

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
September 26, 2017  
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Animal Care And Regulation Cash Handling Review, For The Months Of  
October 2016 And March 2017

Supervisory  
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

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**DISCUSSION**

As per Government Code Section 27000, Department of Finance is responsible for safekeeping of moneys throughout the County. As such, periodic cash control reviews are conducted at departments and dependent districts where moneys are received or handled. Animal Care and Regulation receives payments in the form of cash, check and credit cards for various services provided, such as adoptions, licensing, and vaccinations.

Finance performed an agreed-upon procedures (AUP) review of Animal Care and Regulation’s cash handling controls. The Auditor randomly selected the months of October 2016 and March 2017 to perform the AUP described in the attached report. The results of the AUP, Auditor’s recommendations, and the Department’s responses are included in the attached AUP report.

Respectively submitted,

**Ben Lamera**  
Director of Finance

Attachment

ATT 1 - Animal Care and Regulation Cash Handling Review, for the Months of October 2016  
and March 2017

**Department of Finance**

Ben Lamera,  
Director



Agenda Date: September 26, 2017

ATT 1  
**Auditor-Controller Division**

Joyce Renison,  
Assistant Auditor-Controller

**County of Sacramento**

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*Intra-Office Memorandum*

August 4, 2017

To: Ben Lamera  
Director of Finance

A handwritten signature in black ink, appearing to be "AL" or similar initials, written over the "From:" field.

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

Subject: **ANIMAL CARE AND REGULATION CASH REVIEW – FOR THE MONTHS  
OF OCTOBER 2016 AND MARCH 2017**

We have performed the procedures enumerated below, which were agreed to by you, for the County of Sacramento, Animal Care and Regulation (ACR). These procedures were performed solely to evaluate ACR's cash handling control procedures for the months of October 2016 and March 2017. ACR's management is responsible for maintaining sufficient cash handling controls for ACR. 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 procedures referred to below and is not intended to pertain to any of ACR's other operations, procedures, or compliance with laws and regulations. The procedures we performed are summarized as follows:

- We reviewed ACR's cash handling procedures.

Finding: We noted several concerns related to ACR's cash handling procedures. See Attachment III, *Current Findings and Recommendations*.

- We reconciled daily deposits and cash on hand to the amounts reported in the Sacramento County Financial System (a.k.a. COMPASS).

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

- We reconciled imprest cash on hand to the authorized amounts posted in COMPASS.

Finding: The imprest cash was reconciled and did not agree to COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted* and Attachment III, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on ACR's cash handling review report for the period April 1, 2012 through July 8, 2012, dated October 17, 2012.

Finding: We noted that some of our prior recommendations were not implemented or partially implemented. See 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 ACR's 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 ACR's cash handling procedures, and does not extend to ACR'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.

ACR's response to the findings identified during our engagement is described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate ACR's response to the findings and, accordingly, we do not express an opinion on the response 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 ACR'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  
Nancy Newton, Assistant County Executive  
David Villanueva, Deputy County Executive, Administrative Services  
Robert Leonard, Deputy County Executive, Municipal Services  
Britt Ferguson, Chief Fiscal Officer, Budget and Debt Management  
Dave Dickinson, Director, Animal Care and Regulation  
Peggy Marti, Assistant Treasurer, Finance, Treasury

COUNTY OF SACRAMENTO  
ANIMAL CARE AND REGULATION  
CASH HANDLING REVIEW  
SUMMARY OF DEPOSITS AND IMPREST CASH COUNTED  
OCTOBER 2016 AND MARCH 2017

