



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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April 11, 2018

Mr. Devon Bell, Sheriff
Placer County Sheriff's Office
2929 Richardson Drive
Auburn, CA 95603

Re: Transfer of Accountability of Assets Follow-up Review

Dear Sheriff Bell:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Transfer of Accountability of Assets Review for the Sheriff's Office (Office). The objective of our procedures was to determine how recommendations from our previous review were implemented to strengthen internal controls over the Office's processes related to the accountability of assets. Our procedures included inquiries of Office personnel along with reviews of supporting documentation relating to our recommendations in our original report and how recommendations were utilized along with actions taken.

The following is a summary of our observations and recommendations along with the Office's response from the previous report dated June 27, 2017, which is then followed by the status of the Office's implementation of our recommendations.

Outside Bank Accounts

During our review of the outside bank account associated with the Sheriff's Office, we noted the following:

1. The Bail Trust account held with Umpqua Bank was established with the County's Tax ID number as the owner of the account but the account and its activity is not recorded in the County's accounting system (PAS).
2. The Placer Special Investigation Unit's (SIU) three bank accounts, held with Wells Fargo Bank, were all established using the County's Tax ID number as the owner of the accounts. In addition, they are not recorded in PAS. We also determined the activity in these three accounts do not relate to official County business, but rather that of the SIU,

which is a multi-agency collaborative task force with participating agencies from the various law enforcement agencies of Placer County.

3. The Inmate Welfare and Bail Trust accounts with Umpqua Bank and the Sheriff Explorer-Auburn account with Bank of America, which all use the County's Tax ID number as the account's owner, do not have the County's Treasurer Tax-Collector listed as a designated signer on the account's signature card. This has always been a requirement of the Treasurer-Tax Collector's Office for all County-owned outside bank accounts, although it was not previously documented in the County's *Accounting Manual for Cash*, but was recently added to Section 8.3.B of the policy during the most recent revision (May 2017).
4. The Placer County Sheriff's Reserve Association bank account with Sierra Central Credit Union is a separate entity from Placer County which has its own Tax ID number, but its account activity is currently being tracked in PAS.
5. Bank statement reconciliations for the Sheriff's Office's outside bank accounts are not regularly provided to the Auditor-Controller's Office within the required 30 days after the bank statement date as required by Section 8.3.1 of the *Accounting Manual for Cash*. During the nine month period of July 2016 – March 2017, the number of days reconciliations were submitted late ranged from 3 to 109 days.

We recommend the Sheriff's Office:

1. Work with the Auditor-Controller's Office to get a sub-GL account setup under GL 2265 (Restricted Agency Payable) and begin recording the Bail Trust account's activity within the Prisoners Welfare Trust (373/490) account within PAS.
2. Have the SIU obtain their own Tax ID number and update account records with Wells Fargo Bank to replace the County's Tax ID number with their own on all three SIU accounts.
3. Revise the signature cards for the Inmate Welfare and Bail Trust accounts with Umpqua Bank and the Sheriff Explorer-Auburn account with Bank of America to include the County's Treasurer-Tax Collector as a designated signer on these accounts. Additionally, going forward, we recommend the Sheriff's Office ensure that the Treasurer-Tax Collector is listed as a signer on all outside bank accounts using the County's Tax ID number.

4. Remove the Placer County Sheriff's Reserve Association's bank account balance from PAS and no longer use PAS to track the activity of that account.
5. Ensure all staff that prepare and provide bank reconciliations for any of the Sheriff's Office's outside bank accounts are aware of the requirements of Section 8.3.I of the *Accounting Manual for Cash* which requires reconciliations be provided to the Auditor-Controller's Office no later than 30 days after the bank statement date.

Sheriff's Office Response:

The Sheriff's Office agrees and understands the need for these recommendations. We have started the process of implementing all recommendations as stated above.

Status – Implemented and In Process

1. Implemented – The Sheriff's Office worked with the Auditor-Controller's Office and received approval to create a sub-GL under GL 2265 (Restricted Agency Payable) and began recording the Bail Trust account's activity within the Prisoner's Welfare Trust (373/490) account within PAS.

