

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 JUNE 20, 2022

DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 06/15/2023

SUMMARY

Background

The Department of Finance (Finance) performed a change of custody agreed-upon procedures for the outgoing acting director of the Department of Health Services (DHS) who resigned June 20, 2022.

Audit Objective

To inspect DHS' cash and assets and confirm the record to the Sacramento County Accounting System (a.k.a COMPASS) for the period June 20, 2022 to end of fieldwork.

Summary

We noted issues related to DHS' imprest cash, gift cards, and capital assets as a result of our procedures.

Department of Finance

Joyce Renison
Interim Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Services
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

Inter-Office Memorandum

May 19, 2023

Timothy Lutz, Director
Department of Health Services
County of Sacramento
7001-A East Parkway, Suite 1000
Sacramento, CA 95823

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Mr. Lutz:

We have performed the procedures enumerated below, which were requested and agreed to by Sacramento County Department of Health Services (DHS) regarding change of custody on June 20, 2022. We performed our procedures at various DHS locations. DHS' management is responsible for maintaining sufficient controls for its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of DHS' 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 is not intended to pertain to any of the DHS' other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We counted DHS' cash and all receipts on hand during our fieldwork and compared them to the amounts authorized in the Sacramento County Financial System (a.k.a. COMPASS).

Result: We noted that an imprest cash account was not replenished in a timely manner. See ATT 2 – *Current Findings and Recommendations*.

2. We reviewed imprest cash reconciliations for the period from June 20, 2022 to the scheduled days of fieldwork during August 2022.

Result: We did not note any exception related to DHS' cash reconciliation.

3. We counted gift cards and bus passes on hand during fieldwork and reconciled the balances back to June 20, 2022.

Result: We noted a difference between the amount of gift cards counted and the amount per DHS records, see ATT 2 – *Current Findings and Recommendations*.

4. We inspected pharmaceutical inventories and compared them to COMPASS and DHS' records.

Result: We did not note any exceptions related to DHS' pharmaceutical inventories.

5. We reviewed DHS' capital assets listing and physically inspected 25 out of 277 total assets at DHS' offices for their existence during our fieldwork.

Result: We noted that some of the capital assets inspected were missing asset tags. See ATT 2 – *Current Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with the Standards for Attestation Engagements contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion or conclusion, respectively, on DHS' fiscal processes or results of our procedures referred above. 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.

DHS' responses to the findings identified during our procedures are described in ATT 2 – *Current Findings and Recommendations*. We did not perform procedures to validate DHS' 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, and DHS' 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.

Sincerely,

JOYCE RENISON
INTERIM DIRECTOR OF FINANCE

A handwritten signature in blue ink, appearing to be 'A' or 'R' with a flourish.

By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments

- ATT 1 – *Schedule of Accountability*
- ATT 2 – *Current Findings and Recommendations*
- ATT 3 – *Current Status of Prior Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY

ATT 1

June 20, 2022

Imprest Cash

<u>Imprest Cash Location</u>	<u>Authorized Amount</u>	<u>Amount Counted</u>	<u>Identified Variances</u>
Correctional Health Services	\$ 200	200	0
Fiscal Services	850	850	0
Mental Health Treatment Center (MHTC)	400	400	0
Vital Records	400	400	0
Total	<u>\$ 1,850</u>	<u>1,850</u>	<u>0</u>

Cash Equivalents

<u>Cash Equivalents on Hand</u>	<u>Amount Per DHS Records</u>	<u>Amount Counted</u>	<u>Identified Variances</u>
Gift Cards	\$ 14,290	14,240	(50)
Bus Passes	4,052	4,052	0
Total	<u>\$ 18,342</u>	<u>18,292</u>	<u>(50)</u>

Pharmaceutical Inventories

<u>Pharmacy Location</u>	<u>Amount Per Recent Inventory Count</u>	<u>Sample Amount Counted</u>	<u>Unverifiable Sample</u>
Juvenile Hall	\$ 38,463	1,846	0
Main Jail	546,196	1,875	0
MHTC	61,299	2,622	0
Primary Care Center	160,376	394	0
Rio Cosumnes Correctional Center (RCCC)	418,091	3,030	0
Total	<u>\$ 1,224,424</u>	<u>9,767</u>	<u>0</u>

<u>Total Acquired Unit</u>	<u>Unit Inspected</u>	<u>Exception</u>
258	25	

<u>Capital Assets</u>	<u>Total Acquired Value Reported</u>	<u>Amount Inspected</u>	<u>Exception</u>
Total	<u>\$ 12,664,243</u>	<u>1,230,545</u>	<u>0</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CHANGE OF CUSTODY
CURRENT FINDINGS AND RECOMMENDATIONS**

June 20, 2022

1. Imprest Cash Replenishment

Condition

During our inspection of imprest cash, we noted that Correctional Health Services (CHS) had not replenished their petty cash since June 2019.

