	48,066.44	48,066.44	0.00
01/24/18	1300659470	17,804.87	52,380.78	52,380.78	0.00
01/31/18	1300659789	273.00	1,071.71	1,071.71	0.00
01/31/18	1300660130	378.54	4,841.16	4,841.16	0.00
02/02/18	1300660532	2,010.10	18,951.03	18,951.03	0.00
03/09/18	1300664126	3,422.22	4,396.22	4,396.22	0.00
04/13/18 ⁽⁴⁾	1300667947	519.08	1,038.16	1,038.16	0.00

DEPOSITS TO EXTERNAL BANK TRUST ACCOUNT

Deposit Date	Sample Amount Reviewed	Deposit Amounts		
		PAGC's CompuTrust Record	Amount Posted By Bank	Difference
01/02/18	\$ 1,263.83	67,275.26	67,275.26	0.00
01/03/18	10,671.00	202,917.12	202,917.12	0.00
01/17/18	1,516.00	3,145.90	3,145.90	0.00

Number superscript definitions are described on the next page.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
SENIOR AND ADULT SERVICES DIVISION
PUBLIC ADMINISTRATOR / GUARDIAN / CONSERVATOR UNIT
CASH HANDLING REVIEW
SUMMARY OF DEPOSITS AND EXTERNAL BANK ACCOUNT BALANCES
JUNE 4, 2015 TO MARCH 31, 2018

EXTERNAL BANK ACCOUNT BALANCES AS OF MARCH 31, 2018

Name of Account	Financial Institution	Bank Statement Balance As Of 3/31/2018
Public Guardian/Conservator/Administrator	Wells Fargo	\$ 499,799.94
Senior Volunteer Stipend	Wells Fargo	46,359.95
Representative Payee Services	Wells Fargo	41,914.98
CPS Dedicated Account	Bank of America	17,579.15
CPS Dedicated Account	Bank of America	4,590.17
Total		<u>\$ 610,244.19</u>

- (1) Amounts represent the Public Administrator / Guardian / Conservator's (PAGC) daily receipts recounted from inspection of cash, checks, and summary reports during our visit on March 1, 2018 and March 2, 2018.
- (2) Amounts represent PAGC's total daily receipts.
- (3) Daily receipts were agreed to amounts reported in the Sacramento County Financial System (a.k.a. COMPASS).
- (4) Sample amount reviewed was received by PAGC on March 1, 2018 and represents a client check received in the mail. The client check required further investigation by PAGC, and could not be deposited by PAGC until April 13, 2018.
- (5) Amounts represent PAGC's daily direct deposit receipts recounted from inspection of CompuTrust, PAGC's trust client ledger system, and client ledger trial balances.
- (6) Amounts represent PAGC's total daily direct deposit receipts reported in CompuTrust.
- (7) CompuTrust direct deposit records were agreed to amounts reported by PAGC's external trust bank account.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
SENIOR AND ADULT SERVICES DIVISION
PUBLIC ADMINISTRATOR / GUARDIAN / CONSERVATOR UNIT
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
JUNE 4, 2015 TO MARCH 31, 2018

1. **Reconciliations**

Comment

The Department of Child, Family, and Adult Services' (DCFAS) Public Administrator / Guardian / Conservator Unit (PAGC) handles the financial affairs and estates of Sacramento County residents whom are either unable to care for themselves or do not have family or relatives whom are willing and able. In addition, PAGC also maintains a stipend fund to make payments to senior citizen volunteers. PAGC maintains five external bank trust accounts to hold client assets in trust and make stipend payments to senior citizen volunteers. Reconciliations are performed between PAGC's external bank trust accounts, CompuTrust (PAGC's client trust ledger system), and the Sacramento County Financial System (a.k.a. COMPASS), to ensure assets held in trust and stipend payments agree to PAGC's records.

During our review, we noted that at the time of our visit to PAGC's office on March 1, 2018, the last reconciliation completed between PAGC's external bank accounts, CompuTrust, and COMPASS, was for PAGC's main trust account only for the month of November 2017 performed in January 2018. A reconciliation for PAGC's four remaining external bank accounts for November 2017 was not completed until after our visit.

Proper internal controls indicate reconciliations be completed for all external bank accounts. Furthermore, reconciliations should be performed for all accounts on a monthly basis at minimum. Accordingly, we consider PAGC's reconciliations to be untimely.

Untimely reconciliations can make it difficult for PAGC to detect discrepancies, theft, or misappropriation of client and County assets in a timely manner.

Recommendation

We recommend DCFAS ensure that PAGC completes reconciliations for all of its external bank accounts on a monthly basis at a minimum.

DCFAS Management's Response

It has been DCFAS' practice and policy to complete bank reconciliations on or before the 15th of each month following the end of the previous month. The reconciliations were not done in a timely manner due to the loss of 2 accounting staff and the accounting supervisor being on an intermittent medical leave. However, the accounting supervisor will ensure that the bank reconciliations are done in a timely manner in accordance with DCFAS' policy.

COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SENIOR AND ADULT SERVICES DIVISION
PUBLIC ADMINISTRATOR / GUARDIAN / CONSERVATOR UNIT
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
JUNE 4, 2015 TO MARCH 31, 2018

2. Internal Controls Over Mail Receipts

Comment

During our review, we noted that PAGC's mail receipts are picked up, delivered, sorted, opened, and distributed by one individual.

Proper internal controls indicate mail receipt activities be performed under dual control. By allowing all aspects of mail receipt activities to be handled in single control, theft or misappropriation could occur.

Recommendation

We recommend DCFAS ensure that PAGC require mail receipt activities to be completed in dual control.

DCFAS Management's Response

On June 14, 2018, our clerical supervisor and accounting supervisor have assigned two staff to complete the mail receipting process, from mail pick up to open and distributing per recommendation.