

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 DECEMBER 2023,
AUGUST 2024, AND OCTOBER 2024**

**DEPARTMENT OF CHILD, FAMILY, AND
ADULT 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, Family and Adult Services (DCFAS).

Audit Objective

The agreed upon procedures were performed to evaluate DCFAS' cash handling control procedures for the months of December 2023, August 2024, and October 2024.

Summary

We noted exceptions related to DCFAS's timing of cash receipt deposits, imprest cash balances, and reconciliation and controls over gift cards.

Department of Finance

Chad Rinde
Director

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

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

March 6, 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:

At your request, we have performed the procedures enumerated below, and on page 2, which were agreed by you for the Sacramento County (County), Department of Child, Family, and Adult Services (DCFAS). These procedures were performed solely to evaluate DCFAS's cash handling control procedures for the months of December 2023, August 2024, and October 2024. 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.

DCFAS's management is responsible for maintaining sufficient cash handling controls. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, and on page 2, either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below, and on page 2, and is not intended to pertain to any of DCFAS's other operations, procedures or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

Result: We noted exceptions related to policies and procedures for timing of cash receipt deposits and gift cards. See ATT 2 - *Current Findings and Recommendations*.

2. We visited DCFAS's 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 issue or non-compliance with the County's and/or DCFAS's cash receipt policies and procedures.

Result: We noted an exception related to timing of cash receipt deposits.
See ATT 2 - *Current Findings and Recommendations*.

3. We inspected a sample of DCFAS's daily cash receipts to verify transaction receipts were provided to customers, correct amounts were charged and cash receipts were properly safeguarded.

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

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

Result: We noted an exception related to unresolved overages and shortages.
See ATT 2 - *Current Findings and Recommendations*.

5. We performed a count on DCFAS' gift cards and bus passes and traced the count on hand to the inventory/issuance log.

Result: We noted exceptions related to reconciliation and internal controls.
See ATT2 - *Current Findings and Recommendations*.

This agreed-upon engagement was conducted in accordance with the standards for attestation engagements contained in *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 objectives of which would be the expression of opinions on DCFAS's cash balances, financial schedules, compliance, or results of our procedures previously referred to. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the results of our procedures referred to above, and does not extend to DCFAS's operations as a whole.

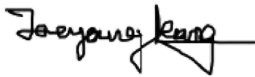
DCFAS's response to the findings identified during our engagement are described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DCFAS's responses to the findings and accordingly, we do not express an opinion on the responses to the findings.

Peter Aw-Yang, Assistant Treasurer
March 6, 2025

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 DCFAS'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

A handwritten signature in black ink, appearing to read 'Tae-Young Kang', with a horizontal line extending from the end of the signature.

By: Tae-Young Kang, CPA
Audit Manager

Attachments:

ATT 1 - *Summary of Imprest Cash and Cash Receipts*
ATT 2 - *Current Findings and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
CASH HANDLING REVIEW
SUMMARY OF IMPREST CASH AND CASH RECEIPTS
DECEMBER 2023, AUGUST 2024 AND OCTOBER 2024

ATT 1

Imprest Cash

Counted on December 14 and 20, 2023

<u>Division</u>	<u>Amount Authorized</u>	<u>Amount Counted</u>	<u>Variance</u>
Admin	\$ 200.00	200.00	
Child Support Services	2,500.00	2,500.00	
Senior Volunteer Services	45,000.00	44,695.05	(304.95)
Total	\$ 47,700.00	47,395.05	(304.95) ¹

Cash Receipts

	<u>Deposit Date</u>	<u>Amount Tested</u>	<u>Amount Posted in COMPASS</u>	<u>Exception</u> ⁴
1300853541 ²	12/11/2023	\$ 1,228.29	\$ 1,228.29	
1300853687 ²	12/12/2023	12,507.14	12,507.14	1,700.14
1300853949	12/14/2023	1,092.74	1,092.74	
1300854291 ²	12/19/2023	750.00	750.00	
1300854388	12/20/2023	100,376.91	100,376.91	
1300855048	12/28/2023	45,672.38	45,672.38	9,164.38
1300856838 ²	1/2/2024	1,400.76	1,400.76	1,400.76
N/A ³	N/A	200.00	N/A	
Total		\$ 163,228.22	\$ 163,028.22	12,265.28

