

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

SHERIFF'S OFFICE
CENTRAL DIVISION
AGREED UPON PROCEDURES

CASH HANDLING REVIEW



Audit Committee Submittal Date: 11/09/2023

SUMMARY

Background

The Department of Finance (Finance) performed a cash handling review of the Sacramento County Sheriff's Office (Sheriff), Central Division (Division).

Audit Objective

Agreed upon procedures were performed to review the Division's cash receipts policies and procedures, observe and document how cash was received and accounted for within the Sacramento County Accounting System (COMPASS), counted the Division's unclassified cash on hand and verified balances of unclassified cash for the review period December 1, 2022, through December 31, 2022.

Summary

We noted the Division did not record the balance of the unclassified cash fund in COMPASS.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

October 23, 2023

Peter Aw-Yang, Assistant Treasurer
Department of Finance
County of Sacramento
700 H Street, Room 1710
Sacramento, CA 95814

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Mr. Aw-Yang:

We have performed the procedures enumerated below, and on page 2, which were agreed upon by you, regarding Sacramento County Sheriff's Office (Sheriff), Central Division (Division). These procedures were performed solely to evaluate the Division's cash handling control procedures for the period December 1, 2022 to January 12, 2023. 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.

Sheriff's management is responsible for maintaining sufficient cash handling controls. 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, and on page 2, 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 on page 2, and is not intended to pertain to any of Sheriff or the Division's other operations, procedures or compliance with laws and regulations.

Our procedures and findings are summarized as follows:

1. We reviewed the Division's cash handling policies and procedures, forms used for money receipts, and cash transaction reports, to identify concerns or internal control issues.

Result: We did not note an exception as a result of this procedure.

Peter Aw-Yang
Assistant Treasurer
October 23, 2023

2. We visited the Division's location to observe and document how cash was controlled, and perform a walkthrough of the cash handling process with the Division's staff.

Result: We noted that the Division did not record the balance of the unclassified fund in Sacramento County's Accounting System (COMPASS). In addition, the fund was not counted on a regular basis. See Finding #1 at ATT 2 – *Current Finding and Recommendation*.

3. We counted the Division's unclassified cash on hand on January 12, 2023, and compared the amount to documentation that supported the balance. See ATT 1 – *Summary of Imprest Cash*.

Result: We did not note any discrepancy between the amount counted and the amount per Division's documentation and the unclassified cash had no activities during our review period. However, we noted some concerns as described in the procedure #2 above. See ATT 1 – *Summary of Imprest Cash* and ATT 2 – *Current Finding and Recommendation*.

4. Followed up on status of prior recommendations.

Result: We noted that one of the two prior recommendations have not been implemented. See ATT 3 – *Current Status of Prior Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with the Standards for Attestation Engagements contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States of America. We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on Sheriff's cash balances, financial schedules, compliance, or results of our procedures previously referred to. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the results of our procedures referred to above and does not extend to Sheriff's or the Division's operations as a whole.

Sheriff's response to the finding identified during our procedures is described in ATT 2 - *Current Finding and Recommendation*. We did not perform procedures to validate Sheriff's response to the finding and, accordingly, we do not express an opinion on the response to the finding.

Peter Aw-Yang
Assistant Treasurer
October 23, 2023

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and Sacramento County Sheriff's Office. 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.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments

- ATT 1 – *Summary of Imprest Cash*
- ATT 2 – *Current Finding and Recommendation*
- ATT 3 – *Current Status of Prior Recommendations*

SACRAMENTO COUNTY SHERIFF'S OFFICE
FIELD AND INVESTIGATIVE SERVICES
CENTRAL DIVISION
CASH HANDLING REVIEW
FOR THE PERIOD DECEMBER 1, 2022 TO JANUARY 12, 2023

SUMMARY OF IMPREST CASH

IMPREST CASH

<u>Amount as of January 12, 2023</u>	<u>Amount Counted</u>	<u>Amount Per COMPASS</u>	<u>Variance</u>
Unclassified Cash	\$ 2,724.30	0.00	2,724.30 ⁽¹⁾

- ⁽¹⁾ Cash on hand balance is not recorded in Sacramento County Accounting System (COMPASS). See ATT 2 - *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO
FIELD AND INVESTIGATIVE SERVICES
CENTRAL DIVISION
CASH HANDLING CONTROL REVIEW
FOR THE PERIOD DECEMBER 1, 2022 TO JANUARY 12, 2023

CURRENT FINDING AND RECOMMENDATION

1. Cash on Hand - Unclassified Funds

Condition:

Sheriff's Office Central Division (Division) has cash on hand reported as unclassified funds. These funds are designated for investigative purposes. This fund operates similar to an imprest account. However, during our review of Division's cash handling procedures, we noted that the fund balance is not recorded in the Sacramento County Accounting System (COMPASS).

