

COUNTY OF SACRAMENTO

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

INTERNAL AUDITS REPORT

CHANGE OF CUSTODY AGREED-UPON PROCEDURES FINAL REPORT AS OF JULY 1, 2021

ANIMAL CARE AND REGULATION



Audit Committee Submittal Date: 10/14/2021

SUMMARY

Background

The Department of Finance (Finance) performed a change of custody agreed-upon procedures for the outgoing director of Animal Care and Regulation (ACR) who retired on June 30, 2021.

Audit Objective

To inspect ACR's cash and capital assets as of June 30, 2021 and confirm the record to the Sacramento County Accounting System (a.k.a COMPASS).

Summary

We noted issues with ACR's record keeping and tracking of capital assets, record keeping of imprest cash, and depositing and reconciling of mail-in receipts.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

August 19, 2021

To: Michael Doane, Interim Director
Animal Care and Regulation

From: Ben Lamera
Director of Finance

By: Ross McCarthy, CPA 
Senior Audit Manager

Subject: **REPORT OF AGREED-UPON PROCEDURES FOR THE SACRAMENTO COUNTY ANIMAL CARE AND REGULATION (ACR) CHANGE OF CUSTODY ON JUNE 30, 2021**

We have performed the procedures enumerated below, which were agreed to by Sacramento County Animal Care and Regulation (ACR) change of custody on June 30, 2021. We performed our procedures at ACR's office located at 3839 Bradshaw Rd, Sacramento, California, 95827. ACR'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 ACR'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 below and is not intended to pertain to any of ACR's other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We counted the Department's imprest cash and all cash receipts on hand as of the close of business on June 30, 2021. See Attachment I, *Schedule of Accountability* and Attachment II, *Findings and Recommendations*.

Finding: We noted exceptions related to record keeping of imprest cash and depositing and reconciling of mail-in receipts.

2. We reviewed the capital asset listing and physically inspected 9 of 22 haphazardly selected capital assets at ACR's location.

Finding: We noted exceptions related to ACR's capital asset record keeping and tracking as a result of our procedures. See Attachment I, *Schedule of Accountability* and Attachment II, *Findings and Recommendations*.

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 ACR'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. ACR's responses to the findings identified during our procedures are described in Attachment II, *Findings and Recommendations*. We did not perform procedures to validate ACR's 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, and ACR 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, *Findings and Recommendations*

**COUNTY OF SACRAMENTO
ANIMAL CARE AND REGULATION (ACR)
CHANGE OF CUSTODY
SCHEDULE OF ACCOUNTABILITY**

JULY 1, 2021

Capital Assets

<u>Capital Assets on Hand</u>	<u>Total Acquired Value Reported</u> ⁽¹⁾	<u>Total Acquired Value Per Review</u> ⁽²⁾	<u>Identified Variance</u> ⁽³⁾
Capital Assets	\$ 201,243.79	200,007.04	\$ 1,236.75

Imprest Cash

<u>Counted Date</u>	<u>Imprest Cash</u>	<u>Authorized Amount</u>	<u>Counted Amount</u>	<u>Variance</u> ⁽⁴⁾
06/30/2021	Back-up Change Fund	\$ 300.00	300.00	\$ 0.00
06/30/2021	Change Fund	800.00	700.00	100.00
06/30/2021	Petty Cash	120.00	120.00	0.00
Total		<u>\$ 1,220.00</u>	<u>1,120.00</u>	<u>\$ 100.00</u>

Cash Receipt

<u>Receipts Date</u>	<u>Type of Receipt</u>	<u>(a) Counted Amount</u>	<u>(b) Deposit Amount Posted by Treasury—</u>	<u>(a) – (b) Variance—</u>
06/29/2021	Cash	\$ 410.00	410.00	\$ 0.00
06/30/2021	Cash	821.00	821.00	0.00
06/29/2021	Credit Card	775.00	755.00	0.00
06/30/2021	Credit Card	905.00	905.00	0.00
06/29/2021	Online Receipts ⁽⁵⁾	1,000.00	1,000.00	0.00
06/30/2021	Online Receipts ⁽⁵⁾	375.00	375.00	0.00
06/21-30/2021	Mail-in Receipts ⁽⁶⁾	2,190.20	Unknown ⁽⁶⁾	Unknown ⁽⁶⁾

(1) Amount represents the total acquisition value of capital assets reported in COMPASS. All assets are fully depreciated and have \$0.00 book value.

(2) Amount represents the acquisition value of capital assets determined based on our procedures performed. See Finding #1 of Attachment II, *Findings and Recommendations*.

(3) This variance represents the variance noted from the acquisition value of capital assets tested. See Finding #1 of Attachment II, *Findings and Recommendations*.

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- (4) This variance represents a cash discrepancy between imprest cash counted and the authorized amount recorded in COMPASS. See Finding #2 of Attachment II, *Findings and Recommendations*.
- (5) Online Receipts pertain to licensing fees received through online system.
- (6) We were unable to verify mail-in receipts deposit to Treasury. Refer to Finding #3 of Attachment II, *Findings and Recommendations*.

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FINDINGS AND RECOMMENDATIONS**

JULY 1, 2021

1. Capital Asset

Condition:

During our inspection of Animal Care and Regulation (ACR) capital assets, we haphazardly sampled 9 out of the 22 recorded capital assets for physical inspection.

