

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**  
**CASH HANDLING REVIEW**  
**AGREED UPON PROCEDURES**  
**FOR THE PERIOD DECEMBER 2022**  
**THROUGH MAY 2023**

**DEPARTMENT OF TRANSPORTATION**



**Audit Committee Submittal Date: 10/19/2023**

## **SUMMARY**

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### **Background**

The Department of Finance performed a cash handling review of the Sacramento County Department of Transportation (DOT).

### **Audit Objective**

Agreed upon procedures were performed to evaluate DOT's cash handling control procedures for the period December 2022 through May 2023.

### **Summary**

We noted exceptions related to DOT's segregation of duties over cash handling procedures, timing of cash receipt deposits, and cash receipt supporting documentation.

**Department of Finance**

Chad Rinde  
Director



**County of Sacramento**

**Divisions**

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

August 2, 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:

At your request, we have performed the procedures enumerated below, and on page 2, which were agreed upon by the County of Sacramento (County) and the Department of Transportation (DOT). These procedures were performed solely to evaluate DOT's cash handling control procedures for the period December 2022 through May 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.

DOT'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 DOT's other operations, procedures or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

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Result: We noted several exceptions as described in items # 2 and 4. See ATT 2 – *Current Findings and Recommendations*.

2. We visited DOT's cashiers on an unannounced basis on May 17, 2023 and observed and documented how the cashiers handled cash received, and performed a walkthrough of the cash receipt process with cashiers to identify any internal control issues or non-compliances with the County's and/or DOT's cash receipt policies and procedures.

Result: We noted an exception related to segregation of duties. See ATT 2 - *Current Findings and Recommendations*.

3. There were no cash receipts on hands on the date of performance of our cash counts. However, we inspected a sample of DOT's daily cash receipts selected from cash receipt log to verify transaction receipts were provided and correct amounts were charged to customers. We also traced the receipt amounts to the supporting documentation and confirmed deposits to County's financial system (COMPASS).

Result: The daily cash receipt amounts per the log agreed to COMPASS; however, we noted exceptions related to timing of cash deposits and cash receipt supporting documentation. See ATT 2 - *Current Findings and Recommendations*.

4. We performed an unannounced cash count on DOT's imprest cash and traced the imprest cash on hand to the authorized amounts posted in COMPASS. There were no daily cash receipts on hand on the date of performance of our cash count.

Result: We did not note any exceptions as a result of this procedure.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on DOT'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 DOT's operations as a whole.

DOT's response to the findings identified during our engagement are described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DOT's responses to the findings and accordingly, we do not express an opinion on the responses to the findings.

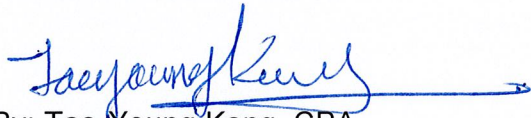
This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, Sacramento County Treasurer and DOT's management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this

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restriction is not intended to limit distribution of this report, which is a matter of public record.

Sincerely,

CHAD RINDE  
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA  
Audit Manager

Attachments:

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

COUNTY OF SACRAMENTO  
DEPARTMENT OF TRANSPORTATION  
CASH HANDLING REVIEW  
SUMMARY OF DEPOSITS AND IMPREST CASH  
FOR THE PERIOD DECEMBER 2022 THROUGH MAY 2023

Imprest Cash Counted on May 17, 2023

<u>Petty Cash</u>	<u>Amount Authorized</u>	<u>Amount Counted</u>	<u>Variance</u>
Finance & Administration	\$ 350.00	350.00	0.00
Maintenance & Operations	350.00	350.00	0.00
<b>Total</b>	<b>\$ 700.00</b>	<b>700.00</b>	<b>0.00</b>

Cash Receipts Tested <sup>1</sup>

<u>Deposit Permit Number</u>	<u>Deposit Date</u>	<u>Amount <sup>2</sup> Tested</u>	<u>Amount Posted in COMPASS</u>	<u>Exception</u>
1300825159	12/22/2022	\$ 184.36	184.36	184.36 <sup>4</sup>
1300825959	1/4/2023	8,208.89	8,208.89	8,208.89 <sup>3, 5</sup>
1300828983	2/9/2023	286.44	286.44	286.44 <sup>4</sup>
1300830673	3/3/2023	425.06	425.06	425.06 <sup>5</sup>
1300832664	3/29/2023	220.90	220.90	220.90 <sup>4, 5</sup>
1300834234	4/17/2023	160.57	160.57	160.57 <sup>4, 5</sup>
1300834904	4/25/2023	914.26	914.26	914.26 <sup>4</sup>

<sup>1</sup> There were no cash receipts on hand on the date of our cash count, May 17, 2023; therefore, we selected a sample of cash receipts from cash receipt log and traced to Sacramento County's financial system (COMPASS).

<sup>2</sup> These amounts were selected from cash receipt log.

<sup>3</sup> A copy of check was not maintained. See Finding #3 at ATT 2 - *Current Findings and Recommendations*.

<sup>4</sup> Proper supporting documentation was not maintained. See Finding #3 at ATT 2 - *Current Findings and Recommendations*.