Gift Cards and Bus Passes

Counted on August 5, 2024 and October 1, 2024

<u>Type of card</u>	<u>Cards Counted</u>	<u>Total Amount</u>	<u>Exception</u>
Connect Card	283	\$ ⁵	
Single Day Bus Passes	305	2,135.00	
Chevron Gift Cards	1	40.00	
Uber Gift Card	1	300.00	
American Express Cards High Acuity Program (Admin)	613	61,300.00	
Amex Cards Immediate Support Program (Admin)	652	65,200.00	
Distributed Amex Cards High Acuity	101	10,100.00	10,100.00 ⁶
Distributed Amex Cards Immediate Support	85	8,500.00	8,500.00 ⁶
Totals		\$ 147,575.00	\$ 18,600.00

¹ Imprest account had unresolved overages and shortages. See Finding #2 at ATT 2 - *Current Findings and recommendations*.

² Deposit Permit total amount consists of multiple transactions. Only portion of the transactions were tested.

³ Check was counted during our fieldwork but was later returned; therefore, no deposit was made.

⁴ Represents amounts that were not deposited within seven (7) days of receipt. See Finding #1 at ATT 2 - *Current Findings and recommendations*.

⁵ Cards are not loaded with money until issued.

⁶ Amex Cards had issues with reconciliation and internal controls. See Finding #3 at ATT 2 - *Current Findings and recommendations*.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
DECEMBER 2023, AUGUST 2024 AND OCTOBER 2024

1. Timing of Cash Receipt Deposits

Condition

Based on our testing of 30 cash receipts, we noted the Department of Child, Family, and Adult Services (DCFAS) did not deposit eight (8) cash receipts to the Sacramento County Treasury within seven (7) days following receipt as required by Sacramento County Charter Article VIII, Section 39.

Criteria

According to Sacramento County Charter Article VIII, Section 39, *“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.”*

Effect

DCFAS is not compliant with Sacramento County Charter Article VIII, Section 39. Untimely deposits create opportunities for mishandling or loss of funds that may not be detected in a timely manner.

Recommendation

We recommend DCFAS update its policies and procedures to include the timing of cash receipt deposits consistent with Sacramento County Charter Article VIII, Section 39.

DCFAS should deposit its cash receipts within seven (7) days following receipt.

DCFAS' Management Response

DCFAS has updated its policies and procedures to align with the timing requirements for cash receipt deposits as outlined in Sacramento County Charter Article VIII, Section 39. Effective July 1, 2024, DCFAS has implemented weekly check deposits to ensure that all cash receipts are deposited within seven days of receipt.

2. Imprest Bank Account for Senior Volunteer Services Program

Condition

During our imprest cash review on DCFAS, we noted overages and shortages tied to the \$45,000.00 external imprest bank account. The external imprest bank account had \$44,695.05 balance on December 31, 2023. DCFAS replenished the bank

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
DECEMBER 2023, AUGUST 2024 & OCTOBER 2024

account to \$44,695.05 instead of the \$45,000.00 authorized imprest account balance. Upon further review, we noted that the account contained two overages making up \$209.00 ($\$159.00 + \$50.00 = \209.00). These overages were due to checks claimed to the Senior Volunteer Services (SVS) program but were never issued. We also noted three shortages totaling \$513.95 ($\$241.15 + \$268.80 + \$4.00 = \513.95). Two of these shortages were for checks that were disbursed for the Senior Volunteer Program but never claimed to the grant for reimbursement. The other was attributed to a \$4.00 error when entering the journal voucher. These unresolved overages and shortages brought the imprest account to the \$44,695.00 ($\$45,000.00 + \$209.00 - \$513.95 = \$44,695.05$). In addition, some of these unresolved reconciling items were dated back to September 2014 and May 2020.

Criteria

DCFAS should replenish the imprest account to their authorized imprest cash amount annually at a minimum and resolve all reconciling items in a timely manner.

Effect

Not resolving any cash overages or shortages and not replenishing the imprest cash to the authorized amount can make it difficult to track; therefore, lead to loss of the funds without timely detection.

