

# COUNTY OF SACRAMENTO

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

## INTERNAL AUDIT REPORT

### CASH CONTROL AGREED-UPON PROCEDURES

#### DEPARTMENT OF REGIONAL PARKS



**Audit Committee Submittal Date: August 16, 2019**

## **SUMMARY**

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### **Background**

All Departments of Sacramento County are required to complete Countywide Cash Review Questionnaires and to submit to the Department of Finance each year. The purpose of this is to evaluate sufficiency of each Department's cash control. Accordingly, we conducted this agreed-upon procedures to assess the Department of Regional Parks (Parks)' cash control.

### **Audit Objective**

To assess the sufficiency of the Parks' cash control for the Period from August 1, 2018 through September 30, 2018.

### **Summary**

We noted several deficiencies concerning the Parks cash controls including inadequate cash control policies and procedures, cash handling of park entrance collection boxes, revenue receipt reconciliations, cash handling of Therapeutic Recreation Services revenues, and external bank account controls.

**Department of Finance**

Ben Lamera,  
Director



**Auditor-Controller Division**

Joyce Renison,  
Assistant Auditor-Controller

**County of Sacramento**

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*Inter-Office Memorandum*

June 28, 2019

To: Ben Lamera  
Director of Finance

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

Subject: **REGIONAL PARKS CASH CONTROL – AGREED-UPON PROCEDURES  
FOR THE PERIOD AUGUST 1, 2018 TO SEPTEMBER 30, 2018**

At your request, we have performed the procedures enumerated below, which were agreed to by the County of Sacramento (County), Department of Regional Parks (Parks). These procedures were performed solely to evaluate Parks' cash handling control procedures for the period August 1, 2018 to September 30, 2018. Parks' management is responsible for maintaining sufficient cash handling controls. 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 Parks' other operations, procedures, or compliance with laws and regulations. The procedures we performed are summarized as follows:

- We reviewed Parks' cash handling procedures.

Finding: Parks' cash handling procedures were not adequate. See Attachment III, *Current Findings and Recommendations*.

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

Finding: Parks did not deposit revenues from Leisure Services and Therapeutic Recreation Services (TRS) programs and report in COMPASS in a timely manner. See Attachment I, *Summary of Deposits and Imprest Cash Counted*, and Attachment III, *Current Findings and Recommendations*.

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

Finding: Imprest cash on hand did not agree to the approved amount in COMPASS. In addition, we noted concerns regarding timing of Parks' imprest cash replenishment. See Attachment I, *Summary of Deposits and Imprest Cash Counted* and Attachment III, *Current Findings and Recommendations*.

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, the objectives of which would be the expression of opinions on Parks' cash balances, financial schedules, compliance, or results of our procedures previously referred to. Accordingly, we do not express such opinions. This report relates only to the review of Parks' cash handling procedures, and does not extend to Parks' operations as a whole. 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 the results of our procedures referred to above, and does not extend to Parks' operations as a whole.

Parks' response to the findings identified during our engagement are described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate Parks' 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 information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Parks' 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 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  
Nancy Newton, Assistant County Executive  
Robert B. Leonard, Deputy County Executive  
David Villanueva, Deputy County Executive  
Britt Ferguson, Chief Fiscal Officer, County Executive Office  
Liz Bellas, Director, Regional Parks  
Peggy Marti, Assistant Treasurer

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Deposits Counted

Deposit Permit Number	Received Monies Date	Deposit Date	Parks' Deposit Record	Amounts Posted by Treasury	Variances
1300684819	(1)	9/21/2018	\$ 2,108.11	2,108.11	0.00
1300685070	(2)	9/21/2018	4,553.00	4,553.00	0.00
1300686332	(3)	10/5/2018	6,343.24	6,343.24	0.00

