

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT UNIT REPORT

**CASH HANDLING REVIEW
AGREED UPON PROCEDURES
FOR THE MONTHS OF JUNE 2024, JULY 2024,
AUGUST 2024, DECEMBER 2024,
AND JANUARY 2025**

DEPARTMENT OF CHILD SUPPORT SERVICES



Audit Committee Submittal Date: 05/15/2025

SUMMARY

Background

The Department of Finance performed a cash handling agreed-upon procedures review of the Sacramento County Department of Child Support Services (DCSS).

Audit Objective

The agreed upon procedures were performed to evaluate DCSS' cash handling control procedures for the months of June 2024, July 2024, August 2024, December 2024, and January 2025.

Summary

We noted exceptions related to DCSS' external bank account's policies and procedures, account classification, unresolved cash overages and shortages, and timing of imprest cash replenishment.

Department of Finance

Chad Rinde
Director

**County of Sacramento****Divisions**

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

April 22, 2025

Peter Aw-Yang, Assistant Treasurer
Department of Finance
County of Sacramento
700 H Street, Room 1710
Sacramento, CA 95814

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

Dear Mr. Aw-Yang:

We have performed the procedures enumerated below and on page 2, on the Sacramento County (County), Department of Child Support Services' (DCSS) cash handling control procedures for the months of June 2024, July 2024, August 2024, December 2024, and January 2025. For the purpose of this cash handling review, "cash" is defined as all forms of money, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards, and debit cards. DCSS' management is responsible for maintaining sufficient cash handling control procedures. In performing our agreed-upon procedures engagement, we have relied solely on representations provided by the Treasury relating to the responsible party and its responsibility for cash handling control procedures.

The County Department of Finance, Treasury Division (Treasury) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purposes of assisting the Treasury in evaluating DCSS' cash handling control procedures for the months of June 2024, July 2024, August 2024, December 2024, and January 2025. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed and the results are as follows:

1. We obtained and inspected DCSS' written cash handling policies and procedures, forms used for cash receipts, and cash transaction reports to identify any concerns or internal control issues.

Result: DCSS did not have policies and procedures addressing issues related to recording of cash shortages and overages or timely replenishment of its imprest

cash. See Findings #1 and 2 at ATT 2 – *Current Findings and Recommendations*.

2. We visited DCSS' cashiers on an unannounced basis and observed and documented how the cashier handled cash received and performed a walkthrough of the cash receipt process with cashiers to identify any internal control issues or non-compliance with the County and/or DCSS' cash receipt policies and procedures.

Result: See the result of Procedure #1.

3. The only cash receipts DCSS had were for child support payments received on behalf of the State of California (State) which were deposited to an external bank account then transferred to the State by issuing checks. We inspected a sample of DCSS' daily cash receipts to verify that the cash receipts were traced to the child support case records, and the checks issued to the State were reconciled to the cash receipt transaction detail.

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

4. We performed an unannounced cash count on DCSS' imprest cash and traced the imprest cash on hand to the authorized amounts posted in COMPASS.

Result: DCSS did not maintain imprest cash on hand, but it had two external bank accounts. See Procedure #5.

5. We reviewed and reconciled external bank accounts and traced the balances to COMPASS.

Result: DCSS has two external bank accounts. One of them was used for petty cash purposes and the other was used to deposit and transfer child support payments received on behalf of the State as a pass-through account. Based on our procedures, we noted issues related to inappropriate general ledger account being used to record the pass-through account balance in COMPASS, unresolved reconciling items, cash overages and shortages not being recorded in COMPASS as revenues and expenditures, and imprest cash not being replenished in a timely manner for the pass-through account. See Findings # 2 of ATT 2 - *Current Findings and Recommendations*.

We were engaged by the Treasury to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the standards for attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to, and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on DCSS' cash handling control procedures. Accordingly, we do

Peter Aw-Yang, Assistant Treasurer
April 22, 2025

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.

We are required to be independent of DCSS regarding cash handling control procedures and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

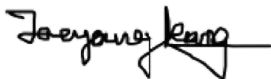
This report relates only to the results of our procedures referred to above and does not extend to DCSS' operations as a whole.