Recommendation

DCFAS should resolve all outstanding overages and shortages in accordance with County policy including Relief of Accountability policy as applicable.

DCFAS should replenish the imprest bank account to its authorized impress amount annually at a minimum.

DCFAS' Management Response

DCFAS agrees with the recommendation to resolve any outstanding overages and shortages in accordance with County policy including Relief of Accountability policy as applicable. On December 2023, DCFAS implemented additional preventative steps to our desk procedures. Reconciliation and replenishment of the SVS imprest account is performed on a monthly basis. Replenishment of the imprest bank account to \$45,000 was completed on 10/31/2024 via wire transfer from document number 1907303218.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
DECEMBER 2023, AUGUST 2024 & OCTOBER 2024

3. **American Express Gift Cards**

Condition

During our review of DCFAS' American Express (Amex) gift cards, we noted various concerns in regard to reconciliation and controls over the Amex gift cards. DCFAS' Admin division typically distributes 100 Amex gift cards to a designated Human Services Program Planner (Master Card Keeper). Then the Program Planner keeps 75 gift cards in a safe located in her office (Master Safe) and puts the other 25 cards in a safe located in an open office area (Secondary Safe) to be distributed. During our fieldwork we noted several concerns as follows:

- The Master Card Keeper did not maintain the log for Master Safe or reconciled the cards to the internal records.
- The Secondary Safe's combination has not been changed for at least two years and multiple staff have access to the Secondary Safe.
- There is no designated custodian for the Secondary Safe. The cards are self-checked out by program staff. There is a log for the Secondary Safe for staff to complete when they take cards for distribution; however, the approval of distributions is not verified at the time of taking the cards out of the Secondary Safe nor the actual number of cards taken by the staff is verified by another person. The Master Card Keeper reconciles the Secondary Safe log to actual number of cards remaining at the end of month; however, due to lack of accountability and dual custody during the card distribution process, it is difficult to track down any discrepancies in a timely manner.
- Program staff who take cards out of the Secondary Safe hands out the cards to another employee who then deliver the cards to eligible clients. However, the change of custody is not documented. In addition, the acknowledgement of receipt from the clients is not consistently documented.
- DCFAS has written policies and procedures for use of gift cards; however, the policies and procedures appeared not adequate and always followed by its staff.

Criteria

DCFAS should maintain and enforce adequate internal control policies and procedures over its gift card handling to safeguard the assets. DCFAS should have dual custody during gift card issuing process. There should be a designated custodian who maintains a log for all purchases and distributions of the gift cards.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD, FAMILY, AND ADULT SERVICES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
DECEMBER 2023, AUGUST 2024 & OCTOBER 2024

The designated custodian should verify the approval of gift card distribution and number of gift cards approved for distribution prior to issuing the cards to appropriate staff. In addition, change of custody and acknowledge of receipt of the gift cards from client should be documented.

Effect

Without reconciling gift cards on hands to internal records and maintaining adequate internal controls over gift card handling, DCFAS is vulnerable to loss, theft, and misappropriate usage of the cards.

Recommendation

We recommend DCFAS:

- Update and enforce its written gift card policies and procedures.
- Have designated custodians for each safe where gift cards are placed.
- Limit access to the safe to the designated custodians.
- Change the safe combination periodically.
- Maintain an accurate gift card log for each safe including but not limited to the following information:
 - Date of card issuance
 - Names and signatures of staff who issue the cards and to whom the cards are issued
 - Number of cards issued
 - Amounts of cards issued
 - Name and associated case number of the clients who receive the gift cards
 - Running balance of the number of gift cards and the amount.
- Reconcile gift cards on hands to the log monthly at a minimum.
- Document change of custody of the gift cards.
- Document the acknowledgement of the gift card receipt from the client including but not limited to the client's name, signature, and date.

DCFAS' Management Response

DCFAS agrees with all the recommendations. Additionally, DCFAS Administration will enhance oversight of the gift card program by designating staff to conduct quarterly field audits at all locations. We will update written gift card policies and procedures by 7/1/2025 to include enhanced internal controls that will ensure effective reconciliation and safeguarding of the gift card program thereby reducing the risk of loss, theft, and misuse.