

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**  
**AGREED-UPON PROCEDURES**  
**CASH HANDLING REVIEW**  
**FOR THE MONTH OF OCTOBER 2020**

**DEPARTMENT OF CHILD SUPPORT SERVICES**



**Audit Committee Submittal Date: 03/25/2021**

## **SUMMARY**

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### **Background**

The County of Sacramento, Department of Child Support Services (DCSS) is responsible for collecting child support payments from noncustodial parents for the benefit of children of custodial parents and their families. Additionally, DCSS provides various assistance to custodial parents in order to fulfill its mandated purpose. Provided services include locating noncustodial parents, establishing support orders, collecting court order support, providing legal information, establishing medical support orders, providing assistance to open child support cases in court, and help with modifications to existing court support orders.

### **Review Objective**

The Department of Finance, Treasury Division selected DCSS for this agreed-upon procedures cash handling review for the month of October 2020. For the purpose of this cash handling review, “cash” is defined as all forms of money, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards, and debit cards. The objective of this cash handling review is to inspect DCSS’ cash handling controls for collecting child support payments. In addition, this cash handling covers DCSS’ outside bank accounts.

### **Summary**

We noted two (2) exceptions after review of DCSS’ cash handling controls. The exceptions noted were for editing the mail check Payment Log with correction tape and for incorrectly classifying imprest cash on the Sacramento County financial system (a.k.a. COMPASS).



County of Sacramento

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*Intra-Departmental Memorandum*

February 26, 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 "H. Yu".

Subject: **DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS) CASH HANDLING REVIEW – FOR THE MONTH OF OCTOBER 2020**

We have performed the procedures enumerated below and on page 2, which were requested and agreed to by you, for the County of Sacramento, Department of Child Support Services (DCSS). These agreed-upon procedures were performed solely to assist you to evaluate DCSS' cash handling control procedures regarding collection of child support payments and review of outside bank accounts for the month of October 2020. For the purpose of this cash handling review, "cash" is defined as all forms of money, and includes, but is not limited to, currency, coin, checks, electronic checks, money orders, credit cards, and debit cards.

DCSS' management is responsible for monitoring and maintaining sufficient internal controls related to payments received and outside bank accounts. The sufficiency of the 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 DCSS' other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

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

Finding: We noted that DCSS had no procedures related to editing cash control documentation. See Attachment II: *Current Findings and Recommendations*.

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

Finding: We noted an exception as a result of our procedures. DCSS used correction tape to edit mail check control logs. See Attachment II: *Current Findings and Recommendations*.

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

Finding: We did not note any exceptions as a result of our procedures.

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

Finding: We did not note any exceptions as a result of our procedures. DCSS' child support payments receipts were deposited to State of California, not to County Treasurer. Therefore, the child support payments were not posted to COMPASS.

5. We performed unannounced imprest cash count of DCSS' administration office and traced imprest cash counted to the amounts recorded on COMPASS.

Finding: We noted an exception for imprest cash incorrectly classified on COMPASS. See Attachment II: *Current Findings and Recommendations*.

6. We inspected and reconciled external bank accounts and traced the bank balances to COMPASS.

Finding: We noted an exception regarding bank reconciliation. See Attachment II: *Current 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 DCSS' 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.

DCSS' 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 DCSS' 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 DCSS' 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.

Attachment I: *Summary of Cash Counted, Imprest Cash and Bank Account*  
Attachment II: *Current Findings and Recommendations*  
Attachment III: *Current Status of Prior Findings and Recommendations*

COUNTY OF SACRAMENTO  
DEPARTMENT OF CHILD SUPPORT SERVICES  
CASH HANDLING REVIEW  
SUMMARY OF CASH COUNTED, IMPREST CASH AND BANK ACCOUNT  
FOR THE MONTH OF OCTOBER 2020

**RECEIPTS**

<u>Receipts Date</u>	<u>Amount Counted <sup>(1)</sup></u>	<u>DCSS' Record <sup>(2)</sup></u>	<u>Variance</u>
10/6/2020	\$ 3,227.22	3,227.22	0.00

