

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT
AGREED-UPON PROCEDURES
CASH HANDLING REVIEW
FOR THE PERIOD
OCTOBER 26, 2020 TO OCTOBER 28, 2020
PROBATION DEPARTMENT



Audit Committee Submittal Date: 03/25/2021

SUMMARY

Background

The County of Sacramento, Probation Department (Probation) is responsible for supervising parolees placed in their charge by court order. Probation is also responsible for managing the County of Sacramento's juvenile hall and adult day reporting centers, conducting parolee background investigations, and partnering with citizens and various organizations to promote public safety in Sacramento County.

Review Objective

The Department of Finance, Treasury Division selected Probation for a current agreed-upon procedures cash handling review for the period of October 26, 2020 to October 28, 2020. For the purpose of this cash handling review, "cash" is defined as all forms of money or cash equivalent, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards, debit cards, bus passes, and gift cards. The objective of this cash review is to inspect Probation's cash handling controls at Probation's administrative office and other locations. This cash review also covers Probation's other controls related to its cash handling functions.

Summary

There were three (3) exceptions noted after review of Probation's cash handling controls. The exceptions noted were for editing mail check control logs with correction tape, vending machine royalty payment checks made payable to a former County staff and not to Probation, and not reconciling parolee restitution payments collected by the Department of Finance, Revenue Recovery Division to its own records.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

Intra-Departmental Memorandum

February 25, 2021

To: Ben Lamera, Director
Department of Finance

From: Hong Lun (Andy) Yu, C.P.A.
Audit Manager

A handwritten signature in black ink, appearing to be "Andy Yu".

Subject: **INDEPENDENT ACCOUNTANT'S REPORT PROBATION DEPARTMENT (PROBATION) CASH HANDLING AGREED-UPON PROCEDURES FOR THE PERIOD OF OCTOBER 26, 2020 TO OCTOBER 28, 2020**

We have performed the procedures enumerated below and on the following page, which were requested and agreed to by you, for the County of Sacramento, Probation Department (Probation). These agreed-upon procedures were performed solely to assist you to evaluate Probation's cash handling control procedures and related controls at Probation's Administrative Office, North Adult Day Reporting Center, South Adult Day Reporting Center, Placement, Recovery Court, and Warren E. Thornton Youth Center, for the period of October 26, 2020 to October 28, 2020. For the purpose of this cash handling review, "cash" is defined as all forms of money or cash equivalent, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards, debit cards, bus passes, and gift cards.

Probation's management is responsible for monitoring and maintaining sufficient cash handling internal controls for its department. 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 agreed-upon procedures is solely the responsibility of the Department of Finance, Treasury Division (Treasury). 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 Probation's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

1. We obtained and reviewed Probation's cash receipt policies and procedures, forms used for cash receipts, and cash transaction reports to identify any concerns or internal control issues.

Finding: There were no procedures related to editing cash control documentation and reconciling restitution payments collected. See Attachment II: *Current Findings and Recommendations*

2. We visited Probation's operational locations unannounced and observed and documented how Probation staff process cash received and performed a walkthrough of the cash receipt process. We also reviewed Probation's internal control processes in order to identify any issues or non-compliances with cash receipt policies and procedures.

Finding: We noted an exception for Probation staff using correction tape to edit control logs for gift cards and bus passes. See Attachment II, *Current Findings and Recommendations*.

3. We reviewed a sample of Probation's transactions to verify that receipt copies were provided to customers, correct amounts were charged, and collections were properly safeguarded.

Finding: We noted an exception for vending machine commission payments made payable to a former staff member. See Attachment II, *Current Findings and Recommendations*.

4. We performed unannounced cash counts at Probation's operational locations, traced revenues counted to reconciliation schedules, and confirmed deposits to Sacramento County's financial system (a.k.a. COMPASS).

Finding: We noted an exception for Probation not reconciling payments submitted to the Department of Finance, Revenue Recovery by parolees to Probation's own supporting documentation. Attachment I, *Summary of Deposits, Imprest Cash, and Other Cash Counted*. Also, see Attachment II, *Current Findings and Recommendations*.

5. We performed an unannounced cash count on Probation's imprest cash and traced imprest cash counted to the amounts recorded on COMPASS.

Finding: We did not note any exceptions as a result of our procedures. See Attachment I, *Summary of Deposits, Imprest Cash, and Other Cash Counted*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 Probation'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.

