

COUNTY OF SACRAMENTO

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

INTERNAL AUDITS REPORT

**CHANGE OF CUSTODY
AGREED-UPON PROCEDURES REPORT
AS OF DECEMBER 9, 2022**

SHERIFF'S OFFICE



Audit Committee Submittal Date: 04/18/2024

SUMMARY

Background

The Department of Finance (DOF) performed a change of custody agreed-upon procedures for the Sacramento County Sheriff's Office (SCSO) outgoing Sheriff with a change of custody date of December 9, 2022.

Audit Objective

To inspect SCSO's imprest cash, external bank accounts, unclassified cash balances and capital assets as of December 9, 2022, and confirm the record to the Sacramento County Accounting System (COMPASS).

Summary

We noted issues related to SCSO's timeliness of deposits, unclassified funds, and capital asset recordkeeping.



County of Sacramento

March 27, 2024

Jim Cooper, Sheriff
Sacramento County Sheriff's Office
4600 Orange Grove Avenue
Sacramento, CA 95814

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

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Sheriff's Office (SCSO) regarding the change of custody on December 9, 2022. We performed our procedures at SCSO's various locations. SCSO's management is responsible for maintaining sufficient controls for its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of SCSO'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 SCSO's other operations, procedures or compliance with laws and regulations.

Our procedures and results are summarized as follows:

1. We counted SCSO's imprest cash and all cash receipts on hand, and compared it to the authorized amount in the Sacramento County Financial System (COMPASS). See ATT 1, *Schedule of Accountability*.

Result: We did not note any exception, except for check deposits were not made timely in accordance with the Sacramento County Code and SCSO's General Orders. See ATT 2, *Current Finding and Recommendation*.

2. We counted unclassified cash and compared it to the authorized amount in COMPASS. See ATT 1, *Schedule of Accountability*.

Result: We noted that an imprest account has not been established in COMPASS to record the ongoing balance of the unclassified funds. See ATT 2, *Current Findings and Recommendations*.

3. We reviewed bank reconciliations prepared by the SCSO and compared the amounts to COMPASS. See ATT 1, *Schedule of Accountability*.

Jim Cooper
Sheriff
March 27, 2024

Result: We did not note any exceptions as a result of this procedure.

4. We tested a sample of capital assets and controlled equipment to ensure that inventory records are current and accurate. See ATT 1, *Schedule of Accountability*.

Result: We noted issues related to capital asset recordkeeping. 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 (GAGAS)*, 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 SCSO'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.

SCSO'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 SCSO'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 SCSO'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 Findings and Recommendations*

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ATT 1

SCHEDULE OF ACCOUNTABILITY

Imprest Cash	<u>Counted Amount</u>	<u>Authorized Amount</u>	<u>Variance</u>
Fiscal Admin	\$ 3,300	3,300	0
Work Release	700	700	0
Civil	500	500	0
Unclassified Cash	<u>Counted Amount</u>	<u>Amount per Register</u>	<u>Variance</u>
SSIB (1)	\$ 38,557	38,557	0
Impact	43,136	48,022	4,886 (2)
Central	2,734	2,734	0
External Bank Accounts	<u>Balance per Reconciliation</u>	<u>Balance per COMPASS (3)</u>	<u>Variance</u>
Asset Forfeiture	\$ 790,433	1,404,485	(614,052) (4)
Civil Bureau	1,704,744	2,128,272	(423,528) (4)
Inmate Welfare Fund	1,033,857	814,528	219,329 (4)(5)
Receipts on Hand	<u>On Hand at 12/9/2022</u>	<u>Amount Deposited</u>	<u>Variance</u>
Receipts Collected	\$ 56,275	56,275	0
Capital Assets	<u>Total Acquired Value Reported</u>	<u>Total Acquired Value Inspected</u>	<u>Exception</u>
	\$ 43,826,935	2,414,940	9,866 (6)

(1) Special Investigations Intelligence Bureau (SIIB)

(2) Variance resulted from purchases subsequent to December 9, 2022

(3) Sacramento County Accounting System (COMPASS)

(4) COMPASS balance is reconciled annually to bank balance at year end.

(5) Main Jail and Rio Consumnes Correctional Center share the Inmate Welfare Fund.

(6) Exception corrected subsequent to December 9, 2022.

See Independent Accountant's Report

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CURRENT FINDINGS AND RECOMMENDATIONS

1. Timing of Deposits

Condition:

During our review of Sacramento County's Sheriff's Office (SCSO), Professional Standards Division, Training and Education Unit's (Unit) cash handling procedures, we noted that payments received were deposited once a month and not within seven days following receipt.

Criteria:

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, except that the Tax Collector shall deposit his collection with the County Treasurer daily. Said officer, board or commission shall also file therewith a detailed statement of same in writing, a duplicate copy of which shall at the same time be filed with the Auditor, in such form as the Auditor may require."*

The SCSO's General Order IV. Program Manager Responsibilities states *"Managers will ensure all cash which should have been received was received, recorded accurately and deposited promptly."*

Effect:

Not depositing payments received within seven days increases the likelihood of payments received being lost or stolen, but not detected. In addition, the Unit was not in compliance with Sacramento County Code and SCSO's General Order.

Recommendation:

SCSO should ensure payments received are deposited promptly within at least seven days to reduce the likelihood of payments received being lost or stolen and to be compliant with County Code and SCSO's General Order.