Cash and Bank Accounts

<u>Imprest Fund</u>	Authorized Imprest Fund Balance	Verified Balance	Verified Date	Variances
Cash Drawers <sup>(4)</sup>	\$ 1,000.00	1,000.00	9/14/2018	0.00
Petty Cash	300.00	300.00	9/14/2018	0.00
TRS Imprest Fund <sup>(5)</sup>	<u>10,500.00</u>	<u>893.30</u>	9/30/2018	<u>(9,606.70)</u>
<b>Total Imprest Fund</b>	<b><u>\$ 11,800.00</u></b>	<b><u>2,193.30</u></b>		<b><u>(9,606.70)</u></b>
 <u>Bank</u>				
Wells Fargo <sup>(6)</sup>		<u>\$ 6,179.23</u>	9/30/2018	
<b>Total Cash and Bank Accounts</b>		<b><u>\$ 8,372.53</u></b>		

- (1) The deposit includes revenues from staffed kiosks, Iron Rangers and Pay Stations from September 11, 2018 through September 13, 2018.
- (2) The deposit includes revenues from Iron Rangers and Pay Stations from September 10, 2018 through September 16, 2018.
- (3) The deposit is unrecorded Therapeutic Recreation Services (TRS) revenues from May 10, 2018 through September 26, 2018. See Finding #4 at Attachment III, *Current Findings and Recommendations*.
- (4) Cash drawers include cash boxes used at park entrance kiosks and at Parks' administrative office.
- (5) External checking account at Chase Bank used for TRS program's operating activities. See Finding #5 at Attachment III, *Current Findings and Recommendations* for the variance detail.
- (6) External bank account at Wells Fargo Bank used for Leisure Services' certain revenue deposits. See Finding #5 at Attachment III, *Current Findings and Recommendations*.

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**Current Status of Prior Agreed-Upon Procedures Findings and Recommendations for the Period from May 1, 2014 to June 30, 2014, Report Dated May 25, 2017**

**1. Segregation of Duties Over Cash Deposits**

Prior Comment

During our review of the County of Sacramento, Department of Regional Parks' (Parks) internal controls related to cash deposits, we noticed one employee normally counting cash and preparing deposits alone in a separate office. In addition, the same employee is responsible for depositing cash with the County Treasurer. Proper internal controls dictate that duties involving counting cash, preparing deposits, and depositing cash be segregated. Parks is not segregating its cash handling duties. By not segregating responsibilities over cash deposits, Parks is exposing itself to possible misappropriation of cash without the ability to detect, or correct, any errors or misappropriation that might occur.

Prior Recommendation

We recommend Parks implement adequate internal controls over its cash deposit process by segregating its cash deposit duties. Parks should segregate its cash deposit duties by having two people count cash and confirm deposit information. If Parks is unable to segregate its cash handling and deposit processes, we recommend installation of camera monitoring equipment in the enclosed office and ensure all monies are counted in front of the camera monitoring equipment.

Prior Management Response

During the peak summer season, in addition to the full-time staff person assigned to Fee Management, Regional Parks is employing a seasonal Park Ranger Assistant to count fees three times per week. Regional Parks has researched the feasibility of installing a camera in the office to record all actions by employees and deemed it unnecessary at this time. Regional Parks staff is meeting with Treasury staff to discuss having Treasury staff take over the counting of Iron Ranger fee payments.

Current Status of Prior Finding

We noted that Park implemented our recommendation and installed surveillance camera in the office of the Parks' staff who is responsible for counting cash and preparing for deposit permits to monitor the staff's cash handling activities as an alternative of having a dual control.

**2. Park Entrance Collection Boxes**

Prior Comment

Parks uses locked collection boxes (aka Iron Rangers) at park entrances to collect fees when park ranger assistants are unavailable, or not cost effective, to staff park entrance kiosks. Parks

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provides pre-numbered payment envelopes for customers to submit their payments to Iron Rangers. Customers indicate the services they are paying for on the outside of the payment envelopes and secure the applicable fees inside. Customers then remove the receipt tab located on the back of the payment envelope before inserting the envelopes and fees into slots located within the Iron Rangers. Parks uses Iron Rangers to accept payments at sixteen of the eighteen vehicle access entrances along the American River Parkway. Parks has contracted with the City of Sacramento in order to use electronic kiosk ticket machines at the remaining two vehicle entrances. Payments are removed from a locked section located underneath the Iron Rangers.

