

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

CASH HANDLING REVIEW
AGREED UPON PROCEDURES
FOR THE MONTHS MAY AND JUNE 2023

AGRICULTURAL COMMISSIONER/SEALER
OF WEIGHTS & MEASURES



Audit Committee Submittal Date: 02/15/2024

SUMMARY

Background

The Department of Finance performed a cash handling review of the Sacramento County Agricultural Commissioner/Sealer of Weights & Measures (Agricultural Commissioner).

Audit Objective

Agreed upon procedures were performed to evaluate the Agricultural Commissioner's cash handling control procedures for the months May and June 2023.

Summary

Based on our procedures, we noted several exceptions related to the Agricultural Commissioner's internal controls over cash handling process.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

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

January 25, 2024

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 by you for the Sacramento County (County), Agricultural Commissioner/Sealer of Weights & Measures (Agricultural Commissioner). These procedures were performed solely to evaluate the Agricultural Commissioner's cash handling control procedures for the months of May and June 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.

The Agricultural Commissioner'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 the procedures referred to below, and on page 2, and is not intended to pertain to any of the Agricultural Commissioner's other operations, procedures or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

Result: We noted several exceptions as described in procedures #2 through 5. See ATT 2 – *Current Findings and Recommendations*.

2. We visited the Agricultural Commissioner’s cashiers on an unannounced basis 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 issue or non-compliance with the County’s and/or the Agricultural Commissioner’s cash receipt policies and procedures.

Result: We noted several exceptions as a result of this procedure. See ATT 2 - *Current Findings and Recommendations*.

3. We inspected a sample of the Agricultural Commissioner’s daily cash receipts to verify transaction receipts were provided to customers, correct amounts were charged, and cash receipts were properly safeguarded.

Result: We noted several exceptions as a result of this procedure. See ATT 2 - *Current Findings and Recommendations*.

4. We performed an unannounced cash count at the Agricultural Commissioner’s operational location and traced revenues counted to reconciliation schedules and confirmed deposits to Sacramento County’s financial system (COMPASS).

Result: We noted several exceptions as a result of this procedure. See ATT 2 - *Current Findings and Recommendations*.

5. We performed an unannounced cash count on the Agricultural Commissioner’s imprest cash and traced the imprest cash on hand to the authorized amounts posted in COMPASS.

Result: We noted several exceptions as a result of this procedure. See ATT 2 – *Current Findings and Recommendations*.

This agreed-upon 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 the Agricultural Commissioner’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 the Agricultural Commissioner’s operations as a whole.

Peter Aw-Yang, Assistant Treasurer
January 25, 2024

The Agricultural Commissioner'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 the Agricultural Commissioner'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 the Agricultural Commissioner'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.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachments:

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

COUNTY OF SACRAMENTO
 AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
 CASH HANDLING REVIEW
 SUMMARY OF IMPREST CASH AND CASH RECEIPTS

FOR THE MONTHS MAY AND JUNE 2023

Imprest Cash

<u>Petty Cash</u>	<u>Amount Authorized</u>	<u>Amount Counted</u>	<u>Variance</u>
Petty Cash	\$ 1,340.00	1,340.00	0.00
Change Fund	60.00	60.00	0.00
Total	<u>\$ 1,400.00</u>	<u>1,400.00</u>	<u>0.00</u>

Cash Receipts Tested

<u>Deposit Permit Number</u>	<u>Deposit Date</u>	<u>Amount Tested</u>	<u>Amount Posted in COMPASS</u>	<u>Exception</u>
1300839496 ¹	6/21/2023	\$ 9,816.65	9,816.65	104.00 ^{3, 4, 5}
1300837773 ²	5/31/2023	1,818.60	4,704.00	30.00 ³

¹ Cash receipts on hand on the date of our cash count of June 22, 2023. Tested all 18 customer transactions from deposit.

² Tested six (6) of 18 customer transactions from deposit.

³ A check was not restrictively endorsed upon receipt during fieldwork. See Finding #3 at ATT 2 - *Current Findings and Recommendations*.

⁴ Two (2) cash receipts were not deposited to Sacramento County Treasury within seven (7) days of receipt. See Finding #5 at ATT 2 - *Current Findings and Recommendations*.

