

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

CHANGE OF CUSTODY AGREED-UPON PROCEDURES REPORT AS OF MARCH 2, 2024

DEPARTMENT OF PERSONNEL 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 Personnel Services (DPS)' outgoing director with a change of custody date of March 2, 2024.

Audit Objective

To inspect DPS' cash, gift cards, and capital assets and confirm the record to the Sacramento County Accounting System (a.k.a. COMPASS).

Summary

We noted issues related to a capital asset, gift cards, and check receipts.

Department of Finance

Chad Rinde
Director

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

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

July 2, 2024

Joseph Hsieh, Interim Director
Department of Personnel Services
County of Sacramento
700 H Street, Suite 4667
Sacramento, California 95814

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

Dear Mr. Hsieh:

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Department of Personnel Services (DPS) regarding the change of custody on March 2, 2024. We performed our procedures at DPS' various locations. DPS' management is responsible for maintaining sufficient controls of its accounting operations and assets. The sufficiency of these procedures is solely the responsibility of DPS' 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 DPS' other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We confirmed DPS' cash, receipts, and gift cards on hand as of March 1, 2024, the last business day before Saturday, March 2, 2024.

Result: DPS' cash counted agreed to COMPASS records without exception. However, we noted issues regarding gift cards and receipts. See ATT 1 – *Schedule of Accountability* and Findings #2 - #3 at ATT 2 - *Current Findings, Observation, and Recommendations*.

2. We inspected 6 out of 17 capital assets in the possession of DPS.

Result: We were not able to verify the existence of one (1) asset. Additionally, we noted an observation regarding equipment records. See ATT 1 - *Schedule of*

Joseph Hsieh, Interim Director
July 2, 2024

Accountability and Finding #1 and Observation #1 at ATT 2 - Current Findings, Observation, and Recommendations.

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 DPS' 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.

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

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 DPS' 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, Observation, and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF PERSONNEL SERVICES (DPS)
CHANGE OF CUSTODY
MARCH 2, 2024
SCHEDULE OF ACCOUNTABILITY

IMPREST CASH

	Amount Authorized ⁽¹⁾	Amount Counted ⁽²⁾	Variance
Administration			
Total	<u>\$ 430.00</u>	<u>430.00</u>	<u>0.00</u>

CASH RECEIPTS ⁽³⁾

Type of Receipt	Deposit Permit Number	Amount Posted by Treasury ⁽⁴⁾	Amount Counted ⁽⁵⁾	Variance
Check	1300861616	\$ 75.00	75.00	0.00
Check	1300859099	1,072.94	1,072.94	0.00
Total		<u>\$ 1,147.94</u>	<u>1,147.94</u>	<u>0.00</u>

GIFT CARDS

	Amount Per DPS Records ⁽⁶⁾	Amount Counted ⁽⁷⁾	Variance ⁽⁶⁾
Total	<u>\$ Unknown</u>	<u>3,620.00</u>	<u>Unknown</u>

<u>CAPITAL ASSETS</u>	Book Value ⁽⁸⁾	Amount Sampled ⁽⁹⁾	Amount Verified ⁽¹⁰⁾	Exception ⁽¹¹⁾
Total	<u>\$ 38,182.64</u>	<u>20,123.87</u>	<u>12,276.99</u>	<u>(7,846.88)</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 March 1, 2024, the last business day before Saturday, March 2, 2024.

⁽³⁾ Issue noted regarding DPS not tracking daily receipts. See Finding #3 at ATT 2 - *Current Findings, Observation, and Recommendations*.

⁽⁴⁾ Amounts represent DPS' daily receipts deposited to and posted by Treasury.

⁽⁵⁾ Amounts represent DPS' daily receipts on hand as of March 1, 2024, the last business day before Saturday, March 2, 2024.

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

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SCHEDULE OF ACCOUNTABILITY

- (6) DPS was unable to provide a log or supporting documents to determine the number of gift cards purchased, disbursed, and remaining on hand. See Finding #2 at ATT 2 - *Current Findings, Observation, and Recommendations*.
- (7) Amounts represent DPS' gift cards on hand as of March 1, 2024, the last business day before Saturday, March 2, 2024.
- (8) Amount represents the total book value of DPS' capital assets reported in COMPASS.
- (9) Amount represents the total book value of sample capital assets selected for testing from DPS' capital assets reported in COMPASS.
- (10) Amount represents the total book value of DPS' capital assets verified from our sample testing.
- (11) Amount represents the difference between the "Amount Sampled" and "Amount Verified" columns. Variance noted. See Finding #1 at ATT 2 - *Current Findings, Observation, and Recommendations*.

COUNTY OF SACRAMENTO
DEPARTMENT OF PERSONNEL SERVICES (DPS)
CHANGE OF CUSTODY
MARCH 2, 2024
CURRENT FINDINGS, OBSERVATION, AND RECOMMENDATIONS

1. **Check Receipts**

Condition

We noted that two (2) DPS locations did not maintain a control log nor reconcile their check receipts.