As part of our cash review, we tested Iron Rangers at park entrances. During our testing of the Iron Ranger at Parks' Sailor Bar Park on the morning of June 18, 2014, we were accompanied by Parks' supervising park ranger in order to open the Iron Rangers, witness our procedures, and secure payment envelopes in the Iron Ranger. We noted a single payment envelope (Envelope #H 060212) in the Iron Ranger when the supervising park ranger opened the Iron Ranger. The payment envelope contained a single five dollar bill. The five dollar bill was put in a new payment envelope (Envelope #H 060213), witnessed by the supervising park ranger, and the payment information noted on the replaced envelope was copied onto the new envelope. The supervising park ranger then secured the new payment envelope in the Iron Ranger. The old envelope (#H 060212) was kept by the supervising park ranger for parking citation issuance purposes (There were no citations issued by park rangers at Sailor Bar Park on June 18, 2014).

On the morning of June 19, 2014, we were present at Parks' headquarter location in order to observe the count of the payments received at the Sailor Bar Iron Ranger on June 18, 2014 in order to test if Parks was receiving and depositing all payments received at its park entrances. The payments received from Sailor Bar Park did not include the "swapped" envelope (Envelope #H 060213) that was part of our testing. We also reviewed payment envelopes received at the remaining park Iron Rangers for June 18, 2014 and the following day payments (June 19, 2014) received at the Sailor Bar Iron Ranger to locate the missing envelope. Parks' staff could not locate envelope #H 060213.

Parks' management was notified regarding the missing envelope. As of the date of this report, Parks' management is unable to provide an explanation or determine how payment envelopes went missing during the prior and current cash reviews.

#### Prior Recommendations

We recommend Parks replace all Iron Rangers with electronic kiosk ticket machines at its park locations in order to ensure all payments are received and deposited. Until the electronic kiosk ticket machines are installed at all locations, we further recommend Parks' internal controls require two staff members be present when Iron Ranger payments are collected. Until that time, park rangers should not open payment envelopes at park sites unless two individuals are present, and surprise cash counts of Iron Ranger payments should be performed. Parks' policies and procedures should be updated to reflect these recommendations.

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Prior Management Response

The Department has included funding in the 2014-15 Final Budget to purchase and install five electronic pay stations this fiscal year. During the 2014 Cash Audit, auditor staff did take payment from an Iron Ranger envelope, remove it and place it in another envelope. The new envelope was not accounted for in our office as part of the Sailor Bar deposit. Regional Parks strongly suggests that for future cash audits that the integrity of the Iron Ranger payment system not be compromised by having auditor staff open envelopes to place payment in new envelopes, but, rather that envelope numbers from Iron Rangers be noted and compared to the envelopes that are later collected by staff and delivered to the office. Regional Parks policy is to allow Park Ranger staff to open Iron Ranger envelopes while in the field to confirm payment has been made prior to issuing citations for non-payment of fees. The Iron Ranger envelopes which are pulled are subsequently logged onto a log sheet which correlates to the pre-printed number of the Iron Ranger envelope and the license plate of the car. This log sheet is placed back in the Iron Ranger and is included with the nightly drop taken to the Regional Parks office. The purpose of this policy is to ensure that park users are actually paying fees into the Iron Ranger envelopes and not just placing the Iron Ranger envelope stub on their vehicle dashboard without paying, or underpaying the amount required.

Current Status of Prior Finding

It appeared that our recommendation has not been fully implemented. See Finding #2 at Attachment III, *Current Findings and Recommendations*.

**3. Receipts Reconciliation**

Prior Comment

During our review, we noted that Parks was reconciling kiosk and Iron Ranger payments to Sacramento County's Financial System (aka COMPASS) but not reconciling credit card receipts to the County Treasurer's records, COMPASS, and Parks' own supporting documentation. Errors could be made and fraud could occur, and would be difficult to detect and correct if regular reconciliations are not performed.

Prior Recommendation

We recommend Parks reconcile credit card transactions.

Prior Management Response

Regional Parks staff will reconcile credit card transactions as well as the kiosk and Iron Ranger payments to COMPASS.

Current Status of Prior Finding

Our recommendation has not been implemented. See Finding #3 at Attachment III, *Current Findings and Recommendations*.