DEPOSITS

Deposit Date	Deposit Permit Number	Sample Amount Reviewed <sup>(1)</sup>	Deposit Amounts			Variance
			ACR's Deposit Record <sup>(2)</sup>	Amount Posted by Treasury <sup>(3)</sup>		
09/19/2016	1300610484	\$ 163.87	163.87	163.87	0.00	
09/20/2016	1300610630	130.18	130.18	130.18	0.00	
10/19/2016	108984142	663.00	663.00	663.00	0.00	
10/19/2016	108984148	74.00	74.00	74.00	0.00	
10/19/2016	108984172	729.00	729.00	729.00	0.00	
10/20/2016	108985163	484.00	484.00	484.00	0.00	
10/20/2016	1300613577	970.00	970.00	970.00	0.00	
10/21/2016	1300613694	250.00	250.00	250.00	0.00	
10/24/2016	1300613223	686.00	686.00	686.00	0.00	
10/24/2016	1300613236	185.00	185.00	185.00	0.00	
10/24/2016	1300613251	1,360.00	1,360.00	1,360.00	0.00	
10/24/2016	1300613251	535.00 <sup>(4)</sup>	1,360.00	1,360.00	0.00	
10/26/2016	1300613348	555.00	555.00	555.00	0.00	
10/26/2016	1300613460	260.00 <sup>(4)</sup>	888.00	888.00	0.00	
10/26/2016	1300613577	95.00 <sup>(4)</sup>	970.00	970.00	0.00	
10/26/2016	1300613578	2,055.00 <sup>(4)</sup>	2,576.00	2,576.00	0.00	
11/02/2016	1300613962	445.00 <sup>(4)</sup>	908.00	908.00	0.00	
11/02/2016	1300614230	25.00 <sup>(4)</sup>	647.00	647.00	0.00	
11/02/2016	1300614231	15.00 <sup>(4)</sup>	877.00	877.00	0.00	
11/02/2016	1300614232	565.00 <sup>(4)</sup>	890.00	890.00	0.00	
11/03/2016	108999020	50.00	50.00	50.00	0.00	
11/09/2016	108989490	0.00	(50.00) <sup>(5)</sup>	(50.00)	0.00	
11/09/2016	1300614233	400.00 <sup>(4)</sup>	864.00	864.00	0.00	
11/09/2016	1300614726	25.00	25.00	25.00	0.00	

OTHER RECEIPTS

Location	Date	Amount Reviewed <sup>(6)</sup>
Main Office	10/19/2016	\$ 153.90

Number superscript definitions are defined at page 2 of this attachment.

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ANIMAL CARE AND REGULATION  
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SUMMARY OF DEPOSITS AND IMPREST CASH COUNTED  
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IMPREST CASH

<u>Imprest Cash</u>	<u>Date Counted</u>	<u>Imprest Cash Counted</u>	<u>Authorized Amount</u>	<u>Variance</u>
Petty Cash	10/18/2016	\$ 116.68	120.00	(3.32) <sup>(7)</sup>
Change Fund	10/26/2016	800.00	800.00	0.00
Back-Up Change Fund	10/26/2016	300.00	300.00	0.00
<b>Total</b>		<b>\$ 1,216.68</b>	<b>1,220.00</b>	<b>(3.32)</b>

- (1) Amounts represent Animal Care & Regulations's (ACR) daily receipts recounted from review of cash, checks, and summary reports during our visit on October 18, 19, 26, and 28, 2016.
- (2) Amounts represent ACR's daily receipts.
- (3) Daily receipts were agreed to amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).
- (4) Amounts consist of ACR's daily mail receipts. We selected and reviewed a sample during our visit.
- (5) Amount represents a cashier shortage of \$50.00. We noted the shortage was incorrectly posted to COMPASS and was not detected in a timely manner during our review. See Attachment III, *Current Findings and Recommendations*.
- (6) Amount consists of checks received at ACR and returned back to senders for incompleteness.
- (7) Amount of (\$3.32) represents the difference between the imprest cash amount counted and the authorized amount reported in COMPASS. See Attachment III, *Current Findings and Recommendations*.

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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  
APRIL 1, 2012 TO JULY 8, 2012, DATED OCTOBER 17, 2012**

**1. Field Service Receipt Procedures**

Prior Comment

Animal Care & Regulation (ACR) provided receipts with 3 carbon copies for staff to record and issue receipts to customers when services were performed in the field. ACR staff provided a carbon copy of the receipt to customers and retained the original receipt and another carbon copy for ACR's records.

During our review, we noted: the receipts were separate, not bounded together in a receipt book, not pre-numbered, not specifically assigned to staff, and not limited to the number of unused receipts kept by staff. It appeared ACR had inadequate controls over the custody of receipts for its staff. As a result, it was difficult for ACR to ensure all that issued receipts were properly tracked. Discrepancies between receipts issued, and actual monies received, were difficult to discover and correct.

