

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 12, 2016
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: Department Of Waste Management And Recycling Cash Handling Review – For
The Months Of December 2015 And January 2016
Supervisory
District: All
Contact: Ben Lamera, Assistant Auditor-Controller, 874-7450

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Department Of Waste Management And Recycling Cash Handling Review – For The Months Of December 2015 And January 2016*.

Respectively submitted,

Ben Lamera
Interim Director of Finance

Attachment 1, Department of Waste Management and Recycling Cash Handling Review – For
the Months of December 2015 and January 2016

**COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER**

Intra-Departmental Correspondence

May 2, 2016

To: Ben Lamera
Interim Director of Finance

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

Subject: **DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING CASH HANDLING REVIEW – FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016**

We have performed the procedures enumerated below, which were agreed to by you, for the County of Sacramento, Department of Waste Management and Recycling (DWMR). These procedures were performed solely to evaluate DWMR's cash handling control procedures for the months of December 2015 and January 2016. DWMR's management is responsible for maintaining sufficient cash handling 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 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 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 DWMR's other operations, procedures, or compliance with laws and regulations. The procedures we performed for DWMR are summarized as follows:

- We reviewed DWMR's cash handling procedures.

Finding: DWMR's cash consisted of imprest cash and deposits to the Treasury at the time of our review. We noted issues about imprest cash and reconciliations. See Attachment III, *Current Findings and Recommendations*.

- We reconciled imprest cash and deposits selected for testing to authorized amounts posted in Sacramento County's Financial System (a.k.a. COMPASS).

Finding: Deposits selected for testing were reconciled and agreed to COMPASS. However, imprest cash counted was not agreed to COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted*.

- We determined the current status of prior findings and recommendations reported on DWMR's cash handling review report for the month of April 2013 dated July 3, 2013.

Finding: The current status of prior findings and recommendations for DWMR is at Attachment II, *Current Status of Prior Findings and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on DWMR cash balances, financial schedules, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. This report relates only to the review of DWMR's cash handling procedures, and does not extend to DWMR's operations as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, Sacramento County Treasurer, and DWMR'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 and Imprest Cash Counted*

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

Attachment III: *Current Findings and Recommendations*

cc: Members, Board of Supervisors
Navdeep Gill, County Executive
David Villanueva, Chief Deputy County Executive
Robert Leonard, Chief Deputy County Executive
Britt Ferguson, Chief Financial Officer, County Executive Office
Peggy Marti, Assistant Treasurer, Department of Finance
Paul Pilleo, Director, DWMR
Oliver Bohlman, Chief Financial Administrative Officer, DWMR

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT & RECYCLING
CASH HANDLING REVIEW
SUMMARY OF DEPOSITS AND IMPREST CASH COUNTED

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

DEPOSITS

Deposit Permit Number	Deposit Date	Amount Tested ⁽¹⁾	Amount Posted by DWMR	Amount Posted by Treasury ⁽²⁾	Variance
1300583735	12/30/2015	\$ 238.46	172,407.79	172,407.79	0.00
1300584049	01/04/2016	125,443.90	133,701.29	133,701.29	0.00
1300584946	01/12/2016	192,926.84	240,112.88	240,112.88	0.00
1300586473	01/21/2016	1,365.80	3,646.30	3,646.30	0.00
1300585975	01/22/2016	135.00	34,569.51	34,569.51	0.00
1300586573	01/22/2016	1,298.15	2,018.75	2,018.75	0.00
1300586814	02/02/2016 ⁽³⁾	189,504.73	279,903.21	279,903.21	0.00
1300586376	02/03/2016 ⁽³⁾	1,160.70	3,321.25	3,321.25	0.00
1300586574	02/03/2016 ⁽³⁾	1,071.70	1,525.10	1,525.10	0.00

IMPREST CASH

Imprest Cash Location	Date Counted	Imprest Cash Counted	Authorized Amount	Variance
Goethe Road (Petty Cash)	01/19/2016	\$ 290.09	300.00	(9.91) ⁽⁴⁾
Goethe Road (Change Fund)	01/19/2016	1,500.00	1,500.00	0.00
North Area Recovery Station	01/19/2016	801.54	800.00	1.54 ⁽⁵⁾
Kiefer Landfill	01/20/2016	800.00	800.00	0.00
Total		<u>\$ 3,391.63</u>	<u>3,400.00</u>	<u>(8.37)</u>

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

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

⁽³⁾ Amounts were received by Department of Waste Management and Recycling in January 2016 and were posted by County Treasury in February 2016.

⁽⁴⁾ The (\$9.91) was a shortage and noted during our review on January 19, 2016. See Attachment III, *Current Findings and Recommendations*, Finding Number 1.