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#### **4. External Bank Accounts**

##### Prior Comment

During our review, we noticed that Parks did not include the current Director of Finance as a signatory on its two external bank accounts. County departments are required to receive Department of Finance approval before any external bank accounts are opened and include the Director of Finance as a signatory of the account.

Parks uses a Wells Fargo bank account as a clearing account to deposit revenues generated from providing classes in its Leisure Services program. Then, Parks withdraws the revenues from the bank account and deposits them with the County Treasury. However, the balance and activities of the Wells Fargo bank account was not recorded in COMPASS. As of June 30, 2014, Parks has a balance of \$4,608.00 in its Wells Fargo bank account not recorded in COMPASS. The bank account's activities and balances should be recorded in COMPASS to ensure all revenues are properly accounted for.

##### Prior Recommendation

We recommend the Director of Finance be included as a signatory on both of Parks' external bank accounts.

Parks should contact the Department of Finance to establish an imprest account in COMPASS for the Wells Fargo account. Parks should also reconcile the bank account to COMPASS monthly.

##### Prior Management Response

Regional Parks contacted the Department of Finance in order to have the Director of Finance be added as signatory to the Chase and Wells Fargo accounts. The Wells Fargo account is reconciled quarterly by MAS staff. This account will not work as an Imprest account, as this account is simply a clearing account for our contracted instructors to deposit fees for programs offered in County Service Area 4C. These deposits are reconciled against the class participation rosters by Regional Parks staff to ensure accuracy of deposits. Once to twice per year, these funds are deposited into the CSA 4C account and accounted for in COMPASS through this deposit.

##### Current Status of Prior Finding

The previous Director of Finance was added as signatory to both Chase and Wells Fargo accounts. However, after the previous Director of Finance retired, the current Director of Finance has not been added as signatory to both accounts. See Finding #5 at Attachment III, *Current Findings and Recommendations*.

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## **5. Bank Account Fees**

### Prior Comment

Wells Fargo Bank was the County of Sacramento's financial institution for processing business transactions (during the prior cash review). While reviewing Parks' external bank accounts, we noted that one of the checking accounts used for recording payments for instructional classes was a Wells Fargo Bank account. Wells Fargo Bank should not be charging monthly banking fees for maintaining any County of Sacramento bank account. It appears the bank account was not properly established, and therefore, Wells Fargo charges Parks a monthly service fee of \$13.50 for not maintaining a minimum balance in the bank account.

### Prior Recommendation

We recommend Parks work with County Treasury to have Wells Fargo remove the monthly fees for its external bank account.

### Prior Management Response

Regional Parks welcomes any assistance from County Treasury to remove monthly service fees from this account.

### Current Status of Prior Finding

We noted that standard monthly service fee for Wells Fargo Bank has been waived; however, the Park repeatedly incurred monthly service fees for Chase Bank account, which is used for Therapeutic Recreational Services imprest cash. See Finding #5 at Attachment III, *Current Findings and Recommendations*.

## **6. Park Fee Shift Accountability Schedule**

### Prior Comment

Parks uses a Park Fee Shift Accountability schedule to document park entrance activities and revenues received at its parks. The Park Fee Shift Accountability schedule is used by park ranger assistants to note the total number and type of vehicles and watercraft utilizing park facilities. It also denotes the revenue received for each category of vehicle and watercraft entering park facilities during the day.

During our review of Parks' Park Fee Shift Accountability schedules, we noticed several corrections made to the schedules that did not contain an explanation for the causes of the corrections and were not initialed. We also noted several schedules completed in pencil and not pen. Park Fee Shift Accountability schedules are source documents and any changes should be documented with initials and accompanied with explanations for the cause of the changes. Explanations and initials explaining the reason for correcting the schedules is evidence of approval and leaves an audit trail for review by management and staff. The schedules should

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also be completed in pen rather than pencil because any schedule completed in pencil can be easily erased, changed, and not discovered by management and staff. Parks is potentially exposing itself to the risk of incorrect revenue reporting and lost monies by not requiring Park Fee Shift Accountability schedule errors to be initialed and completed in pen.