During regular business hours when ACR staff returned to ACR's administration office from the field, staff was required to verify the monies received with another ACR staff member. Both staff members logged the monies received on the Monies Dropped Tracking Sheet, and dropped the monies to the safe. Money drops occurred after business hours followed the same procedures except there was not a second ACR staff member to confirm the monies dropped.

ACR required reconciliation of the Monies Dropped Tracking Sheet that logged all monies dropped in the safe to the Monies Tracking Sheet that logged monies received in the safe (see Finding Number 2 of this attachment for more information about the Monies Tracking Sheet). During our review, we noticed that a reconciliation between the Monies Dropped Tracking Sheet and the Monies Tracking Sheet was not being performed consistently. In addition, as previously described, ACR had inadequate controls over the custody of receipts. Even if a reconciliation were performed, the reconciliation would not include any reconciliation of issued receipts. Therefore, if any monies received were not logged and not dropped into the safe, it would be difficult to detect these unlogged monies. Accordingly, ACR was at risk to the misappropriation of assets.

Prior Recommendation

We recommended ACR assigned bound receipt books, rather than separate receipt sheets, to its staff to record and issue receipts to customers while performing services in the field. The receipt books should be pre-numbered and issued to customers sequentially. Staff assigned receipt books should log the receipt numbers and monies to be dropped on the Monies Dropped Tracking Sheet when returning to the Administrative Office. ACR staff independent of the collection process should regularly reconcile the receipt books to the Monies Dropped

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(Continued)**

Tracking Sheet and the Monies Tracking Sheet daily. Receipt books should be secured by assigned staff when not in use in order to prevent unauthorized individuals from accessing them.

Furthermore, we recommended ACR update its written policies and procedures to reflect the new money collection procedures when implemented.

Prior ACR's Management Response

The Department will implement field receipt books that are bound and assign them to the officers. Procedures will be updated and implemented.

Current Status

It appears that our recommendation has not been implemented. See Finding Number 1 in Attachment III, *Current Findings and Recommendations*.

**2. Monies Tracking Sheet**

Prior Comment

ACR used its Monies Tracking Sheet to track money received in the safe and subsequently distributed to staff for posting in ACR's accounting system (Chameleon). The Monies Tracking Sheet was filled out by hand and indicated the following:

- Name of the payee
- Date and amount of the money received at ACR's Administrative Office
- Initial and date of the staff member making the log entries
- The date money was disbursed to staff for entry in Chameleon
- Name and initial of the staff member dispersing money for entry into Chameleon
- Date when the deposit was entered into Chameleon

We noted the following issues when we reviewed the Monies Tracking Sheet:

- 6 out of 47 entries were altered with correction tape. The names of ACR staff were covered and re-written.
- The initials of 2 staff members were covered with correction tape.
- The preceding 2 transactions were identified as being entered into Chameleon on April 21, 2012. However, the Monies Tracking Sheet also indicated that the

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(Continued)**

monies were taken out from the safe on April 22, 2012. This is one day after the monies were entered into Chameleon and deposited. There was a conflict between the dates monies were entered into Chameleon and when deposits were removed from the safe.

Staff indicated that the entries and dates on the Monies Tracking Sheet were due to recording errors.

Prior Recommendation

We recommended that any entry errors made on the Monies Tracking Sheet not be whited out. If an error is made, the entry should be adjusted by noting the issue and clearly identify the staff member making the correction. The correction should be made in the next available entry field along with the time and date the correction was made.

Prior ACR's Management Response

The Department will restrict the use of white out for errors. Corrections will be made using the recommendation. Procedures updated.

Current Status

It appears that our recommendation has been implemented.

**3. Mail Payment Control**

Prior Comment

ACR accepted checks through the mail for customer payments. Payments delivered to ACR were delivered to a mail box located adjacent to ACR building's administration entrance. The mail box was affixed to a fence in a public area, and it was not a locking mail box. Hence, checks mailed to ACR were unsecured while in the mail box until collected by ACR staff.

