

# COUNTY OF SACRAMENTO

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

## **INTERNAL AUDITS REPORT**

### **CHANGE OF CUSTODY AGREED-UPON PROCEDURES FINAL REPORT AS OF OCTOBER 22, 2018**

#### **DEPARTMENT OF AIRPORTS**



**Audit Committee Submittal Date: January 22, 2019**

## **SUMMARY**

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### **Background**

The Department of Finance (Finance) performed a change of custody agreed-upon procedures for the outgoing director (John Wheat) of the Department of Airports (Airports) on April 20, 2018. The attached change of custody agreed-upon procedures report is for Airports' incoming director (Cynthia Nichol) on October 22, 2018.

### **Audit Objective**

Inspect Airports' cash and capital assets as of the incoming director's hire date on October 22, 2018.

### **Summary**

We noted two issues related to Airports' tracking of a capital asset and a missing inventory tag.



County of Sacramento

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*Inter-Office Memorandum*

January 22, 2019

To: Cynthia Nichol  
Director  
Department of Airports

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 SACRAMENTO COUNTY DEPARTMENT OF AIRPORTS' (AIRPORTS) CHANGE OF CUSTODY ON OCTOBER 22, 2018**

At your request, we have performed the procedures enumerated below, and on the next page, solely to assist the Department of Airports (Airports) with its change of custody on October 22, 2018. We performed our procedures at various Airports locations. Airports' 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 Airports' 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 on the next page, and is not intended to pertain to any of Airports' other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized on the next page:

## **SUMMARY**

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### **Background**

The Department of Finance (Finance) performed a change of custody agreed-upon procedures for the outgoing director (John Wheat) of the Department of Airports (Airports) on April 20, 2018. The attached change of custody agreed-upon procedures report is for Airports' incoming director (Cynthia Nichol) on October 22, 2018.

### **Audit Objective**

Inspect Airports' cash and capital assets as of the incoming director's hire date on October 22, 2018.

### **Summary**

We noted two issues related to Airports' tracking of a capital asset and a missing inventory tag.

- We obtained a listing of Airports' capital assets reported in the Sacramento County Financial System (a.k.a. COMPASS) and selected 98 assets to verify their existence.

Finding: We noted exceptions related to capital asset inventory tags and incomplete capital asset listings as a result of our procedures. See Attachment I, *Schedule of Accountability*. Also see Attachment II, *Comments and Recommendations*.

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

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

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 Airports' change of custody on October 22, 2018, and does not extend to Airports as a whole.

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 Airports' 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.

Attachment

Attachment I, *Schedule of Accountability*

**COUNTY OF SACRAMENTO  
DEPARTMENT OF AIRPORTS  
CHANGE OF CUSTODY  
SCHEDULE OF ACCOUNTABILITY**

OCTOBER 22, 2018

**Capital Assets**

<b>Capital Assets On Hand</b>	<b>Amount Reported<sup>(I)</sup></b>	<b>Amount Inspected<sup>(II)</sup></b>	<b>Identified Variances</b>
Capital Assets	\$ 1,835,524,164.31	8,361,368.67	0.00 <sup>(III)</sup>
<b>Total</b>	<b>\$ 1,835,524,164.31</b>	<b>8,361,368.67</b>	<b>0.00</b>

**Imprest Cash**

<b>Imprest Cash On Hand</b>	<b>Amount Reported</b>	<b>Amount Counted</b>	<b>Identified Variances</b>
Change Fund	\$ 300.00	300.00	0.00
Petty Cash	100.00	100.00	0.00
<b>Total</b>	<b>\$ 400.00</b>	<b>400.00</b>	<b>0.00</b>

- <sup>(I)</sup> Amount consists of the acquisition value of the Sacramento County Department of Airports' (Airports) capital assets reported in the Sacramento County Financial System (a.k.a. COMPASS).
- <sup>(II)</sup> Amount consists of 98 assets that were verified.
- <sup>(III)</sup> We did note an asset (482-12 water trailer) that did not appear on Airports' capital asset listing or COMPASS. A specific acquisition amount had not been determined by the Airport and therefore could not be attached to the capital asset.

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

OCTOBER 22, 2018

**CURRENT COMMENTS**

**1. Missing Inventory Tag**

Comment

Asset #79297 (Steam Cleaner) did not have identifying numbers (inventory tag, SIN tag, serial number, etc.) affixed to the outside to the asset to link it to Sacramento County's Financial System (a.k.a. COMPASS) and the Department of Airports (Airports) capital asset listing. All County assets meeting the definition of a capital asset should be affixed with identifying labels that agree the asset to COMPASS and respective capital asset listings maintained by departments. Capital assets not properly affixed with identifying tags that agree the assets to COMPASS and capital asset listings could be lost or misappropriated without management knowing they are gone. Inventory tags and other identifying labels were worn off the steam cleaner.

Recommendation

Airports should ensure that inventory tags are attached to capital assets that agree to COMPASS.

Management Response

During the year-end equipment physical inventory which is performed every year in August, one of the custodians' responsibilities is to verify if the assets they inspect have inventory tags and notify the Accounting staff if they need replacement tags. In this particular case, according to the manager of the section responsible for the steam cleaner, the inventory tag was worn off due to the steam cleaner's extensive usage. A replacement inventory tag has been issued and affixed to the steam cleaner.

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

OCTOBER 22, 2018

**CURRENT COMMENTS**  
(Continued)

**2. Unidentified Capital Asset**

Comment

Airports contracts with construction companies for infrastructure improvements. Contractors providing construction services for buildings and runways purchase capital assets for use in completion of construction projects and then donate the capital assets at the conclusion of the construction project. During physical review of Airports' capital assets, there was one (1) item (water trailer) noted by the auditor that was not listed on the capital asset listing provided by Airports and COMPASS. The asset was noted at Airports' Sacramento International Airport location. Capital assets should be logged and tracked by County departments. Assets that are not tracked could be lost or misappropriated. Airports did not request the water trailer be placed on COMPASS or on its own capital asset listing.

Recommendation

Airports should track all qualifying capital assets independent of COMPASS in addition to researching and resolving any noted differences.

Management Response

We agree with this finding and recognize that staff responsible for the airfield construction projects should have been aware that items remaining on the airfield at the conclusion of the construction projects should be recorded in the accounting system if their values exceeded the capitalization threshold of \$5,000. We have discussed this finding with the Design and Development and CMID staff that is responsible for the transfer of these assets to the Department of Airports. We are in process of identifying the trailer's value and adding it to Compass.