⁵ A copy of customer register receipt was not maintained. See Finding #4 at ATT 2 - *Current Findings and Recommendations*.

See Independent Accountant's Report on Applying Agreed-Upon Procedures

COUNTY OF SACRAMENTO
AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

1. Check Control Log

Condition

During our review, we noted that Agricultural Commissioner/Sealer of Weights & Measures (Agricultural Commissioner) did not maintain check control logs for checks received through the mail, therefore, no subsequent reconciliation was performed on the number of mailed checks received to weekly deposits. As such, we were not able to determine which checks were received through the mail and whether any were missing. This is a repeat finding from prior review.

Criteria

Staff receiving daily cash receipts should log checks received through the mail on check control logs and reconcile the amounts from check control logs to deposits to account for all mailed checks received.

Effect

The absence of check control logs creates opportunities for mishandling or losses of funds that may go undetected.

Recommendation

We recommend the Agricultural Commissioner establish and implement internal controls over its check handling process to maintain check controls logs for checks received through the mail and perform weekly reconciliations from check control logs to deposits.

Management Response

The Agricultural Commissioner has created a Check Control Log and will update our Cash Handling Procedures to log all incoming checks received through the mail and shall reconcile the check control log to the weekly deposit.

2. Field Inspection Receipt Book Reconciliation

Condition

During our testing of cash receipts, we noted that logs of receipts issued from field inspection receipt books were not updated or reconciled to weekly deposits. This is a repeat finding from prior review.

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AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

Criteria

Staff preparing the weekly deposits should update receipt logs, reconciling receipts from field inspection receipt books to weekly deposits to detect any discrepancies between receipts issued to deposits in a timely manner.

Effect

Not updating receipt logs and reconciling to weekly deposits may allow discrepancies between cash receipts and deposits not being detected and resolved in a timely manner.

Recommendation

We recommend the Agricultural Commissioner update its cash handling procedures over field inspection receipt book reconciliation process requiring timely update of receipt logs, reconciliation of the logs to weekly deposits, and performance of timely investigation of any discrepancies.

Management Response

The Agricultural Commissioner has a receipt log but has not been updating it on a weekly basis. The Agricultural Commissioner will update its Cash Handling Procedures requiring an update to the receipt log on a weekly basis and the reconciliation of the receipt log with the weekly deposit.

3. Field Inspector Check Endorsement Control

Condition

During our testing of cash receipts, we selected 24 customer transactions from two (2) deposit permits. We noted two (2) checks accepted by field inspectors were not restrictively endorsed upon receipt.

Criteria

Checks should be restrictively endorsed upon receipt to place a higher degree of security on them and prevent checks from being deposited or cashed by unauthorized individuals.

Effect

Not restrictively endorsing checks upon receipt creates opportunities for thefts and unauthorized individuals depositing or cashing them.

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AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

Recommendation

We recommend the Agricultural Commissioner establish and implement internal controls over check endorsement in the field and provide field inspectors with endorsement stamps to restrictively endorse checks upon receipt.

Management Response

The Agricultural Commissioner has procured endorsement stamps for relevant field inspectors.

4. Cash Receipt Supporting Documentation

Condition

Based on our testing of cash receipts, we noted that one customer's register receipt was not copied as part of supporting documentation as required by the Agricultural Commissioner's Cash Handling Procedures.

Criteria

According to the Agricultural Commissioner's Cash Handling Procedures, copies of register receipts and supporting documentation should be maintained for the purpose of preparing weekly deposits.

Effect

Not maintaining copies of customer register receipts as part of supporting documentation may create issues during or after deposit, such as incorrect amounts charged to customers or received by the Agricultural Commissioner.

Recommendation

We recommend the Agricultural Commissioner enforce its Cash Handling Procedures on its cashiering staff requiring them to maintain all supporting documentation including customer register receipts, to ensure accurate amounts charged to customers and received by the Agricultural Commissioner.

Management Response

The Cash Handling Procedures to ensure copies of supporting documentation and customer register receipts are maintained, will be reiterated to cashiering staff.