Prior Recommendation

We recommended ACR obtain a lock box for accepting payments by mail. The lock box should be accessible only by designated ACR staff. At a minimum, ACR should add a locking mechanism to its existing mail box. In addition, we recommended two employees be present when collecting and preparing mail payments from the lockbox for deposit. ACR should update its procedures to reflect these changes.



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(Continued)**

Prior ACR's Management Response

The Department purchased a locking mailbox and has updated its procedures.

Current Status

It appears that our recommendation has been partially implemented. ACR has a locking mailbox, however, we noted an exception regarding the collection and logging of mail. See Finding Number 2 in Attachment III, *Current Findings and Recommendations*.

**4. Donation Box Control**

Prior Comment

ACR accepted cash donations at its ACR building. Cash donations received from donors were deposited in a clear plastic box located on top of the front cashier counter. ACR's closing procedures dictated a cashier place the donation box under the cashier counter until the next day. There were no restrictions on access to the box, and it was potentially accessible to anyone in the building. Also, there was no log of activity for the donation box except for when the weekly deposit was made. Therefore, ACR was potentially exposing itself to the misappropriation of donated funds.

Prior Recommendation

ACR should secure the donation box in a lockable location when not in use. Two people should count and log the daily donation activities at the end of each business day. Then, the donation box should be placed in the safe, and monies received should be deposited with other ACR deposits. ACR should also update its closing procedures to reflect these changes.

Prior ACR's Management Response

This Department already follows the recommendation listed. Procedures reflect such.

Current Status

It appears that our recommendation has been partially implemented. ACR's donation box is locked and is stored in a secured location when not in use. However, we noted ACR currently does not use a log to track donation box contents. See Finding Number 10 in Attachment III, *Current Findings and Recommendations*.

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(Continued)**

**5. Duplicate invoices**

Prior Comment

ACR conducted an adoption drive promotion for cats on July 7 and 8, 2012. The first year animal license fee was included as part of the initial adoption fee for cats acquired during the promotion. During our review, we noticed adoption owners received invoices for first year animal ownership license fees even though the same fees were previously paid at the adoption drive. Per ACR staff, duplicate invoices were caused by accounting software issues. The accounting software issues were corrected before an analysis could be performed. Therefore, the number of duplicate invoices could not be quantified.

Prior Recommendation

ACR should review its billing system to ensure customers are not billed twice for animal licenses already purchased. We recommended ACR perform a review of applicable accounts to determine if any animal owners paid animal license fees twice.

Prior ACR's Management Response

The Department acknowledged billing errors that were made in July, during the implementation of a new licensing application and had worked with the vendor to ensure mistakes were eliminated.

Current Status

It appears that our recommendation has been implemented.

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**1. Field Service Receipts Procedures**

Comment

Animal Care and Regulation's (ACR) Animal Control Officers (ACO) collect revenues during their field work from County of Sacramento (County) residents. During our review, we noted the manual receipts issued by ACR were not pre-numbered and were not safeguarded when not in use. We also noted that revenues collected by ACO's were not consistently deposited in the safe at the end of each shift and were not consistently logged.

Manual receipts should be pre-numbered and properly safeguarded when not in use. In addition, all revenues collected should be logged and immediately secured in ACR's safe at the end of each shift. By not utilizing and safeguarding pre-numbered receipts, ACR is unable to reconcile its revenues received during fieldwork and correct any discrepancies in a timely manner. In addition, by not immediately securing and logging revenues received during fieldwork, theft or misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend ACR utilize pre-numbered manual receipts. The receipts should be reconciled on a regular basis and should be safeguarded when not in use. We also recommend ACR ensure that its after-hours receipts are secured in the safe and logged at the end of each shift.

ACR's Management Response

ACR's prior Management Response in 2012-13 indicated, "The Department will implement field receipt books that are bound and assign them to the officers. Procedures will be updated and implemented." To date, that has not been accomplished.

ACR has more recently revisited the issue and anticipates implementing bound, pre-numbered receipt books, as well as additional after-hours/off-site cash handling procedures. Available staff to develop the procedures has been adversely impacted from doing so by other priority work responsibilities.

**2. Mail-In Payments**

Comment

ACR accepts mail-in payments at its main office. During our review, we noted one staff member collected, opened, and logged the mail receipts. We also noted unprocessed mail receipts were not kept in a secure location and were accessible by all ACR staff during business hours.