**IMPREST CASH AND BANK ACCOUNTS**

<u>Imprest Cash Type</u>	<u>Imprest Cash Counted</u>	<u>Authorized Amount</u>	<u>Variance</u>
Imprest Checking Account	\$ 1,850.00	1,850.00	0.00
Petty Cash	150.00	150.00	0.00
Total	<u>\$ 2,000.00</u>	<u>2,000.00</u>	<u>0.00</u>

<u>Imprest Cash Type</u>	<u>Imprest Cash Counted</u>	<u>Authorized Amount</u>	<u>Variance <sup>(4)</sup></u>
Other Bank Account <sup>(3)</sup>	<u>\$ 62,505.14</u>	<u>64,000.00</u>	<u>1,494.86</u>

- (1) Amounts represent the Department of Child Support Services' (DCSS) daily receipts recounted from inspection of checks during our visit on October 6, 2020.
- (2) Daily receipts were agreed to amounts reported on DCSS' payment receipt log. These daily receipts are transported directly to the California Department of Child Support Services for deposit into their bank account.
- (3) Amounts represent DCSS' external bank account used to clear child support payments to recipients. See Finding #2 on Attachment II, *Current Findings and Recommendations*.
- (4) The variance represents cash shortage/overage, deposit discrepancies, and bank fees in the amount of (\$367.26), \$16.00, and (\$1,143.60), respectively. See Finding #2 on Attachment II, *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO  
DEPARTMENT OF CHILD SUPPORT SERVICES  
CASH HANDLING REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS  
FOR THE MONTH OF OCTOBER 2020

**1. Payment Logs Edited With Correction Tape**

Condition

The Department of Child Support Services (DCSS) uses correction tape to edit entries in its Payment Log for check payments received through the mail. The Payment Log is a control log used by DCSS staff responsible for processing and sorting check payments received through the mail. Staff was observed editing the item number and check number columns on the Payment Log with correction tape.

Criteria

Cash handling control logs should be edited in a way that adjustments can be reviewed and confirmed.

Cause

DCSS 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

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

DCSS' Management Response

The department implemented a new process in January 2021 for the correction of errors on the Payment Log. Instead of using correction tape, authorized staff making correction, will use a pen to strikethrough the error. The Lead or Supervisor will review and initial the strikethrough.

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CURRENT FINDINGS AND RECOMMENDATIONS  
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**2. Classification of Imprest Cash**

Condition

DCSS has an external bank account used to clear child support payments to recipients. The reconciled balance of the external bank account is \$64,000 and is classified as “Cash With Fiscal Agent” (general ledger account #400000) in the Sacramento County Financial System (a.k.a. COMPASS). The bank account balance is not held for any individual or organization external of the County of Sacramento and appears to be incorrectly classified. The balance in the external bank account appears to be imprest cash and the property of the County of Sacramento.

In addition, DCSS’ reconciliation for the bank includes a total \$1,494.86 reconciling difference adjustments. The adjustments includes cash shortages/overages, deposit discrepancies, and bank fees since fiscal year 2013/14 in the amount of (\$367.26), \$16.00, and (\$1,143.60), respectively.

Criteria

DCSS should properly classify the balance in the external bank account in COMPASS. DCSS should timely reconcile its bank account and take proper action to resolve any reconciling differences.

Cause

DCSS was part of the District Attorney (DA). When DCSS was formed into its own department, amounts for DCSS were reclassified in COMPASS. The external bank account balance was reclassified from “Imprest Cash” to “Cash With Fiscal Agent”. Additionally, DCSS has not used the external bank account for considerable time and is unsure if it will be used in the future.

Effect

The external bank balance in the amount of \$64,000, which included the \$1,494.86 reconciling differences, was improperly classified in COMPASS.

