

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT
AGREED-UPON PROCEDURES
CASH HANDLING REVIEW
FOR THE PERIOD
NOVEMBER 2, 2020 TO NOVEMBER 6, 2020
DEPARTMENT OF WASTE MANAGEMENT
AND RECYCLING



Audit Committee Submittal Date: 03/25/2021

SUMMARY

Background

The County of Sacramento, Department of Waste Management and Recycling (DWMR) is responsible for providing public services for planning for public health, safety, and environmental protection in the area of solid waste management and recycling. DWMR is also responsible for managing and coordinating the County of Sacramento's Integrated Waste Management Plan, staffing the Sacramento Regional Solid Waste Authority, coordinating waste management services, managing the gas-to-energy plant at Kiefer Landfill, operating the North Area Recovery Station (NARS) and Kiefer Landfill, providing residential collection services to unincorporated areas of Sacramento County, hazardous waste drop-off, electronic waste drop-off, and the cleanup of illegally dumped rubbish.

Review Objective

The Department of Finance, Treasury Division selected DWMR for this agreed-upon procedures cash handling review for the period of November 2, 2020 to November 6, 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 review is to inspect DWMR's cash handling controls at DWMR's administrative offices (10863 Gold Center Drive, Rancho Cordova, CA 95670), NARS (4450 Roseville Road, North Highlands, CA 95660), and Kiefer Landfill (12701 Kiefer Boulevard, Sloughouse, CA 95683).

Summary

We noted four (4) exceptions after review of DWMR's cash handling controls. The exceptions noted were regarding maintaining side tills to make change for customers at NARS and the Kiefer Landfill, reimbursing petty cash expenditures in excess of departmental policies, using correction tape to amend petty cash tracking logs, and not having a backup staff member for the petty cash box.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

Intra-Departmental Memorandum

February 25, 2021

To: Ben Lamera, Director
Department of Finance

From: Hong Lun (Andy) Yu, C.P.A. *Ross McCaffrey for*
Audit Manager

Subject: **INDEPENDENT ACCOUNTANT'S REPORT DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR) CASH HANDLING AGREED-UPON PROCEDURES FOR THE PERIOD OF NOVEMBER 2, 2020 TO NOVEMBER 6, 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 Waste Management and Recycling (DWMR). These agreed-upon procedures were performed solely to assist you to evaluate DWMR's cash handling control procedures at its administrative offices (10863 Gold Center Drive, Rancho Cordova, CA 95670), NARS (4450 Roseville Road, North Highlands, CA 95660), and Kiefer Landfill (12701 Kiefer Boulevard, Sloughouse, CA 95683) for the period of November 2, 2020 to November 6, 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.

DWMR's management is responsible for monitoring and maintaining sufficient internal controls related to payments received at its administrative office and collections at its NARS and Kiefer Landfill locations. The sufficiency of these agreed-upon procedures is solely the responsibility of the Department of Finance, Treasury Division (Treasury). Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the procedures referred to below and is not intended to pertain to any of DWMR's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

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

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

2. We visited DWMR's administration office and the NARS and Kiefer Landfill locations unannounced and observed and documented how administrative staff and scale house attendants process money received, and performed a walkthrough of the cash receipt process. We also inspected DWMR's internal control processes in order to identify any issues or non-compliances with cash receipt policies and procedures.

Finding: We noted exceptions as a result of our procedures. DWMR is using side tills to make change for customers at the NARS and Kiefer Landfill locations. Additionally, correction tape is used to alter petty cash control logs. See Attachment II: *Current Findings and Recommendations*.

3. We reviewed a sample of tipping scale 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 DWMR's administration office, NARS, and Kiefer Landfill locations, traced revenues counted to reconciliation schedules, and confirmed deposits to COMPASS.

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

5. We performed unannounced imprest cash counts of DWMR's administration office and the NARS and Kiefer Landfill locations and traced imprest cash counted to the amounts recorded on COMPASS.

Finding: We noted exceptions for a petty cash reimbursement payment exceeding the reimbursement amount allowed by DWMR's petty cash policies and procedures, and there was an exception noted for the lack of a backup staff member for the petty cash fund. 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 DWMR'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.

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

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

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

Attachment II: *Current Findings and Recommendations*

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

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING (DWMR)
CASH HANDLING REVIEW
SUMMARY OF DEPOSITS AND IMPREST CASH COUNTED
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

DEPOSIT

<u>Deposit Permit Number</u>	<u>Deposit Date</u>	<u>Amount Received By DWMR ⁽¹⁾</u>	<u>Amount Posted By Treasury⁽²⁾</u>	<u>Variance ⁽³⁾</u>
1300761518	11/2/2020	\$ 4,691.45	4,690.80	0.65
1300761519	11/2/2020	9,028.25	9,028.45	(0.20)
1300761778	11/4/2020	5,607.00	5,605.30	1.70
1300761780	11/3/2020	10,151.15	10,151.35	(0.20)
1300761781	11/4/2020	12,325.36	12,325.06	0.30
1300762012	11/4/2020	6,975.80	7,078.05	102.25
1300762019	11/4/2020	14,111.80	14,110.77	1.03

IMPREST CASH

<u>Imprest Cash Location</u>	<u>Date Counted</u>	<u>Amount Counted</u>	<u>Authorized Amount</u>	<u>Variance</u>
NARS Change Fund	11/2/2020	\$ 1,000.00	1,000.00	0.00
Kiefer Landfill Change Fund	11/3/2020	750.00	750.00	0.00
Admin. Petty Cash Fund	11/4/2020	400.00	400.00	0.00
Scale House Change Funds	11/4/2020	1,250.00	1,250.00	0.00

(1) Amounts consist of review of daily receipts, checks, and cash recounted and deposited.