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Mail should be collected, opened, and logged in dual custody. All mail receipts should be kept in a secure and locked location if they cannot be immediately processed. Allowing single custody of logging and opening the mail, as well as keeping unprocessed receipts in an unsecure location, could lead to theft or misappropriation of funds that cannot be detected in a timely manner.

Recommendation

We recommend ACR ensure its mail receipts are collected, opened, and logged in dual custody. We also recommend ACR keep any unprocessed mail receipts in a secure and locked location only accessible by authorized staff.

ACR's Management Response

ACR does not have a sufficient number of staff to implement dual custody of opening of mail on a regular basis without backlogging mail processing or other work. The subject receipts are checks only, not cash or credit, and are currently located to allow staff who processes them to have access. However, ACR will consider implementing additional lock control on unprocessed mail receipts to limit access so that staff needs to coordinate with the Clerical Supervisor or Senior Office Assistants to be assigned their next batch of receipts to process.

**3. Untimely Reconciliations**

Comment

During our review of ACR's records in October 2016, we noted the last cash and revenue reconciliation between its accounting system (a.k.a. Chameleon) and the Sacramento County Financial System (a.k.a. COMPASS) was completed in August 2015.

We also noted a \$50 shortage was posted incorrectly in COMPASS.

Untimely reconciliations and inadequate review of financial transactions could lead to misstated revenues and expenses, and any errors cannot be detected and resolved in a timely manner.

Recommendation

We recommend ACR reconcile its cash and revenues posted in Chameleon to COMPASS on a monthly basis at a minimum. Any differences should be researched and resolved in a timely manner. We also recommend ACR have a secondary staff member review its journal voucher (JV) transactions prior to posting them in COMPASS to minimize errors.

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ACR's Management Response

In July-August 2016, ACR lost its long-term Accounting Technician to a promotion in another department and hired a new Accounting Technician. As part of the transition, non-financial duties previously held by the Accounting Technician were reassigned, allowing the new Accounting Technician to devote time to reconciliations. Depending on the type of reconciliation, the Accounting Technician is now reconciling daily, weekly or monthly to assure timeliness.

In addition, ACR is no longer having journal vouchers posted on a regular basis by Department of Finance employees. Instead, journal vouchers are being reviewed and posted in-house.

Correction of the erroneous manner of posting a \$50 shortage in COMPASS took a while to accomplish because of a combination of staff inexperience with cash shortages and other workload conflicts. The error has been corrected.

**4. Separation of Duties**

Comment

During our review, we noted one staff member processed payments, approved JVs, prepared deposits, and reconciled daily receipts.

Proper internal controls indicate that staff who receive and post cash receipts into Chameleon should be separated from staff who prepares deposits or reconciles daily receipts. Improper separation of duties can lead to theft or misappropriation of funds.

We reiterate our comments in Finding Number 2 of this attachment.

Recommendation

We recommend ACR establish and enforce proper cash handling separation of duties. Staff receiving cash should be separated from staff preparing daily deposits and reconciling the daily receipts. We reiterate our recommendation in Finding Number 2 of this attachment.

ACR's Management Response

ACR does not have the number of staff needed to regularly and completely separate cash handling and preparation of daily deposits and reconciliations. It is not always possible or practicable, as the Clerical Supervisor, who is tasked with preparing deposits for the front desk operations is often needed on a cash transaction counter because of being short-staffed (6-day coverage, sick leave, vacations, etc.). Note that the Clerical Supervisor only backs-up the intake counter, and while such counter experiences a high-volume of animal intake, this

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counter has far fewer financial transactions than the other public counter work stations. The Clerical Supervisor's cash drawer balance and receipts are verified by another staff member just as for other work stations at end of shift.

**5. Safe Access**

Comment

During our inspection of ACR's safe, we noted the following issues:

- I. ACR's safe was accessible by multiple people and opened in single custody. Per inquiry with management, ACR was unsure of when the safe combination was last changed.
- II. ACR's deposits kept in the safe were not secured in locked bags.
- III. Two non-profit organizations shared the same safe with ACR. Funds belonging to the organizations were kept in the same safe in unlocked envelopes.
- IV. ACR's petty cash was kept in the safe and was not locked in a secure box or bag, and was accessible by any staff with safe access.

