

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

**CHANGE OF CUSTODY
AGREED-UPON PROCEDURES REPORT
AS OF OCTOBER 13, 2023**

DEPARTMENT OF GENERAL SERVICES



Audit Committee Submittal Date: 08/14/2024

SUMMARY

Background

The Department of Finance (DOF) performed a change of custody agreed-upon procedures for the Department of General Services (DGS)' outgoing director with a change of custody date of October 13, 2023.

Audit Objective

To inspect DGS' cash and capital assets as of October 13, 2023 and confirm the record to the Sacramento County Accounting System (a.k.a. COMPASS).

Summary

We noted an issue regarding parts inventory counted not agreeing to DGS' parts inventory record.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

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

June 26, 2024

Dr. Sylvester Fadal, Interim Director
Department of General Services
County of Sacramento
9660 Ecology Lane,
Sacramento, California 95827

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

Dear Dr. Fadal:

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Department of General Services (DGS) regarding the change of custody on October 13, 2023. We performed our procedures at DGS' various locations. DGS' management is responsible for maintaining sufficient controls for its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of DGS' 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 DGS' other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We counted DGS' cash receipts on hand and compared our count to Sacramento County Financial System (COMPASS) and related records.

Result: We did not note any exception. See ATT 1 – *Schedule of Accountability*.

2. We counted DGS' imprest cash on hand and compared our count to COMPASS.

Result: We did not note any exception. See ATT 1 – *Schedule of Accountability*.

3. We reviewed the capital asset listing and selected \$4,222,437.14 out of \$31,010,796.29 in book value of capital assets for testing. Additionally, we obtained a listing of DGS' parts inventory and selected \$401,077.94 out of \$1,482,413.07 parts inventory in on-hand value to inspect their existence.

Result: We noted eleven (11) instances of the quantity of parts counted not agreeing with the quantity of parts on DGS' inventory records. See ATT 1 – *Schedule of Accountability* and Finding #1 at ATT 2 - *Current Findings and Recommendations*.

4. We compared DGS' postage meters' balances to DGS' records as of October 13, 2023.

Result: We did not note any exception. See ATT 1 – *Schedule of Accountability*.

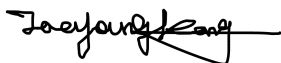
This agreed-upon procedures engagement was conducted in accordance with the Standards for Attestation Engagements contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination,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

DGS' response to the findings identified during our procedures is described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DGS' 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 DGS' 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,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachments:

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

County of Sacramento
Department of General Services (DGS)
Change of Custody
October 13, 2023

Schedule of Accountability

<u>IMPREST CASH</u>	Amount Authorized ⁽¹⁾	Amount Counted ⁽²⁾	Variance
Administration Business Services (Administration)	\$ 275.00	275.00	0.00
Parking Enterprise (Parking)	600.00	600.00	0.00
Surplus Support Services (Surplus)	300.00	300.00	0.00
Total	\$ 1,175.00	1,175.00	0.00

RECEIPTS

<u>Location</u>	<u>Type of Receipt</u>	<u>Deposit Permit Number</u>	Amount Per Treasury ⁽³⁾	Amount Counted ⁽⁴⁾	Variance
Administration	Check	1300850017	\$ 71,086.04	71,086.04	0.00
Real Estate	Check	1300849916	2,625.51	2,625.51	0.00
Fleet Services	Check	1300848683	234.34	234.34	0.00
Surplus	Cash	1300848955	114.24	114.24	0.00
Parking (Lane 3)	Cash	1300848809	1.75	1.75	0.00
Parking (Lane 10)	Cash	1300848808	122.50	122.50	0.00
Parking (Lane 13)	Cash	1300851833	26.25	26.25	0.00
Parking (Lane 3, 10, & 13)	Credit Card	1300849000	127.50	127.50	0.00
Total			\$ 74,338.13	74,338.13	0.00

CAPITAL ASSETS

<u>Asset</u>	Book Value ⁽⁵⁾	Amount Sampled ⁽⁶⁾	Amount Verified ⁽⁷⁾	Variance
Total	\$ 31,010,796.29	4,222,437.14	4,222,437.14	0.00

