

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**

**CHANGE OF CUSTODY  
AGREED-UPON PROCEDURES REPORT  
AS OF NOVEMBER 22, 2023**

**DEPARTMENT OF WATER RESOURCES**



**Audit Committee Submittal Date: 06/20/2024**

## **SUMMARY**

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### **Background**

The Department of Finance (DOF) performed a change of custody agreed-upon procedures for the Department of Water Resources (DWR)'s outgoing director with a change of custody date of November 22, 2023.

### **Audit Objective**

To inspect DWR's cash and capital assets as of November 22, 2023 and confirm the record to the Sacramento County Accounting System (a.k.a. COMPASS).

### **Summary**

We noted issues related to DWR's tracking of capital assets.

**Department of Finance**

Chad Rinde  
Director



**County of Sacramento**

**Divisions**

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

May 10, 2024

Matt Satow, Director  
Department of Water Resources  
County of Sacramento  
827 7th Street, Room 301  
Sacramento, California 95814

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

Dear Mr. Satow:

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Department of Water Resources (DWR) regarding the change of custody on November 22, 2023. We performed our procedures at DWR's various locations. DWR's management is responsible for maintaining sufficient controls of its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of DWR'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 DWR's other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We counted DWR's cash and receipts on hand during our fieldwork and compared our count to Sacramento County Financial System (COMPASS) records. We also reviewed related cash reconciliations.

Result: DWR's cash and receipts counted agreed to COMPASS records without exception. Related cash reconciliations were also reviewed without exception. See ATT 1 – *Schedule of Accountability*.

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

Result: DWR's imprest cash agreed to the authorized amount without any exception. See ATT 1 – *Schedule of Accountability*.

3. We selected a sample of 30 out of 1,339 capital assets in the possession of DWR and inspected their existence.

Result: We were not able to verify the existence of two (2) assets. See ATT 1 - *Schedule of Accountability* and Finding #1 at ATT 2 - *Current Finding and Recommendation*.

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 of America. 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 DWR'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.

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

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 DWR'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,

CHAD RINDE  
DIRECTOR OF FINANCE



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

Attachments:

ATT 1 – *Schedule of Accountability*  
ATT 2 – *Current Finding and Recommendation*

COUNTY OF SACRAMENTO  
DEPARTMENT OF WATER RESOURCES (DWR)  
CHANGE OF CUSTODY  
NOVEMBER 22, 2023  
SCHEDULE OF ACCOUNTABILITY

**IMPREST CASH**

Administration	Amount Authorized <sup>(1)</sup>	Amount Counted <sup>(2)</sup>	Variance
<b>Total</b>	<u>\$ 200.00</u>	<u>200.00</u>	<u>0.00</u>

**CASH RECEIPTS**

Type of Receipt	Deposit Permit Number	Amount Posted by Treasury <sup>(3)</sup>	Amount Counted <sup>(4)</sup>	Variance
Check	1300853409	\$ 308.00	308.00	0.00
Check	1300853405	4.41	4.41	0.00
<b>Total</b>		<u>\$ 312.41</u>	<u>312.41</u>	<u>0.00</u>

<b><u>CAPITAL ASSETS</u></b>	Book Value <sup>(5)</sup>	Amount Sampled <sup>(6)</sup>	Amount Verified <sup>(7)</sup>	Exception <sup>(8)</sup>
<b>Total</b>	<u>\$ 973,274,309.54</u>	<u>169,714,983.19</u>	<u>169,703,256.25</u>	<u>(11,726.94)</u>

(1) Amount represents the authorized amount reported in the Sacramento County Financial System (COMPASS).

(2) Amount represents the imprest cash counted and inspected on November 22, 2023.

(3) Amounts represent DWR's daily receipts deposited to and posted by Treasury.

(4) Amounts represent DWR's daily receipts counted and inspected on November 22, 2023.

(5) Amount represents the total book value of DWR's capital assets reported in COMPASS.

(6) Amount represents the total book value of sample capital assets selected for testing from DWR's capital assets reported in COMPASS.

(7) Amount represents the total book value of DWR's capital assets verified from our sample testing.

(8) Amount represents the difference between the "Amount Sampled" and "Amount Verified" columns. Variance noted. See Finding #1 at ATT 2 - *Current Finding and Recommendation*.

COUNTY OF SACRAMENTO  
DEPARTMENT OF WATER RESOURCES (DWR)  
CHANGE OF CUSTODY  
NOVEMBER 22, 2023  
CURRENT FINDING AND RECOMMENDATION

1. **Capital Assets**

Condition

During our inspection of DWR's capital assets, we were not able to verify two (2) capital assets out of the 30 selected for inspection. The two (2) capital assets were a 10-inch valve and a walk-behind mower with a combined book value of \$11,726.94 (\$7,305.75 and \$4,421.19, respectively). The 10-inch valve did not have an identifying number and was one of many 10-inch valves on-hand, therefore, we were unable to verify that the asset we were shown was the asset we selected for inspection. The walk-behind mower had a serial number, but the serial number was not recorded in the Sacramento County Financial System (COMPASS) or in DWR's internal asset list. Consequently, we were unable to verify which of the two walk-behind mowers DWR had on-hand was the one selected for inspection.

Criteria

DWR should enter complete and accurate information into COMPASS and ensure assets have identifying numbers so that assets can be properly tracked and accounted for.

Effect

Not recording complete and accurate information in COMPASS and having assets without identifying numbers makes assets difficult to track and vulnerable to theft or misappropriation.

Recommendation

We recommend DWR properly tag all capital assets with identification numbers and record complete and accurate asset information in COMPASS.

Management Response

Each of the walk-behind mowers have been assigned unique Stock Inventory Numbers (SIN) blue tags provided by the Department of Finance (DOF). The SIN tags were placed on each of the mowers based on the acquisition dates, and the respective asset master records in COMPASS have been updated to include the SIN tag numbers as well.

The 10-inch valve selected for inspection of capital assets was identified by DWR as an asset which was miscategorized as a piece of equipment. The valve is an immovable object which is permanently mounted inside a locked and alarmed system,

COUNTY OF SACRAMENTO  
DEPARTMENT OF WATER RESOURCES (DWR)  
CHANGE OF CUSTODY  
NOVEMBER 22, 2023  
CURRENT FINDING AND RECOMMENDATION

and it is part of our infrastructure. We have processed an Equipment Movement Request (EMR) through DOF to move the asset from the equipment listing and capitalize the valve as part of our infrastructure assets.

In the past several months, DWR has undertaken a project to review and update all the fixed assets records in COMPASS. DWR staff made sure that all the capital assets had unique identifying numbers and updated the asset master records in COMPASS for ease of identification and verification going forward. DWR has verified that there are currently no missing assets and each of the assets is easily identifiable. In addition, we plan to perform spot checks on the status of equipment and instruct the employees responsible for the year-end physical inventory to look for the asset inventory tags and request tag replacements if they are missing.