

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

CHANGE OF CUSTODY AGREED-UPON PROCEDURES REPORT AS OF AUGUST 3, 2022

DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING



Audit Committee Submittal Date: 05/18/2023

SUMMARY

Background

The Department of Finance (DOF) performed a change of custody agreed-upon procedures for the outgoing director of the Department of Waste Management and Recycling (DWMR) with a change of custody date of August 3, 2022.

Audit Objective

To inspect DWMR's cash and capital assets as of August 3, 2022 and confirm the record to the Sacramento County Accounting System (COMPASS).

Summary

We noted issues related to DWMR's check receipts handling and one issue related to DWMR's capital asset recordkeeping.



County of Sacramento

April 24, 2023

Keith Goodrich, Director
Department of Waste Management and Recycling
10863 Gold Center Drive,
Rancho Cordova, CA 95670

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dear Mr. Goodrich:

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Department of Waste Management and Recycling (DWMR) regarding the change of custody on August 3, 2022. We performed our procedures from December 12, 2022 to December 13, 2022 at DWMR's various locations. DWMR's management is responsible for maintaining sufficient controls for its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of DWMR's 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 DWMR's other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We counted DWMR's imprest cash and all receipts on hand during our fieldwork and compared our count to the Sacramento County Financial System (COMPASS). See ATT 1 – *Schedule of Accountability*.

Result: DWMR's imprest cash agreed to the authorized amount without any exceptions; however, we noted some issues related to check receipts handling. See Finding #1 at ATT 2 - *Current Findings and Recommendations*.

2. We reviewed the cash reconciliation from August 3, 2022 to the day of our fieldwork.

Result: We did not note any exceptions except for those noted in procedure #1. See Finding #1 at ATT 2 - *Current Findings and Recommendations*.

3. We reviewed the capital asset listing and chose 20 out of 623 capital assets for testing. See ATT 1 – *Schedule of Accountability*.

Result: We noted an issue related to capital asset recordkeeping. See Finding #2 at 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 DWMR's 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.

DWMR's response to the findings identified during our procedures is described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DWMR's response to the findings and, accordingly, we do not express an opinion on the response 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 DWMR's 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



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

Attachments:

ATT 1 – *Schedule of Accountability*
ATT 2 – *Current Findings and Recommendations*

**COUNTY OF SACRAMENTO
WASTE MANAGEMENT AND RECYCLING (DWMR)
CHANGE OF CUSTODY
AUGUST 3, 2022
SCHEDULE OF ACCOUNTABILITY**

IMPREST CASH

	<u>Amount Counted</u>	<u>Amount Authorized</u>	<u>Variance</u>
Admin Office petty cash	\$ 400.00	400.00	0.00
Admin Office change fund	1,000.00	1,000.00	0.00
Kiefer Landfill change fund	1,000.00	1,000.00	0.00
NARS change fund	1,000.00	1,000.00	0.00
Total	<u>\$ 3,400.00</u>	<u>3,400.00</u>	<u>0.00</u>

CASH RECEIPTS

<u>Location</u>	<u>Date</u>	<u>Type of Receipt</u>	<u>Amount Counted</u>	<u>Amount Posted by Treasury</u>	<u>Variance</u>
Admin Office	December 12, 2022	Check	\$ 560,777.03	560,777.03	0.00
Kiefer Landfill	December 12, 2022	Cash	3,171.30	3,171.30	0.00
Kiefer Landfill	December 12, 2022	Check	184.90	184.90	0.00
Kiefer Landfill	December 12, 2022	Credit Card	11,904.75	11,904.75	0.00
NARS	December 13, 2022	Cash	6,422.90	6,422.90	0.00
NARS	December 13, 2022	Check	1,210.35	1,210.35	0.00
NARS	December 13, 2022	Credit Card	21,656.75	21,656.75	0.00
CUBS	December 13, 2022 ⁽¹⁾	Commercial	21,423.80	21,423.80	0.00
Total			<u>\$ 626,751.78</u>	<u>626,751.78</u>	<u>0.00</u>

CAPITAL ASSETS

<u>Total Acquired Value Per COMPASS</u>	<u>Total Acquired Value Tested</u>	<u>Exception</u>
<u>\$ 154,733,317.13</u>	<u>43,382,966.19</u> ⁽²⁾	<u>5,813.60</u>

⁽¹⁾ Commercial payments are collected and posted by Consolidated Utilities Billing & Services (CUBS), as a service provided to DWMR. Commercial payments are received daily, via checks through the mail, at CUBS location (9700 Goethe Road).

⁽²⁾ See Finding #2 at ATT 2 - *Current Findings and Recommendations*.

**COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR)
CHANGE OF CUSTODY
AUGUST 3, 2022
CURRENT FINDINGS AND RECOMMENDATIONS**

1. Check Receipts Handling

Condition:

We noted DWMR's staff did not follow its policies and procedures related to check receipts handling. During our count of check receipts on December 12, 2022 at the Administration Office, we noted that several checks were not deposited in a timely manner. We also noted that three checks totaling \$1,138.75 (\$615.00, \$23.75, and \$500.00) were not recorded in the check log, nor were these checks endorsed with the stamp.

In addition, we noted DWMR had not updated its policies and procedures since September 12, 2019. As a result, DWMR's cash handling policies and procedures stated an incorrect petty cash amount of \$380.00 at the Administration Office, when the actual petty cash amount was \$400.00.