2. In Process – The Sheriff's Office submitted a Form SS-4 Application for Employer Identification Number (EIN) to the IRS on March 6, 2018 and received notice that an EIN had already been created for the Special Investigation Unit (SIU) on March 19, 2018. As such, the Sheriff's Office is working with the bank to update account records and replace the County's Tax ID with the SIU EIN.

3. In Process – The Sheriff's Office is working with Umpqua Bank to obtain updated signature cards, including the Treasurer-Tax Collector as a designated signer for the Inmate Welfare and Bail Trust accounts. The Sheriff's Office also received the Auditor-Controller's approval to close the Sheriff Explorer-Auburn account with Bank of America, as such it was unnecessary to include the Treasurer-Tax Collector as a designated signer on the account.

4. Implemented – The Sheriff's Office received the Auditor-Controller's approval to remove the Placer County Sheriff's Reserve Association's bank account balance from PAS, and subsequently processed a Journal to remove the account's balance in PAS.

5. In Process – The Sheriff's Office is not consistently providing outside bank account reconciliations to the Auditor-Controller's Office within 30 days of the bank statement date, as required by Section 8.3.I of the Accounting Manual for Cash. However, we did note an improvement during the six month period of July – December 2017, as the number of days reconciliations were submitted late ranged from 3 to 87, which was an improvement from the original report where the number of days reconciliations were submitted late ranged from 3 to 109.

Capital Assets

During our review of capital assets at the South Placer Jail, we determined equipment purchased during the construction phase of the building were not identified and separately capitalized from the building costs.

We recommend the Sheriff's Office work with the Auditor-Controller Office's Financial Reporting Unit and Facility Services to obtain the equipment descriptions and costs associated with all the equipment installed during the construction of the South Placer Jail, and ensure all items are separately stated in the capital asset records for the Sheriff's Office.

Sheriff's Office Response:

While the Sheriff's Office agrees all capital assets should be properly identified, recorded and capitalized over the duration of their specific anticipated service life, we do not feel as though this is a determination best made by the Sheriff's Office. We are happy to work with the Auditor's Office and Facility Services to identify separate capital assets within the facility, but we are unsure who should make the final determination of who "owns" the individual capital assets.

Status – In Process

The Sheriff's Office and the Auditor-Controller's Office are working with Facilities to implement this recommendation.

Employee Exit Checklist and Returned Property

The Sheriff's Office does not utilize any type of "employee exit checklist" or "returned property checklist", nor is there a central location/division that maintains the complete record of County property such as badges, firearms, tasers, phones, laptops, keys, fobs, etc. that are issued to each employee, thus making it difficult to ensure all property is returned upon separation of an employee.

Best practices recommend that employers utilize some form of an "employee exit checklist" to ensure all required exiting procedures such as disabling building, computers and confidential data access, along with some form of a "returned property checklist", to ensure that all County issued property is returned before an employee separates from the County.

Sheriff's Office Response:

The Sheriff's Office purchased software, Quartermaster, in 2016. Due to staffing shortages and other IT projects in dispatch, jail and records, the employee inventory project was temporarily placed on hold. Now, with the County's new financial system, Workday, having an employee inventory module, we plan to research which system will work best for the Sheriff's Office.

Status – Not Implemented

The Sheriff's Office is in the process of configuring the Quartermaster database software program to provide one location for tracking all items issued to Office employees and also began strategizing on the development of a standardized exit interview to ensure all issued items were collected when an employee leaves the Office. However, the Office postponed implementing the recommendation due to the implementation of other technological systems throughout the Office. The Office plans to implement the recommendation by September 2018.

The Office's responses to our recommendations identified in our original report dated June 27, 2017 are included above. We did not audit the responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Office's staff throughout the course of this review.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Nicole C. Howard', with a stylized, wavy flourish at the end.

Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Mark Giacomini, Administrative Services Manager, Sheriff's Office
Rosie Dreher, Supervising Accountant, Sheriff's Office
Placer County Audit Committee