Recommendation

We recommend DCSS review the external bank account to determine if it is classified correctly in COMPASS. If the external bank account is imprest cash, it should be classified as “Imprest Cash” (general ledger account #300000). We also recommend that DCSS close the account and deposit the \$64,000 balance to the Treasury Division if the external bank account is no longer needed to support business operations.



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In addition, DCSS should investigate the reconciling differences in amount of \$1,494.86 and take proper actions including submission of release of accountability to the Director of Finance if required.

DCSS' Management Response

DCCS will review the bank account and verify if it indeed can be classified as an "Imprest Cash" account.

The Department will leave the account open as it is necessary to support business operations. The account will continue to serve the purpose of a pass through account for child support payments made with cash. The department primarily uses the account to accept payments of \$10,000 or more from customers paying their child support debt. Without the account, the department will not be able to accept these payments impacting customer compliance. The account was most recently utilized on January 8, 2021 to process a \$10,000 cash payment. Additionally, in the event the self-service payment kiosks in the lobby are off-line for an extended period, the department will need a mechanism to take cash payments from customers.

The bank account is reconciled to \$64,000. The department will submit a claim for reimbursement of bank fees and take proper actions with the Department of Finance to submit release of accountability request for any shortages/overages in the account no later than May 1, 2021. Due to personnel changes during the years prior to the audit, a gap in knowledge for processing reimbursement of bank fees and cash shortages/overages occurred. The department will develop clear, written procedures on the reimbursement of bank fees and the handling of cash overages/shortages.

COUNTY OF SACRAMENTO  
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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS  
FOR THE MONTH OF OCTOBER 2020

**PRIOR CASH HANDLING REVIEW FINDINGS AND RECOMMENDATIONS FOR THE  
MONTH OF AUGUST 2018, REPORT DATED NOVEMBER 28, 2018**

**1. Imprest Cash**

Prior Recommendation

- I. The reimbursement check for the petty cash should be made payable to a designated individual that should receive cash, and replenish the petty cash. The Petty Cash Procedures and Petty Cash Replenishment Procedures should also be updated to reflect this requirement.
- II. The petty cash amount is \$150.00. The difference of \$51.96 (\$201.96 - \$150.00) should be deposited back into the imprest checking account.
- III. The \$0.10 overage should be deposited in the 97971000 cashier over account in the Sacramento County Financial System (a.k.a. COMPASS) and logged on an over/short log.
- IV. DCSS should follow its Petty Cash Procedures when reimbursing receipts over or less than \$10.00 via the imprest checking account or petty cash, respectively.
- V. The imprest checking account monthly reconciliations should be performed by someone who is independent of the preparation and signing of the checks, and of similar job classification or higher from the individuals preparing and signing the checks.

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.

**2. Imprest Checking Account**

Prior Recommendation

We recommended DCSS contact the Director of Finance and obtain approval for the external bank account or close the account and deposit the funds in the County Treasury. We also recommended DCSS require two signatures for issuing checks.

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**PRIOR CASH HANDLING REVIEW FINDINGS AND RECOMMENDATIONS FOR THE PERIOD OF AUGUST 2018, REPORT DATED NOVEMBER 2, 2018**

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.

**3. External Bank Account – Reconciliation Differences and Fees**

Prior Recommendation

We recommended DCSS record reconciling differences and bank fees from its external bank account at least monthly in COMPASS.

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.

**4. Field Receipts – Manual Receipts Review**

Prior Recommendation

We recommended DCSS perform manual receipt book reviews and reconciliations to ensure all funds received, missing, and voided receipts are accounted for.

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.

**5. Internal Controls Over Mail and Lock Box Receipts**

Prior Recommendation

We recommended DCSS require mail and lock box receipt activities to be completed in dual control or under security cameras.

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.

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PERIOD OF AUGUST 2018, REPORT DATED NOVEMBER 2, 2018**

**6. Checks Not Secured**

Prior Recommendation

We recommended DCSS store the checks in a locked location at all times.

Current Status of Prior Recommendation

It appears DCSS implemented the prior recommendation.