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AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

5. Timing of Cash Receipt Deposits

Condition

Based on our testing of 24 cash receipts, we noted the Agricultural Commissioner did not deposit two (2) cash receipts to the Sacramento County Treasury within seven (7) days following receipt as required by Sacramento County Charter Article VIII, Section 39.

In addition, although the Agricultural Commissioner cross trained its staff to prepare deposits, it did not rotate deposit duties among the staff. This is a repeat finding from prior review.

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

The Agricultural Commissioner was 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 the Agricultural Commissioner update its policies and procedures to include the timing of cash receipt deposits consistent with Sacramento County Charter Article VIII, Section 39.

The Agricultural Commissioner should deposit its cash receipts within seven (7) days following receipt.

Management Response

The Agricultural Commissioner will update its Cash Handling Procedure to specifically state that all cash receipts shall be deposited with the County Treasury no later than seven (7) days following receipt.

Additionally, it was noted in the finding that deposit duties are not rotated among staff. Please note that the Agricultural Commissioner does not have the staffing capabilities to rotate this duty. The Agricultural Commissioner’s Administrative Services Officer

COUNTY OF SACRAMENTO
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CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

(ASO) II is capable of preparing the deposit when our Account Technician (AT) is unavailable, but in order to maintain checks and balances, the ASO II's main duty will be to review the deposit after it has been prepared by the AT.

6. Petty Cash Authorization

Condition

During our testing of petty cash, we sampled 15 of 29 vouchers for testing and noted that 13 of 15 vouchers did not indicate prior supervisor approvals were obtained before making purchases.

The Agricultural Commissioner's staff stated when obtaining a prior written approval is not practical during field assignments, a verbal approval is obtained over the phone prior to making any purchases. However, no evidence of verbal approval was documented.

This is a repeat finding from prior review.

Criteria

The Agricultural Commissioner's Cash Handling Procedures require prior supervisor approval before making any purchases.

Effect

Without prior supervisor approvals, unauthorized petty cash purchases could be made.

Recommendation

We recommend the Agricultural Commissioner enforce its Cash Handling Procedures on its cashiering staff requiring prior supervisor approvals before making purchases. We further recommend the Agricultural Commissioner update the Procedures requiring approving officials to document any verbal approvals when necessary due to any unforeseen circumstances.

Management Response

The Agricultural Commissioner requires prior approval by Supervisors of all purchases. The Agricultural Commissioner has updated its Petty Cash Form and will ensure that all documentation is completed accurately.

COUNTY OF SACRAMENTO
AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

7. Petty Cash Reconciliation

Condition

The Agricultural Commissioner maintained authorized petty cash in the amount of \$1,340. According to the Agricultural Commissioner's Cash Handling Procedures, petty cash fund is reconciled on an as needed basis rather than monthly as required by Sacramento County Change and Imprest Cash Funds Policy (Policy #1003).

In addition, during our walkthrough of petty cash process, we noted that the Agricultural Commissioner reconciled its petty cash quarterly when replenishing the fund.

Criteria

According to Policy #1003, *"All funds shall be reconciled at least once each month and when the fund is replenished, a copy of the reconciliation shall be submitted with the claim for replenishment."*

Effect

The Agricultural Commissioner is not in compliance with Policy #1003. Not performing monthly reconciliations of petty cash fund may create challenges when replenishing funds, related to variances, thefts, and errors.

Recommendation

We recommend the Agricultural Commissioner update Cash Handling Procedures to perform petty cash reconciliation monthly at a minimum to comply with Policy #1003 and maintain accurate records by early detection of any errors or misappropriations.

Management Response

The Agricultural Commissioner has implemented a monthly reconciliation of its Petty Cash by the ASO II and will update its Cash Handling Procedure.

8. Repeat Findings

Condition

During our review, we noted that Findings #1, 2, 3, 5, and 6 of this attachment are repeat findings from the prior review, see ATT 3 – *Current Status of Prior Findings and Recommendations*.

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CASH HANDLING REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

Criteria

Proper internal controls indicate these findings should be resolved in a timely manner.

Effect

Not implementing prior review recommendations may not enable the Agricultural Commissioner's ability to mitigate its control risk over cash handling; therefore, exposing it to future cash loss.

Recommendation

We recommend the Agricultural Commissioner implement all recommendations in this attachment in a timely manner.