⁽⁵⁾ The \$1.54 was an overage and noted during our review on January 19, 2016. See Attachment III, *Current Findings and Recommendations*, Finding Number 3.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT & RECYCLING
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
APRIL 2013, DATED JULY 3, 2013**

Imprest Cash Reconciliation

Prior Comment

While we performed our cash count on April 8, 2013, we noted that DWMR's total imprest cash from its safe was more than the imprest cash balance by \$4.65. DWMR staff was not able to explain the reason for this overage. However, we noted that DWMR staff did not reconcile cash in the safe timely. We followed up with staff on June 14, 2013 and were informed that the \$4.65 overage remained in the safe. By not reconciling the imprest cash from its safe, DWMR's imprest cash is not agreeing to the imprest cash in Sacramento County Financial System (a.k.a. COMPASS), and errors or misappropriation of cash may occur and not detected timely.

Prior Recommendation

We recommend DWMR reconcile the cash in the safe to the amount noted in COMPASS in a timely manner. During reconciliation of its safe, DWMR should have someone other than the custodian of the safe recount the cash in the safe and any discrepancy should be noted and investigated. Also, DWMR should deposit the \$4.65 overage to the Treasury and post the overage to the over/short account in COMPASS. In the future, when there is an overage/shortage, the amount should be posted in the over/short account in a timely manner. When there is a shortage, DWMR should submit a Relief of Accountability (ROA) to the Department of Finance.

Prior Management's Response

As recommended, cash in the safe will now be recounted and reconciled on a monthly basis by the custodian of the cash in the safe and an accounting staff member. If any over or shorts are discovered they will be deposited or submitted for an ROA. The \$4.65 overage was deposited with June 29th's deposit.

Current Status

It appears that our prior recommendation has been implemented.

Voiding Receipts

Prior Comment

During review of DWMR's internal memorandum for instructions for Scale Attendants about voiding receipts, we noted that the memorandum listed valid reasons for voiding receipts; however, the memorandum also indicates that the valid reasons for voiding receipts are not

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT & RECYCLING (DWMR)
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
APRIL 2013, DATED JULY 3, 2013 (CONTINUED)**

limited to the specified valid reasons listed. Therefore, it appears that Scale Attendants are able to use their own judgment to determine valid reasons for voiding receipts in situations where the reasons for voiding receipts may not be valid. In addition, by allowing Scale Attendants to use their own judgment to determine valid reasons for voiding receipts, one Scale Attendant's reason for voiding a receipt may be different from another Scale Attendant; therefore, causing inconsistencies when one Scale Attendant voids a receipt compared to when a different Scale Attendant who does not void the receipt in the same situation.

Prior Recommendation

We recommend DWMR update its policy for voiding receipts to minimize inconsistencies for voiding receipts. DWMR should not include the wording "valid reasons would include, but are not limited to" in its memorandum as instructions for voiding receipts. Instead, DWMR should require Scale Attendants to obtain supervisor approval for voiding receipts for any reason not listed in the memorandum, and include that reason on the voided receipt form with the supervisor's initial indicating the reason for the void was authorized.

Prior Management's Response

As recommended, we have updated our Standard Operating Procedure #16 for Voiding Receipts to eliminate the inconsistencies for voiding receipts. We have removed the wording "valid reasons would include, but are not limited to" from the instructions. We have added all known additional "valid reasons" to make the instructions more specific. In addition, we have stated that for any reason not listed in the SOP #16, prior supervisor approval would be necessary before performing the void.

Current Status

It appears that our prior recommendation has been implemented.

Daily Deposit Recap Form

Prior Comment

The "Daily Deposit Recap" form is completed by each Scale Attendant to track its daily cash, check, and credit card activities. At the end of each Scale Attendant's shift, the Scale Attendant is to complete the "Daily Deposit Recap" form which will accompany its temper proof bag where the funds are sealed inside. The funds are picked up and transported by armored courier transportation to DWMR's administrative office. Then, DWMR's Account Clerks II verify the

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DEPARTMENT OF WASTE MANAGEMENT & RECYCLING (DWMR)
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTH OF
APRIL 2013, DATED JULY 3, 2013 (CONTINUED)**

daily cash, check, and credit card activities received by the Scale Attendants, and deposit the cash and checks received to the Treasury.

During review of DWMR's daily deposit documents, we noted 3 out of 5 "Daily Deposit Recap" forms were not completed by the Scale Attendant II because the verified bag number deposited lines were not initialed by the Scale Attendant II. By not initialing the verified bag number deposited line on the "Daily Deposit Recap" form, the "Daily Deposit Recap" form cannot be used to track the funds that were transferred to DWMR's Account Clerks II, who prepare and deposit the funds to the Treasury, and reconcile the cash, check, and credit card activities.

