

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: 03/18/2022

SUMMARY

Background

Sacramento County's Department of Regional Parks (Parks) maintains and operates more than 15,000 acres of parkland throughout the County, including four golf courses, a nationally-renowned nature center and miles of trails and waterways. Parks maintains and operates the American River Parkway, Dry Creek Parkway, Mather Regional Park and other historic and natural sites.

Review Objective

The Department of Finance, Treasury Division selected Parks for this cash control agreed-upon procedures for the period July 1, 2021 to August 31, 2021. For the purpose of this cash control agreed-upon procedures, "cash" is defined as all forms of money or cash equivalent, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards and debit cards. The objective of this cash review is to inspect Parks' cash handling controls at Parks administrative office and other locations. This cash review also covers Parks' other controls related to its cash handling functions.

Summary

We noted deficiencies concerning the Parks' cash controls including cash control policies and procedures, park entrance collection boxes, external bank account controls, and bank reconciliation.



County of Sacramento

Intra-Office Memorandum

February 15, 2022

To: Ben Lamera
Director of Finance

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

A handwritten signature in blue ink, appearing to be "H. Yu", is written over the name of the sender.

Subject: **REGIONAL PARKS CASH CONTROL – AGREED-UPON PROCEDURES FOR THE PERIOD JULY 1, 2021 TO AUGUST 31, 2021**

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 July 1, 2021 to August 31, 2021. 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 obtained and inspected Parks' cash handling policies and procedures used for cash receipts and cash transaction reports to identify any concerns or internal control issues. We visited Parks' operational locations unannounced and observed and documented how Parks' staff process cash received and performed a walkthrough of the cash receipt process.

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

- We inspected a sample of Parks' transactions to verify receipt copies were provided to customers, correct amounts were charged and collections were properly safeguarded.

Finding: We noted exceptions from Parks' entrance collection boxes.
See ATT II, Current Findings and Recommendations.

- We performed unannounced cash counts at Parks' operational locations and traced revenues counted to reconciliation schedules and confirmed deposits to Sacramento County's financial system (A.K.A. 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 ATT I, *Summary of Imprest Cash Counted and Bank Balances* and ATT II, *Current Findings and Recommendations*.

- We performed an unannounced cash count on Parks' imprest cash and 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 ATT I, *Summary of Imprest Cash Counted and Bank Balances* and ATT II, *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 ATT II, *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, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, County Treasurer 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.

ATT I: Summary of Imprest Cash Counted and Bank Balances
ATT II: Current Findings and Recommendations
ATT III: Current Status of Prior Findings and Recommendations

County of Sacramento
 Department of Regional Parks
 Cash Control Agreed-Upon Procedures
 Summary of Imprest Cash Counted and Bank Balances
 For the Period July 1, 2021 to August 31, 2021

Cash and Bank Accounts

<u>Imprest Fund</u>	Authorized Imprest Fund Balance	Verified Balance	Verified Date	Variances
Cash Drawers ⁽¹⁾	\$ 1,000.00	1,000.00	8/30/2021	\$
Petty Cash	300.00	300.00	8/30/2021	
TRS Imprest Fund ⁽²⁾	10,500.00	10,139.30	8/31/2021	360.70
Total Imprest Fund	<u>\$ 11,800.00</u>	<u>11,439.30</u>		<u>\$ 360.70</u>
<u>Bank</u>				
Wells Fargo ⁽³⁾		<u>\$ 11,300.84</u>	8/31/2021	
Total Cash and Bank Accounts		<u>\$ 22,740.14</u>		

- (1) Cash drawers include cash boxes used at park entrance kiosks and at Parks' administrative office.
- (2) External checking account at Chase Bank used for Therapeutic Recreation Services (TRS) program's operating activities. See Finding #4 at ATT II, Current Findings and Recommendations for the variance detail.
- (3) External bank account at Wells Fargo Bank used for Leisure Services' certain revenue deposits. See Finding #4 at ATT II, Current Findings and Recommendations.

County of Sacramento
 Department of Regional Parks
 Cash Control Agreed-Upon Procedures
 Current Findings and Recommendations
 For the Period July 1, 2021 to August 31, 2021

1. 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 control, we noted the following deficiencies:

- a. Policies and procedures for the following are insufficient:
 - Segregation of duties
 - 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)
- b. Policies and procedures for the following are not established:
 - Cash handling and use of external bank account for Leisure Services and TRS.
- c. 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 be detected in a timely manner.

Criteria

- a. Per County Change and Imprest Cash Policy Number 1003, *"Any custodian and all personnel handling cash shall follow internal control procedures to safeguard all funds, including timely reconciliations."*
- b. Per County Change and Imprest Cash Policy Number 1003, *"All funds shall be reconciled at least once each month."*
- c. 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..."*

Effect

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

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

Recommendation

We recommend Parks periodically review its policies and procedures for relevance and effectiveness, and update policies and procedures as necessary.