ACR's safe and deposit access should be limited to key individuals and should be opened in dual custody. The combination to the safe should be updated when key staff members cash handling functions change or on a quarterly basis. Petty cash should be kept in a locked box or bag that is only accessible by the designated custodian. Funds belonging to Non-County entities should not be comingled with ACR's funds. Inadequate internal controls over the safe can lead to theft or misappropriation of the County's funds and the non-profit organizations' funds, and not be detected in a timely manner.

Recommendation

We recommend ACR update the combination to its safe immediately. The combination to the safe should be updated when key staff members' cash handling functions change or on a quarterly basis, whichever is sooner. Deposits stored in the safe should be secured in a locked bag and should only be removed from the safe in dual custody. We also recommend ACR keep its petty cash in a secure location accessible only by the designated custodian. We further recommend ACR not share its safe with the two non-profit organizations. The organizations should acquire and utilize their own safe, and should not have any access to the County's safe.

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ACR's Management Response

- I. ACR is researching this recommendation and is also reviewing the feasibility of assigning unique combinations for additional access control. Dual custody access is not feasible with ACR's staffing levels and varied work shifts.
- II. ACR will implement procedure to secure deposits in locked or tamper-proof bags while being held in safe pending collection by armored carrier.
- III. While ACR allows two nonprofit affiliate organizations to keep some materials in the safe, the organizations do not have a combination to gain access. They must coordinate with a staff member who has a combination who opens the safe and gives them their materials. These two nonprofit affiliates provide substantial benefit to the shelter.
- IV. ACR's petty cash is maintained in the safe so that supervisors may access it when need arises in the absence of the designated petty cash custodian. Small urgent/emergency needs arise during a seven-day per week operation, yet the designated custodian works five days per week.

**6. Petty Cash**

Comment

On October 18, 2016, we visited ACR's main office and counted their petty cash. During our review, we noted a shortage of \$3.32 between the amount counted and the authorized amount noted in COMPASS. See Attachment I, *Summary of Deposits and Imprest Cash Counted*. Per inquiry with management, it appeared the Administrative Services Officer II was advanced \$10 from the petty cash fund to make a purchase earlier in October 2016 and did not return the remaining change of \$3.32. The shortage counted was subsequently returned to the petty cash fund by the Administrative Services Officer II.

Advances should not be made to employees using petty cash. A purchase should be made by the employee and subsequently reimbursed to the employee by the petty cash custodian for approved expenditures. In addition, all petty cash and petty cash records should agree to the authorized amount noted in COMPASS. Issuing advances from petty cash make it difficult for ACR to reconcile the funds, and could lead to theft or misappropriation of funds.

Recommendation

We recommend ACR prohibit advances of its petty cash to its employees. We also recommend ACR ensure that its petty cash and petty cash records agree to the amount noted in COMPASS. Any differences should be researched and resolved in a timely manner.

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ACR's Management Response

When reconciling the petty cash fund with the auditors and finding discrepancy of \$3.32 which matched to an advance logged and receipted for a transaction performed by the Administrative Services Officer II, who is also the petty cash custodian, the ASO II acknowledged the \$3.32 must be an inadvertent failure to return the change to the fund, and supplied the missing \$3.32. ACR will continue to advance petty cash funds to avoid hardship or inability of employees to advance their own funds for reimbursement. The advances are logged and reconciled when receipts and change are returned. The ASO II will assure in future that she has another staff member verify any advances and corresponding receipts and change when advancing funds for purchases she may make.

**7. TweetyMail Subscription and Donations**

Comment

During our review of ACR's online donations, we noted a recurring monthly charge in the amount of \$4.99 for TweetyMail, a service that links the social media platform Twitter to email. The amount was being deducted from ACR's PayPal account, which is used for collecting online donations. Per inquiry with management, it appeared that ACR did not approve the service.

We further noted the donations were not posted to the correct general ledger account in COMPASS. The donations were posted to the 5500000 deposits from others account. Donations should be posted to the 97973000 donations/contributions account in COMPASS.

