

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION - AUDITS

INTERNAL AUDIT REPORT
CHANGE OF CUSTODY – FINANCIAL REPORT
CORRECTIONAL HEALTH SERVICES



Submitted to Audit Committee on June 14, 2018



County of Sacramento

Inter-Office Memorandum

May 7, 2018

To: Sandy Damiano, PhD, Interim Director
Department of Health Services

From: Ben Lamera
Director of Finance

By: Alan A. Matré, C.P.A.
Chief of Audits

Subject: **REPORT OF AGREED-UPON PROCEDURES FOR THE SACRAMENTO COUNTY SHERIFF'S DEPARTMENT CORRECTIONAL HEALTH DIVISION CHANGE OF CUSTODY ON MARCH 18, 2018**

We have performed the procedures enumerated below, which were agreed to by you, solely to assist the Department of Health Services (DHS) with the Sacramento County Sheriff's Department (Sheriff) Correctional Health Services Division's (SCH) change of custody on March 18, 2018 from the Sheriff to DHS. We performed our procedures at SCH's Administrative, Main Jail, and Rio Cosumnes Correctional Center offices located at 711 G Street and 651 I Street, Sacramento, California, 95814, and 12500 Bruceville Road, Elk Grove, California, 95757, respectively. SCH's management is responsible for maintaining sufficient controls for its accounting operations and capital assets. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of SCH'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 on the next page and is not intended to pertain to any of the Sheriff's or DHS' other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows below on the next page:

- We were engaged to obtain a listing of SCH's pharmaceutical controlled and uncontrolled substances (inventory) listed in the Sacramento County Financial System (a.k.a. COMPASS) to physically inspect their existence at SCH's locations.

Finding: We could not perform our procedures due to inventory quantities and values not being tracked in COMPASS. See Attachment II, *Comments and Recommendations*.

- We obtained a listing of SCH's capital assets reported in COMPASS to physically inspect their existence at SCH's locations.

Finding: We planned to physically verify all nine of SCH's listed capital assets. However, we noted concerns regarding SCH's capital asset reporting in COMPASS. See Attachment II, *Comments and Recommendations*.

- We counted SCH's imprest cash and compared it to COMPASS.

Finding: Imprest cash was counted and agreed to the amount reported in COMPASS. See Attachment I, *Schedule of Accountability*.

Because the preceding procedures do not constitute an examination made in accordance with attestation standards established by the American Institute of Certified Public Accountants, we do not express an opinion on any of the accounts, financial statements, compliance, or items referred to above. Had we made an examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, other matters may have come to our attention that would have been reported to you. This report relates only to SCH's change of custody on March 18, 2018, and does not extend to the Sheriff or DHS as a whole.

SCH's responses to the findings identified during our procedures are described in Attachment II, *Comments and Recommendations*. We did not perform procedures to validate SCH's responses to the comments and, accordingly, we do not express opinions on the responses to the comments.

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 the Sheriff's and DHS' 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.

Attachments

Attachment I, *Schedule of Accountability*

Attachment II, *Comments and Recommendations*

cc: Members, Sacramento County Board of Supervisors

Scott Jones, Sheriff

Nancy Newton, Assistant County Executive

David Villanueva, Deputy County Executive

Bruce Wagstaff, Interim Deputy County Executive

Britt Ferguson, Chief Fiscal Officer

Maryann Luke, Deputy Director, Department of Health Services

Aron Brewer, Human Services Division Manager, Department of Health Services

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CORRECTIONAL HEALTH DIVISION
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY**

MARCH 18, 2018

Pharmaceutical Inventory and Capital Assets

<u>Inventory and Capital Assets on Hand</u>	<u>Amount Reported</u>	<u>Amount Inspected</u>	<u>Variance</u>
Pharmaceutical Inventory	\$ Unknown ^(I)	1,974	Unknown ^(I)
Capital Assets	3,754,214 ^(II)	82,518 ^(III)	Unknown ^(III)
Total	\$ Unknown	84,492	Unknown

Imprest Cash

<u>Cash On Hand</u>	<u>Amount Reported</u>	<u>Amount Counted</u>	<u>Variance</u>
Petty Cash	\$ 200.00	200.00	0.00
Total	\$ 200.00	200.00	0.00

^(I) The Sacramento County Sheriff's Department Correctional Health Services Division (SCH) did not report the values of its pharmaceutical inventories in the Sacramento County Financial System (a.k.a. COMPASS). Accordingly, we could not determine the variance between the pharmaceutical inventory value inspected and the amount reported. See Attachment II, *Comments and Recommendations* for details.

