

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

**CHANGE OF CUSTODY
AGREED-UPON PROCEDURES REPORT
AS OF MARCH 29, 2022**

**ENVIRONMENTAL MANAGEMENT
DEPARTMENT (EMD)**



Audit Committee Submittal Date: 07/21/2022

SUMMARY

Background

The Department of Finance (DOF) performed a change of custody agreed-upon procedures for the new Director of Sacramento County Environmental Management Department (EMD) with a change of custody date of March 29, 2022.

Audit Objective

To inspect EMD's cash, cash equivalents, and capital assets as of March 28, 2022 and confirm the record to the Sacramento County Accounting System (COMPASS).

Summary

We noted that one of EMD's petty cash expenditure (totaling \$16.23) was older than one year and that one capital asset (totaling \$6,187.44) was not included in EMD's capital asset list.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

June 7, 2022

To: Jennea Monasterio, Interim Director
Environmental Management Department

From: Ben Lamera
Director of Finance

By: Hong Lun (Andy) Yu, CPA
Audit Manager

A handwritten signature in blue ink, appearing to be "H. Yu", is written over the name of the sender.

Subject: **INDEPENDENT AUDITOR'S REPORT ON AGREED-UPON PROCEDURES FOR THE SACRAMENTO COUNTY ENVIRONMENTAL MANAGEMENT DEPARTMENT (EMD) CHANGE OF CUSTODY ON MARCH 29, 2022**

We have performed the procedures enumerated below, which were agreed to by the Sacramento County Environmental Management Department (EMD) regarding the change of custody on March 29, 2022. We performed our procedures at EMD's office located at 11080 White Rock Road, Suite 200, Rancho Cordova, California, 95655. EMD's management is responsible for maintaining sufficient controls for its accounting operations and capital assets. The sufficiency of these procedures is solely the responsibility of EMD's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the procedures referred to below and is not intended to pertain to any of EMD's other operations, procedures or compliance with other laws and regulations.

Our procedures and findings are summarized as follows:

- We counted and compared EMD's imprest cash on hand to authorized amounts noted on the Sacramento County Financial System (aka COMPASS) on March 28, 2022, the last business day before March 29, 2022.

Finding: We noted that the imprest cash on hand amount agreed with authorized amount on COMPASS. However, we noted a petty cash reimbursement issue. See Finding #1 in ATT 2, *Findings and Recommendations*.

- We reviewed EMD's un-deposited receipts from business operations.

Finding: We did not note any exceptions as a result of our procedures. See ATT 1, *Schedule of Accountability*.

- We compared EMD's capital assets record to COMPASS' record. Then, we physically inspected all six capital assets at EMD's office.

Finding: Capital assets reviewed did not agree to EMD's supporting documentation and COMPASS. See Finding #2 in ATT 2, *Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with the Standards for attestation Engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit, examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on EMD's fiscal processes, financial schedules, 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.

EMD's responses to the findings identified during our procedures are described in ATT 2, *Findings and Recommendations*. We did not perform procedures to validate EMD's responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

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

ATT 1, *Schedule of Accountability*
ATT 2, *Findings and Recommendations*
ATT 3, *Prior Findings and Recommendations*

**COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT DEPARTMENT (EMD)
CHANGE OF CUSTODY ON MARCH 29, 2022
SCHEDULE OF ACCOUNTABILITY**

<u>IMPREST CASH ON HAND</u>	<u>AMOUNT COUNTED</u>	<u>AMOUNT AUTHORIZED</u>	<u>OVER / (SHORT) VARIANCE</u>
Change Funds	\$ 300.00	300.00	0.00
<u>Petty Cash</u>	<u>150.00</u> ⁽¹⁾	<u>150.00</u>	<u>0.00</u>
Total	\$ <u>450.00</u>	<u>450.00</u>	<u>0.00</u>

DEPOSIT

<u>Deposit Permit Number</u>	<u>Deposit Dates</u>	<u>Amount Tested</u>	<u>(a) Amount Deposited by EMD</u>	<u>(b) Amount Posted by Treasury</u>	<u>(a) - (b) Variance</u>
1300803285	March 25, 2022	\$ 9,978.40	9,978.40	9,978.40	0.00
1300803430	March 28, 2022	2,335.00	2,335.00	2,335.00	0.00
1300803544	March 29, 2022	22,022.81	22,928.81	22,928.81	0.00

<u>CAPITAL ASSETS</u>	<u>(a) Total Acquired Value Per EMD</u>	<u>(b) Total Acquired Value Per COMPASS</u>	<u>(a) - (b) Variance</u>
	\$ <u>40,182.72</u>	<u>46,370.17</u>	<u>(6,187.44)</u> ⁽²⁾

(1) Petty cash balance included \$32.79 (\$16.23 + \$16.56) pending reimbursement receipts. Of this amount, \$16.23 was not in compliance with County policy and Government Code section 911.2. See Finding #1 in ATT 2, *Findings and Recommendations*.