Management Response

In addition to the Management Responses of the findings above, the Agricultural Commissioner will implement an internal control to conduct a review of the updated Cash Handling Procedure with all relevant staff immediately, and will conduct this review with staff on a yearly basis (or as needed); specifically ensuring that all Cash Handling procedures are being followed.

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CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE PERIOD
JULY 1, 2012 TO AUGUST 8, 2012, DATED AUGUST 13, 2012**

1. Overage/Shortage Deposit Procedure

Prior Recommendation

We recommended the Agricultural Commissioner/Sealer of Weights & Measures (Agricultural Commissioner) post the shortages to the over and short account in COMPASS and make whole and complete deposits. We also recommended the Agricultural Commissioner maintain an over and short log for its own records and update its policies and procedures to reflect these changes.

Current Status

It appears that our recommendation has been implemented.

2. Check Endorsement Control

Prior Recommendation

We recommended the Agricultural Commissioner restrictively endorse checks immediately when they are received in order to prevent unauthorized personnel from depositing or cashing them.

Current Status

It appears the prior recommendation has not been implemented. See Finding #3 on ATT 2 – Current Findings and Recommendations.

3. Check Control Log

Prior Recommendation

We recommended the Agricultural Commissioner implement internal controls over its check handling process. Staff that opens the mail and separates the checks should be different from staff that prepares the check control logs. We further recommended that another staff member independent of check log preparation process verify check control logs to deposits before submission to the County Treasury.

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CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

Current Status

It appears the prior recommendation has been partially implemented. See Finding #1 on ATT 2 – *Current Findings and Recommendations*.

4. Cash Payments Through Mail

Prior Recommendation

We recommended the Agricultural Commissioner notify and discourage customers from sending cash payments by mail.

Current Status

It appears the prior recommendation has been implemented.

5. Fee Schedule

Prior Recommendation

We recommended the Agricultural Commissioner post fee schedules at its offices and on their website. In addition, the Agricultural Commissioner should update the fee schedule whenever fees are changed.

Current Status

It appears the prior recommendation has been implemented.

6. Field Inspection Receipt Book Reconciliation

Prior Recommendation

We recommended the Agricultural Commissioner reconcile its receipt books. We further recommended that any discrepancies noted between receipt books and deposits be investigated.

Current Status

It appears the prior recommendation has not been implemented. See Finding #2 on ATT 2 – *Current Findings and Recommendations*.

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AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

7. Field Inspection Cash Change

Prior Recommendation

We recommended the Agricultural Commissioner request its inspectors not to use their personal funds for conducting any transactions for the Agricultural Commissioner. Additionally, we recommended the Agricultural Commissioner implement a policy whereby checks are the only form of payment allowed to be acceptable by inspectors who perform services in the field.

Current Status

It appears that the Agricultural Commissioner's inspectors no longer use personal funds for change purposes. Cash payments are still accepted when exact change is available. Therefore, this issue is considered to be resolved.

8. Timely Deposit Control

Prior Recommendation

We recommended the Agricultural Commissioner cross train its staff to prepare deposits. In addition, we recommended the Agricultural Commissioner regularly rotate deposit duties to prevent one staff member from being responsible for deposits for an extended period of time.

Current Status

It appears the prior recommendation has been partially implemented. See Finding #5 on ATT 2 – *Current Findings and Recommendations*.

9. Written Policies and Procedures

Prior Recommendation

We recommended the Agricultural Commissioner review its written policies and procedures regularly and update them when changes occur.

Current Status

It appears the prior recommendation has been partially implemented. Although the Agricultural Commissioner updated its policies and procedures based on our prior recommendation, we noted some cash handling process requiring procedural update during our current review.

COUNTY OF SACRAMENTO
AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES
CASH HANDLING REVIEW
CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE MONTHS MAY AND JUNE 2023

10. Petty Cash Authorization

Prior Recommendation

We recommended the Agricultural Commissioner follow its written procedures for petty cash purchases and require management's approval before any purchases are made. In addition, the Agricultural Commissioner should not reimburse any petty cash purchase without management's prior approval.

Current Status

It appears the prior recommendation has been partially implemented. See Finding #6 on ATT 2 – *Current Findings and Recommendations*.