^(II) Amounts consist of the acquisition value of SCH's capital assets reported in COMPASS to be transferred to the Department of Health Services.

^(III) We could not test all of SCH's capital assets. Accordingly, we could not determine the variance between the capital assets inspected and the amount reported in COMPASS. See Attachment II, *Comments and Recommendations* for details.

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CORRECTIONAL HEALTH DIVISION
CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS**

MARCH 18, 2018

1. Capital Asset Reporting

Comment

During our inspection of the Department of Health Services (DHS) Correctional Health Services' (SCH) capital assets, we noted that of the \$3,754,214 reported in the Sacramento County Financial System (a.k.a. COMPASS), \$3,671,696 consisted of several assets that were combined into the following single line items:

- "AUTOMATED PHARMACY – MCKESSON" in the amount of \$3,618,541
- "Midmark Elevance LR Dental Chair w/ Delivery System" in the amount of \$39,658
- "Midmark Exam Table" in the amount of \$13,497

The line items listed above consisted of several individual assets with different manufacturers, models, serial numbers, functions, purchase dates, and acquisition values. In addition, we noted the above assets did not have County of Sacramento inventory tags assigned. Furthermore, an itemized list of the individual assets included in the above line items was not available before we completed this engagement. Accordingly, we could not perform our procedures for \$3,671,696 of \$3,784,214, 98% of SCH's total capital assets reported in COMPASS.

Capital assets should be individually recorded in COMPASS and assigned a unique inventory tag. Improper recording of assets will make it difficult for SCH to detect theft or misappropriation. In addition, SCH cannot properly track or update its capital assets from loss, damage, or being sent to surplus.

Recommendation

We recommend SCH physically verify all of its capital assets and assign each asset a unique inventory tag and asset number. We further recommend SCH remove combined asset listings in COMPASS and record each asset individually.

DHS Management's Response

SCH concurs with the finding. The finding has been reviewed with program and management staff. Every asset, including Capital assets and future fixed assets acquired by Correctional Health Services will be verified and will assign a unique inventory tag and asset number. Assets that were grouped together with one asset number will be recorded separately. Fixed assets with existing asset number will be assigned a unique inventory tag labels. CHS plan to complete this process by end of fiscal year 17/18.

**COUNTY OF SACRAMENTO
DEPARTMENT OF HEALTH SERVICES
CORRECTIONAL HEALTH DIVISION
CHANGE OF CUSTODY
COMMENTS AND RECOMMENDATIONS**

MARCH 18, 2018

2. Pharmaceutical Controlled and Uncontrolled Substance Reporting

Comment

During our inspection of SCH's pharmaceutical controlled and uncontrolled substances, we noted the following issues:

- I. SCH only tracked the inventory of its controlled substances in a proprietary computer program. Uncontrolled substance inventory was not tracked. Neither controlled nor uncontrolled substance inventories were tracked in COMPASS.
- II. SCH did not track the value of its controlled and uncontrolled substances.

As a result, we could not verify the quantity or value of SCH's pharmaceutical controlled and uncontrolled substance inventories.

Improper tracking of uncontrolled substances can lead to theft or misappropriation. In addition, by not recording pharmaceutical inventories in COMPASS, SCH is not properly reporting all of its financial activities.

Recommendation

We recommend SCH track, value, and report all of its pharmaceutical inventories in COMPASS.

DHS Management's Response

CHS has implemented a new Electronic Medical Record (EMR) System on March 26, 2018. The new EMR System will be integrated with the existing Pharmaceutical system sometime in June 2018. When the integration is completed, the pharmaceutical system will be able to track, value and report inventory of pharmaceutical controlled and uncontrolled substances. CHS will conduct a complete manual inventory by July 1, 2018 and the result will be reconciled in the new pharmaceutical system and will be recorded as the beginning inventory in COMPASS; thereafter, the new pharmaceutical system will be able to generate the ending inventory. At the end of each fiscal year, a journal entry will be entered to record an ending inventory in COMPASS.