Management Response

Regional Parks met with Department of Finance to review the existing policies and procedures (last updated in 2020) for specific feedback and will incorporate suggestions as warranted. Written policies and procedures are established, and management agrees that policies and procedures should be reviewed for efficiencies, internal controls and updated when necessary.

2. Park Entrance Collection Boxes

Comment

Parks replaced some of its Iron Rangers (honor system park entrance fee drop-box where park patrons place entrance fees in sealed envelopes) with pay stations (electronic kiosk ticket machines) at its park locations. However, Parks still utilizes six Iron Rangers at its locations. During our procedures, we noted drop boxes in the Iron Rangers were picked up by one person without dual controls. This provides an opportunity for misappropriation of cash. However, we noted a mitigating control where Iron Rangers can only be opened at the main office in a room where the key is locked and watched by camera.

Parks' management explained that they did not have staffing capacity to maintain dual controls for Iron Ranger cash handling. While having this mitigating control reduces the risk of misappropriation, it prevents Parks' staff from accurately assessing if park patrons have paid appropriate fees. This may lead to a potential loss of revenue if staff cannot verify the fees of individual park patrons. In addition, Iron Rangers do not provide any receipts to park patrons.

Our recommendation to replace Iron Rangers is a repeat finding from prior review. See Prior Finding #2 at ATT II, *Current Status of Prior Findings and Recommendations*.

Criteria

Per the County Change and Imprest Cash Policy Number 1003, "*Any custodian and all personnel handling cash shall follow internal control procedures to safeguard all funds...*"

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

Effect

Insufficient cash controls, policies and procedures create opportunities for errors, loss of revenue and fraudulent activities to occur and not be detected in a timely manner.

Recommendation

We recommended Parks replace all Iron Rangers with pay stations in order to ensure all proper payments are received, deposited, and park entrance fee receipts are provided to park patrons.

Management Response

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 modified the use of the Iron Rangers. The Iron Rangers 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. External Bank Accounts

Comment

a. Leisure Services External Bank Account

Parks uses a Wells Fargo Bank account as a clearing account to deposit revenues generated from providing classes in its Leisure Services program. Parks then withdraws the revenues from the bank account and deposits them with the County Treasury. 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. The last deposit was made in June of 2019. As of August 31, 2021, the Parks' Wells Fargo account balance was \$11,300.80, which was not recorded in COMPASS. See ATT I, *Summary of Imprest Cash and Bank Balances*.

County of Sacramento
 Department of Regional Parks
 Cash Control Agreed-Upon Procedures
 Current Findings and Recommendations
 For the Period July 1, 2021 to August 31, 2021

- Until the deposit is made to the Treasury, the revenue activities are not accounted for in Sacramento County's financial system (A.K.A. COMPASS).
- b. Therapeutic Recreation Services (TRS) External Bank Account
 Parks is authorized for a \$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 to \$10,500 imprest balance in a timely manner. On August 31, 2021, the bank balance was \$10,139.30. See ATT I, *Summary of Imprest Cash Counted*.
 - 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.
 - Parks had multiple disbursements over \$100.
 - Parks had multiple disbursements from the account that should have gone through the normal purchasing process.
- c. Authorized Signer
 During our review, we noted 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.

Criteria

- a. 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..."*
- b. - The imprest bank account should be replenished to the imprest amount at a minimum every year.
- Per County Change and Imprest Cash Policy Number 1003, *"All funds shall be reconciled at least once each month and when the fund is replenished."* Part of

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

the reconciliation process is resolving discrepancies between the book balance and the imprest account amount.

- Per County Change and Imprest Cash Funds Policy, "*The cash fund shall not be used for payment of any single item of expenditure in excess of \$100.*"

- Per County Change and Imprest Cash Funds Policy, "*No disbursements shall be made for purchases for items available through normal purchasing processes such as a contract or a purchase order.*"

- c. County departments are required to include the Director of Finance as a signatory of the external accounts.

Effect

Imprest cash balance should agree to the authorized amount in COMPASS. Overages and shortages of imprest cash can lead to theft or misappropriation of funds not being detected in a timely manner.

Recommendation

We recommend:

- a. Parks deposit any funds exceeding bank minimum balance on a weekly basis, and record Leisure Services revenue to COMPASS when the revenues are received.
- b. Parks investigate and resolve the discrepancies between the book balance and the imprest cash amount authorized for TRS program and replenish all expenditures. Parks should also reconcile the bank account to COMPASS and other supporting documentation monthly,
- c. Parks add the Director of Finance as a signatory on both of Parks' external bank accounts.

Management Response

We will implement the policy of depositing any funds exceeding bank minimum balance on a weekly basis and record Leisure Services revenue to COMPASS when the revenue are received.

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. 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. Adding

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

the current Director of Finance had been initiated in 2020, and was delayed with COVID restrictions.