Criteria

Check receipts should be treated as cash. Control logs of checks receipts should be maintained and should include the date received, name of person receiving and logging the checks, payor, check number, check amount, date deposited, deposit permit number, and a perpetual balance that can be easily tracked and audited. Check receipts deposited should be regularly reconciled to control logs on a monthly basis at a minimum, and any differences should be researched and resolved in a timely manner.

Effect

By not maintaining a control log of checks, DPS could be at risk of loss or misappropriation.

Recommendation

We recommend that DPS maintain a control log for check receipts and perform reconciliation to ensure check receipts are being deposited accurately to COMPASS.

Management Response

The Employee Benefits Office agrees a formal log was not kept; however, upon receipt of each check, the check was documented and submitted on a Revenue Recovery form. The Employee Benefits Office maintained these forms as a record of checks and subsequently reconciled those individual benefits each month to Revenue Recovery reports. Since the audit, a formal log has been implemented to properly record checks.

The Tech Center Office agrees a formal log was not kept. A formal check log has been developed and will be routinely submitted to DPS Administration for reconciliation and processing.

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MARCH 2, 2024
CURRENT FINDINGS, OBSERVATION, AND RECOMMENDATIONS

2. **Gift Cards**

Condition

During our fieldwork, we noted that DPS Benefits Division did not maintain a gift card log or supporting documentation. Consequently, we were unable to reconcile or determine whether the gift cards counted on hand were for the proper amount and quantity.

Criteria

Gift cards should be treated as cash. Control logs of gift cards should be maintained and should include the vendor, denomination, purchases, donations, and distribution of gift cards that can be easily tracked and audited. Gift cards should be regularly counted and reconciled to control logs on a monthly basis at a minimum, and any differences should be researched and resolved in a timely manner.

Effect

Theft or misappropriation of gift cards could occur and not be detected in a timely manner.

Recommendation

We recommend DPS ensure that all gift cards are adequately logged, tracked, monitored, and audited on a regular basis. DPS should conduct an inventory of gift card balances on a monthly basis at a minimum and ensure that gift cards agree to their respective logs. Any differences should be researched and investigated in a timely manner.

Management Response

DPS agrees that gift cards were not adequately logged, tracked, monitored or audited. Prior to the audit, the Employee Benefits Manager has already identified inadequacies in control measures and has collected all gift cards from staff, secured them with manager with keyed access, and created a gift card inventory. Since the audit, a formal log of receipts and usage has been developed. On a quarterly basis, DPS Administration will perform an audit of the gift cards to ensure that the balances agree with the log. In addition, alternatives to gift cards are also being evaluated.

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CURRENT FINDINGS, OBSERVATION, AND RECOMMENDATIONS

3. **Capital Asset**

Condition

During our inspection of DPS' capital assets, we noted that DPS does not perform an inventory count or reconcile its assets on-hand to COMPASS record.

Additionally, we were not able to verify one (1) capital asset out of the six (6) selected for inspection. The capital asset was a Porta Count Model 8048-T with a book value of \$7,846.88. The asset was one of two (2) Porta Count Model 8048-T assets on-hand, and although the asset had a serial number, the serial number was not recorded in the Sacramento County Financial System (COMPASS). Consequently, we were unable to verify whether the asset shown was the asset we selected for inspection.

Criteria

Per Section 2.63.010 of the Sacramento County Code of Ordinances, every County department should perform an annual inventory of County property.

Additionally, as best practice, DPS 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

DPS is not in compliance with County Code Section 2.63.010. Additionally, 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 that DPS perform an inventory count of its capital assets and reconcile to COMPASS records on an annual basis at a minimum, per County Code Section 2.63.010. We also recommend DPS properly tag all capital assets with identification numbers and record complete and accurate asset information in COMPASS.

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Management Response

DPS agrees with the auditor's recommendation, and the following actions will be taken: An inventory count of capital assets will be conducted annually and will be reconciled to COMPASS; assets will be tagged and assigned asset numbers; and unique identifiers such as serial numbers will be added into the asset records in COMPASS for easy identification of equipment.

OBSERVATION

During our fieldwork, we observed a condition regarding a possible improvement to DPS' business practices presented below.

Assigned Equipment

Condition

During our fieldwork, we noted that a former DPS employee did not return a DPS assigned computer tablet and cellular phone to DPS. According to DPS and Sacramento County (County) Department of Technology (DTech), who manages equipment for DPS, the former employee took the equipment with him to his new County position.

Criteria

According to DTech countywide best practices, when staff changes departments, they should return the equipment prior to their departure and be issued new equipment by the receiving department.

Effect

DPS is not in compliance with DTech countywide best practices regarding equipment assigned to staff.

Recommendation

We recommend DPS follow DTech countywide best practices and ensure equipment records are properly maintained. Additionally, we recommend DPS request the

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equipment be returned or update the inventory records to reflect the department possessing the equipment.

Management Response

DPS has directed its DTech embedded staff to conduct an inventory of the Department's equipment including desktops, laptops, tablets, printers, monitors and cellular phones. The inventory list will be kept up to date as staffing changes and as equipment gets replaced. DTech staff will add this process for hiring, transfers and terminations. The equipment list is expected to be completed by the end of the first quarter of Fiscal Year 2024-25.