The donation account should be reviewed and reconciled in a timely manner. Any unfamiliar transactions should be researched and reported as fraudulent if the transaction was not authorized by ACR. Untimely reconciliations of the online donation account can lead to theft or misappropriation of funds, and an unauthorized transaction occurred unnoticed and cost the County more money than necessary.

Recommendation

We recommend ACR ensure it reviews the activities of its online donation account on a monthly basis at a minimum. Any unauthorized or unfamiliar transactions should be researched and resolved in a timely manner. We also recommend ACR to contact Twitter to resolve the unauthorized charge and cancel the recurring charge. In addition, we recommend donations be posted to the 97973000 donations/contributions account in COMPASS.



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ACR's Management Response

Now that the audit has made ACR aware of this issue, ACR has initiated further review of its Twitter and PayPal accounts and is also researching COMPASS transaction history. ACR is coordinating with Department of Finance to locate documentation, assure validity of charges and develop better management practices for on-line donations and charges.

With regard to posting of donation revenue, ACR has been depositing to GL 5500000 but to two trust accounts, Fund 001A, Fund Center 3220002 (general donations) and 3220003 (restricted-purpose donations). General donations accumulate in the trust fund to allow identification of specific sums to budget as available for various programs. After approval of the budget, the monies are journal vouchered to revenue GL 97973000 in the applicable ACR fund center upon incurring the offsetting budgeted expense. Restricted-purpose donations in prior years accumulated until expenditures were identified to match the restricted purpose of the donations; monies were then journal vouchered from the trust to abate the GL 20 object expenses. Beginning with FY2016-17, after initial placement in the restricted-purpose donation trust, restricted-purpose donation monies are journal vouchered to revenue GL 97973000 when expenses are identified or specifically incurred that match the restricted purpose of the donation. ACR periodically reviews cumulative and large restricted-purpose donations for budget inclusion.

**8. Outdated Policies and Procedures**

Comment

During our review of ACR's policies and procedures, we noted the following discrepancies:

- I. ACR's procedures stated that its satellite location retained a \$100 change fund. However, we noted that the \$100 was kept at ACR's main office with its back-up change funds (see item number III below).
- II. ACR's procedures state that an armored carrier retrieved deposits from its satellite location on Mondays and Thursdays. Per inquiry with management, we noted the armored carrier arrived on Wednesdays and Fridays.
- III. ACR's procedures state that its main office retained a \$200 back-up change fund. During our review, we noted the back-up change fund was actually \$300.

ACR's policies and procedures should be updated to reflect current practices. Outdated policies and procedures can lead to inconsistency and confusion among staff, and can cause errors in cash handling.

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Recommendation

We recommend ACR update its policies and procedures to reflect current practices.

ACR's Management Response

The procedure in question was developed by ACR and approved by Department of Finance prior to full commencement of operations at the satellite location. ACR has determined that controls at the satellite location are insufficient to allow employees to manage a change fund. Instead, financial transactions at that location are limited to exact cash or credit only. ACR will update the written procedure to reflect the appropriate back-up change amount for the satellite location (\$-0-) and days of armored carrier retrieval (Wednesdays and Fridays). ACR will discontinue holding the \$100 satellite location change fund as not needed – this money will be returned to Treasury.

**9. Untimely Cash Questionnaire**

Comment

Each year, the Department of Finance (DOF) requires all County Departments to complete and submit a cash questionnaire. The cash questionnaire is used by DOF to help identify deficiencies and departmental needs related to cash handling practices. The fiscal year 2016-17 cash questionnaire was sent out to County Departments on September 9, 2016 and was due back to DOF by September 23, 2016. We noted that as of our visit on October 18, 2016, ACR's cash questionnaire was not completed or submitted to DOF.

The cash questionnaire should be completed by all departments by the required deadline. By not submitting cash questionnaire by the deadline, control deficiencies and department needs cannot be identified by DOF in a timely manner.

Recommendation

We recommend ACR complete and submit its fiscal year 2016-17 cash questionnaire to DOF. We further recommend ACR ensure future cash questionnaires are submitted to DOF by the required deadline.