Rather than establishing an imprest fund account, the Division obtained the funds by making a single expenditure claim.

We also noted that the fund was only counted every six to 12 months when there was no activity of the funds.

Criteria:

All cash funds on hand and expenditure activities should be accounted for in COMPASS for accurate financial reporting and transparency. In addition, in accordance with Sacramento County Policy #1003, the funds should be counted and reconciled to COMPASS monthly at a minimum even when there are no activities to prevent and detect any theft or misappropriation.

Effect:

Not recording the Division's unclassified fund balance in COMPASS or not counting the funds on a regular basis could result in theft and/or misappropriation of the funds without being detected in a timely manner. It will also result in misstatement of financial statements.

Recommendation:

We recommend the Division establish an imprest cash account in COMPASS to account for the unclassified funds, replenish the funds once a year at a minimum, and properly record the expenditure activities of unclassified funds in COMPASS.

In addition, we recommend the Division count the funds, and reconcile the balance and activities of the unclassified funds to COMPASS once a month at a minimum to resolve any discrepancies and prevent/detect any theft or misappropriation in a timely manner.

COUNTY OF SACRAMENTO
FIELD AND INVESTIGATIVE SERVICES
CENTRAL DIVISION
CASH HANDLING CONTROL REVIEW
FOR THE PERIOD DECEMBER 1, 2022 TO JANUARY 12, 2023

CURRENT FINDING AND RECOMMENDATION

Management Response:

We partially agree with the auditor's recommendation.

We agree that an imprest cash account in compass should be established to record the unclassified funds balance. We will work with Department of Finance to set up this account. We will make annual entries to record activity and ensure the balance in compass reconciles to the balance of unclassified funds on hand.

We do not agree with a minimum replenishment recommendation. Due to the nature of the funds, it is not always necessary to replenish or add funding. The funds are used for payment to informants for information and completed work, purchases of drugs or contraband from criminal suspects, and other necessary investigative expenses. More times than not an arrest is made and funds are returned. Therefore, in order to be responsible stewards of the funds and to not let the balance grow too large, we will continue current practices and replenish the funds only when necessary for operations.

We do not agree with reconciling the unclassified funds to compass on a monthly basis. After consulting with the Department of Finance, an annual entry to record activity and ensure the balance in compass reconciles to the balance in the safe(s) would be sufficient and consistent with other internal processes. Currently, ledgers are reconciled to the safe balance(s) on a monthly basis. Quarterly, there is an audit and cash count done by the Division Budget Coordinator and Executive Officer. Annually, there is a report submitted to the Sheriff's Fiscal Bureau by the Division Budget Coordinator and an internal Audit and cash count is performed by Fiscal staff.

SACRAMENTO COUNTY SHERIFF'S OFFICE
FIELD AND INVESTIGATIVE SERVICES
CENTRAL DIVISION
CASH HANDLING REVIEW
FOR THE PERIOD DECEMBER 1, 2022, TO JANUARY 12, 2023

CURRENT STATUS OF PRIOR RECOMMENDATIONS

**FROM THE PRIOR CASH HANDLING REVIEW REPORT
FOR THE PERIOD SEPTEMBER 1, 2015 TO NOVEMBER 30, 2015,
DATED MARCH 23, 2016**

1. Check Endorsement

Prior Recommendation

We recommended the Sheriff's Office Central Division (Division) restrictively endorse checks immediately upon receipt.

Current Status

It appeared the recommendation has been implemented.

2. Cash on Hand – Unclassified Fund

Prior Recommendation

We recommended the Division record its unclassified funds expenditures in COMPASS in the year they were incurred. We also recommended Division record its unclassified funds balances in COMPASS, reconcile its unclassified funds activities to the amounts recorded in COMPASS, and note and investigate any discrepancies in a timely manner.

Current Status

The recommendation has not been implemented. See Finding #1 at ATT 2 – *Current Findings and Recommendations*.