PARTS INVENTORY

<u>Parts Inventory</u>	On-Hand Value ⁽⁸⁾	Amount Sampled ⁽⁹⁾	Amount Verified ⁽¹⁰⁾	Variance ⁽¹¹⁾
Total	\$ 1,482,413.07	401,077.94	398,925.62	(2,152.32)

POSTAGE METERS

<u>Meter Number</u>	Amount per DGS Records ⁽¹²⁾	Amount Verified ⁽¹³⁾	Variance
0387753	\$ 3,863.42	3,863.42	0.00
0387749	6,080.11	6,080.11	0.00
0345463	3,712.43	3,712.43	0.00
Total	\$ 13,655.96	13,655.96	0.00

See footnotes at Page 2.

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

County of Sacramento
Department of General Services (DGS)
Change of Custody
October 13, 2023

Schedule of Accountability

- (1) Amounts represent the authorized amount reported in the Sacramento County Financial System (COMPASS).
- (2) Amounts represent the imprest cash counted and inspected on October 13, 2023.
- (3) Amounts represent DGS' daily receipts deposited to and posted by Treasury.
- (4) Amounts represent DGS' daily receipts counted and inspected on October 13, 2023.
- (5) Amount represents the book value of DGS' capital assets reported in the Sacramento County Financial System (COMPASS).
- (6) Amount represents the book value of DGS' capital assets reported in COMPASS selected for testing.
- (7) Amount represents the book value of DGS' capital assets reported in COMPASS selected for physical inspection of existence.
- (8) Amount represents the total on-hand parts inventory value per report provided by DGS as of October 12, 2023.
- (9) Amount represents the on-hand parts inventory value of the parts selected for testing from the parts inventory list.
- (10) Amount represents the on-hand parts inventory value of the parts we physically inspected and verified existence.
- (11) Amount represents the difference between the "Amount Sampled" and "Amount Verified" columns. Variance noted. See Finding #1 at ATT 2 - *Current Findings and Recommendations*.
- (12) Amount represents postage amounts on DGS' meters as of October 13, 2023.
- (13) Amount represents postage amounts on DGS' meters and reconciliation as of October 13, 2023.

County of Sacramento
Department of General Services (DGS)
Change of Custody
October 13, 2023

Current Findings and Recommendations

1. **Parts Inventory**

Condition

During our inspection of DGS' parts inventory, we noted eleven (11) instances (three (3) instances from the Bradshaw location, six (6) from Fleet Squad, and two (2) from Downtown Parking Garage) where the quantities of parts inventory counted did not agree with the quantities of parts inventory on DGS' record. We are aware that DGS performs an inventory of parts annually. However, upon further discussion, DGS could not provide an explanation for most discrepancies and suggested some discrepancies were due to staff erroneously billing the wrong part or not billing the part at all. Subsequently, the on-hand value of parts inventory had a net overstatement of \$2,152.32 as shown at ATT 1 – *Schedule of Accountability*.

Criteria

Parts counted should agree to the on-hand quantity and value on DGS' parts inventory record.

Effect

If the parts on-hand are not agreed to DGS' parts inventory record, parts could go missing or be misappropriated without detection. Additionally, DGS could misstate their financial records.

Recommendation

We recommend DGS ensure staff properly bill the correct parts on work orders and implement a second review of work orders. Additionally, we recommend DGS perform an inventory of parts every six (6) months at a minimum.

Management Response

DGS currently has a review process in place that has Fleet shop supervisors reviewing work orders prior to completing the job to ensure all job codes, labor, parts/materials are included for billing accuracy. DGS management will reiterate the importance of accuracy during the billing input and review process to staff.

County of Sacramento
Department of General Services (DGS)
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Current Findings and Recommendations

From an operational standpoint, it would not be feasible to perform a full inventory of parts every six (6) months due to the time needed affecting work stoppage and interruption. However, DGS will implement a quarterly cycle count of the parts inventory, as the process is less disruptive and management believes it will yield similar results.

Based on the audit results, DGS had a nominal error rate of 0.54% (\$2,152.32 overstatement on \$401,077.94 tested). Although the amount is marginal, DGS understands the effects of the discrepancies and will work to minimize the error rate moving forward.