Criteria:

According to DWMR's cash handling policies and procedures, checks received at the Administration Office should be endorsed with a stamp, recorded in the check log, and deposited on a daily or weekly basis, depending on the volume.

Check receipt handling policies and procedures should be reviewed and updated annually at a minimum.

Effect:

DWMR's revenue receipts were not accounted for in the Sacramento County Financial System (COMPASS) in a timely manner. In addition, not endorsing or recording checks received in the log makes it difficult to track and vulnerable to theft or misappropriation.

Outdated policies and procedures may create confusions among staff leading to errors and mistakes.

Recommendation:

We recommend DWMR's management ensure its staff follow DWMR's check receipt handling policies and procedures. DWMR's staff should endorse all checks with stamp, record them in the log, and deposit them to the County Treasury on a weekly basis, at minimum.

We also recommend DWMR review and update its policies and procedures annually at minimum.

**COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR)
CHANGE OF CUSTODY
AUGUST 3, 2022
CURRENT FINDINGS AND RECOMMENDATIONS**

Management Response:

DWMR's Cash Handling procedure has been revised in accordance with the findings of this audit:

- The accounting staff will audit the check log on a weekly basis. The Accounting Technician will notify the Accounting Manager of the audit and of any findings at the conclusion of the audit.
- The DWMR admin accounting staff will deliver checks received by mail to the County Cashier on a weekly basis, at a minimum. Additional deliveries to the County cashier will be more frequent depending on the volume of checks received. The Admin safe will be cleared of checks by the end of the workweek so no check(s) are left in the safe over the weekend.
 - Check(s) that are under research will be the only checks to remain in the safe outside of the policy; however, a report detailing the issue and the status of the research will be attached to the check. The process to resolve the issue will be a priority.
 - The accounting staff will notify the Accounting Manager of the progress of clearing the checks from the safe and of any check issues on a weekly basis.
- The Cash Handling Procedure document is revised.
 - The imprest amount is updated.
 - The document will be reviewed on a yearly basis (at a minimum, and more frequently with any changes in the accounting staff management - including any changes with the Accounting Technician, Accounting Manager, and the CFAO).
 - A sign off sheet is incorporated with the Cash Handling Procedure document to memorialize any reviews.

2. Capital Asset Recordkeeping

Condition:

During our review of DWMR's capital assets, DWMR was not able to locate a PC Projector for our inspection, with an acquisition value of \$5,813.60 and book value of \$0. Upon further inquiry, DWMR stated that the PC Projector is an old asset and could still be at the previous Admin location and that they plan to submit a Relief of Accountability form for this asset.

**COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR)
CHANGE OF CUSTODY
AUGUST 3, 2022
CURRENT FINDINGS AND RECOMMENDATIONS**

Criteria:

DWMR should regularly review its capital asset list and reconcile the capital assets on the list to that of COMPASS in order to properly track and account for its assets.

Per Sacramento County Relief of Accountability – Fixed Assets Policy Number 1401, any loss of capital assets with a net book value of \$10,000 or less should be reported to the Director of Finance on a Relief of Accountability (ROA) form.

When a capital asset loss is discovered, the department should make an attempt to determine the reason for the loss and complete an investigation into the facts surrounding the loss within a month of discovery of the lost capital assets.

Reporting the loss of capital assets should be timely in order to complete a thorough and complete investigation and to adjust COMPASS to correctly reflect all recorded capital assets on an annual basis.

Effect:

A loss of DWMR's capital asset is not correctly reflected in COMPASS.

Not reviewing and reconciling capital assets on DWMR's internal list to that of COMPASS regularly makes it difficult to track and makes assets vulnerable to theft or misappropriation.

Recommendation:

We recommend DWMR regularly review its capital asset list and reconcile the capital assets on the list to that of COMPASS in order to properly track and account for its capital assets.

DWMR should investigate the facts surrounding the loss of the PC Projector and report the loss to the Director of Finance timely on a Relief of Accountability (ROA) form in order to correctly reflect the loss in COMPASS.

Management Response:

The department reviews and updates the capital asset list on a quarterly basis. The list is a reconciliation of several COMPASS asset reports and M-5 data (Fleet Services database). This list is used by department staff (operations for maintain research, finance for budget preparation and for asset control, and accounting for the ACFR preparation).

A County DOF mandated inventory of capital assets involves a physical inventory every three years and a book inventory on the non-physical inventory years. The staff uses this capital asset list to assist with the inventory.

**COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR)
CHANGE OF CUSTODY
AUGUST 3, 2022
CURRENT FINDINGS AND RECOMMENDATIONS**

Asset 87785-0000 is PC projector, purchased for \$5,813.60 on 04 May 2001. The asset had a five-year life, and is currently at \$0.00 book value.

The unit was installed in the ceiling of the main meeting room at the Department's former location of 9850 Goethe Road, Sacramento. In 2019, the Department moved from that location to the current location of 10863 Gold Center Road, Rancho Cordova. The unit was considered obsolete and was left behind in the former location. A newer, upgraded, meeting room system was installed in the new location. The abandonment of asset 87785-0000 was made considering that it would not be cost effective to remove the unit, and with the decision to submit an equipment movement report and a relief of accountability.

It was not until the current audit that it was remembered that the EMR, and ROA, was not completed for this unit. This oversight will be corrected this fiscal year, and the current capital asset reviewed for non-compliant asset items for this quarter's review.