4. Bank Reconciliations

Comment

a. Leisure Services External Bank Account

- We reviewed the August 2021 bank reconciliation and noted Parks did not maintain any documentation of review for the bank reconciliation.
- The bank account is not reconciled to COMPASS as the account is not included in COMPASS.

b. Therapeutic Recreation Services External Bank Account

- We reviewed the August 2021 bank reconciliation and noted Parks did not maintain any documentation for the review of the bank reconciliation.
- Parks did not take timely action for discrepancies noted on the bank reconciliation. Multiple reconciling items are out of date going as far back as 2008 and unverifiable amounts of \$737.32 were included in the adjusted balance of the reconciliation. All discrepancies should be resolved in a timely manner.
- In the process of reviewing the bank reconciliations, we noted that April 2021 through August 2021 bank statements were reconciled in early September 2021. Therefore, Parks reconciled five months of bank statements at one time and did not reconcile its external bank statements with COMPASS in a timely manner.

Criteria

The bank reconciliation should be reviewed by the proper person with documentation retained for an audit trail and discrepancies should be resolved in a timely manner. The imprest bank account should be replenished to the imprest amount at a minimum every year. Per County Change and Imprest Cash Policy Number 1003, "*All funds shall be reconciled at least once each month.*"

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

Effect

Not reviewing the bank reconciliation leads to action not being taken in a timely manner and errors may not be detected. Overages and shortages of cash can lead to theft, misappropriation of funds or errors not being detected in a timely manner.

Recommendation

We recommend:

- a. The person who reviews the bank reconciliation should document the review by initialing and noting the date at the time of the review.
- b. Parks should replenish the Chase Bank account to the COMPASS amount of \$10,500.00 and resolve the outstanding reconciling items.
- c. The reconciliation should be completed in a timely manner and at least monthly.

Management Response

The Department of Finance, through Fiscal Services, has been completing the reconciliation of this account on behalf of Regional Parks on a quarterly basis for many years. Although several attempts have been made to reconcile this \$737.32 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 replenish the account on a quarterly basis, in conjunction with the quarterly reconciliation by the Department of Finance.

5. Repeat Findings

Condition

We noted findings 1, 2, 3 and 4 are repeat findings from the prior cash handling review report. See ATT III, *Current Status of Prior Findings and Recommendation*. Proper internal controls indicate these findings should be resolved in a timely manner.

Recommendation

We recommend Parks implement the recommendations that are noted in this attachment in a timely manner.

Management Response

a) Department of Finance, through Fiscal Services has been completing the reconciliation of this account on behalf of Regional Parks for many years. Although

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

several attempts have been made to reconcile this \$737.32 difference which dates back to 2008, it has not been resolved.

b) 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) 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.

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Status of Prior Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

**Current Status of Prior Agreed-Upon Procedures Findings and Recommendations
for the Period August 1, 2018 to September 30, 2018, with a Report Date of
June 28, 2019**

1. Inadequate Cash Control Policies and Procedures

Prior Recommendation

We recommended Parks establish cash control written policies and procedures and periodically review its policies and procedures for efficiencies, internal controls, and update as necessary.

Current Status of Prior Recommendation

It appears that our recommendation has been partially implemented. Please see Finding #1 at ATT II, *Current Findings and Recommendations*.

2. Park Entrance Collection Boxes

Prior Recommendations

We recommended 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.

Current Status of Prior Recommendation

It appears that our recommendation has been partially implemented. See Finding #2 at ATT II, *Current Findings and Recommendations*.

3. Receipts Reconciliation

Prior Recommendation

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

Current Status of Prior Recommendation

It appears that our recommendation has been partially implemented. See Finding #4 at ATT II, *Current Findings and Recommendations*.

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Status of Prior Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

4. Inadequate Cash Handling Procedures for TRS Program Revenue Receipts

Prior Recommendation

We recommended Parks deposit revenue receipts no later than seven (7) days following receipt per 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.

Current Status of Prior Recommendation

It appears that our recommendation for TRS Program Revenue Receipts has been implemented. However, we noted TRS account has other issues. In addition, Leisure Services has a similar issue of not depositing receipts in a timely manner. See finding # 3 at ATT II, *Current Findings and Recommendations*.

5. External Bank Accounts

Prior Recommendations

We recommended:

- a. Parks contact the Department of Finance to establish an imprest account in the Sacramento County Financial System (A.K.A. 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.
- b. Parks investigate and resolve the discrepancies between the book balance and the imprest cash amount authorized for Therapeutic Recreation Services (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. Parks 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.

County of Sacramento
Department of Regional Parks
Cash Control Agreed-Upon Procedures
Current Status of Prior Findings and Recommendations
For the Period July 1, 2021 to August 31, 2021

Current Status of Prior Recommendation

It appears our recommendation has been partially implemented. Please see Findings # 3 & 4 at ATT II, *Current Findings and Recommendations*.