(2) Daily receipts were agreed to revenue amounts reported on the County of Sacramento's financial system (a.k.a. COMPASS).

(3) Variance amounts recorded in cash overages (account #97971000), cash shortages (account #20289600), and other accounts receivable (account #1200000) accounts in COMPASS.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

1. Side Tills

Condition

Department of Waste Management and Recycling (DWMR)'s North Area Recovery Station (NARS) and Kiefer Landfill locations use side tills to make change for customers disposing of refuse at its facilities. During our visit, we observed that NARS had \$3.72 in side till coinage used to make change for customers and Kiefer Landfill had approximately \$0.08 that was used to pay for a customer's change that was short of cash.

Criteria

Complete and whole deposits are required to be made to the County Treasury. Side tills are not permitted by the County Treasury for cashiering customer receipts.

Cause

DWMR does not use pennies for its change drawers. The side tills were created from customers leaving change. The side tills are used to complete the transactions when staff is required to make change in denominations that require the use of pennies or if customers do not have enough money to cover the shortage.

Effect

The use of unauthorized side tills can lead to the misappropriation of receipts.

Recommendation

DWMR should make complete and whole deposits to the County Treasury. Additionally, unauthorized side tills should not be maintained to process customer receipts. We recommend DWMR maintain appropriate change (pennies) or change its pricing policy to nearest dime to eliminate needs for side tills.

DWMR's Management Response

DWMR will correct the practice of using a side till by prohibiting the use. Customer change that is left behind will be noted on the DAILY DEPOSIT RECAP (a form used by the scale attendants to balance their daily cash receipts) and recorded as an overage. Additionally, future audits will focus on this item.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

2. Petty Cash Reimbursement Exceeding Policy Amount

Condition

DWMR reimbursed a petty cash purchase in October 2020 that exceeded the departmental policy amount for reimbursement. The reimbursement noted was for drill bits in the amount of \$23.78.

Criteria

Per DWMR's Petty Cash Procedures, payments from the petty cash fund should be for reimbursements of \$20.00 or less. Reimbursements exceeding \$20.00 should be handled through the County's claim process.

Cause

DWMR makes exceptions on occasion for reimbursements exceeding \$20.00.

Effect

Inconsistently enforcing departmental policy regarding petty cash can lead to unauthorized use of petty cash funds.

Recommendation

Reimbursements from the petty cash fund should be in accordance with the departmental policy. The departmental policy should be amended if payments exceeding \$20.00 are to be allowed.

DWMR's Management Response

The department's petty cash policy is - no reimbursement amount is to exceed \$20.00. The County's Claim process will be used for reimbursements exceeding \$20.00, the policy will be reissued to staff, and future audits will review for compliance of this policy.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

3. Editing Cash Control Logs

Condition

We noted that DWMR staff were using correction tape to edit cash control logs for the petty cash fund.

Criteria

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

Cause

DWMR 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.

Recommendation

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

DWMR's Management Response

DWMR accounting staff will not use correction tape for correcting cash control logs. Staff will line out the error and make the correction so that correct and corrected entries are visible. Future audits will focus on this item to ensure compliance.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

4. Petty Cash Fund Custodianship

Condition

DWMR has a single staff member that is the custodian of the Department's petty cash fund. The individual responsible for maintaining the petty cash fund does not have a backup staff member in case that the primary custodian is unavailable. Also, the petty cash custodian is the only individual with a key to the petty cash fund box.

Criteria

There should be a secondary staff member assigned to backup the primary petty cash custodian in case that the primary custodian is unavailable.

Cause

DWMR limits the number of individuals that have access to petty cash funds.

Effect

DWMR would not have access to petty cash funds when the primary custodian is unavailable.

Recommendation

We recommend that DWMR assign a second staff member as a backup petty cash custodian to carry out uninterrupted operation in case that the primary custodian is unavailable.

DWMR's Management Response

While a second custodian will be put in place due to this finding, it is not necessarily a detriment to have only one custodian. The Department limits access to the petty cash for control purposes and because of staffing issues. It should only be used for "petty" issuances of small amount and not on a regular habit.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
DECEMBER 2015 TO JANUARY 2016, REPORT DATED MAY 2, 2016**

1. Unauthorized Change Tray

Prior Recommendation

We recommended Department of Waste Management and Recycling (DWMR) to prohibit its North Area Recovery Station (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.

Current Status of Prior Recommendation

It appears DWMR did not implement the prior recommendation. Unauthorized side tills to make change for customers are still maintained at the NARS and Kiefer Landfill locations. See Attachment II: *Current Findings and Recommendations*.

2. Commercial Customer Account Reconciliations

Prior Recommendation

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

Current Status of Prior Recommendation

It appears DWMR implemented the prior recommendation.

3. Imprest Cash Security

Prior Recommendation

We recommended DWMR store its Antifreeze, Battery, Oil & Paint and Hazardous Household Waste imprest cash funds in secure locations that are only accessible by their respective custodians.

Current Status of Prior Recommendation

It appears DWMR implemented the prior recommendation.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD NOVEMBER 2, 2020 TO NOVEMBER 6, 2020

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD OF
DECEMBER 2015 TO JANUARY 2016, REPORT DATED MAY 2, 2016**

4. Petty Cash Reconciliation

Prior Recommendation

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

Current Status of Prior Recommendation

It appears DWMR implemented the prior recommendation.