Probation's management responses to the findings identified during our engagement are described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate Probation's management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, County Treasurer, and Probation'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.

Attachments

Attachment I: *Summary of Deposits, Imprest Cash, and Other Cash Counted*

Attachment II: *Current Findings and Recommendations*

Attachment III: *Current Status of Prior Findings and Recommendations*

COUNTY OF SACRAMENTO
PROBATION DEPARTMENT
CASH HANDLING AGREED-UPON PROCEDURES
SUMMARY OF DEPOSITS, IMPREST CASH, AND OTHER CASH COUNTED
FOR THE PERIOD OF OCTOBER 26, 2020 TO OCTOBER 28, 2020

<u>DEPOSIT</u>				
<u>Deposit Permit Number</u>	<u>Deposit Date</u>	<u>Probation's Deposit Record</u> ⁽¹⁾	<u>Amount Posted By Treasury</u> ⁽²⁾	<u>Variance</u>
1300756559	9/30/2020	\$ 2,376,429.99	\$ 2,376,429.99	\$ 0.00
1300758762	10/13/2020	2,250.00	2,250.00	0.00
1300760308	11/6/2020	214.65	214.65	0.00
<u>IMPREST CASH</u>				
<u>Imprest Cash Location</u>	<u>Date Counted</u>	<u>Imprest Cash Counted</u>	<u>Authorized Amounts</u>	<u>Variance</u>
Administrative Services	10/26/2020	\$ 8,250.00	\$ 8,250.00	\$ 0.00
Youth Detention Facility	10/26/2020	2,500.00	2,500.00	0.00
		<u>\$ 10,750.00</u>	<u>\$ 10,750.00</u>	<u>\$ 0.00</u>
<u>PETTY CASH</u>				
<u>Probation Division Vending Machine Revenues</u>	<u>Date Counted</u>	<u>Other Cash Counted</u>	<u>Authorized Amounts</u>	<u>Variance</u>
Administrative Services	10/26/2020	\$ 5.66	\$ 5.66	\$ 0.00
<u>Cash Equivalent (Bus Passes)</u> ⁽³⁾	<u>Date Counted</u>	<u>Bus Passes Counted</u>	<u>Bus Passes Value</u>	<u>Total</u>
Administrative Services	10/27/2020	7,668	\$ 7.00	\$ 53,676.00
ADRC Center	10/27/2020	174	7.00	1,218.00
Adult Services	10/27/2020	25	7.00	175.00
Juvenile Field Services	10/27/2020	18	7.00	126.00
ADRC North	10/27/2020	0	7.00	0.00
Recovery Court	10/27/2020	108	7.00	756.00
SIA – AB109	10/27/2020	46	7.00	322.00
SIA	10/27/2020	48	7.00	336.00
ADRC South	10/27/2020	44	7.00	308.00
Youth Detention Facility	10/27/2020			

COUNTY OF SACRAMENTO
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 CASH HANDLING AGREED-UPON PROCEDURES
 SUMMARY OF DEPOSITS, IMPREST CASH, AND OTHER CASH COUNTED
 FOR THE PERIOD OF OCTOBER 26, 2020 TO OCTOBER 28, 2020

Cash Equivalent (Gift Cards)	Date Counted	RPPRS Gift Cards Counted	Probation North Gift Cards Counted	Recovery Court Gift Cards Counted
Target \$100	10/27/2020	\$ 4,769.51 ⁽⁴⁾	\$ 0.00	\$ 0.00
Shell \$50	10/27/2020	7,358.00	0.00	
Raley's \$50	10/27/2020	5,550.00	0.00	
Safeway \$50	10/27/2020	6,500.00	0.00	
Raley's \$100	10/27/2020	19,500.00	0.00	
Safeway \$100	10/27/2020	19,300.00	0.00	
Walmart \$50	10/27/2020	6.34 ⁽⁵⁾	0.00	
Walmart \$10	10/27/2020	0.00	0.00	
Target \$25	10/27/2020	0.00	25.00	

⁽¹⁾ Amounts represent daily receipts recounted from review of checks summary reports.

⁽²⁾ Checks receipts were agreed to amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).

⁽³⁾ Bus passes were counted at each location and reconciled to master log provided by Probation. Bus passes are \$7.00 each and the totals are as stated

⁽⁴⁾ Target gift cards for \$100 value had one partial return for \$69.51. As policy states the return is kept on hold until used. Receipts from user are on hand and verified by auditor

⁽⁵⁾ Walmart gift card for \$50 value had one partial return for \$6.34. As policy states the return is kept on hold until used. Receipts from user are on hand and verified by auditor.