Prior Recommendation

We recommend DWMR ensure its Scale Attendants to complete the "Daily Deposit Recap" form fully. In addition, DWMR's Account Clerks II should verify all the "Daily Deposit Recap" forms were completed fully. If the "Daily Deposit Recap" forms were not completed fully, the Account Clerks II should investigate the reason for the incomplete form in a timely manner to prevent any errors or misappropriation of cash.

Prior Management's Response

As recommended, Scale Attendant Supervisor will review the "Daily Deposit Recap" to ensure that the Scale Attendant II has verified the forms were completed accurately and thoroughly. In addition, the Scale Attendant Supervisor will investigate the reason for the incomplete form immediately upon knowledge of the incompleteness to prevent any errors or misappropriation of cash.

Current Status

It appears that our prior recommendation has been implemented.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT & RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

1. Unauthorized Change Tray (NARS)

Comment

During our visit to Department of Waste Management and Recycling's (DWMR) North Area Recovery Station (NARS), we noted an unauthorized change tray was maintained by its scale attendants. The unauthorized change tray consisted of coins left by customers who declined to receive change. These coins could be subsequently given to customers who did not have enough change to cover their invoices. At the time of our visit, we counted \$1.54 in this fund, and this amount was not recorded in the Sacramento County Financial System (a.k.a. COMPASS). By keeping unauthorized imprest cash on hand, theft or misappropriation of funds could occur and not be detected by management in a timely manner.

After our visit, the \$1.54 has been deposited to the County Treasury.

Recommendation

We recommend DWMR to prohibit its NARS location from maintaining an unauthorized change tray and ensure any change refused by customers is immediately deposited to County Treasury and recorded in the overage account in COMPASS.

DWMR's Management's Response

As recommended, DWMR will prohibit its NARS location from maintaining an unauthorized change tray and ensure any change refused by customers is immediately deposited to County Treasury and recorded in the overage account in COMPASS.

2. Commercial Customer Account Reconciliations

Comment

During our review of DWMR's commercial customer accounts, we noted that no reconciliation has been performed against its commercial customer accounts report to payments received since July 2015. By not performing monthly reconciliations of its commercial customer accounts, incorrect commercial customer account balances and errors could occur, and not be detected by DWMR in a timely manner.

Recommendation

We recommend DWMR reconcile its commercial customer accounts monthly. Any errors should be investigated and resolved in a timely manner.

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DEPARTMENT OF WASTE MANAGEMENT & RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

DWMR's Management's Response

Due to staffing attrition, this reconciliation was only partially reviewed each month to mitigate the risk of error affecting our commercial accounts. DWMR is now fully staffed and will implement the audit recommendation and reconcile our commercial customer accounts monthly. Any errors will be investigated in a timely manner. Since the audit we have completed the reconciliation and are up to date at this time.

3. Imprest Cash Security (NARS and KLF)

Comment

During review of DWMR's imprest cash, we noted DWMR has an Antifreeze, Battery, Oil & Paint (ABOP) fund and a Hazardous Household Waste (HHW) fund, \$50.00 each, located at its Kiefer Landfill (KLF) and NARS locations, respectively. The funds are used to provide rebates to customers who bring in used motor oil or other DWMR approved hazardous waste materials to either of DWMR's locations.

We noted that KLF keeps its ABOP funds and NARS keeps its HHW fund in locked boxes in unsecured locations. By not keeping imprest cash in secure locations accessible only by their respective custodians, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend DWMR store its ABOP and HHW funds in secure locations that are only accessible by their respective custodians.

DWMR's Management's Response

As recommended, DWMR will store its ABOP and HHW funds in secure locations that are only accessible by the custodian or the custodian's designee. Additionally, the imprest amount will be reduced from \$50 to \$10 at each site based on the current perceived need.

4. Petty Cash Reconciliation

Comment

During our review of DWMR's petty cash, we noted petty cash was short \$9.91. As such, we did not reconcile DWMR's petty cash to the amount reported in COMPASS. DWMR staff was not able to explain the reason for this shortage. We further noted that DWMR staff did not reconcile its petty cash in a timely manner. By not reconciling petty cash in a timely

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CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS OF DECEMBER 2015 AND JANUARY 2016

manner, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend DWMR to reconcile its petty cash to the amount noted in COMPASS in a timely manner and research and resolve any discrepancies.

DWMR's Management's Response

The staffing attrition caused the routine reconciliation associated with this petty cash fund to be missed. Given that the accounting unit is now fully staffed we now have an Accounting Technician available to resume the role of overseeing the reconciliation of this petty cash fund to the amount noted in COMPASS in a timely manner and research and resolve any discrepancies as recommended.