Prior Recommendation

We recommend Parks require staff to initial any recording corrections and include an explanation on the Park Fee Shift Accountability schedules for the causes of the corrections. The schedules should also be completed in pen. We further recommend Parks use a control log to monitor Park Fee Shift Accountability schedules assigned to park ranger assistants. Parks should update their policies and procedures to include these control requirements.

Prior Management Response

Regional Parks will require staff to initial any corrections to the Park Fee Shift Accountability forms and fill them out in pen.

Current Status of Prior Finding

It appeared that our recommendation has been implemented.

## **7. Petty Cash Log Signatures**

Prior Comment

Parks requires staff receiving petty cash funds to sign the petty cash log when being reimbursed for purchases. During our review of Parks' petty cash log, we noted 5 out of the 6 reimbursement amounts did not have a signature. Staff receiving petty cash funds should sign the petty cash log acknowledging receipt of the monies. Signatures provide additional evidence that the person requesting reimbursement received the correct amount. By not requiring signatures, Parks is potentially at risk of reimbursing incorrect petty cash amounts to staff requesting reimbursement.

Prior Recommendation

We recommend Parks require staff receiving petty cash funds to sign the petty cash log acknowledging receipt of petty cash funds.

Prior Management Response

Regional Parks will require staff to sign the petty cash log to acknowledge receipt of petty cash reimbursement.

Current Status of Prior Finding

It appeared that our recommendation has been implemented.

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## **1. Inadequate Cash Control Policies and Procedures**

### Comment

Based on our review of Department of Regional Parks' (Parks) cash control policies and procedures related to cash handling, we noted the following deficiencies:

- Policies and procedures for the following are not established or are insufficient:
  - Segregation of duties
  - Dual controls over cash handling or mitigating controls
  - Timely reconciliations between bank statements, general ledger/subsidiary ledger, and record of cash receipts and disbursement
  - Timing or frequency of deposit for revenues from Leisure Services or Therapeutic Recreation Services (TRS)
  - Cash handling and use of external bank account for Leisure Services and TRS.
- Existing policies and procedures were not up to date.

Insufficient or lack of cash controls, policies and procedures create opportunities for errors and fraudulent activities to occur and not being detected in a timely manner.

### Recommendation

We recommend Parks establish written policies and procedures regarding the areas noted above and periodically review its policies and procedures for efficiencies, internal controls, and update as necessary.

### Management Response

Management disagrees with the finding that written policies and procedures are not established, but agrees that these policies and procedures should be reviewed for efficiencies, internal controls and updated as needed.

## **2. Park Entrance Collection Boxes**

### Comment

Parks replaced some of its Iron Rangers (honor system park entrance fee drop-box where the park patrons place park entrance fees in sealed envelopes and drop off into) with Pay Stations (electronic kiosk ticket machines) at its park locations. However, Parks still utilizes 9 Iron Rangers at its park locations. During our review, we noted that envelopes in Iron Ranger were picked up by one person without dual controls. This provided an opportunity for misappropriation of cash. Parks' management explained that they did not have staffing capacity to maintain dual controls for Iron Ranger cash handling. This is a repeated finding from prior

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review. See Prior Finding #2 at Attachment II, *Current Status of Prior Findings and Recommendations*.

Recommendation

We recommended that Parks replace all of Iron Rangers with Pay Stations at its park locations in order to ensure all payments are received and deposited. Until the electronic kiosk ticket machines are installed at all locations, Parks should require two staff members be present when Iron Ranger payments are collected or find other mitigating solutions.

Management Response

Management partially agrees with this finding. At this time, not all Iron Rangers have been replaced by Parking Pay Stations, and therefore Parks has not fully implemented the recommendation. Since Fiscal Year 2014-15, Parks has been diligently pursuing the installation of Parking Pay Stations at park facilities, purchasing and installing three pay stations per year.

Parks does not have the staffing levels necessary to have two staff members present at the time Iron Ranger payments are collected; however, the prior recommendation of surprise cash counts of Iron Ranger payments continues to be in place. In addition, Parks will be modifying the use of the Iron Rangers. The Iron Rangers will now have two locks placed on them. One will lock the Iron Ranger insert into the “sleeve” that is cemented to the park facility. The second lock will keep the inserts locked and secure until they are delivered to accounting staff at the office. At that time, the Iron Ranger insert will be opened by accounting staff to count the funds. This mirrors the cash collection system of the Parking Pay Stations.