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CURRENT FINDINGS AND RECOMMENDATIONS

Management Response:

The Sacramento County Sheriff's Office (SSO) agrees with this recommendation. Changes that have been implemented include:

- When checks are received, they are recorded, copies and given a receipt number.
- The checks are put into a drop box safe with limited access.
- Each Monday, the checks for the previous week are processed.
- Each Tuesday, the checks are delivered to DOF for processing.
- A week after the deposit is delivered to DOF, a reconciliation is done to verify all deposits have been posted.

2. Unclassified Funds

Condition

During our review of the SCSO's cash handling procedures, we noted that three divisions had cash on hand referred to as unclassified funds designated for investigative purposes. These funds operate similar to imprest accounts, but the balances of the unclassified funds were not recorded in Sacramento County Accounting System (COMPASS) as imprest cash funds.

A single COMPASS entry is made to the general ledger expenditure account when the funds are withdrawn, and cash funds are maintained at the division's respective safe. SCSO staff record the use of the funds and maintain an ongoing balances of available funds. However, the balances of the funds or related expenditure activities were not recorded in COMPASS.

Criteria

All cash funds on hand and expenditure activities should be accounted for in COMPASS for accurate financial reporting and transparency.

Effect

Not recording the balance or expenditure activities of the unclassified funds in COMPASS makes the funds vulnerable to theft and/or misappropriation without being detected in a timely manner.

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CURRENT FINDINGS AND RECOMMENDATIONS

Recommendation

We recommend SCSO establish an imprest cash account in COMPASS to account for the unclassified funds, replenish the funds once a year at a minimum, and properly record the expenditure activities of unclassified funds in COMPASS.

Management Response

SSO partially agrees with this recommendation. Officers are authorized to use unclassified funds, with supervisor approval, for payment of informants for information and completed work, purchases of drugs or contraband from criminal suspects, and other necessary investigative expenditures. Annually, SSO performs internal audits of these funds to ensure security, control, and proper use and reporting for these funds. It is not uncommon for funds to be returned after an arrest as a result of an operation and therefore, SSO does not agree that these funds should be replenished once a year at minimum. Currently, funds are replenished only if/when needed. SSO will continue this practice.

SSO does however agree that these funds are not recorded in COMPASS and therefore will work with the County Department of Finance (DOF) to have a fund balance account established and the reconciled activity will be entered into COMPASS on an annual basis.

3. Procedures for Control and Accountability of Controlled Equipment, Firearms

Condition

SCSO has multiple policies and procedures to maintain control and ensure accountability of controlled equipment. However, we noted that some inventory practices, while performed, were not fully documented in writing. Areas that need additional documentation include permanent property records, physical inventory counts, disposal (selling) of controlled equipment, firearms, and confirming employees' possession of assigned firearm.

Criteria

Written procedures allow SCSO to effectively communicate and consistently apply working standards throughout the SCSO. Written procedures can save time, reduce mistakes, promote consistency, and document institutional knowledge.

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CURRENT FINDINGS AND RECOMMENDATIONS

Effect

Without written policies and procedures over controlled equipment, firearm accountability, errors may occur during the inventory process and not be detected in a timely manner. This may result in noncompliance with laws and regulations, theft, and public safety issues.

Recommendation

We recommend SCSO document its practices in performing inventory counts, disposing (selling) of assets, and confirming employee's possession of SCSO issued controlled equipment, firearms.

In addition, written procedures should be of sufficient detail to provide guidance to staff with specific job functions. Detailed procedures also allow for an easy transition for job succession.

Management Response

SCSO provided management response to this finding in a separate capital asset and controlled equipment internal control audit report dated June 14, 2023.

4. Documentation for Capital Asset Inventory Counts

Condition

SCSO performs inventory counts of capital assets assigned to its staff on an annual basis. However, SCSO staff did not maintain copies of the inventory counts performed and reconciliations between COMPASS and the SCSO's Inventory database.

Criteria

Written procedures allow SCSO to effectively communicate and consistently apply working standards throughout the organization. Written procedures can save time, reduce mistakes, promote consistency, and document institutional knowledge.

Effect

Without documentation of inventory counts and reconciliations, inaccuracies or discrepancies may occur but not be detected or corrected.

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CURRENT FINDINGS AND RECOMMENDATIONS

Recommendation

We recommend SCSO develop proper procedures to ensure that documentation of inventory counts and reconciliations between capital assets per COMPASS and SCSO's inventory system are maintained.

Management Response

SCSO provided management response to this finding in a separate capital asset and controlled equipment internal control audit report dated June 14, 2023.

5. Assets Not Recorded in COMPASS

Condition

During our test of capital assets, we noted assets listed on the SCSO asset list were not included in COMPASS. It appears that capital assets purchased in 2014 with assigned fixed asset numbers 79389 to 79408, with total acquired cost of \$9,866, were not posted to COMPASS. An Equipment Movement Report (EMR) was processed on March 14, 2023, to post the items to COMPASS.

Criteria

Capital Assets are required to be posted to the COMPASS system in order for the asset to be properly accounted for and depreciated over time.

Effect

Not posting the capital assets to COMPASS caused expenses to be matched to the wrong accounting period.

Recommendation

We recommend SCSO develop procedures to ensure that information regarding purchased capital assets is posted into COMPASS on a timely basis.

We also recommend SCSO reconcile its capital asset list to COMPASS at least annually.

Management Response

SCSO provided management response to this finding in a separate capital asset and controlled equipment internal control audit report dated June 14, 2023.