Based on our inspection, we noted:

- One (Marlin rifle) was not operable, but kept in the Department for potential use of parts. However, Equipment Movement Report (EMR) indicating that the item is not operable was not submitted to Department of Finance (DOF) Capital Assets Unit; therefore, it was not removed from the Sacramento County Accounting System (a.k.a COMPASS).
- Two firearms (Marlin dart guns) have been transported to Sheriff's Department for destruction without EMR being submitted to DOF; therefore, they were not removed from COMPASS.
- One Medical Trailer and one AKC Reunite Disaster Relief Trailer were not tagged with an inventory number. In addition, based on further investigation, we noted that four additional items (Digital x-ray machine, Bone drill for fracture repair, AKC Reunite disaster relief trailer, and dental cleaning equipment) were not tagged with an inventory number.

The total acquisition value of the inoperable items identified above was \$1,236.75. All capital assets under ACR's possession are fully depreciated and have no book value. See Attachment I, *Schedule of Accountability*.

Subsequent to our engagement procedures, ACR submitted an EMR for the two dart guns transported for destruction to DOF Capital Assets Unit and removed the assets from COMPASS. However, the Marlin Rifle still remained in COMPASS as of July 27, 2021.

Criteria:

According to Sacramento County Asset Capitalization Policy, "Assets which have been retired or disposed of must be removed from capital accounts including related accumulated depreciation." An EMR should be submitted to DOF Capital Asset Unit when an asset is inoperable or prior to destruction in order to properly remove the asset from COMPASS. When an inoperable asset is kept for potential use of parts, the EMR should indicate the asset has been "cannibalized".

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All capital assets should be tagged with an inventory number in order to properly track and account for the asset.

Effect:

Without properly reporting movements of inoperable capital assets using an EMR, financial statements could be misstated and the assets could be misappropriated without being detected in a timely manner. In addition, not tagging an asset with an inventory number would make it difficult to track and vulnerable to theft or misappropriation.

Cause:

ACR did not properly implement the Sacramento County Asset Capitalization Policy.

Recommendation:

We recommend ACR properly implement the Sacramento County Asset Capitalization Policy and receive training on the asset module in COMPASS. ACR should submit an EMR for the cannibalized Marlin rifle to DOF Capital Assets Unit to properly retire the asset from COMPASS. We further recommend ACR tag all capital assets with an inventory number in order to properly track and account for the assets.

Management's Response:

ACR considers the recommendation and per email dated August 11, 2021 from DOF capital asset unit staff, asset 48126 (broken Marlin rifle) is now retired via Doc 110397593. All capital assets are tagged, except Disaster trailer and one of a kind medical equipment. ACR is researching the recommendation to tag those items.

2. Imprest Cash

Condition:

During our cash count, we noted a difference of \$100.00 between the imprest cash counted and authorized amount recorded in COMPASS. See Attachment I, *Schedule of Accountability*.

Based on our further investigation, the \$100.00 change fund was no longer in use and deposited to Treasury on August 9, 2017. However, the return of the funds was never reported to the Director of Finance and was not properly removed from ACR's imprest cash account in COMPASS.

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Criteria:

Per Sacramento County Accounting Policy 1003 – Imprest Cash Funds, departments should send a letter to the Director of Finance noting the movement of imprest cash.

Effect:

ACR's imprest cash account is misstated in COMPASS. In addition, by not recording movements of imprest cash, theft or misappropriation of funds could occur and not be detected in a timely manner.

Cause:

ACR did not implement Sacramento County Accounting Policy 1003 – Imprest Cash Funds.

Recommendation:

We recommend ACR implement Sacramento County Accounting Policy 1003 – Imprest Cash Funds. ACR should send a letter to the Director of Finance notifying the return of \$100.00 change fund so DOF can make an appropriate journal entry in COMPASS to properly record the return of the funds.

Management's Response:

A letter is send to the Director of Finance notifying the return of \$100.00 so DOF can make an appropriate journal entry in COMPASS to record the return of the funds.

3. Mail-in Receipts

Condition:

During our review, we noted mail-in receipts from June 21, 2021 to July 1, 2021 in the amount of \$2,910.20 have not been deposited to the Treasury. As of July 19, 2021, ACR staff stated these checks have been deposited to Treasury; however, we were unable to verify as ACR did not perform a reconciliation between the check log and deposit permits. See Attachment I, *Schedule of Accountability*.

Criteria:

Deposits should be performed in a timely manner, at a minimum once a week. Timely reconciliations between the check log and deposit permits should be maintained in order to verify that all checks have been deposited to the Treasury and properly accounted for in COMPASS in a timely manner.

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JULY 1, 2021

Effect:

Untimely deposits, reconciliations, inadequate review and documentation of financial transactions could lead to misstated revenues or misappropriation of assets not being detected and resolved in a timely manner.

Cause:

ACR did not perform reconciliations between the check log and deposit permits in a timely manner.

Recommendation:

We recommend ACR deposit all receipts in a timely manner, at a minimum once a week. We also recommend ACR perform reconciliations between the check log and deposit permits in a timely manner in order to verify that all checks have been deposited to the Treasury and properly accounted for in COMPASS.

Management's Response:

ACR is researching this recommendation and is reviewing the feasibility of timely reconciliation between the check log and deposit permits. At this time, ACR does not have a sufficient number of administrative staff to implement the recommendation to do it on a weekly basis. ACR will verify that all checks have been deposited to the Treasury and properly accounted for in COMPASS. ACR secures deposits in a tamper-proof bags daily.