DCSS' response to the findings identified during our engagement are described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DCSS' 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, Sacramento County Audit Committee, Sacramento County Executive, Sacramento County Treasurer, and DCSS' 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 - *Summary of Cash Receipts and Imprest Cash*
ATT 2 - *Current Findings and Recommendations*
ATT 3 – *Current Status of Prior Recommendations*

County of Sacramento
Department of Child Support Services
Cash Handling Review
Summary of Cash Receipts and Imprest Cash
For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

Cash Receipts¹

Months	Cash Receipt Amount Tested
June 2024	\$ 3,500.00
July 2024	8,300.00
December 2024	12,000.00
January 2025	10,863.00
	\$ 34,663.00

Imprest Cash - External Bank Accounts

Purpose	Authorized Imprest Cash Balance	Amount Verified	Variance
Petty Cash	\$ 2,000.00	2,000.00	
Child Support Payment Pass-Through	64,000.00	63,631.04	(435.56) ²
Total	\$ 66,000.00	65,631.04	(435.56)

¹ Represents Child Support payments received on behalf of the State of California during the months of June 2024, July 2024, December 2024, and January 2025.

² The amount represents unresolved cash overages and shortages. See Finding #2 at ATT 2 - *Current Findings and recommendations*.

County of Sacramento
Department of Child Support Services
Cash Handling Review
Current Findings and Recommendations
For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

1. External Bank Account Policies and Procedures

Condition

During our review of Department of Child Support Services' (DCSS) policies and procedures related to the external bank account held for child support payments, we noted that the policies and procedures do not address issues related to unresolved reconciling items, recording of cash overages and shortages and replenishment of the Imprest Cash held in the account in a timely manner. As a result, we noted several issues related to the account as described in Finding #2 of this report.

Criteria

Sacramento County Policy #1003 – Change and Imprest Cash Fund Policy requires “proper internal controls are in place in order to safeguard the receipt and disbursement of cash.”

Effect

By not having adequate internal control policies and procedures, DCSS resulted in having multiple issues as described in Finding #2.

Recommendation

We recommend DCSS review and update its written policies and procedures related to the external bank account held for child support payment activities to address issues related to unresolved reconciling items, recording of cash overages and shortages, and replenishment of the Imprest Cash held in the account in a timely manner.

In addition, we recommend DCSS review its cash handling policies and procedures annually or when any changes are made to the cash handling process to ensure that the policies and procedures are relevant to current practices in order to maintain proper controls over safeguarding cash items.

DCSS' Management Response

The Department took the following actions to remedy Finding #1:

1. Updated written internal control procedure for safeguarding cash to include how to properly handle discrepancies such as overages and shortages. In the event an overage or shortage of cash occurs, it will be documented and addressed immediately by leadership.
2. Created a written procedure for replenishing deposit fees and banking supplies for the bank account. The bank fees will be reimbursed at a minimum once per Fiscal Year.

County of Sacramento
 Department of Child Support Services
 Cash Handling Review
 Current Findings and Recommendations
 For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

2. Imprest Cash Held in External Bank Account for Child Support Payments

Condition

The State of California (State) uses kiosks to receive child support payments and pay the receipts to the child support recipients. When kiosks are down, DCSS receives child support payments on behalf of the State. DCSS uses an external bank account authorized by the County to deposit the child support payments received. DCSS issues checks to the State upon receipts of child support payments before the payments deposited to the external bank are cleared. DCSS deposited the authorized Imprest Cash in the amount of \$64,000 to the external bank account to fill the time lapse. However, this fund is recorded as “Cash With Fiscal Agent” rather than Imprest Cash – External Account in the County of Sacramento (County) Financial System (COMPASS). The \$64,000 fund in the accounting ledgers appears to be the property of the County and is not denoted as held for any individual or organization external of the County; therefore, it should have been recorded as Imprest Cash – External Account in COMPASS. Subsequent to our fieldwork, DCSS corrected the misclassification of the fund in COMPASS.

In addition, DCSS’ bank reconciliation for January 2025 included a total of \$435.56 reconciling difference adjustments. The adjustments include cash shortages of \$(561.26), cash overages of \$206.71, deposit discrepancies of \$(72.73), bank adjustments of \$76.02 and bank fees of \$(84.30) since fiscal year 2013/14. The overage and shortages were not properly accounted for as revenues and expenses in COMPASS and the account was not replenished to its authorized amount for over 10 years.

Furthermore, the \$64,000 fund appears to be a large amount considering the fact that DCSS only receives 0-3 child support payments per month since majority of child support payments are made through kiosks directly managed by the State.