Therefore, Parks has implemented mitigating solutions until all Iron Rangers can be replaced by Parking Pay Stations.

**3. Receipts Reconciliation**

Comment

During our review, we noted that Parks was reconciling kiosk and Iron Ranger payments to Sacramento County Financial System (aka COMAPSS) but not reconciling credit card receipts to the County Treasurer’s records, COMPASS, and Parks’ own supporting documentation. This is a repeated finding from prior review. See Prior Finding #3 at Attachment II, *Current Status of Prior Findings and Recommendations*.

In addition, we noted that Parks was not reconciling its external bank statements with COMPASS and its supporting documentation on a regular basis. It appeared that Parks reconciles external bank accounts with supporting documentation one to two times per year. Department of Finance, Fiscal Services (DOF) reconciles Parks’ external bank statements to COMPASS, but not to the supporting documentation. Also, see Finding #5 of this attachment.

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Recommendation

We recommend Parks reconcile credit card transactions and external bank account transactions monthly.

Management Response

Parks partially agrees with this finding, and will reconcile credit card payments to COMPASS. Due to minimal accounting staff within Parks, the Department of Finance, through Fiscal Services has been completing the reconciliation of external accounts on behalf of Regional Parks on a quarterly basis, and Parks intends to continue with this practice.

**4. Inadequate cash handling procedures for TRS program revenue receipts**

Comment

During our review of the TRS revenues, we discovered that there were unrecorded funds in the amount of \$6,343.24 in the safe. See Attachment I, *Summary of Deposits and Imprest Cash Counted*. These were walk-in payments from May 10, 2018 through September 26, 2018.

Per Sacramento County Code, Sacramento County Charter, Article VIII. County Officers Other than Supervisors, Sec. 39. Payment of Fees into County Treasury (Sacramento County Code), *“Every county or township officer, board or commission, authorized to collect fees or money must pay into the county treasury all such fees or moneys collected by him or them, as the case may be, not later than seven (7) days following receipt thereof…”*

The walk-in payments from May 10, 2018 through September 26, 2018 were deposited on October 5, 2018, see Attachment I, *Summary of Deposits and Imprest Cash Counted*, and were not in accordance with the Sacramento County Code as described above. The daily receipts were not deposited within seven (7) days following receipt and checks could have been lost or misappropriated without management knowledge.

Other exceptions noted during our review:

- No receipts were issued to mail-in payers and walk-in non-cash payers unless requested.
- 3 check payments originally issued but cancelled were not properly marked as cancelled.
- 7 walk-in payments were not logged.
- Incorrect receipt numbers were logged for 4 payments.
- Errors on receipt number were corrected without initials by the person who made the corrections.
- The amount actually received and the amount written on the receipt was different for one payment.
- One receipt was missing from receipt book and Parks’ staff was unable to explain the reason.

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- At the end of the day, total payments were not counted and verified against supporting documentation before the payments were placed into the safe.

By holding cash in the safe, Parks did not account for its TRS program revenue in COMPASS in a timely manner. Also, errors or fraudulent activities may have occurred and not been detected in a timely manner due to lack of check and balance and accountability as described above.

Parks internal controls, policies and procedures handling TRS revenues are inadequate.

#### Recommendation

We recommend Parks deposit revenue receipts no later than seven (7) days following receipt per the Sacramento County Code. A receipt should be issued to all payers as a proof of payment in accordance with Parks' policies and procedures. All payments should be logged and the log should be verified with the supporting documentation by a person other than who prepared the log for accuracy at the end of the day before the payments are placed into the safe. Any discrepancy noted should be investigated as soon as possible. Any errors corrected on the log or receipts should be initialed by the person who prepared as well as the person who reviewed. Also, see our recommendation for Finding #1 in this attachment.

#### Management Response

Parks agrees with this finding and will develop specific cash handling procedures for the TRS program.