Criteria

Petty Cash should be reconciled and replenished once a year at a minimum in order to properly track and make the funds available for future usage.

Effect

Not replenishing petty cash in a timely manner makes it difficult to track and limit/hinder utilization of the fund when needed.

Recommendation

We recommend the Department of Health Services (DHS) replenish petty cash once a year at a minimum.

Management Response

DHS will ensure that petty cash is replenished regularly or at least once a year.

2. Gift Cards

Condition

During our inspection of gift cards, we noted that the gift cards log did not accurately track the running balance as there was a \$50 difference between the amount counted of \$4,675 to DHS records of \$4,725 for California Personal Responsibility Education Program (CA PREP).

Criteria

Proper internal controls indicate the gift card custodian's logs of activities should reconcile to the official count and be updated when purchases and distributions are made so that DHS can easily monitor, track, and reconcile gift card inventories.

Effect

Without accurate running balances, custodians may not be able to determine the gift card inventories that it should have on hand, which could lead to not being able to detect theft or misappropriation on a timely basis.

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CHANGE OF CUSTODY
CURRENT FINDINGS AND RECOMMENDATIONS**

June 20, 2022

Recommendation

We recommend DHS reconcile the gift card logs to current balances and update the logs when purchases and disbursements are made so DHS can monitor and track gift card inventories on hand.

Management Response

DHS has corrected the error on the gift card log to reflect the correct running balance and will reconcile the gift card log to the inventory count sheet monthly to endure that balances are current and accurate.

3. Capital Assets

Condition

During our inspection of the DHS' capital assets, we sampled 25 out of 277 recorded capital assets for physical inspection. Based on our inspection, we noted that 5 out of the 25 capital assets inspected were missing the County inventory number tags.

Criteria

All capital assets should be tagged with an inventory number in order to properly track and account for the asset.

Effect

Not verifying that asset tags are in place makes it difficult to track and vulnerable to theft or misappropriation.

Recommendation

We recommend DHS tag all capital assets with an inventory number and routinely verify asset tags are in place in order to properly track and account for the assets.

Management Response

DHS currently has procedures in place to ensure fixed assets are properly recorded and tagged. DHS will revise procedures to include inspection of fixed asset tags during physical inventory of fixed asset items.

COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CHANGE OF CUSTODY
CURRENT STATUS OF PRIOR RECOMMENDATIONS

June 20, 2022

CURRENT STATUS OF PRIOR RECOMMENDATIONS (REPORT DATE
JANUARY 31, 2022 FOR THE CHANGE OF CUSTODY DATE MAY 7, 2021)

1. Imprest Cash Reconciliation

Prior Recommendation

We recommended maintaining a summary sheet or control log for payments and deposits to track petty cash fund activities and balance.

Current Status of Prior Recommendation

It appears that the prior recommendation has been implemented.

2. Bus Pass Review

Prior Recommendation

We recommended DHS maintain detailed logs of bus pass activities and running balances so DHS could monitor and track bus pass inventories on hand.

We recommended DHS performed periodic reconciliation of bus passes so DHS could detect mistakes and discrepancies of bus pass inventories and investigate variances in a timely manner.

We recommended DHS ensured that entries in the record logs were accurate and updated in a timely manner.

We recommended DHS used a method for editing its record log that would not completely obscure original entry. Edits to its record log should include DHS staff's initials and dates when documenting a correction. Supervisor's initials and dates should be required and documented for all corrections.

Current Status of Prior Recommendation

It appears that the prior recommendation has been implemented.

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CHANGE OF CUSTODY
CURRENT STATUS OF PRIOR RECOMMENDATIONS**

June 20, 2022

3a. Recording Inventory Balances

Prior Recommendation

We recommended tracking pharmaceutical activities and recording inventory in the Sacramento County Accounting System (a.k.a COMPASS).

Current Status of Prior Recommendation

It appears that the prior recommendation has been implemented.

b. Inventory Control Log and Reconciliation

Prior Recommendation

We recommended Mental Health Treatment Center (MHTC) used a perpetual inventory control log to track Schedule III – V items for controlled substances. We also recommended that MHTC maintained a complete listing of pre-assigned number sheets and distribution records at main pharmacy for tracking purposes.

Current Status of Prior Recommendation

It appears that the prior recommendation has been implemented

c. Editing Inventory Control Log

Prior Recommendation

DHS should not use correction tape to edit inventory control logs. Inventory control logs should be edited in a way that amendments can be confirmed. We recommended DHS added a procedure regarding editing inventory control documentation in order to establish and implement a process of properly editing the inventory control documentation.

Current Status of Prior Recommendation

It appears that the prior recommendation has been implemented