COUNTY OF SACRAMENTO
PROBATION DEPARTMENT
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD OF OCTOBER 26, 2020 to OCTOBER 28, 2020

1. Editing Cash Control Logs

Condition

Department of Probation (Probation)'s Adult Community Correction's Recovery Court and Juvenile Field Services Foster Parent recruitment and Retention Strategies Unit's gift card purchase and distribution logs were edited with correction tape to correct entry errors made on the logs. In addition, Probation's Administrative Services and South Adult Day Reporting Center amended entries on bus pass logs using correction tape.

Criteria

Accounting entries entered into control logs should be documented in a way that the entries are identifiable and reviewable.

Cause

Probation staff was unaware that using correction tape to amend control logs was an internal control weakness and did not establish a procedure regarding properly editing cash control log.

Effect

Edits to cash control logs that are completely obscured could result in recording errors and the possibility of the misappropriation of assets without management knowledge.

Recommendation

Probation 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 recommend that Probation add a procedure regarding editing cash control documentation in order to establish and implement a process of properly editing the cash control documentation.

Probation's Management Response

Probation will implement the recommendation by adding language in all of the drafted cash handling policies (petty cash, bus passes, and gift cards) informing all staff Fiscal documents may not be edited with correction tape, and providing specific instructions on how to indicate and edit errors properly.

COUNTY OF SACRAMENTO
PROBATION DEPARTMENT
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD OF OCTOBER 26, 2020 to OCTOBER 28, 2020

2. Checks Made Payable to A Staff Member Instead of the Probation Department

Condition

Probation's vending machine management company pays royalty payments to Probation for vending machines housed within Probation facilities. Probation uses the royalty payments received from the sale of snacks and drinks to fund its employee recognition program.

While performing our current engagement testing procedures, we noted a vending machine royalty check dated October 7, 2020 in the amount of \$5.66 that was paid to the order of a former Probation staff member.

Probation contacted the vending machine company and requested a payee name change to the County of Sacramento, Probation Department; however, the change has not been made by the end of our fieldwork.

Criteria

Payments should be made payable to the County of Sacramento and not to an individual person.

Cause

When the Compass Group vending machine royalty payments were setup, a former Probation staff member used her own name instead of the County of Sacramento.

Effect

Checks made payable to individuals and not the County of Sacramento, Probation Department could be misappropriated without management's knowledge.

Recommendation

We recommend that Probation follow up with the vending machine company and ensure that the payee name is changed to the County of Sacramento as soon as possible.

Probation's Management Response

Probation has contacted the vending machine company to update the payee information on the account. It should be noted, although the incorrect payee name was on the check, the address on the royalty payment was identified to be the Probation Department, and the royalty check was deposited into the treasury; it was not cashed by the former employee. We continue to work on this matter, and to date, all the vending machine accounts are being updated by the vendor with the correct address and payee information.

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3. Restitution Recognition

Condition

Probation is responsible for monitoring parolees placed in their care by court order and ensuring that required restitution payments are paid when ordered by court judgement as a condition of parole. Parolees that are ordered to make restitution payments do so to the County of Sacramento, Department of Finance, Revenue Recovery Division (RR).

Probation does not perform an independent reconciliation of parolee payments received by RR to its own financial records.

Criteria

Restitution Payments per court order judgment by parolees may not be collected without an independent reconciliation and verification.

Cause

Probation assigned parolee collection duties to RR; however, it is not reconciling collections received by RR to its own records and did not establish a procedure to perform the reconciliation to fulfill its duty.

Effect

Parolee payments collected by RR cannot be verified if the payments are in accordance with court order without an independent reconciliation by the Probation.

Recommendation

We recommend that Probation establish a procedure regarding the reconciliation of restitution payment receipts and reconcile parolee payments received by RR to its own records to ensure compliance with court ordered judgments of restitution payments.

Probation's Management Response

Probation will establish and implement a procedure to reconcile restitution payment reports received from the Department of Revenue Recovery to our own probationer records to ensure compliance with court ordered judgments of restitution payments.