### **5. External Bank Accounts**

#### Comment

##### **a. Leisure Services External Account – Wells Fargo Bank**

Parks uses a Wells Fargo Bank account as a clearing account to deposit revenues generated from providing classes in its Leisure Services program. Then, Parks withdraws the revenues from the bank account and deposits them with the County Treasury once a year. Until the deposit is made to the Treasury, the revenue activities are not accounted for in COMPASS. Based on our review, we noted the following concerns:

- Parks did not deposit the revenues from the classes held for Leisure Services program into Treasury in a timely manner. As of September 30, 2018, the Parks' Wells Fargo account balance was \$6,179.23 which was not recorded in COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash*.
- Parks did not establish imprest cash account for minimum cash balance to required to avoid bank service fee (\$500.00 effective July 11, 2018)

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**b. Therapeutic Recreation Services External Account – Chase Bank**

Parks is authorized for \$10,500.00 imprest cash bank account at Chase Bank to meet its TRS program's operating needs. The bank account is used to issue checks to cover costs related to TRS program activities. Based on our review, we noted the following concerns:

- Parks did not replenish Chase Bank account in a timely manner. On September 30, 2018, the book balance for the bank account was \$893.30. See Attachment I, *Summary of Deposits and Imprest Cash Counted*. Because of untimely replenishment of Chase Bank account, the Chase Bank account's average daily account balance has been consistently below the \$7,500.00 minimum daily balance requirement for waiving month bank service charge. As a result, total monthly service fee in the amount of \$571.00 was incurred from July 2014 through December 2018.
- Parks did not investigate and resolve the discrepancies between the book balance and the imprest cash amount authorized for TRS program in a timely manner, which delayed replenishment of the imprest account.
- Park did not replenish bank service fees and also, did not reduce the replenishment amount by any vendor refunds causing discrepancy between book balance and authorized imprest account balance.

**c. Authorized Signer**

During our review, we noted that Parks did not update the account to the current Director of Finance as a signatory on both Wells Fargo and Chase external bank accounts. County departments are required to include the Director of Finance as a signatory of the external bank accounts.

**d. Bank Reconciliation**

DOF performs Parks bank reconciliation for Wells Fargo and Chase accounts; however, it appeared that Parks did not take timely actions for any discrepancies noted by reviewing the reconciliation performed by DOF personnel or perform its own bank reconciliation in timely manner.

Finding #5a and #5c are repeated findings from prior review. See Prior Finding #4 at Attachment II, *Current Status of Prior Findings and Recommendations*.

Recommendation

We recommend:

- a. Parks contact the DOF to establish an imprest account in COMPASS for the Wells Fargo Bank account for bank minimum balances, reconcile the bank account to COMPASS and other supporting documentation monthly and deposit any funds exceeding bank minimum balance on a weekly basis.



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- b. Parks investigate and resolve the discrepancies between the book balance and the imprest cash amount authorized for TRS program, replenish all expenditures including bank fees, and reduce replenishment amount by any vendor refunds. Parks should replenish the imprest fund in a timely manner to avoid incurring unnecessary bank service fees.
- c. Add the Director of Finance as a signatory on both of Parks' external bank accounts.
- d. Parks should closely monitor the bank balances, and reconcile the bank account to COMPASS and any supporting documentation monthly.

Management Response

- a. 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. Setting up a separate imprest account does not seem like a feasible solution that would meet operational needs.

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.

- b. Department of Finance, through Fiscal Services has been completing the reconciliation of this account on behalf of Regional Parks for many years. Although several attempts have been made to reconcile this \$737 difference which dates back to 2008, it has not been resolved. At the recommendation of Department of Finance staff, Parks deposited the additional funds into the operations budget, leaving the reconciled imprest account balance at \$10,500, as is approved and established in COMPASS. Parks staff will reconcile and replenish on a quarterly basis.
- c. Parks staff has contacted Department of Finance to set up the current Director of Finance as signatory to the external accounts and will follow up with Department of Finance staff to ensure this is completed.
- d. Due to minimal accounting staff within Parks, the Department of Finance, through Fiscal Services has been completing the reconciliation of external accounts on behalf of Regional Parks on a quarterly basis, and Parks intends to continue with this practice.