<sup>5</sup> Deposit was not made to Sacramento County Treasury within seven (7) days of receipt. See Finding #2 at ATT 2 - *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO  
DEPARTMENT OF TRANSPORTATION  
CASH HANDLING REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD DECEMBER 2022 THROUGH MAY 2023

**1. Segregation of Duties in Cash Handling**

Condition

During our walkthrough procedure of cash handling process, we noted that Department of Transportation (DOT) did not have proper segregation of duties in cash handling process. We noted the same employee is receiving cash and checks, entering the receipts into a log, entering the deposits into Sacramento County's financial system (COMPASS), and creating deposit permits for submission to Sacramento County Treasury.

Criteria

Staff receiving daily cash receipts should be different from staff preparing daily deposits and reconciling the daily receipts.

Effect

Giving an employee both custodial and record-keeping responsibilities for the same asset creates a significant internal control weakness. Improper segregation of duties can lead to theft or misappropriation of funds.

Recommendation

We recommend DOT establish and implement policies and procedures related to segregation of duties in cash handling process. Staff receiving daily cash receipts should be different from staff preparing daily deposits and reconciling the daily receipts.

Management Response

We agree with this finding. We have updated our Check Deposits Procedures in which two employees are assigned for the check handling process. Account Clerk II receives checks and enters checks in the Check Log, and Sr. Account Clerk prepares deposit permit and reconciles daily receipt.

**2. Timing of Cash Receipt Deposits**

Condition

Based on our testing of a sample of seven (7) check receipts selected from DOT's check log, we noted that DOT did not deposit four (4) cash receipts to the Sacramento County Treasury within seven (7) days following receipt as required by Sacramento County Charter Article VIII, Section 39.

COUNTY OF SACRAMENTO  
DEPARTMENT OF TRANSPORTATION (DOT)  
CASH HANDLING REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD DECEMBER 2022 THROUGH MAY 2023

Criteria

According to Sacramento County Charter Article VIII, Section 39, *“Every county or township officer, board or commission, authorized to collect fees or money must pay into the county treasury all such fees or moneys collected by him or them, as the case may be, not later than seven (7) days following receipt thereof.”*

Effect

DOT is not compliant with Sacramento County Charter Article VIII, Section 39. Untimely deposits create opportunities for mishandling or loss of funds that may not be detected in a timely manner.

Recommendation

We recommend DOT deposit its cash receipts within 7 days following receipt. Furthermore, we recommend DOT update its policies and procedures accordingly.

Management Response

We disagree with this finding. Sacramento County Charter Article VIII, Section 39 states that the Sacramento County Charter requires deposits into the treasury be processed within 7 days. However, when you read that Charter it states that is a requirement for those who are authorized to collect fees or money. Our checks often arrive in the mail with no supporting documentation or reference. The determination of our authorization to collect the money is often a delay due to pending information from the responsible party(s). It could take days or weeks to determine our authorization to collect the money and obtain proper coding for the deposit. There have been instances that we even returned checks to senders due to uncertainty or forwarded checks to proper departments if they were erroneously sent to us. Our argument is that once we determine if we are authorized to collect the fees or money and obtain proper coding, we do process within 7 days. To clarify this, we have updated our Check Deposits Procedures in which an explanation is required to enter in the Check Log if deposits cannot be processed within 7 days.

**3. Cash Receipt Supporting Documentation**

Condition

Based on our testing of a sample of seven (7) check receipts selected from DOT's check log, we noted that one (1) receipt was missing a copy of the check and five (5) receipts were missing supporting documentation such as invoices. As such, we were not able to determine the correct amounts were received for those receipts and what for.



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CASH HANDLING REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD DECEMBER 2022 THROUGH MAY 2023

Criteria

DOT's check deposit procedures require a copy of the check and the supporting documentation to be maintained along with deposit permit.

A copy of the check should be maintained to resolve any issues that may occur after deposit. In addition, the amounts received should be compared to the proper supporting documentation to verify that correct amounts were received.

Effect

Not maintaining a copy of check and/or proper supporting documentation may create difficulty resolving any issues occurring after deposit, such as payments of incorrect amount or fraudulent activities in intercepted checks.

Recommendation

We recommend DOT follow its' check deposit policies and procedures and maintain copies of checks and the supporting documentation such as invoices for all cash receipts.

Management Response

Our updated procedures state that we do not need to maintain a copy of the check as entering check information in the Check Log is adequate. Please note that many of the checks we receive cannot be copied due to security elements built into the check. Regarding the supporting documentation, we will make sure to attach proper documents to match the check amount when parking the deposit permit.

COUNTY OF SACRAMENTO  
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CURRENT STATUS OF PRIOR RECOMMENDATION  
FOR THE PERIOD DECEMBER 2022 THROUGH MAY 2023

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD  
JULY 1, 2014 TO SEPTEMBER 24, 2015, DATED NOVEMBER 3, 2015**

1. **Petty Cash**

Prior Recommendation

We recommend Department of Transportation (DOT) to follow their procedures and have all custodians maintain and record log vouchers on a petty cash log. We further recommended DOT review its procedures and update if necessary.

Current Status

It appears the prior recommendation has been implemented.