Criteria

Sacramento County Policy #1003 – Change and Imprest Cash Fund Policy requires Imprest Cash held externally to be recorded in COMPASS to Imprest Cash – External Account. In addition, the policy states that *“All funds shall be reconciled at least once each month and when the fund is replenished, a copy of the reconciliation shall be submitted with the claim for replenishment.To facilitate the fiscal year-end close, financial reporting, and the annual report of revolving funds to the Board of Supervisors, departments are required to submit a June 30 reconciliation of their respective funds to the Auditor-Controller's office.”* The policy further states that *“Any shortage in the fund shall be tracked and accounted, and include documentation for all cash shortage. Overage in the fund shall be deposited into a revenue account, by issuing a receipt and depositing the overage amount.”*

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Cash Handling Review
Current Findings and Recommendations

For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

Sacramento County Policy #1400 – Relief of Accountability – Cash and Cash Equivalent Policy requires *“to report cumulative cash shortages occurring during a fiscal year that are equal to, or greater than, \$500 to the Director of Finance. Also, any single cash loss occurrence (one-time) that is equal to, or greater than, \$200 is required to be reported to the Director of Finance”*.

Effect

DCSS distorted County’s financial records by misclassifying Imprest Cash as Cash With Fiscal Agent and by not properly recording cash overages and shortages as revenues and expenses. In addition, not resolving reconciling items in a timely manner can lead to potential loss of assets and create bigger issues that can be difficult to resolve with lapse of time. Furthermore, holding funds in a low interest-bearing checking account is not as efficient as having the funds on deposit in the County Treasury Pool.

Recommendation

DCSS should:

- Take proper action to resolve any reconciling differences in a timely manner including submission of release of accountability to the Department of Finance if required.
- Record any cash overages and shortages as revenues and expenses in COMPASS
- Replenish any Imprest Cash once a year at a minimum.

In addition, we recommend DCSS to evaluate the need for maintaining the \$64,000 Imprest Cash in the external bank account and consider either reducing the Imprest Cash amount or returning the funds to the Treasury as appropriate.

Also, see Recommendation at Finding #1.

DCSS’ Management Response

The Department took the following actions to remedy Finding #2:

1. With the guidance of the Department of Finance Auditor, the account was reclassified in COMPASS to Imprest Cash – External Bank Account on February 10, 2025.
2. With the guidance of the Auditor, the Relief of Accountability was submitted and subsequently approved on January 16, 2025, \$351.26.
3. Replenishment of fees request of \$94.50 was submitted to Finance on April 14, 2025. Written processes have been developed. The funds will be replenished at minimum once during the Fiscal Year.

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Current Findings and Recommendations

For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

4. Updated safeguarding procedure to include how to properly handle discrepancies such as overages and shortages. In the event an overage or shortage of cash occurs, it will be addressed immediately. See Finding #1.
5. Created a written procedure for replenishing deposit fees and banking supplies for the Imprest Cash – external bank account. The bank fees will be reimbursed at a minimum once per Fiscal Year. See Finding # 1

The Department will determine if it can feasibly decrease the amount of Imprest Cash in the bank account within the next 6 months. In the event it can be decreased, the Department will work with the department of Finance to reduce the amount of Imprest Cash.

County of Sacramento
Department of Child Support Services
Cash Handling Review
Current Status of Prior Recommendations

For the Months of June 2024, July 2024, August 2024, December 2024, and January 2025

From the Prior Cash Handling Review Report for the Period October 2020, dated February 26, 2021

1. Payment Logs Edited With Correction Tape

Prior Recommendation

Department of Child Support Services (DCSS) should not use correction tape to edit cash control logs. Cash control logs should be edited in a way that amendments can be reviewed and confirmed. We recommended that DCSS add a procedure regarding editing cash control documentation in order to establish and implement a process of properly editing the cash control documentation.

Current Status

It appears the prior recommendation has been implemented.

2. Classification of Imprest Cash

Prior Recommendation

We recommended DCSS review the external bank account used to clear child support payments received to determine if it is classified correctly in COMPASS. If the external bank account is imprest cash, it should be classified as "Imprest Cash". We also recommended that DCSS close the account and deposit the \$64,000 balance to the Treasury Division if the external bank account is no longer needed to support business operations.

In addition, DCSS should investigate the reconciling differences in amount of \$1,494.86 and take proper actions including submission of release of accountability to the Director of Finance if required.

Current Status

This recommendation has been partially implemented. See ATT 2 – *Current Findings and Recommendations*.