COUNTY OF SACRAMENTO
PROBATION DEPARTMENT
CASH HANDLING AGREED-UPON PROCEDURES
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD OF OCTOBER 26, 2020 to OCTOBER 28, 2020

**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
NOVEMBER 1 2015 TO JANUARY 31, 2016, DATED JUNE 30, 2016**

1. Petty Cash

Prior Recommendation

We recommended Probation reconcile its petty cash to the authorized amount in Sacramento County Financial System (a.k.a. COMPASS) in a timely manner at a minimum once per month. If there are any differences, they should be noted and investigated. If the differences cannot be resolved, they should be noted on an overage/shortage log and recorded in COMPASS. We also recommended Probation use reconciliation logs to proactively track all variances in petty cash. We further recommended that Probation deposit and record the total overage from each division to County of Sacramento, Treasury (Treasury) and COMPASS, respectively.

Current Status

It appears our prior recommendation has been implemented.

2. Incentive Purchases (Gift Card) Logs

Prior Recommendation

We recommended Probation maintain gift card logs and reconcile the logs to gift cards on hand at a minimum once per month.

Current Status

It appears our prior recommendation has been implemented.

3. Other Cash on Hand/Employee Recognition Expenses

Prior Recommendation

We recommended Probation deposit the aggregate total of \$2,538.97 in vending machine proceeds noted above to the Treasury. We also recommended Probation to ensure that all future vending machine checks be made payable to the County and deposited to the Treasury in a timely manner. We further recommended Probation obtain proper prior written approval before incurring any employee recognition expenses, record all employee recognition expenses in COMPASS, and maintain adequate supporting documentation for these expenses.

COUNTY OF SACRAMENTO
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CASH HANDLING AGREED-UPON PROCEDURES
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD OF OCTOBER 26, 2020 to OCTOBER 28, 2020

**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
NOVEMBER 1 2015 TO JANUARY 31, 2016, DATED JUNE 30, 2016**

Current Status

It appears our prior recommendation has been partially implemented. We noted an exception for a vendor check made payable to a former Probation staff member. See Finding No. 2 at Attachment II, *Current Findings and Recommendations*.

4. Check Endorsement

Prior Recommendation

We recommended Probation ensure that all of its divisions receiving checks or money orders have check endorsement stamps in their possession. We further recommended Probation restrictively endorse all checks and money orders received immediately upon receipt.

Current Status

It appears our prior recommendation has been implemented.

5. Manual Receipts

Prior Recommendation

We recommended Probation perform manual receipt reviews and reconciliations in a timely manner at a minimum of once per month to ensure all money received is accounted for and any discrepancies can be investigated and resolved. We also recommended all of Probation's divisions retain carbon copies of manual receipts at its locations to allow Probation to review records when necessary.

Current Status

Our prior recommendation is no longer applicable as Probation field offices no longer accept payments. Department of Finance, Revenue Recovery Division performs collection services and manual receipts are no longer in use.

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**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
NOVEMBER 1 2015 TO JANUARY 31, 2016, DATED JUNE 30, 2016**

6. Mail Receipts

Prior Recommendation

We recommended Probation establish proper separation of duties for its mail receipts process. The individual completing the mail log should be separate from the individual performing reconciliations. We further recommended the mail log is reconciled to the amounts recorded in COMPASS.

Current Status

It appears our prior recommendation has been implemented.

7. Timing of Deposits

Prior Recommendation

We recommended all of Probation's divisions make deposits in a timely manner and within seven days upon receipt per Sacramento County Code for payments received to prevent possible theft or misappropriation of funds.

Current Status

It appears our prior recommendation has been implemented.

8. Safe Access

Prior Recommendation

We recommended Probation's North Adult Day Reporting Center provide access to its safe to a back-up individual and have at least two individuals present when removing deposits from the safe. We also recommended the deposit log be initialed by both individuals when deposits are removed from the safe.

We further recommended Probation's Adult Drug Court Services limit its safe access and require two or more individuals present when the safe is opened.

Current Status

It appears our prior recommendation has been implemented.

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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
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**FROM PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
NOVEMBER 1 2015 TO JANUARY 31, 2016, DATED JUNE 30, 2016**

9. Petty Cash Custodians

Prior Recommendation

We recommended that Probation assign and record its petty cash custodians and fund centers' balances to accurately reflect Probation's actual petty cash custodians, and fund centers' balances in COMPASS at least monthly. If there are any variances, Probation should update the correct petty cash account custodians, and fund centers' balances in COMPASS.

Current Status

It appears our prior recommendation has been implemented.