ACR's Management Response

The response to the cash questionnaire was due shortly after ACR's transition of Accounting Technician staff, with the responsible Administrative Services Officer II assuming additional responsibilities as well as training the new staff member. ACR acknowledges that the cash questionnaire for fiscal year 2015-16 was submitted late – the reconciliation and response to the questionnaire was accomplished directly with the auditors during the audit.

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ACR anticipates timely response with the forthcoming cash questionnaire for fiscal year 2016-17 in September 2017.

**10. Donation Box Log**

Comment

ACR keeps a locked donation box in its main office's lobby. County residents who wish to make cash donations to ACR can place money in the box, and the funds are then deposited to the County Treasury in a designated donation account. During our review, we noted that ACR does not maintain a log that tracks donation box activities.

A log should be used to track all activities in the donation box. Without a tracking log, ACR is unable to reconcile its donations to amounts deposited to the County Treasury, and theft or misappropriation of its contents could occur and not be detected in a timely manner.

Recommendation

We recommend ACR develop and implement a log to track the activities of its donation box. The log should be reconciled to COMPASS on a monthly basis at a minimum.

ACR's Management Response

Current practice has been for a clerical staff toward end of shift, subject to in-person customer service demand, to remove box contents and count with another staff, then enter amount into shelter database as a donation transaction from unknown person identity. That transaction is then included in the cash closing summary and the daily deposit. When staff is unable to count the donations due to a long line of customers at end of shift, the locked box is then additionally locked in an office overnight.

As recommended, ACR will log when donations are removed from the box. Procedure will include dual custody during removal and counting, and signing of a written log as well as the current practice for input into the shelter database and inclusion in the day's deposit.

**11. Untimely Posting of Customer Payments**

Comment

The County has service center locations throughout Sacramento that allow County residents to make payments in lieu of visiting departments. During our review, we noted two customer payments were received at the County's McClellan Service Center (McClellan) on December 21, 2016. ACR did not retrieve the payments from McClellan until March 23, 2017. The two customers were not assessed any late or penalty fees.

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We further noted the mail-in payments were not processed and deposited to the County Treasury within seven days of receipt.

Customer payments received at County service centers should be retrieved, processed, and deposited to the County Treasury in a timely manner. The Sacramento County Charter Article VIII, Section 39 mandates that *“every [department or agency] ... authorized to collect fees or money must pay in the county treasury all such fees or moneys collected ... not later than seven (7) days following receipt thereof...”* Therefore, ACR was not in compliance with the County Charter.

Recommendation

We recommend ACR ensure that payments received at County service centers and ACR are retrieved, processed, and deposited to the County Treasury within seven days to be in compliance the County Charter.

ACR’s Management Response

In the instance cited in the audit report, neither staff at the service center nor ACR properly followed established (though unwritten) procedure. Staff at the service center had been calling an individual officer, and neither of them had requested dispatch to create a call for an officer to collect the receipts, thereby allowing the situation to languish without timely collection. ACR will establish a written procedure for collection of receipts from County service centers. The procedure will include a field receipt (bound, pre-numbered in accordance with Recommendation #1) to be signed by both the service center staff and ACR officer with confirmation of the date and total receipts (including the number of checks and total \$ amount of transmittal).

**12. Repeat Findings**

Comment

We noted that Findings 1, 2, and 10 of this attachment are repeat findings from the prior cash handling review report; see Attachment II, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that these findings be resolved in a timely manner.

Recommendation

We recommend ACR implement the recommendations that are noted in the findings in this attachment in a timely manner.

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ACR's Management Response

ACR acknowledges that recommendations were not implemented for Findings 1-Field Services Receipts Procedures, 2-Mail-In Payments, and 10-Donation Box Log, as repeat findings from the prior cash handling audit. ACR will be working on updating the procedures for field services as well as obtaining bound and pre-numbered receipt books to distribute and track. However, as indicated in ACR's Management Responses, above, ACR's number of staff assigned to various functions does not allow for the regular collection, opening and logging of mail in dual custody. As well, developing written procedures will take a period of time to complete and implement while other workload priorities must also be addressed.

ACR is most appreciative of the review and input from the Department of Finance auditors and for their guidance and recommendations. As ACR is able to feasibly implement recommendations with existing staff while continuing other critical operations, ACR is amenable to and will commence such implementations.