(2) The difference between the assets' total acquired value per EMD and COMPASS is \$6,187.44. This is due to one asset missing from the asset list provided by EMD that has an acquired value of \$6,187.44. See Finding #2 in ATT 2, *Findings and Recommendations*.

**COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT DEPARTMENT (EMD)
CHANGE OF CUSTODY ON MARCH 29, 2022
FINDINGS AND RECOMMENDATIONS**

1. Petty Cash

Condition

During our count of Environmental Management Department's (EMD's) petty cash, we noted that one out of two receipts for petty cash expenditures (totaling \$16.23) was older than one year.

Criteria

Government Code section 911.2 requires that all claims/invoices must be present "not later than one year after the accrual of the cause of action." Department of Finance Memo to all Deputy County Executives and Department Heads dated March 29, 2018 stated, "If the invoice was not received by the County of Sacramento within a year from the date of services, only the Board has the authority to waive the defense per Government Code Section 911.2. The request for payment must be accompanied by a Board Resolution approving the payment and waiving the Government Code Section 911.2 defense." The 2018 memo also stated that if invoice is within a year, the invoice will be processed and paid if it is submitted with memo from Department Head.

Effect

Because of the amount of time that has lapsed, this expenditure may not be eligible for reimbursement.

Recommendation

We recommend EMD determine the amount of petty cash needed, and if needed, develop procedures to ensure the petty cash fund is replenished on a timely basis. EMD should also consider closing its petty cash account if the account is no longer needed.

Management Response

The employee was reimbursed in a timely manner. The request to reimburse the funds should have been completed sooner. The department's accounting staff has been extremely busy with COVID issues supporting Public Health and the businesses we regulate. At times it can take an hour or more to go to the bank to cash the Petty Cash reimbursement check due to lines, for \$32.79 this was a low priority.

The Petty Cash fund had been used more frequently prior to COVID, as we get back to 'normal' we will re-evaluate the need to the fund.

**COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT DEPARTMENT (EMD)
CHANGE OF CUSTODY ON MARCH 29, 2022
FINDINGS AND RECOMMENDATIONS**

2. Capital Asset

Condition

We compared EMD's capital asset list with Sacramento County Financial System (aka COMPASS) records. We noted that EMD's list had a capital assets total balance in amount of \$40,182.73 but COMPASS had a capital assets total balance in amount of totaled \$46,370.17. Therefore, we noted a difference of \$6,187.44 (\$40,182.73 - \$46,370.17) between EMD's record and COMPASS report. We noted that the \$6,187.44 difference was caused by one (1) capital asset, Hewlett Packard DL380 Gen 10 CTO Server, with an acquired value of \$6,187.44, which was not included in EMD's capital asset list.

We physically inspected all six (6) capital assets on COMPASS records including the Hewlett Packard DL380 Gen 10 CTO Server. We noted the all six (6) capital assets were in possession by EMD. Therefore, EMD did not record the Hewlett Packard DL380 Gen 10 CTO Server in its capital asset list.

Criteria:

All capital assets in possession of EMD should be on their capital asset list.

Effect:

Not having all assets in EMD's possession on asset list will make it difficult for EMD to track assets and make them vulnerable to theft or misappropriation.

Recommendation

We recommend EMD reconcile its capital asset listing with COMPASS record at least annually.

Management Response

During the Audit, the Senior Accounting Manager (SAM) pulled the Asset list from the FY21 Year End, which he forgot had a correction to the Asset record as the Asset in question had been expensed in error but given an asset tag and assigned an asset number. This error was corrected after the FY21 YE report used in the Change of Custody by the SAM but on the auditor's report ran at the time of the audit. Corrective Action is that we will take more time in reviewing the asset procedure and checking documents more closely at acquisition.

**COUNTY OF SACRAMENTO
ENVIRONMENTAL MANAGEMENT DEPARTMENT (EMD)
CHANGE OF CUSTODY ON MARCH 29, 2022
PRIOR FINDINGS AND RECOMMENDATIONS
CHANGE OF CUSTODY ON MARCH 24, 2017, DATED JUNE 17, 2017**

1. Capital Asset

Prior Recommendation:

We recommended EMD properly dispose obsolete and unused capital assets in accordance with the County of Sacramento's capital asset policy.

Current Status:

It appears that the prior recommendation has been implemented.

2. Capital Asset

Prior Recommendation:

We recommended EMD attach inventory tags to qualifying capital assets before they are placed into service.

Current Status:

It appears that the prior recommendation has been implemented. However, we noted another issue related to capital assets. See Finding #2 ATT 2, *Findings and Recommendations*.